

Exhibit E

EXECUTION VERSION

FINANCIAL GUARANTY INSURANCE COMPANY,
as Certificate Insurer,

MORGAN STANLEY MORTGAGE CAPITAL HOLDINGS LLC,
as Sponsor,

MORGAN STANLEY ABS CAPITAL I INC.,
as Depositor,

SAXON MORTGAGE SERVICES, INC.,
as Servicer,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Master Servicer and Securities Administrator

and

DEUTSCHE BANK NATIONAL TRUST COMPANY,
as Trustee

INSURANCE AND INDEMNITY AGREEMENT

Morgan Stanley ABS Capital I Inc. Trust 2007-NC4

Mortgage Pass-Through Certificates, Series 2007-NC4, Class A-1, Class A-2a, Class A-2b, Class
A-2c and Class A-2d Certificates

Dated as of June 20, 2007

TABLE OF CONTENTS

(This Table of Contents is for convenience of reference only and shall not be deemed to be part of this Insurance Agreement. All capitalized terms used in this Insurance Agreement and not otherwise defined shall have the meanings set forth in Article I of this Insurance Agreement.)

	<u>Page</u>
ARTICLE I DEFINITIONS	1
Section 1.01. <u>Defined Terms</u>	1
Section 1.02. <u>Other Definitional Provisions</u>	5
ARTICLE II REPRESENTATIONS, WARRANTIES AND COVENANTS	6
Section 2.01. <u>Representations and Warranties of the Sponsor, the Servicer and the Depositor</u>	6
Section 2.02. <u>Affirmative Covenants of the Sponsor, the Servicer and the Depositor</u>	11
Section 2.03. <u>Negative Covenants of the Servicer, the Sponsor and the Depositor</u>	17
Section 2.04. <u>Representations, Warranties and Covenants of the Certificate Insurer</u>	18
Section 2.05. <u>Representation of the Master Servicer and the Securities Administrator</u>	21
ARTICLE III THE POLICY; REIMBURSEMENT	21
Section 3.01. <u>Issuance of the Certificate Insurance Policy</u>	21
Section 3.02. <u>Payment of Fees and Premium</u>	23
Section 3.03. <u>Reimbursement Obligation</u>	23
Section 3.04. <u>Indemnification</u>	25
Section 3.05. <u>Payment Procedure</u>	28
Section 3.06. <u>Joint and Several Liability</u>	28
Section 3.07. <u>Subrogation</u>	28
ARTICLE IV FURTHER AGREEMENTS	29
Section 4.01. <u>Effective Date; Term of the Insurance Agreement</u>	29
Section 4.02. <u>Further Assurances and Corrective Instruments</u>	29
Section 4.03. <u>Obligations Absolute</u>	29
Section 4.04. <u>Assignments; Reinsurance; Third-Party Rights</u>	31
Section 4.05. <u>Liability of the Certificate Insurer</u>	31
ARTICLE V DEFAULTS AND REMEDIES	32
Section 5.01. <u>Defaults</u>	32
Section 5.02. <u>Remedies; No Remedy Exclusive</u>	33
Section 5.03. <u>Waivers</u>	34
ARTICLE VI MISCELLANEOUS	34
Section 6.01. <u>Amendments, Etc</u>	34
Section 6.02. <u>Notices</u>	35
Section 6.03. <u>Severability</u>	36
Section 6.04. <u>Governing Law</u>	37

Section 6.05.	<u>Consent to Jurisdiction</u>	37
Section 6.06.	<u>Consent of the Certificate Insurer</u>	38
Section 6.07.	<u>Counterparts</u>	38
Section 6.08.	<u>Headings</u>	38
Section 6.09.	<u>Trial by Jury Waived</u>	38
Section 6.10.	<u>Limited Liability</u>	38
Section 6.11.	<u>Entire Agreement</u>	38
Section 6.12.	<u>Offering Documents</u>	39

This INSURANCE AND INDEMNITY AGREEMENT (as may be amended, modified or supplemented from time to time, this "Insurance Agreement"), is dated as of June 20, 2007, by and among Financial Guaranty Insurance Company, as Certificate Insurer, Morgan Stanley Mortgage Capital Holdings LLC, as Sponsor, Morgan Stanley ABS Capital I Inc., as Depositor, Saxon Mortgage Services, Inc., as Servicer, Wells Fargo Bank, National Association, as Master Servicer and Securities Administrator and Deutsche Bank National Trust Company, as Trustee.

PRELIMINARY STATEMENT

The Pooling and Servicing Agreement, dated as of May 1, 2007 (as may be amended, modified or supplemented from time to time as set forth therein, the "Pooling and Servicing Agreement"), among the Sponsor, the Depositor, the Servicer, the Master Servicer, the Securities Administrator and the Trustee, provides for, among other things, the issuance of the Certificates. The Sponsor has requested that the Certificate Insurer issue and the Certificate Insurer is willing to issue a financial guaranty insurance policy (the "Certificate Insurance Policy") to guarantee payment of Insured Amounts (as defined in the Certificate Insurance Policy) to the Securities Administrator for the Trustee for the benefit of the Insured Certificateholders upon such terms and conditions as were mutually agreed upon by the parties and subject to the terms and conditions of the Certificate Insurance Policy. The Certificate Insurer shall be paid a Premium as set forth herein. Each of the Sponsor, the Depositor and the Servicer has undertaken certain obligations in consideration for the Certificate Insurer's issuance of its Certificate Insurance Policy. The parties hereto desire to specify the conditions precedent to the issuance of the Certificate Insurance Policy by the Certificate Insurer and to provide for certain other matters.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

Section 1.01. Defined Terms.

Unless the context clearly requires otherwise, all capitalized terms used but not defined herein shall have the respective meanings assigned to them in the Pooling and Servicing Agreement or, if not defined therein, in the Certificate Insurance Policy described below. In the event any capitalized term is defined both herein and in the Pooling and Servicing Agreement, the definition in this Insurance Agreement shall supercede. For purposes of this Insurance Agreement, the following words and phrases shall have the following meanings:

"Aggregate Reimbursement Amount" shall mean, as to any Distribution Date, the sum of (i) all amounts paid by the Certificate Insurer under the Certificate Insurance Policy which have not been previously reimbursed, (ii) all unpaid Premiums, (iii) all amounts due to the Certificate Insurer under the Pooling and Servicing Agreement and this Insurance Agreement and (iv) interest on the amounts described in clauses (i) through (iii) unpaid on prior Distribution Dates at the Late Payment Rate.

“Certificates” means the Morgan Stanley ABS Capital I Inc. Trust 2007-NC4 Mortgage Pass-Through Certificates, Series 2007-NC4, as issued pursuant to the Pooling and Servicing Agreement.

“Certificate Insurance Policy” means the Financial Guaranty Insurance Policy, Policy Number 07030039, together with all endorsements thereto, issued by the Certificate Insurer in favor of the Trustee for the benefit of the Insured Certificateholders.

“Certificate Insurer” means Financial Guaranty Insurance Company or any successor thereto, as issuer of the Certificate Insurance Policy.

“Certificate Insurer Financial Statements” has the meaning given such term in Section 2.04(j) of this Insurance Agreement.

“Certificate Insurer Information” means the information in the Offering Documents regarding the Certificate Insurer and the Certificate Insurance Policy, which consists solely of the information set forth under the captions “The Certificate Insurance Policy” and “The Certificate Insurer” in the Prospectus Supplement and the Free Writing Prospectus and the consolidated financial statements of the Certificate Insurer incorporated by reference into the Prospectus Supplement as of December 31, 2006 and December 31, 2005, and for each of the years in the three-year period ended December 31, 2006 and the unaudited consolidated financial statements of the Certificate Insurer as of March 31, 2007 and for the three month period ended March 31, 2007, as provided to the Depositor for inclusion in the Free Writing Prospectus and the Prospectus Supplement. The Certificate Insurer has provided the Certificate Insurer Information in connection with its role as credit enhancer, which consists solely of the obligation to pay claims, if any, under and in accordance with the express terms of the Certificate Insurance Policy.

“Closing Date” means June 20, 2007.

“Commission” means the United States Securities and Exchange Commission.

“Default” means any Event of Default or any event or circumstance, which results, or which with the giving of notice or the lapse of time or both would result, in an Event of Default.

“Depositor” means Morgan Stanley ABS Capital I Inc., in its capacity as Depositor.

“Documents” has the meaning given such term in Section 2.01(k) of this Insurance Agreement.

“Event of Default” means any event of default specified in Section 5.01 of this Insurance Agreement.

“Financial Statements” means with respect to the Servicer, its audited consolidating statements of financial condition of the Servicer, as of December 31, 2006 and December 31, 2005 and the consolidating statements of operations for the year ended December 31, 2006 and the year ended December 31, 2005, and its unaudited consolidating statement of financial condition and statement of operations for the period ended February 28, 2007.

“Fitch” means Fitch, Inc. and its successors in interest.

“Free Writing Prospectus” means the Free Writing Prospectus, dated as of June 13, 2007, in respect of the Certificates.

“Indemnification Agreement” means the indemnification agreement dated as of June 20, 2007 by and between the Certificate Insurer and the Underwriter.

“Insurance Agreement” has the meaning given such term in the initial paragraph hereof.

“Insured Certificateholder” has the meaning given such term in the Certificate Insurance Policy.

“Insured Certificates” means the Class A-1, Class A-2a, Class A-2b, Class A-2c and Class A-2d Certificates.

“Investment Company Act” means the Investment Company Act of 1940, including, unless the context otherwise requires, the rules and regulations thereunder, as amended from time to time.

“Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest publicly announced from time to time by Citibank, N.A. as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by Citibank, N.A.) plus 2.00%, and (ii) the then applicable highest rate of interest on the Insured Certificates and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates as determined by the Certificate Insurer. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days.

“Lien” means, as applied to the property or assets (or the income or profits therefrom) of any Person, in each case whether the same is consensual or nonconsensual or arises by contract, operation of law, legal process or otherwise: (a) any mortgage, lien, pledge, attachment, charge, lease, conditional sale or other title retention agreement, or other security interest or encumbrance of any kind or (b) any arrangement, express or implied, under which such property or assets are transferred, sequestered or otherwise identified for the purpose of subjecting or making available the same for the payment of debt or performance of any other obligation in priority to the payment of the general, unsecured creditors of such Person.

“Material Adverse Change” means, (a) in respect of any Person, a material adverse change, as determined by the Certificate Insurer, in the ability of such Person to perform its obligations under any of the Operative Documents to which it is a party, including any material adverse change in the business, financial condition, results of operations or properties of such Person on a consolidated basis with its subsidiaries which might have such effect and (b) with respect to the Transaction, a material adverse change in (i) the Trust Fund, taken as a whole (whether in respect of the value, marketability or enforceability thereof or otherwise) or (ii) the ability of the Certificate Insurer to liquidate to realize any of the benefits or security afforded under any of the Operative Documents.

“Moody’s” means Moody’s Investor Services, Inc., and its successor in interest.

"Offering Documents" means the Prospectus, dated February 22, 2007, as supplemented by the Prospectus Supplement (the "Prospectus Supplement"), dated June 19, 2007 relating to the offering of the Certificates, and shall be deemed to refer to and include any documents incorporated into the related Registration Statement by reference therein pursuant to Item 12 of Form S-3 under the Securities Act, the Free Writing Prospectus, including all annexes and schedules thereto, dated June 13, 2007, accompanying the Prospectus, relating to the offering of the Certificates and any other documents or materials prepared and distributed to investors in writing in connection with the marketing, offer and sale of the Certificates.

"Operative Documents" means this Insurance Agreement, the Certificates, the Pooling and Servicing Agreement, the Indemnification Agreement and the Representations and Warranties Agreement.

"Person" means an individual, joint stock company, trust, unincorporated association, joint venture, corporation, real estate investment trust, business or owner trust, partnership, limited liability company or other organization or entity (whether governmental or private).

"Premium" means, with respect to each Distribution Date, the premium payable in accordance with the Certificate Insurance Policy which shall be an amount equal to 1/12th of the product of (a) the Premium Rate and (b) the aggregate Class Certificate Balance of the Insured Certificates (prior to giving effect to any distributions of principal to be made on such Distribution Date).

"Premium Rate" shall mean 0.16% per annum.

"Rating Agencies" means any rating agency rating the Certificates on or after the Closing Date, including, as applicable, Moody's, S&P and Fitch.

"Registration Statement" means the Depositor's registration statement on Form S-3 relating to the Certificates, including any information included therein by reference.

"Regulation AB" shall mean Subpart 229.1100 – Asset Backed Securities (Regulation AB), 17 C.F.R. §§229.1100-229.1123, as such may be amended from time to time, and subject to such clarification and interpretation as have been provided by the Commission in the adopting release (Asset- Backed Securities, Securities Act Release No. 33-8518, 70 Fed. Reg. 1,506-1,631 (January 7, 2005)) or by the staff of the Commission, or as may be provided by the Commission or its staff from time to time.

"Restrictions on Transferability" means, as applied to the property or assets (or income or profits therefrom) of any Person, in each case whether the same is consensual or nonconsensual or arises by contract, operation of law, legal process or otherwise, any material condition to, or restriction on, the ability of such Person or any transferee therefrom to sell, assign, transfer or otherwise liquidate such property or assets in a commercially reasonable time and manner or which would otherwise materially deprive such Person or any transferee therefrom of the benefits of ownership of such property or assets.

"Securities Act" means the Securities Act of 1933, including, unless the context otherwise requires, the rules and regulations thereunder, as amended from time to time.

“Securities Exchange Act” means the Securities Exchange Act of 1934, including, unless the context otherwise requires, the rules and regulations thereunder, as amended from time to time.

“Securities Exchange Act Reports” means all Distribution Reports on Form 10-D, Current Reports on Form 8-K and Annual Reports on Form 10-K that are to be filed by the Depositor with respect to the Trust pursuant to the Securities Exchange Act.

“S&P” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., and any successor thereto.

“Transaction” means the transactions contemplated by the Operative Documents, including the transactions described in the Offering Documents.

“Trust” means Morgan Stanley ABS Capital I Inc. Trust 2007-NC4, a New York common law trust created pursuant to the Pooling and Servicing Agreement.

“Trust Fund” has the meaning given such term in the Pooling and Servicing Agreement.

“Trustee” means Deutsche Bank National Trust Company, a national trust company, not in its individual capacity, but solely as Trustee under the Pooling and Servicing Agreement, and any successor thereto under the Pooling and Servicing Agreement.

“Underwriter” means Morgan Stanley & Co. Incorporated.

“Underwriter Information” has the meaning given such term in the Indemnification Agreement.

“Underwriting Agreement” means the underwriting agreement, dated as of June 19, 2007, between the Underwriter and the Depositor.

Section 1.02. Other Definitional Provisions.

The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Insurance Agreement shall refer to this Insurance Agreement as a whole and not to any particular provision of this Insurance Agreement and Section, subsection, Schedule and Exhibit references are to this Insurance Agreement unless otherwise specified. The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms. The words “include” and “including” shall be deemed to be followed by the phrase “without limitation.”

ARTICLE II
REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.01. Representations and Warranties of the Sponsor, the Servicer and the Depositor.

Each of the Sponsor, the Servicer and the Depositor represents, warrants and covenants to the Certificate Insurer as of the Closing Date as follows, except that the Servicer makes no representation or warranty with respect to clause (m) below:

(a) *Due Organization and Qualification.* Each of the Sponsor, the Servicer and the Depositor is a corporation or limited liability company, and each is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation. Each of the Sponsor, the Servicer and the Depositor is duly qualified to do business, is in good standing and has obtained all necessary consents, licenses, permits, charters, registrations and approvals (together, "approvals") necessary for the conduct of its business as currently conducted and as described in the Offering Documents and the performance of its obligations under the Operative Documents to which it is a party in each jurisdiction in which the failure to be so qualified or to obtain such approvals would render any Operative Documents to which it is a party unenforceable in any material respect or would have a material adverse effect upon the Transaction.

(b) *Power and Authority.* Each of the Sponsor, the Servicer and the Depositor has all necessary power and authority to conduct its business as currently conducted and as described in the Offering Documents, to enter into, execute, deliver and perform its obligations under the Operative Documents to which it is a party and to consummate the Transaction.

(c) *Due Authorization.* The execution, delivery and performance of the Operative Documents to which it is a party by each of the Sponsor, the Servicer and the Depositor has been duly authorized by all necessary action and does not require any additional approvals or consents, or other action by or any notice to or filing with any Person, including any governmental entity or any of the board of directors or any of the stockholders or beneficial owners, as applicable, of the Sponsor, the Servicer or the Depositor, which have not previously been obtained or given by the Sponsor, the Servicer or the Depositor.

(d) *No contravention.* The execution and delivery by each of the Sponsor, the Servicer or the Depositor of the Operative Documents to which it is a party, the consummation of the Transaction and the satisfaction of the terms and conditions of the Operative Documents to which it is a party do not and will not:

(i) conflict with or result in any breach or violation of any provision of the applicable organizational documents of the Sponsor, the Servicer or the Depositor or any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award currently in effect having applicability to the Sponsor, the Servicer or the Depositor or any of their respective material properties, including

regulations issued by any administrative agency or other governmental authority having supervisory powers over the Sponsor, the Servicer or the Depositor, which conflict, breach or violation reasonably could be expected to result in a Material Adverse Change;

(ii) constitute a default by the Sponsor, the Servicer or the Depositor under, result in the acceleration of any obligation under, or breach any provision of any loan agreement, mortgage, indenture or other agreement or instrument to which the Sponsor, the Servicer or the Depositor is a party or by which any of their respective properties is or may be bound or affected, which default, acceleration or breach reasonably could be expected to result in a Material Adverse Change; or

(iii) result in or require the creation of any Lien upon or in respect of any assets of the Sponsor, the Servicer or the Depositor, which Lien reasonably could be expected to result in a Material Adverse Change.

(e) *Legal Proceedings.* There is no action, proceeding or investigation by or before any court, governmental or administrative agency or arbitrator against or affecting the Sponsor, the Servicer or the Depositor or any of their respective subsidiaries, any properties or rights of the Sponsor, the Servicer, the Depositor or any of their respective subsidiaries or any of the Mortgage Loans pending or, to the Sponsor's, the Servicer's or the Depositor's knowledge after reasonable inquiry, threatened, which, in any case, if decided adversely to the Sponsor, the Servicer or the Depositor or any such subsidiary could reasonably be expected to result in a Material Adverse Change with respect to the Sponsor, the Servicer, the Depositor or the Trust.

(f) *No Default.* None of the Sponsor, the Servicer or the Depositor, respectively, is in default under or with respect to any of its contractual obligations in any respect which could reasonably be expected to have a material adverse effect on the rights, interests or remedies of the Certificate Insurer hereunder or under the other Operative Documents or on its ability to perform its obligations hereunder or under the other Operative Documents to which it is a party. No Default or Event of Default has occurred and is continuing.

(g) *Valid and Binding Obligations.* The Operative Documents to which it is a party, when executed and delivered by the Sponsor, the Servicer or the Depositor, as applicable, will constitute the legal, valid and binding obligations of each of the Sponsor, the Servicer and the Depositor, enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equitable principles and public policy considerations as to rights of indemnification for violations of federal securities laws. The Certificates, when executed, authenticated and delivered in accordance with the Pooling and Servicing Agreement, will be validly issued and outstanding and entitled to the benefits of the Pooling and Servicing Agreement. None of the Sponsor, the Servicer or the Depositor shall at any time in the future deny that the Transaction Documents to which it is a party constitute the legal, valid and binding obligations of such party.

(h) *Financial Statements.* The Financial Statements of the Servicer, copies of which have been furnished to the Certificate Insurer, (i) are, as of the dates and for the periods referred to therein, complete and correct in all material respects, (ii) present fairly the financial condition and results of operations of the Servicer as of the dates and for the periods indicated and (iii) have been prepared in accordance with generally accepted accounting principles consistently applied, except as noted therein (subject as to interim statements to normal year-end adjustments). Since the date of the most recent Financial Statements, there has been no Material Adverse Change in respect of the Servicer. The Servicer is not subject to any contingent liabilities or commitments that, individually or in the aggregate, have a material possibility of causing a Material Adverse Change in respect of the Servicer.

(i) *Compliance with Law, Etc.* None of the Sponsor, the Servicer or the Depositor has notice or any reason to believe that any practice, procedure or policy employed, or proposed to be employed, by the Sponsor, the Servicer or the Depositor in the conduct of its business violates any law, regulation, judgment, agreement, order or decree applicable to the Sponsor, the Servicer or the Depositor that, if enforced, would result in a Material Adverse Change with respect to the Sponsor, the Servicer, the Depositor or the Transaction. None of the Sponsor, the Servicer or the Depositor is in breach of or in default under any applicable law or administrative regulation of its jurisdiction of incorporation, or any department, division, agency, instrumentality thereof or of the United States or any applicable judgment or decree or any note, resolution, certificate, agreement or other instrument to which the Sponsor is a party or is otherwise subject which, if enforced, would result in a Material Adverse Change with respect to the Sponsor, the Servicer, the Depositor or the Transaction.

(j) *Taxes.* Each of the Sponsor, the Servicer and the Depositor has filed prior to the date hereof all federal and state tax returns that are required to be filed and has paid all taxes, including any assessments received by it that are not being contested in good faith, to the extent that such taxes have become due, except with respect to any failures to file or pay that, individually or in the aggregate, would not result in a Material Adverse Change with respect to the Sponsor, the Servicer, the Depositor or the Transaction. Any taxes, fees and other governmental charges payable by the Sponsor, the Servicer or the Depositor in connection with the Transaction, the execution and delivery of the Operative Documents to which it is a party and the issuance of the Certificates have been paid or shall have been paid at or prior to the Closing Date if such taxes, fees or other governmental charges were due on or prior to the Closing Date.

(k) *Accuracy of Information.* None of the material information relating to the Mortgage Loans or the operations of the Sponsor, the Depositor or the Servicer, as amended, supplemented or superseded, furnished to the Certificate Insurer in writing or in electronic form by the Sponsor, the Depositor or the Servicer in connection with the Transaction, including, without limitation, the electronic tape containing statistical data with respect to the Mortgage Loans (collectively, the "Documents"), contains any statement of a material fact which was untrue or misleading in any material respect when made. None of the Sponsor, the Depositor or the Servicer has any knowledge of any circumstances that could reasonably be expected to cause the Documents to include a statement of material fact which is untrue or misleading or could reasonably be expected

to cause a Material Adverse Change with respect to the Sponsor, the Depositor or the Servicer. Since the furnishing of the Operative Documents, there has been no change nor any development or event involving a prospective change known to the Sponsor, the Depositor or the Servicer that would render any of the Documents untrue or misleading in any material respect.

(l) *Other Events.* Each of the Sponsor, the Servicer and the Depositor has no knowledge of any circumstances that could reasonably be expected to cause a Material Adverse Change with respect to the Sponsor, the Servicer, the Depositor, the Trust Fund or the Transaction, other than a Material Adverse Change related to changes or events in the subprime mortgage industry generally.

(m) *Compliance With Securities Laws.* The offer and sale of the Certificates complies in all material respects with all requirements of law, including all registration requirements of applicable securities laws. Without limiting the foregoing, the Offering Documents (excluding the Underwriter Information and the Certificate Insurer Information) do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading as of the date of the applicable Offering Document, as of the Closing Date and as of any amendment or supplement to the Offering Document; *provided, however*, that no representation is made with respect to the Certificate Insurer Information and Underwriter Information. The offer and sale of the Certificates has not been and will not be in violation of the Securities Act or any other federal or state securities laws. The Sponsor and the Depositor shall satisfy in all material respects any of the information reporting requirements of the Securities Act arising out of the Transaction to which they or the Sponsor or the Depositor are subject.

(n) *Operative Documents.* Each of the representations and warranties of the Sponsor, the Servicer and the Depositor contained in the applicable Operative Documents to which it is a party is true and correct as of the date reflected therein and each of the Sponsor, the Servicer and the Depositor hereby makes each such representation and warranty to, and for the benefit of, the Certificate Insurer as if the same were set forth in full herein.

(o) *Solvency; Fraudulent Conveyance.* Each of the Sponsor and the Depositor is solvent and shall not be rendered insolvent by the Transaction and, after giving effect to the Transaction, the Sponsor and the Depositor shall not be left with an unreasonably small amount of capital with which to engage in the ordinary course of its business, and each of the Sponsor and the Depositor does not intend to incur, or believe that it has incurred, debts beyond its respective ability to pay as they mature. Each of the Sponsor and the Depositor does not contemplate the commencement of insolvency, liquidation or consolidation proceedings or the appointment of a receiver, liquidator, conservator, trustee or similar official in respect of the Sponsor and the Depositor or any of their respective assets. The amount of consideration being received by the Sponsor upon the sale of the Mortgage Loans to the Depositor constitutes reasonably equivalent value and fair consideration for the Mortgage Loans. The amount of consideration being received by the Depositor upon the sale of the Certificates constitutes reasonably equivalent value

and fair consideration for the Certificates. The Sponsor is not transferring the Mortgage Loans to the Depositor, the Depositor is not transferring the Mortgage Loans to the Trust nor is the Depositor selling the Certificates, as provided in the Operative Documents, with any intent to hinder, delay or defraud any of the creditors of the Sponsor, the Depositor, or their respective creditors. The Sponsor does not have any notice of any claim or the initiation or threat of any legal process, litigation, avoidance action, adversary proceeding, contested matter, objection, stay, injunction, appeal or administrative or judicial investigation, and/or rule making or disciplinary proceeding with respect to any portion of the Trust Fund, including without limitation the servicing rights appurtenant to the Mortgage Loans, or in which a request has been made for certification as a class action (or equivalent relief) that would involve a material portion of the Trust Fund, including without limitation the servicing rights appurtenant to the Mortgage Loans.

(p) [Reserved].

(q) *Qualified Special Purpose Entity.* The Sponsor has determined that the Trust Fund is a “qualifying special purpose entity” as such term is defined in *Statement of Financial Accounting Standard No. 140—Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*, dated September 2000, published by the Financial Accounting Standards Board of the Financial Accounting Foundation for the purposes of *FASB Interpretation No. 46—Consolidation of Variable Interest Entities: An Interpretation of ARB No. 51*, dated January 2003.

(r) *Good Title; Absence of Liens; Security Interest.* Immediately prior to the transfer to the Depositor, the Sponsor, was the owner of, and had good and marketable title to, the Mortgage Loans free and clear of all Liens and Restrictions on Transferability, and had full right, power and lawful authority to assign, transfer and pledge the Mortgage Loans.

(s) [Reserved].

(t) *Acquisition of Mortgage Loans.* The Acquisition of the Mortgage Loans that were subject to the Master Repurchase Agreement, dated as of December 12, 2005 by and among (i) NC Capital Corporation (“NC Capital”), New Century Mortgage Corporation, NC Asset Holding, L.P., NC Residual III Corporation, NC Residual IV Corporation, Home123 Corporation, New Century Credit Corporation, (ii) the buyers from time to time parties thereto (the “Buyers”), including the Sponsor, and (iii) the Sponsor, as agent for the Buyers (the “Agent”) was consummated in compliance with the Stipulation and Order dated April 27, 2007.

(u) *Transfer of Servicing.* The transfer of the servicing of the Mortgage Loans to Saxon Mortgage Services, Inc. is not voidable or subject to avoidance under or in connection with any fraudulent conveyance, fraudulent transfer and/or other avoidance statute, rule or power, including, but not limited to any avoidance power of NC Capital, New Century Mortgage Corporation, NC Asset Holding, L.P., NC Residual III Corporation, NC Residual IV Corporation, Home123 Corporation, New Century Credit

Corporation or any of their affiliates, their creditors and/or their estates or trustees in bankruptcy.

Section 2.02. Affirmative Covenants of the Sponsor, the Servicer and the Depositor.

Each of the Sponsor, the Servicer and the Depositor hereby agrees that during the term of this Insurance Agreement, unless the Certificate Insurer shall otherwise expressly consent in writing:

(a) *Compliance With Agreements and Applicable Laws.* Each of the Sponsor, the Servicer, and the Depositor shall comply in all material respects with the terms and conditions of and perform its obligations under the Operative Documents to which it is a party in all cases in which failure to so comply or perform would result in a default thereunder and shall comply with all requirements of any law, rule or regulation applicable to it in all circumstances where non-compliance reasonably could result in a Material Adverse Change. Each of the Sponsor, the Servicer and the Depositor will not at any time in the future deny that the Operative Documents to which it is a party constitute the legal, valid and binding obligations of the Sponsor, the Servicer and the Depositor, as applicable.

(b) *Corporate Existence.* Each of the Sponsor, the Servicer and the Depositor and their respective successors and permitted assigns shall maintain its existence as a legal entity and shall at all times continue to be duly organized under the laws of its jurisdiction of formation and duly qualified and duly authorized (as described in subsections 2.01(a), (b) and (c) hereof) and shall conduct its business in accordance with the terms of its applicable organizational documents.

(c) *Financial Statements; Accountants' Reports; Other Information.* Each of the Sponsor, the Servicer and the Depositor shall keep or cause to be kept in reasonable detail books and records of account of its assets and business, including books and records, relating to the Transaction, and shall, as applicable, clearly reflect therein the transfer of the Mortgage Loans by the Sponsor to the Depositor as a sale of the Sponsor's interest in the Mortgage Loans and the transfer of the Mortgage Loans by the Depositor to the Trust as a sale of the Depositor's interest in the Mortgage Loans to the Trust. The Servicer shall furnish or cause to be furnished to the Certificate Insurer, (i) promptly upon receipt thereof, copies of all schedules, financial statements or other similar reports required to be delivered by the Servicer pursuant to the Operative Documents, (ii) promptly upon request, such other data as the Certificate Insurer may reasonably request and (iii) all information required to be furnished to the Securities Administrator, the Trustee or the Insured Certificateholders, simultaneously with the furnishing thereof to the Securities Administrator, the Trustee or the Insured Certificateholders, as the case may be. The Servicer shall furnish or cause to be furnished to the Certificate Insurer:

(i) *Annual Financial Statements.* As soon as available, and in any event, within 120 days after the close of each fiscal year of Saxon Capital, Inc., the indirect parent of the Servicer, the audited consolidated statements of financial condition of the indirect parent of the Servicer and its consolidated subsidiaries, together with consolidating schedules of the Servicer, as of the end of such fiscal

year and the related audited consolidated statements of operations, stockholders' equity and cash flows for such fiscal year, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the preceding fiscal year, where available, prepared in accordance with generally accepted accounting principles, consistently applied, and accompanied by the audit opinion of the independent accountants of Saxon Capital, Inc. (which shall be a nationally recognized independent public accounting firm or otherwise acceptable to the Certificate Insurer) and by the certificate specified in Section 2.02(d).

(ii) [Reserved].

(iii) [Reserved].

(iv) *Certain Information.* Upon the reasonable request of the Certificate Insurer, copies of any requested proxy statements, financial statements, reports and registration statements that the Sponsor, the Servicer or the Depositor files with, or delivers to, the Commission or any national securities exchange.

(v) *Other Information.* (A) Promptly upon receipt thereof, copies of all schedules, financial statements or other similar reports delivered to or by the Servicer, the Depositor, the Master Servicer, the Securities Administrator or the Trustee pursuant to the terms of any of the Operative Documents, including all reports provided to the Securities Administrator, the Master Servicer, the Trustee or any Certificateholder pursuant to the Pooling and Servicing Agreement, (B) promptly upon request, such other data as the Certificate Insurer may reasonably request relating to the Mortgage Loans, the Transaction or the Sponsor's, the Servicer's, the Depositor's or the Trust's ability to perform its obligations under the Operative Documents, (C) all information required to be furnished to the Master Servicer, the Trustee, the Securities Administrator or the Certificateholders simultaneously with the furnishing thereof to the Master Servicer, the Trustee, the Securities Administrator or the Certificateholders, as the case may be and (D) promptly upon their preparation and publication of quarterly statements of condition of the Servicer and its consolidated subsidiaries, the related consolidated statements of operations, stockholders' equity and cash flows for the portion of the fiscal year then ended, all in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the preceding fiscal year, prepared in accordance with generally accepted accounting principles consistently applied (subject to normal year-end adjustments).

All financial statements specified in clause (i) of this subsection (c) shall be furnished in consolidated form for the Servicer and all of its subsidiaries in the event that the Servicer shall consolidate its financial statements with its subsidiaries. To the extent available, the information supplied pursuant to this Section 2.02(c) will be in Excel or Word format or another form of an electronic data file accessible by the Certificate Insurer by means of standard application software.

(d) *Compliance Certificate.* The Servicer shall deliver to the Certificate Insurer, concurrently with delivery of the financial statements required pursuant to Section 2.02(c) hereof, certificates of one (or more) of its officers stating that:

(i) a review of the performance of the Servicer under the Operative Documents to which it is a party during the prior year has been made under such officer's supervision;

(ii) to the best of such officer's knowledge following reasonable inquiry, no Default or Event of Default has occurred, or if a Default or Event of Default has occurred, specifying the nature thereof and, if the Servicer has a right to cure pursuant to Section 5.01, stating in reasonable detail (including, if applicable, any supporting calculations) the steps, if any, being taken by the Servicer to cure such Default or Event of Default or to otherwise comply with the terms of the agreement to which such Default or Event of Default relates;

(iii) the financial reports submitted in accordance with Section 2.02(c)(i) hereof are complete and correct in all material respects and present fairly the financial condition and results of operations of the Servicer as of the dates and for the periods indicated in accordance with generally accepted accounting principles, consistently applied (subject to interim statements to normal year-end adjustments); and

(iv) the Servicer has in full force and effect a fidelity bond (or direct surety bond) and an errors and omissions policy in accordance with the terms and requirements of Section 3.13 of the Pooling and Servicing Agreement.

The annual Officer's Certificate prepared by the Servicer pursuant to Section 3.22 of the Pooling and Servicing Agreement shall be deemed to satisfy the Servicer's obligations as imposed by clauses (i) and (ii) of this Section 2.02(d). The certificate required by this Section 2.02(d) may be delivered via electronic means if it constitutes an electronic record authenticated as the executed document of the Servicer in accordance with applicable electronic signature laws.

(e) *Access to Records; Discussions with Officers and Accountants.* On an annual basis, or if the Certificate Insurer reasonably believes that a Material Adverse Change may have occurred, the Servicer, the Sponsor and the Depositor shall, upon the reasonable request of the Certificate Insurer, permit the Certificate Insurer or its authorized agents:

(i) to inspect its books and records as they may relate to the Certificates, the obligations of the Sponsor, the Servicer, the Depositor and the Trust under the Operative Documents to which it is a party and the Transaction (including, without limitation, access to information reasonably required for purposes of complying with FASB Financial Interpretation Number 46; provided that the Certificate Insurer will maintain confidentiality with respect to such information in accordance with its internal policies);

(ii) to discuss the affairs, finances and accounts of the Servicer and the Sponsor as they relate to the Mortgage Loans, the Transaction or the ability of the Servicer or Sponsor to perform their obligations under the Operative Documents with a Servicing Officer; and

(iii) if the Certificate Insurer reasonably believes that a Material Adverse Change may have occurred, to discuss the affairs, finances and accounts of the Servicer or the Sponsor with the Servicer's or the Sponsor's independent accountants; *provided, however*, that an officer of the Servicer or the Sponsor, as applicable, shall have the right to be present during such discussions.

Such inspections and discussions shall be conducted during normal business hours and shall not unreasonably disrupt the business of the Servicer, the Sponsor, the Trust or the Depositor. The books and records of the Servicer, the Sponsor and the Depositor shall be maintained at the respective address of the Servicer, the Sponsor and the Depositor as designated herein for receipt of notices, unless the such person shall otherwise advise the parties hereto in writing. The books and records of the Depositor shall be maintained at the Depositor's principal place of business, respectively, unless the Depositor shall otherwise advise the parties hereto in writing.

(f) *Notice of Material Events.* The Servicer, the Sponsor, the Trust and the Depositor shall be obligated (which obligation shall be satisfied as to each if performed by the Servicer, the Sponsor, the Trust or the Depositor) promptly to inform the Certificate Insurer in writing of the occurrence of any of the following:

(i) the submission of any claim or the initiation or threat of any legal process, litigation or administrative or judicial investigation, or rule making or disciplinary proceeding (a) with respect to a material portion of the Trust Fund or in which a request has been made for certification as a class action (or equivalent relief) that would involve a material portion of the Trust Fund, or (b) by or against the Servicer, the Sponsor, the Trust or the Depositor that (1) would be required to be disclosed to the Commission if the Certificates were publicly registered or the Sponsor's shareholders, (2) could result in a Material Adverse Change with respect to the Servicer, the Sponsor, the Trust or the Depositor, or to the knowledge of the Servicer, the Sponsor, the Trust or the Depositor, the initiation of any proceeding or the promulgation of any proposed or final rule which would likely result in a Material Adverse Change with respect to the Servicer, the Sponsor, the Trust and the Depositor or any of their respective subsidiaries or (3) pertaining to the Trust Fund in general;

(ii) any change in the organizational jurisdictions of the Servicer, the Sponsor or the Depositor;

(iii) the occurrence of any Default or Event of Default or any Material Adverse Change in respect of the Servicer, the Sponsor or the Depositor;

(iv) the commencement of any proceedings by or against the Servicer, the Sponsor or the Depositor under any applicable bankruptcy, reorganization,

liquidation, rehabilitation, insolvency or other similar law now or hereafter in effect or of any proceeding in which a receiver, liquidator, conservator, trustee or similar official shall have been, or may be, appointed or requested for the Servicer, the Sponsor or the Depositor or any of their respective assets; or

(v) the receipt of notice that (A) the Servicer, the Sponsor or the Depositor is being placed under regulatory supervision, (B) any license, permit, charter, registration or approval materially necessary for the conduct of the Servicer's, the Sponsor's or the Depositor's business is to be suspended or revoked or (C) the Servicer, the Sponsor or the Depositor is to cease and desist any practice, procedure or policy employed by the Servicer, the Sponsor or the Depositor in the conduct of their respective business, and such suspension, revocation or cessation may reasonably be expected to result in a Material Adverse Change with respect to the Servicer, the Sponsor or the Depositor.

(g) *Financing Statements and Further Assurances.* The Servicer and the Sponsor shall cause to be filed all necessary financing statements or other instruments, and any amendments or continuation statements relating thereto, necessary to be kept and filed in such manner and in such places as is required by law to preserve and protect fully the interest of the Trustee in the Trust Fund for the benefit of the Certificateholders and the Certificate Insurer. Each of the Servicer, the Sponsor and the Depositor shall, upon the reasonable request of the Certificate Insurer, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, within ten days (or, with respect to the Servicer, fifteen Business Days) of such request, such amendments hereto and such further instruments and take such further action as may be reasonably necessary to effectuate the intention, performance and provisions of the Operative Documents (including, without limitation, the execution and filing of additional UCC financing statements, the execution of control or other agreements and such other actions as they may be reasonably necessary to reflect changes in the provisions of the UCC) to which it is a party. In addition, each of the Servicer, the Sponsor and the Depositor agrees to cooperate with the Rating Agencies in connection with any review of the Transaction that may be undertaken by the Rating Agencies after the date hereof.

(h) *Maintenance of Licenses.* Each of the Servicer, the Sponsor and the Depositor, and any successors thereof, has and shall maintain all licenses, permits, charters and registrations the loss or suspension of which could reasonably be expected to result in a Material Adverse Change.

(i) *Retirement of Certificates.* The Depositor shall instruct the Securities Administrator and the Trustee, upon a retirement or other payment of all of the Insured Certificates, to furnish the Certificate Insurer a notice of such retirement, and upon retirement of the Insured Certificates and the expiration of the term of the Certificate Insurance Policy to surrender the Certificate Insurance Policy to the Certificate Insurer for cancellation.

(j) [Reserved].

(k) *Third-Party Beneficiary.* Each of the Servicer, the Sponsor, the Trustee, the Master Servicer, the Securities Administrator and the Depositor agrees that the Certificate Insurer shall have all rights provided to the Certificate Insurer in the Operative Documents and that the Certificate Insurer shall constitute a third-party beneficiary with respect to such rights in respect of the Operative Documents and hereby incorporates and restates its representations, warranties and covenants as set forth therein for the benefit of the Certificate Insurer.

(l) *Servicing of Mortgage Loans.* The Servicer will service the Mortgage Loans in all material respects in compliance with the Pooling and Servicing Agreement.

(m) *Closing Documents.* The Servicer, the Sponsor and the Depositor shall provide or cause to be provided to the Certificate Insurer an executed copy of each document executed in connection with the Transaction within 30 days after the Closing Date.

(n) [Reserved].

(o) *Corporate Formalities.* Each of the Servicer, the Sponsor and the Depositor shall observe all material formalities necessary to preserve its existence under the laws of the State of its formation, including, as applicable, (i) the obligation to hold annual meetings of its beneficial owners, shareholders, members or its board of directors, as applicable, and (ii) the obligation to prepare and file annual income, franchise and other tax returns.

(p) *Due Diligence.* The Certificate Insurer shall have the right, so long as any of the Insured Certificates remains outstanding, to conduct an ongoing review of the Servicer's practices as Servicer through reviews of the Mortgage Loans, reappraisals of Mortgaged Properties and reviews of servicing practices. Such ongoing due diligence shall be conducted at the expense of the Certificate Insurer and in a reasonable manner convenient to both the Servicer and the Certificate Insurer.

(q) [Reserved].

(r) *Notice to Certificate Insurer.* If the Depositor does not receive any Certificate Insurer Financial Statements pursuant to Section 2.04(j) herein at least five days prior to the date that such Certificate Insurer Financial Statements are to be filed with the Commission, the Depositor shall provide or shall cause the party responsible for filing the Depositor's Form 10-Ds and Form 10-Ks to provide written notice to the Certificate Insurer via electronic mail at RegAB@fgic.com, stating that it has not received the Certificate Insurer Financial Statements and requesting that such Certificate Insurer Financial Statements be emailed in accordance with Section 2.04(j) herein. Additionally, in the event that any Certificate Insurer Financial Statements are to be included in a Form 10-D or Form 10-K filing of the Trust which occurs prior to the termination of the offering of the Certificates, the Depositor will provide written notice to the Certificate Insurer via electronic mail at least ten (10) days prior to such filing, stating that an accountant's consent will be required for such filing. In such event the Depositor

shall be responsible for paying the Certificate Insurer's costs for obtaining such consent. All such emails shall identify the deal name and the policy number.

(s) [Reserved].

(t) [Reserved].

Section 2.03. Negative Covenants of the Servicer, the Sponsor and the Depositor.

Each of the Servicer, the Sponsor and the Depositor hereby agrees that during the term of this Insurance Agreement, unless the Certificate Insurer shall otherwise expressly consent in writing:

(a) *Impairment of Rights.* None of the Servicer, the Sponsor or the Depositor shall take any action, or fail to take any action, if such action or failure to take action that would reasonably be expected to result in a Material Adverse Change with respect to the Servicer, the Sponsor or the Depositor, nor interfere in any material respect with the enforcement of any rights of the Certificate Insurer under or with respect to any of the Operative Documents or the Certificate Insurance Policy. The Servicer, the Sponsor and the Depositor shall give the Certificate Insurer written notice of any such action or any such failure to act on the earlier of: (i) the date upon which any publicly available filing or release is made with respect to such action or failure to act and (ii) promptly prior to the date of consummation of such action or failure to act. Each of the Servicer, the Sponsor and the Depositor shall furnish to the Certificate Insurer all information reasonably requested by the Certificate Insurer that is necessary to determine compliance with this paragraph.

(b) *Waiver, Amendments, Etc.* Except as provided in and in accordance with the Operative Documents, none of the Servicer, the Sponsor or the Depositor shall modify, waive or amend, or consent to any modification, waiver or amendment of, any of the terms, provisions or conditions of the Operative Documents to which it is a party (other than any amendment to the Offering Document required by law) without the prior written consent of the Certificate Insurer thereto.

(c) *Limitation on Mergers, Etc.* None of the Servicer, the Sponsor and the Depositor shall consolidate with or merge with or into any Person or transfer all or substantially all of its assets to any Person or liquidate or dissolve except as provided in the Operative Documents or as permitted hereby. The Servicer, the Sponsor and the Depositor shall furnish to the Certificate Insurer all information requested by the Certificate Insurer that is reasonably necessary to determine compliance with this paragraph.

(d) *Successors.* None of the Servicer, the Sponsor or the Depositor shall terminate or designate, or consent to the termination or designation of, any successor Servicer, Paying Agent, Custodian, Trustee, Master Servicer or Securities Administrator without the prior written approval of the Certificate Insurer.

(e) [Reserved].

(f) *Restrictions on Liens.* None of the Servicer, the Sponsor, the Trust or the Depositor shall (i) create, incur or suffer to exist, or agree to create, incur or suffer to exist, or consent to cause or permit in the future (upon the happening of a contingency or otherwise) the creation, incurrence or existence of any Lien or Restriction on Transferability on the Trust Fund or (ii) sign or file under the Uniform Commercial Code of any jurisdiction any financing statement which names the Sponsor or the Depositor as a debtor, or sign any security agreement authorizing any secured party thereunder to file such financing statement, with respect to the Trust Fund, except in each case any such instrument solely securing the rights of the Trustee, for the benefit of the Certificateholders and the Certificate Insurer.

Section 2.04. Representations, Warranties and Covenants of the Certificate Insurer.

The Certificate Insurer represents, warrants and covenants to the Sponsor, the Servicer and the Depositor as follows:

(a) *Organization and Licensing.* The Certificate Insurer is a duly organized, validly existing and in good standing New York stock insurance company duly qualified to conduct an insurance business in the State of New York.

(b) *Corporate Power.* The Certificate Insurer has the corporate power and authority to issue the Certificate Insurance Policy and execute and deliver this Insurance Agreement and to perform all of its obligations hereunder and thereunder.

(c) *Authorization; Approvals.* Proceedings legally required for the issuance and execution of the Certificate Insurance Policy and the execution, delivery and performance of this Insurance Agreement have been taken and licenses, orders, consents or other authorizations or approvals of any governmental boards or bodies legally required for the enforceability of the Certificate Insurance Policy and the conduct by the Certificate Insurer of the business and activities contemplated by the Transaction have been obtained; any proceedings not taken and any licenses, authorizations or approvals not obtained are not material to the enforceability of the Certificate Insurance Policy.

(d) *Enforceability.* The Certificate Insurance Policy, when issued, and this Insurance Agreement will each constitute a legal, valid and binding obligation of the Certificate Insurer, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium, receivership and other similar laws affecting creditors' rights generally and to general principles of equity and subject to principles of public policy limiting the right to enforce the indemnification provisions contained therein and herein, insofar as such provisions relate to indemnification for liabilities arising under federal securities laws.

(e) *Financial Information.* The audited consolidated financial statements of the Certificate Insurer and its subsidiaries as of December 31, 2006 and 2005, and for each of the three years in the period ended December 31, 2006, together with an opinion thereon of Ernst & Young LLP, independent registered public accounting firm, and the unaudited consolidated financial statements of the Certificate Insurer and subsidiaries as of March 31, 2007 and for the three month periods ended March 31, 2007 and March 31,

2006, a copy of which has been delivered to the Depositor to be included in the Free Writing Prospectus and to be incorporated by reference into the registration statement relating to the Prospectus Supplement, present fairly in all material respects the financial condition of the Certificate Insurer as of such dates and for the periods covered by such statements in accordance with generally accepted accounting principles consistently applied. Since March 31, 2007, there has been no material change in such financial condition of the Certificate Insurer that would materially and adversely affect its ability to perform its obligations under the Certificate Insurance Policy. As of the date of the Free Writing Prospectus, the Closing Date and as of the date that the Certificate Insurer Information was incorporated by reference in the Registration Statement relating to the Prospectus (including through filing of an Exchange Act Report), the Certificate Insurer Information complied with the requirements of Item 1114(b) of Regulation AB.

(f) *Certificate Insurer Information.* The Certificate Insurer Information, as of the date of the Prospectus Supplement and as of the date hereof is true and correct in all material respects and does not contain any untrue statement of a material fact.

(g) *No Litigation.* There are no actions, suits, proceedings or investigations pending or, to the best of the Certificate Insurer's knowledge, threatened against it at law or in equity or before or by any court, governmental agency, board or commission or any arbitrator which, if decided adversely, would materially and adversely affect its ability to perform its obligations under the Certificate Insurance Policy or this Insurance Agreement.

(h) *Confidential Information.* The Certificate Insurer agrees that it and its shareholders, directors, agents, accountants and attorneys shall keep confidential any proprietary information disclosed to it by the Sponsor or Depositor (i) as a result of financial statements, reports or other information furnished pursuant to Section 2.02(c), (ii) during the inspections conducted or discussions had pursuant to Section 2.02(e), or (iii) prior to the Closing Date, to the extent that proprietary information was furnished pursuant to the Certificate Insurer's request in connection with its evaluation of the Certificates for credit purposes, unless such information is readily available from public sources or is disclosed to the Certificate Insurer by any Person or source other than the Sponsor, or the Depositor, which Person or source is not actually known to the Certificate Insurer to be subject to a confidentiality obligation to the Sponsor or the Depositor, or except as may be otherwise required by regulation, law or court order or requested by appropriate governmental authorities or as necessary or expedient to preserve its rights or security under or to enforce any of the Operative Documents or any other agreement executed in connection with the transactions related to the Operative Documents to which the Certificate Insurer is a party or of which the Certificate Insurer is a third party beneficiary, or in connection with the defense of any legal proceeding in which the Certificate Insurer is a party; provided, however, that the foregoing shall not limit the right of the Certificate Insurer to make such information available to its regulators, securities rating agencies, reinsurers, credit and liquidity providers, counsel and accountants. If the Certificate Insurer is requested or required (by oral questions, interrogatories, requests for information or documents subpoena, civil investigative demand or similar process) to disclose any information of which it becomes aware through such inspections or discussions, the Certificate Insurer will promptly notify the

Sponsor of such request(s) so that the Sponsor may seek an appropriate protective order and/or waive the Certificate Insurer's compliance with the provisions of this Insurance Agreement, unless the Certificate Insurer, in the opinion of its counsel, is prohibited from providing such notice by any tribunal, court or governmental agency or other governmental or quasi-governmental authority. If, in the absence of a protective order or the receipt of a waiver hereunder, the Certificate Insurer is, nonetheless, in the opinion of its counsel, compelled to disclose such information to any tribunal or else suffer a penalty or liability, the Certificate Insurer may disclose such information to such tribunal that the Certificate Insurer is compelled to disclose; provided, however, that a copy of all information disclosed is provided to the Sponsor promptly upon such disclosure; provided, further, however, that no such copy must be delivered or supplied if the Certificate Insurer, in the opinion of its counsel, is prohibited from providing such a copy by any tribunal, court or governmental agency or other governmental or quasi-governmental authority.

(i) *Compliance with Law, Etc.* No practice, procedure or policy employed, or proposed to be employed, by the Certificate Insurer in the conduct of its business violates any law, regulation, judgment, agreement, order or decree applicable to the Certificate Insurer that, if enforced, could result in a Material Adverse Change with respect to the Certificate Insurer.

(j) *Delivery of Financial Statements of Certificate Insurer.* As soon as reasonably practicable after the release of its unaudited financial statements for each of the June and September 2007 fiscal quarters and the release of its audited financial statements for the 2007 fiscal year, the Certificate Insurer shall furnish to the Servicer, the Securities Administrator and the Depositor such unaudited or audited financial statements, as appropriate (the "Certificate Insurer Financial Statements") for the related period in the form required by Item 1114(b)(2)(ii) of Regulation AB. The Certificate Insurer Financial Statements shall be delivered in electronic form via electronic mail to cts.sec.notifications@wellsfargo.com and james.y.lee@morganstanley.com, or such other address that has been designated by the Securities Administrator or the Depositor, as the case may be, and provided in writing to the Certificate Insurer. To the extent that the Certificate Insurer shall have been notified in writing on or before February 15, 2008 that the Trust's reporting obligations under the Securities Exchange Act have not been suspended in accordance with the Securities Exchange Act and the related rules and regulations thereto, the Certificate Insurer shall continue to furnish such quarterly and annual financial statements as set forth above for so long as such financial statements may be required for the Trust to comply with its reporting requirements under the Securities Exchange Act and the rules and regulations thereto. All written notices under this section shall be sent to the Certificate Insurer via electronic mail at RegAB@fgic.com. The requirement for the delivery of any Certificate Insurer Financial Statements pursuant to this Section 2.04(j) shall be satisfied to the extent that the Certificate Insurer has delivered the required Certificate Insurer Financial Statements pursuant to any similar transaction in which Morgan Stanley Mortgage Capital Inc. is acting as "Sponsor", "Co-Sponsor" or "Seller." The Certificate Insurer shall use commercially reasonable efforts to identify each transaction to which the delivery relates, provided that the failure to denote such transactions shall not be deemed a failure to deliver such Certificate Insurer Financial Statements pursuant to this Section 2.04(j).

Section 2.05. Representation of the Master Servicer and the Securities Administrator.

The Master Servicer and the Securities Administrator represent and warrant to perform all of the duties and obligations applicable to them as set forth in the Pooling and Servicing Agreement.

ARTICLE III
THE POLICY; REIMBURSEMENT

Section 3.01. Issuance of the Certificate Insurance Policy.

The Certificate Insurer agrees to issue the Certificate Insurance Policy on the Closing Date subject to satisfaction of the conditions precedent set forth below on or prior to the Closing Date:

(a) *Payment of Initial Premium and Expenses.* The Certificate Insurer shall have been paid, by or on behalf of the Sponsor, a nonrefundable Premium in the amount of \$35,033.00 and shall have been reimbursed, by or on behalf of the Depositor, for other fees and expenses identified in Section 3.02 below as payable at closing;

(b) *No Material Adverse Change.* There shall not have been (a) a Material Adverse Change with respect to the Servicer, the Sponsor, the Trust or the Depositor and (b) a Material Adverse Change with respect to the Transaction;

(c) *Operative Documents.* The Certificate Insurer shall have received a copy of each of the Operative Documents, in form and substance reasonably satisfactory to the Certificate Insurer, duly authorized, executed and delivered by each party thereto;

(d) *Certified Documents and Resolutions.* The Certificate Insurer shall have received (i) a copy of the applicable organizational documents of the Servicer, the Sponsor, the Trust and the Depositor and (ii) a certificate of the Secretary or Assistant Secretary of the Servicer, the Depositor or the Sponsor dated the Closing Date stating that attached thereto is a true, complete and correct copy of resolutions duly adopted by the Board of Directors, Board of Managers or other governing body, as applicable, of the Servicer, the Sponsor and the Depositor authorizing the issuance of the Certificates, the execution, delivery and performance by the Servicer, the Sponsor and the Depositor of the Operative Documents to which it is a party and the consummation of the Transaction and that such applicable organizational documents and resolutions are in full force and effect without amendment or modification on the Closing Date;

(e) *Incumbency Certificate.* The Certificate Insurer shall have received a certificate of the Secretary or an Assistant Secretary of each of the Servicer, the Sponsor and the Depositor certifying the names and signatures of the officers or members of the Servicer, the Sponsor and the Depositor, as applicable, authorized to execute and deliver the Operative Documents to which it is a party and that shareholder or beneficial owner consent to the execution and delivery of such documents is not necessary or has been obtained;

(f) *Representations and Warranties.* The representations and warranties of the Servicer, the Sponsor and the Depositor dated the Closing Date set forth or incorporated by reference in this Insurance Agreement shall be true and correct on and as of the Closing Date as if made on the Closing Date and the Certificate Insurer shall have received a certificate from each of such Persons to such effect;

(g) *Opinions of Counsel.* The Certificate Insurer shall have received all opinions of counsel (except for any letter from counsel to the Sponsor or the Depositor relating to Rule 10b-5 under the Securities Exchange Act) addressed to any of the Rating Agencies, the Trustee, the Securities Administrator, the Servicer, the Master Servicer, the Sponsor, the Trust, the Depositor and the Underwriter, in respect of the Servicer, the Sponsor, the Trust and the Depositor or any other parties to the Operative Documents and the Transaction dated the Closing Date in form and substance reasonably satisfactory to the Certificate Insurer, addressed to the Certificate Insurer and addressing such matters as the Certificate Insurer may reasonably request;

(h) *Approvals, Etc.* The Certificate Insurer shall have received true and correct copies of all approvals, licenses and consents, if any, including any required approval of the shareholders or beneficial owners, as applicable, of the Servicer, the Sponsor, the Trust and the Depositor, required in connection with the Transaction;

(i) *No Litigation, Etc.* No suit, action or other proceeding, investigation or injunction, or final judgment relating thereto, shall be pending or threatened before any court, governmental or administrative agency or arbitrator in which it is sought to restrain or prohibit or to obtain damages or other relief in connection with any of the Operative Documents or the consummation of the Transaction;

(j) *Legality.* No statute, rule, regulation or order shall have been enacted, entered or deemed applicable by any government or governmental or administrative agency or court that would make the Transaction illegal or otherwise prevent the consummation thereof;

(k) [Reserved];

(l) *Issuance of Ratings.* The Certificate Insurer shall have received confirmation that the Insured Certificates insured by the Certificate Insurance Policy are rated at least "AA" by S&P and Fitch and "A1" by Moody's, in each case without regard to the Certificate Insurance Policy, and that the Insured Certificates, when issued, will be rated "AAA" by S&P and Fitch and "Aaa" by Moody's.

(m) *No Default.* No Default or Event of Default shall have occurred;

(n) *Satisfactory Documentation.* The Certificate Insurer and its counsel shall have reasonably determined that all documents, certificates and opinions to be delivered in connection with the Certificates conform to the terms of the Pooling and Servicing Agreement, the Representations and Warranties Agreement, the Registration Statement, the Offering Document and this Insurance Agreement;

(o) [Reserved];

(p) *Indemnification Agreement.* The Certificate Insurer shall have received from the Underwriter an executed counterpart of the Indemnification Agreement; and

(q) *Additional Items.* The Certificate Insurer shall have received such other documents, instruments, approvals or opinions reasonably requested by the Certificate Insurer as may be reasonably necessary to effect the Transaction, including evidence reasonably satisfactory to the Certificate Insurer that the conditions precedent, if any, in the Operative Documents have been satisfied.

Section 3.02. Payment of Fees and Premium.

(a) *Legal and Accounting Fees.* The Sponsor shall pay or cause to be paid to the Certificate Insurer, at the Closing Date, legal fees and accounting fees in the amount of \$43,000.00. Any additional fees of the Certificate Insurer's auditors payable in respect of any amendment or supplement to the Offering Document incurred after the Closing Date shall be paid by the Sponsor on demand.

(b) *Rating Agency Fees.* The Sponsor shall promptly pay the initial fees of S&P, Moody's and Fitch with respect to the Certificates and the Transaction. All periodic and subsequent fees of S&P, Moody's and Fitch with respect to, and directly allocable to, the Certificates shall be for the account of, and shall be billed to, the Sponsor. The fees for any other Rating Agency shall be paid by the party requesting such other agency's rating unless such other agency is a substitute for S&P or Moody's in the event that S&P or Moody's is no longer rating the Insured Certificates, in which case the fees for such agency shall be paid by the Sponsor.

(c) *Premium.*

(i) In consideration of the issuance by the Certificate Insurer of the Certificate Insurance Policy, the Certificate Insurer shall be entitled to receive the Premium for the Certificate Insurance Policy, as and when due on each Distribution Date in accordance with Section 4.02 of the Pooling and Servicing Agreement.

(ii) The Premiums paid under the Pooling and Servicing Agreement in respect of the Certificate Insurance Policy shall be nonrefundable without regard to whether the Certificate Insurer makes any payment under the Certificate Insurance Policy or any other circumstances relating to any Certificates or provision being made for payment of any Certificates prior to maturity.

Section 3.03. Reimbursement Obligation.

(a) As and when due in accordance with and from the funds specified in Section 4.02 of the Pooling and Servicing Agreement, the Certificate Insurer shall be entitled to reimbursement for any payment made by the Certificate Insurer under the Certificate Insurance Policy, which reimbursement shall be due and payable on the date that any amount is paid thereunder, in an amount equal to the amount to be so paid and all Aggregate Reimbursement Amounts that remain unreimbursed, together with any indemnity amount described in Section 3.04 below, and in each case together with

interest on any and all such amounts remaining unreimbursed (to the extent permitted by law, if in respect of any unreimbursed amounts representing interest) from the date such amounts became due until paid in full (after as well as before judgment), at a rate of interest equal to the Late Payment Rate.

(b) Anything herein or in any Operative Document to the contrary notwithstanding, the Sponsor agrees to pay to the Certificate Insurer, and the Certificate Insurer shall be entitled to reimbursement from the Sponsor and shall have full recourse against the Sponsor for, (i) any payment made under the Certificate Insurance Policy arising as a result of the Sponsor's failure to substitute for or deposit an amount in respect of any defective Mortgage Loan as required pursuant to the Pooling and Servicing Agreement or the Representations and Warranties Agreement, together with interest on any and all such amounts remaining unreimbursed (to the extent permitted by law, if in respect of any such unreimbursed amounts representing interest) from the date such amounts became due until paid in full (after as well as before judgment), at a rate of interest equal to the Late Payment Rate, and (ii) any payment made under the Certificate Insurance Policy arising as a result of the Sponsor's failure to pay or deposit any amount required to be paid or deposited pursuant to the Operative Documents, together with interest on any and all such amounts remaining unreimbursed (to the extent permitted by law, if in respect to any such unreimbursed amounts representing interest) from the date such amounts became due until paid in full (after as well as before judgment), at a rate of interest equal to the Late Payment Rate.

(c) Anything herein or in any Operative Document to the contrary notwithstanding, the Servicer agrees to pay to the Certificate Insurer, and the Certificate Insurer shall be entitled to reimbursement from the Servicer and shall have full recourse against the Servicer for any payment made under the Certificate Insurance Policy arising as a result of the Servicer's failure to pay or deposit any amount required to be paid or deposited pursuant to the Operative Documents, together with interest on any and all such amounts remaining unreimbursed (to the extent permitted by law, if in respect to any such unreimbursed amounts representing interest) from the date such amounts became due until paid in full (after as well as before judgment), at a rate of interest equal to the Late Payment Rate

(d) The Sponsor agrees to pay to the Certificate Insurer any and all charges, fees, costs and expenses that the Certificate Insurer may reasonably pay or incur, including reasonable attorneys' and accountants' fees and expenses, in connection with (i) the enforcement, defense or preservation of any rights in respect of any of the Operative Documents, including defending, monitoring or participating in any litigation or proceeding (including any insolvency proceeding in respect of any Transaction participant or any affiliate thereof) relating to any of the Operative Documents, any party to any of the Operative Documents (in its capacity as such a party) or the Transaction, (ii) any action, proceeding or investigation affecting the Trust Fund or the rights or obligations of the Certificate Insurer under the Certificate Insurance Policy or the Operative Documents, including, without limitation, any judgment or settlement entered into affecting the Certificate Insurer or the Certificate Insurer's interest or (iii) any amendment, waiver or other action with respect to, or related to, any Operative Document, whether or not executed or completed. Such payment or reimbursement shall

be due on the dates on which such charges, fees, costs or expenses are paid or incurred by the Certificate Insurer so long as seven (7) Business Days written notice of the intended payment or incurrence shall have been given to the Sponsor by the Certificate Insurer.

(e) The Sponsor agrees to pay to the Certificate Insurer interest (without duplication) on any and all amounts described in Subsections 3.03(b), 3.03(d) and 3.03(f) and Sections 3.02 and 3.04 from the date such amounts become due or, in the case of subsection 3.02(b) or Section 3.04, are incurred or paid by the Certificate Insurer until payment thereof in full (after as well as before judgment), at the Late Payment Rate.

(f) The Sponsor agrees to pay to the Certificate Insurer as follows: any payments made by the Certificate Insurer on behalf of, or advanced to, the Sponsor, the Depositor, including any amounts payable by the Sponsor or the Depositor pursuant to any of the Operative Documents that would otherwise be required to be made by the Sponsor, the Depositor or the Trust pursuant to the Operative Documents, as amended from time to time, on the date any such payment is made or advanced by the Certificate Insurer. Notwithstanding the foregoing, in no event shall the Certificate Insurer have any recourse under this subsection against the Sponsor, the Depositor or the Trust with respect to any payments the Certificate Insurer has made in respect of principal or interest distributions on the Insured Certificates (except pursuant to Section 3.03(b) above).

(g) The Certificate Insurer shall have no right to set-off payments to be made under the Certificate Insurance Policy against payments to be made to the Certificate Insurer by the Sponsor, the Depositor, the Trust, the Trustee, the Servicer, the Securities Administrator, the Master Servicer, the Insured Certificateholders or any affiliate, officer or director of any of them.

Section 3.04. Indemnification.

(a) In addition to any and all of the Certificate Insurer's rights of reimbursement, indemnification, subrogation and to any other rights of the Certificate Insurer pursuant hereto or under law or in equity, the Servicer, the Sponsor and the Depositor agree, jointly and severally, to pay, and to protect, indemnify and save harmless, the Certificate Insurer and its officers, directors, shareholders, employees, agents and each Person, if any, who controls the Certificate Insurer within the meaning of either Section 15 of the Securities Act or Section 20 of the Securities Exchange Act from and against, any and all claims, losses, liabilities (including penalties), actions, suits, judgments, demands, damages, costs or expenses (including reasonable fees and expenses of attorneys, consultants and auditors and reasonable costs of investigations) of any nature arising out of or relating to the breach by the Servicer, the Sponsor or the Depositor of any of the representations or warranties contained in Section 2.01 or arising out of or relating to the transactions contemplated by the Operative Documents by reason of:

(i) any omission or action (other than of or by the Certificate Insurer) in connection with the offering, issuance, sale or delivery of the Certificates by the Servicer, the Sponsor, the Depositor or the Trustee other than those covered by subparagraph (v) below;

(ii) the negligence, bad faith, willful misconduct, misfeasance, malfeasance or theft committed by any director, officer, employee or agent of the Servicer, the Sponsor, the Depositor or the Trustee in connection with the Transaction or arising from or relating to the Operative Documents to which it is a party or the negligence, bad faith, willful misconduct, misfeasance, malfeasance or theft committed by any director, officer, employee or agent of the Servicer, the Sponsor, the Depositor or the Trustee in the performance, or reckless disregard of the obligations, of such Persons in connection with the Transaction or arising from or relating to the Operative Documents;

(iii) the violation by the Servicer, the Sponsor, the Trust or the Depositor of any domestic or foreign law, rule or regulation, or any judgment, order or decree applicable to it, which violation reasonably could be expected to result in a Material Adverse Change;

(iv) the breach by the Servicer, the Sponsor or the Depositor of any representation, warranty or covenant under any of the Operative Documents, any failure of the Sponsor or the Depositor to perform their duties in compliance with each of the Operative Documents to which they are a party or the occurrence, in respect of the Servicer, the Sponsor or the Depositor, under any of the Operative Documents of any "event of default" or any event which, with the giving of notice or the lapse of time or both, would constitute any "event of default" thereunder; or

(v) any untrue statement or alleged untrue statement of a material fact contained in any Offering Document or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except insofar as such claims, losses, liabilities (including penalties), actions, suits, judgments, demands, damages, costs or expenses (including reasonable fees and expenses of attorneys, consultants and auditors and reasonable costs of investigations) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact or omission or alleged omission of a material fact in information included in the Certificate Insurer Information.

(b) The Certificate Insurer agrees to pay, and to protect, indemnify and save harmless, the Servicer, the Sponsor and the Depositor and their respective officers, directors, shareholders, employees, agents and each Person, if any, who controls the Servicer, the Sponsor and the Depositor within the meaning of either Section 15 of the Securities Act or Section 20 of the Securities Exchange Act from and against, any and all claims, losses, liabilities (including penalties), actions, suits, judgments, demands, damages, costs or expenses (including reasonable fees and expenses of attorneys, consultants and auditors and reasonable costs of investigations) of any nature arising out of or by reason (i) any untrue statement or alleged untrue statement of a material fact contained in the Certificate Insurer Information or the Certificate Insurer Financial Statements or any omission or alleged omission to state in the Certificate Insurer Information or the Certificate Insurer Financial Statements a material fact necessary in order to make the statements contained in the Certificate Insurer Information or the

Certificate Insurer Financial Statements, in light of the circumstances under which they were made, not misleading, (ii) any failure of the Certificate Insurer to make a payment required to be made under the Insurance Certificate Insurance Policy or (iii) a breach of any of the representations, warranties and covenants of the Certificate Insurer contained in Section 2.04.

(c) If any action or proceeding (including any governmental investigation) shall be brought or asserted against any Person (individually, an "Indemnified Party" and, collectively, the "Indemnified Parties") in respect of which the indemnity provided in Section 3.04(a) or (b) may be sought from the Servicer, the Sponsor or the Depositor, on the one hand, or the Certificate Insurer, on the other (each, an "Indemnifying Party") hereunder, each such Indemnified Party shall promptly notify the Indemnifying Party in writing, and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all expenses. The omission so to notify the Indemnifying Party will not relieve it from any liability which it may have to any Indemnified Party except to the extent the Indemnifying Party is prejudiced by such failure. The Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof at the expense of the Indemnified Party; *provided, however*, that the fees and expenses of such separate counsel shall be at the expense of the Indemnifying Party if (i) the Indemnifying Party has agreed to pay such fees and expenses, (ii) the Indemnifying Party shall have failed within a reasonable period of time to assume the defense of such action or proceeding and employ counsel reasonably satisfactory to the Indemnified Party in any such action or proceeding or (iii) the named parties to any such action or proceeding (including any impleaded parties) include both the Indemnified Party and the Indemnifying Party, and the Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the Indemnifying Party (in which case, if the Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense of such action or proceeding on behalf of such Indemnified Party, it being understood, however, that the Indemnifying Party shall not, in connection with any one such action or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys at any time for the Indemnified Parties, which firm shall be designated in writing by the Indemnified Party and shall be reasonably satisfactory to the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any such action or proceeding effected without its written consent, which consent shall not be unreasonably withheld, conditioned or delayed, but, if settled with its written consent, or if there is a final judgment for the plaintiff in any such action or proceeding with respect to which the Indemnifying Party shall have received notice in accordance with this subsection (c), the Indemnifying Party agrees to indemnify and hold the Indemnified Parties harmless from and against any loss or liability by reason of such settlement or judgment. Notwithstanding anything in this paragraph to the contrary, the consent of such Indemnified Party shall not be required if such settlement fully discharges, with prejudice against the plaintiff, the claim or action against such Indemnified Party.

(d) To provide for just and equitable contribution if the indemnification provided by the Indemnifying Party is determined to be unavailable or insufficient to hold harmless any Indemnified Party (other than due to application of this Section), each Indemnifying Party shall contribute to the losses incurred by the Indemnified Party on the basis of the relative fault of the Indemnifying Party, on the one hand, and the Indemnified Party, on the other hand.

(e) No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(f) Upon the incurrence of any losses entitled to contribution hereunder, the contributor shall reimburse the party entitled to contribution promptly upon establishment by the party entitled to contribution to the contributor of the losses incurred.

Section 3.05. Payment Procedure.

In the event of any payment by the Certificate Insurer, the Trustee, the Securities Administrator, the Servicer, the Sponsor and the Depositor agree to accept the voucher or other evidence of payment as prima facie evidence of the propriety thereof and the liability, if any, described in Section 3.03 therefor to the Certificate Insurer. All payments to be made to the Certificate Insurer under this Insurance Agreement shall be made to the Certificate Insurer in lawful currency of the United States of America in immediately available hands at the notice address for the Certificate Insurer as specified in the Pooling and Servicing Agreement on the date when due or as the Certificate Insurer shall otherwise direct by written notice to the other parties hereto. In the event that the date of any payment to the Certificate Insurer or the expiration of any time period hereunder occurs on a day that is not a Business Day, then such payment or expiration of time period shall be made or occur on the next succeeding Business Day with the same force and effect as if such payment was made or time period expired on the scheduled date of payment or expiration date.

Section 3.06. Joint and Several Liability.

The Servicer, the Sponsor and the Depositor shall be jointly and severally liable for all amounts due and payable to the Certificate Insurer hereunder by any such parties.

Section 3.07. Subrogation.

The parties hereto acknowledge that, to the extent of any payment made by the Certificate Insurer pursuant to the Certificate Insurance Policy, the Certificate Insurer shall be fully subrogated to the extent of such payment and any interest due thereon, to the rights of the holders of the Insured Certificates to any moneys paid or payable in respect of the Insured Certificates under the Operative Documents or otherwise. The parties hereto agree to such subrogation and further agree to execute such instruments and to take such actions as, in the sole judgment of the Certificate Insurer, are necessary to evidence such subrogation and to perfect the rights of the Certificate Insurer to receive any moneys paid or payable in respect of the Insured Certificates under the Operative Documents or otherwise.

ARTICLE IV FURTHER AGREEMENTS

Section 4.01. Effective Date; Term of the Insurance Agreement.

This Insurance Agreement shall take effect on the Closing Date and shall remain in effect until the later of (a) such time as the Certificate Insurer is no longer subject to a claim under the Certificate Insurance Policy and the Certificate Insurance Policy shall have been surrendered to the Certificate Insurer for cancellation and (b) all amounts payable to the Certificate Insurer by the Servicer, the Sponsor, the Trust or the Depositor hereunder or from any other source hereunder or under the Operative Documents or the Certificate Insurance Policy and all amounts payable under the Insured Certificates have been paid in full; *provided, however*, that the provisions of Sections 3.02, 3.03 and 3.04 hereof shall survive any termination of this Insurance Agreement.

Section 4.02. Further Assurances and Corrective Instruments.

(a) Except at such times as a default in payment under the Certificate Insurance Policy shall exist or shall have occurred, none of the Servicer, the Sponsor, the Master Servicer, the Securities Administrator or the Depositor nor the Trustee shall grant any waiver of rights under any of the Operative Documents to which any of them is a party without the prior written consent of the Certificate Insurer and any such waiver without prior written consent of the Certificate Insurer shall be null and void and of no force or effect.

(b) To the extent permitted by law, each of the Servicer, the Sponsor and the Depositor agrees that it will, from time to time, following good faith negotiations in connection therewith, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as the Certificate Insurer may reasonably request and as may be required in the Certificate Insurer's reasonable judgment to effectuate the intention of or facilitate the performance of this Insurance Agreement.

Section 4.03. Obligations Absolute.

(a) The obligations of the Servicer, the Sponsor and the Depositor hereunder shall be absolute and unconditional and shall be paid or performed strictly in accordance with this Insurance Agreement or the relevant Operative Document, as applicable, under all circumstances irrespective of:

- (i) any lack of validity or enforceability of, or any amendment or other modifications of, or waiver, with respect to any of the Operative Documents or the Certificates that have not been approved by the Certificate Insurer;
- (ii) any exchange or release of any other obligations hereunder;
- (iii) the existence of any claim, setoff, defense, reduction, abatement or other right that the Servicer, the Sponsor or the Depositor may have at any time against the Certificate Insurer or any other Person;

(iv) any document presented in connection with the Certificate Insurance Policy proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) any payment by the Certificate Insurer under the Certificate Insurance Policy against presentation of a certificate or other document that does not strictly comply with terms of the Certificate Insurance Policy;

(vi) any failure of the Servicer, the Sponsor or the Depositor to receive the proceeds from the sale of the Certificates;

(vii) any breach by the Servicer, the Sponsor, the Trust or the Depositor of any representation, warranty or covenant contained in any Operative Document to which it is a party; or

(viii) any other circumstances, other than payment in full, that might otherwise constitute a defense available to, or discharge of, the Servicer, the Sponsor or the Depositor in respect of any Operative Document.

(b) The Servicer, the Sponsor and the Depositor and any and all others who are now or may become liable for all or part of the obligations of the Servicer, the Sponsor or the Depositor under this Insurance Agreement renounce the right to assert as a defense to the performance of their respective obligations each of the following: (i) to the extent permitted by law, any and all redemption and exemption rights and the benefit of all valuation and appraisal privileges against the indebtedness and obligations evidenced by any Operative Document or by any extension or renewal thereof; (ii) presentment and demand for payment, notices of nonpayment and of dishonor, protest of dishonor and notice of protest; (iii) all notices in connection with the delivery and acceptance hereof and all other notices in connection with the performance, default or enforcement of any payment hereunder, except as required by the Operative Documents; and (iv) all rights of abatement, diminution, postponement or deduction, or to any defense other than payment, or to any right of setoff or recoupment arising out of any breach under any of the Operative Documents, by any party thereto or any beneficiary thereof, or out of any obligation at any time owing to the Servicer, the Sponsor or the Depositor.

(c) The Servicer, the Sponsor and the Depositor and any and all others who are now or may become liable for all or part of the obligations of the Servicer, the Sponsor or the Depositor under this Insurance Agreement, to the extent permitted by law, agree to be bound by this Insurance Agreement and, to the extent permitted by law (i) agree that its liabilities under this Insurance Agreement shall, except as otherwise expressly provided in this Section 4.03, be unconditional and without regard to any setoff, counterclaim or liability of any other Persons for the payment hereof, (ii) agree that any consent, waiver or forbearance hereunder with respect to an event shall operate only for such event and not for any subsequent event; (iii) consent to any and all extensions of time that may be granted by the Certificate Insurer with respect to any payment hereunder or other provisions hereof and to the release of any security at any time given for any payment hereunder, or any part thereof, with or without substitution, and to the release of any Person or entity liable for any such payment; and (iv) consent to

the addition of any and all other makers, endorsers, guarantors and other obligors for any payment hereunder, and to the acceptance of any and all other security for any payment hereunder, and agree that the addition of any such obligors or security shall not affect the liability of the parties hereto for any payment hereunder.

(d) Nothing herein shall be construed as prohibiting the Servicer, the Sponsor or the Depositor from pursuing any rights or remedies it may have against any Person in a separate legal proceeding.

Section 4.04. Assignments; Reinsurance; Third-Party Rights.

(a) This Insurance Agreement shall be a continuing obligation of the parties hereto and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Each of the Servicer, the Sponsor and the Depositor may not assign its rights under this Insurance Agreement or the Certificate Insurance Policy, or delegate any of its duties hereunder, without the prior written consent of the Certificate Insurer. Any assignments made in violation of this Insurance Agreement shall be null and void.

(b) The Certificate Insurer shall have the right to give participations in its rights under this Insurance Agreement and to enter into contracts of reinsurance with respect to the Certificate Insurance Policy upon such terms and conditions as the Certificate Insurer may in its discretion determine; *provided, however*, that no such participation or reinsurance agreement or arrangement shall relieve the Certificate Insurer of any of its obligations hereunder or under the Certificate Insurance Policy nor shall the Servicer, the Sponsor, the Trust or the Depositor be required to deal directly with any such parties.

(c) Except as provided herein with respect to participants and reinsurers, nothing in this Insurance Agreement shall confer any right, remedy or claim, express or implied, upon any Person, including, particularly, any Insured Certificateholder, other than the Certificate Insurer against the Servicer, the Sponsor, the Trust or the Depositor, or the Servicer, the Sponsor, the Trust or the Depositor against the Certificate Insurer and all the terms, covenants, conditions, promises and agreements contained herein shall be for the sole and exclusive benefit of the parties hereto and their successors and permitted assigns. Neither the Trustee nor any Insured Certificateholder shall have any right to payment from any Premiums paid or payable hereunder or under the Pooling and Servicing Agreement or from any amounts paid by the Sponsor pursuant to Section 3.02 or 3.03.

Section 4.05. Liability of the Certificate Insurer.

Neither the Certificate Insurer nor any of its officers, directors, shareholders, employees or agents shall be liable or responsible for: (a) the use that may be made of the Certificate Insurance Policy by the Trustee or the Securities Administrator or for any acts or omissions of the Trustee or the Securities Administrator in connection therewith, (b) the validity, sufficiency, accuracy or genuineness of documents delivered to the Certificate Insurer in connection with any claim under the Certificate Insurance Policy, or of any signatures thereon, even if such

documents or signatures should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged, or (c) any acts or omissions of the Servicer, the Sponsor, the Master Servicer, the Depositor, the Trustee or the Securities Administrator in connection with the Transaction or the Operative Documents to which it is a party. In furtherance and not in limitation of the foregoing, the Certificate Insurer may accept documents that appear on their face to be in order, without responsibility for further investigation.

ARTICLE V DEFAULTS AND REMEDIES

Section 5.01. Defaults.

The occurrence of any of the following shall constitute an Event of Default hereunder:

(a) Any representation or warranty made by the Sponsor (other than representations and warranties relating to the individual Mortgage Loans), the Depositor or the Servicer hereunder or under the Operative Documents, or in any certificate furnished hereunder or under the Operative Documents, shall prove to be untrue or incorrect in any respect which is material to the rights and interests of the Certificate Insurer (including, without limitation, any representation or warranty made by the Sponsor or the Depositor as to the Trust Fund);

(b) (i) The Servicer, the Sponsor or the Depositor shall fail to pay when due any amount payable by the Servicer, the Sponsor or the Depositor hereunder or under any of the Operative Documents or (ii) a legislative body has enacted any law that declares or a court of competent jurisdiction shall find or rule that this Insurance Agreement or any other Operative Document is not valid and binding on the Servicer, the Sponsor or the Depositor,

(c) The occurrence and continuance of an "event of default" under any Operative Document;

(d) Any failure on the part of the Sponsor, the Depositor or the Servicer to duly to observe or perform in any material respect any other of the covenants or agreements on the part of the Sponsor, the Depositor or the Servicer contained in this Insurance Agreement or in any other Operative Document which continues unremedied beyond any cure period provided therein, or, in the case of this Insurance Agreement, for a period of 30 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Sponsor, the Depositor or the Servicer by the Certificate Insurer (with a copy to the Trustee) or by the Trustee (with a copy to the Certificate Insurer);

(e) A decree or order of a court or agency or supervisory authority having jurisdiction in the premises in an involuntary case under any present or future federal or state bankruptcy, insolvency or similar law or the appointment of a conservator or receiver or liquidator or other similar official in any bankruptcy, insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, shall have been entered against the Servicer, the Sponsor, or

the Depositor and such decree or order shall have remained in force undischarged or unstayed for a period of 60 consecutive days;

(f) The Servicer, the Sponsor, or the Depositor shall consent to the appointment of a conservator or receiver or liquidator or other similar official in any bankruptcy, insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to the Servicer, the Sponsor, or the Depositor or of or relating to all or substantially all of their respective property;

(g) The Servicer, the Sponsor, or the Depositor shall become insolvent or admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of or otherwise voluntarily commence a case or proceeding under any applicable bankruptcy, insolvency, reorganization or other similar statute, make an assignment for the benefit of its creditors or voluntarily suspend payment of its obligations;

(h) [Reserved]; or

(i) Either the Trust Fund or the Trust shall become subject to an entity level tax or to registration as an investment company under the Investment Company Act.

Section 5.02. Remedies; No Remedy Exclusive.

(a) Upon the occurrence of an Event of Default, the Certificate Insurer may exercise any one or more of the rights and remedies set forth below:

(i) declare all indebtedness of every type or description then owed by the Servicer, the Sponsor, the Trust or the Depositor to the Certificate Insurer with respect to the Transaction to be immediately due and payable, and the same shall thereupon be immediately due and payable;

(ii) exercise any rights and remedies under the Operative Documents in accordance with the terms thereof, in its own capacity, as the Person entitled to exercise the rights of the Insured Certificateholders or direct the Securities Administrator, the Trustee, the Master Servicer, the Servicer or other appropriate party to exercise such remedies in accordance with the terms of the relevant Operative Document; or

(iii) take whatever action at law or in equity as may appear necessary or desirable in its judgment to collect the amounts, if any, then due under this Insurance Agreement or any other Operative Document or to enforce performance and observance of any obligation, agreement or covenant of the Servicer, the Sponsor or the Depositor under this Insurance Agreement or other Operative Documents.

(b) Unless otherwise expressly provided, no remedy herein conferred or reserved is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under this Insurance Agreement, the other Operative Documents or existing at law or in equity. No delay or

omission to exercise any right or power accruing under this Insurance Agreement or the other Operative Documents upon the happening of any event set forth in Section 5.01 or any event set forth in the Operative Documents shall impair any such right or power or shall be construed to be a waiver thereof; but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Certificate Insurer to exercise any remedy reserved to the Certificate Insurer in this Article, it shall not be necessary to give any notice, other than such notice as may be required by this Article.

(c) If any proceeding has been commenced to enforce any right or remedy under this Insurance Agreement, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Certificate Insurer, then and in every such case the parties hereto shall, subject to any determination in such proceeding, be restored to their respective former positions hereunder, and, thereafter, all rights and remedies of the Certificate Insurer shall continue as though no such proceeding had been instituted.

Section 5.03. Waivers.

(a) No failure by the Certificate Insurer to exercise, and no delay by the Certificate Insurer in exercising, any right hereunder or under any Operative Document shall operate as a waiver thereof. The exercise by the Certificate Insurer of any right hereunder shall not preclude the exercise of any other right, and the remedies provided herein to the Certificate Insurer are declared in every case to be cumulative and not exclusive of any remedies provided by law or equity.

(b) The Certificate Insurer shall have the right, to be exercised in its complete discretion, to waive any Event of Default hereunder, by a writing setting forth the terms, conditions and extent of such waiver signed by the Certificate Insurer and delivered to the Sponsor. Unless such writing expressly provides to the contrary, any waiver so granted shall extend only to the specific event or occurrence which gave rise to the Event of Default so waived and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

ARTICLE VI MISCELLANEOUS

Section 6.01. Amendments, Etc.

This Insurance Agreement may be amended, modified, supplemented or terminated only by written instrument or written instruments signed by the parties hereto. The Sponsor agrees to provide a copy of any amendment to this Insurance Agreement promptly to the Trustee and rating agencies maintaining a rating on any of the Certificates. No act or course of dealing shall be deemed to constitute an amendment, modification, supplement or termination hereof.

Section 6.02. Notices.

All demands, notices and other communications to be given hereunder shall be in writing (except as otherwise specifically provided herein) and shall be mailed by registered mail or personally delivered and telecopied to the recipient as follows:

(a) To the Certificate Insurer:

Financial Guaranty Insurance Company
125 Park Avenue
New York, New York 10017
Attention: Structured Finance Surveillance
Morgan Stanley ABS Capital I Inc. Trust 2007-NC4,
Facsimile: (212) 312-3220
Confirmation: (800) 352-0001
Email: SFSurveillance@fgic.com

(in each case in which notice or other communication to the Certificate Insurer refers to an Event of Default, a claim on the Certificate Insurance Policy or with respect to which failure on the part of the Certificate Insurer to respond shall be deemed to constitute consent or acceptance, then a copy of such notice or other communication should also be sent to the attention of the general counsel of each of the Certificate Insurer, the Sponsor and the Trustee and, in all cases, both any original and all copies shall be marked to indicate "URGENT MATERIAL ENCLOSED.") Any notice regarding delivery of the Certificate Insurer Financial Information shall be sent via electronic mail to the Certificate Insurer at RegAB@fgic.com and shall reference the deal name and policy number

(b) To the Sponsor:

Morgan Stanley Mortgage Capital Holdings LLC
1585 Broadway
New York, New York 10036
(212) 761-4000

Notice to the Sponsor shall also constitute notice to the Depositor to the extent the party providing such notice is required to provide notice to all such parties in each case in which notice or other communication to the Sponsor refers to a claim against the Sponsor or the Depositor or with respect to which failure on the part of the Sponsor or the Depositor to respond shall be deemed to constitute consent or acceptance, then a copy of such notice or other communication should also be sent to the attention of the general counsel of each of the Certificate Insurer, the Securities Administrator and the Trustee and, in all cases, both any original and all copies shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(c) To the Trustee:

Deutsche Bank National Trust Company
1761 East St. Andrew Place
Santa Ana, California 92705
Attention: Trust Administration-MS07C4
Tel: 714-247-6000
Fax: 714-656-2626

(d) To the Securities Administrator or Master Servicer:

Wells Fargo Bank, N.A.
9062 Old Annapolis Road
Columbia, Maryland 21045-1951
Attention: Client Services Manager MSAC 2007-NC4
Tel: 410-884-2000
Fax: 410-715-2380

(e) To the Servicer:

Saxon Mortgage Services, Inc.
4708 Mercantile Drive
Ft. Worth, Texas 76137
Attention: David L. Dill, President
Facsimile: (817) 665-7509
Confirmation: (817) 665-7309

With a copy to:

4860 Cox Road, Suite 300
Glen Allen, Virginia 23060
Attention: Legal Department
Facsimile: (804) 967-7862

A party may specify an additional or different address or addresses by writing mailed or delivered to the other parties as aforesaid. All such notices and other communications shall be effective upon receipt.

Section 6.03. Severability.

In the event that any provision of this Insurance Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, the parties hereto agree that such holding shall not invalidate or render unenforceable any other provision hereof. The parties hereto further agree that the holding by any court of competent jurisdiction that any remedy pursued by any party hereto is unavailable or unenforceable shall not affect in any way the ability of such party to pursue any other remedy available to it.

Section 6.04. Governing Law.

This Insurance Agreement shall be governed by and construed in accordance with the laws of the State of New York (without giving effect to the conflict of laws provisions thereof other than Sections 5-1401 and 5-1402 of the General Obligations Law, which the Parties hereto expressly rely upon as the governing law hereunder)

Section 6.05. Consent to Jurisdiction.

(a) The parties hereto hereby irrevocably submit to the non-exclusive jurisdiction of the United States District Court for the Southern District of New York and any court in the State of New York located in the City and County of New York, and any appellate court from any thereof, in any action, suit or proceeding brought against it and to or in connection with any of the Operative Documents, the Certificate Insurance Policy or the Transaction or for recognition or enforcement of any judgment, and the parties hereto hereby irrevocably and unconditionally agree that all claims in respect of any such action or proceeding may be heard or determined in such New York state court or, to the extent permitted by law, in such federal court. The parties hereto agree that a final unappealable judgment in any such action, suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. To the extent permitted by applicable law, the parties hereto hereby waive and agree not to assert by way of motion, as a defense or otherwise in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that the related documents or the subject matter thereof may not be litigated in or by such courts.

(b) To the extent permitted by applicable law, the parties hereto shall not seek and hereby waive the right to any review of the judgment of any such court by any court of any other nation or jurisdiction which may be called upon to grant an enforcement of such judgment.

(c) Service on the Sponsor, the Servicer and the Depositor may be made by mailing or delivering copies of the summons and complaint and other process which may be served in any suit, action or proceeding to the applicable party at the related addresses listed in Section 6.02 herein. Such address may be changed by the applicable party or parties, with the prior written consent of the Certificate Insurer, by written notice to the other parties hereto. The provision of notice to change the address set forth in Section 6.02 shall constitute notice for purposes of the preceding sentence, unless such notice shall expressly state to the contrary.

(d) Nothing contained in this Insurance Agreement shall limit or affect any party's right to serve process in any other manner permitted by law or to start legal proceedings relating to any of the Operative Documents or the Certificate Insurance Policy against any other party or its properties in the courts of any jurisdiction.

Section 6.06. Consent of the Certificate Insurer.

In the event that the consent of the Certificate Insurer is required under any of the Operative Documents, the determination whether to grant or withhold such consent shall be made by the Certificate Insurer in its sole discretion without any implied duty towards any other Person, except as otherwise expressly provided therein, and such consent is only effective when and if given by the Certificate Insurer in writing.

Section 6.07. Counterparts.

This Insurance Agreement may be executed in counterparts by the parties hereto, and all such counterparts shall constitute one and the same instrument.

Section 6.08. Headings.

The headings of Articles and Sections and the Table of Contents contained in this Insurance Agreement are provided for convenience only. They form no part of this Insurance Agreement and shall not affect its construction or interpretation.

Section 6.09. Trial by Jury Waived.

Each party hereby waives, to the fullest extent permitted by law, any right to a trial by jury in respect of any litigation arising directly or indirectly out of, under or in connection with any of the Operative Documents or a Certificate Insurance Policy or any of the transactions contemplated thereunder. Each party hereto (A) certifies that no representative, agent or attorney of any party hereto has represented, expressly or otherwise, that it would not, in the event of litigation, seek to enforce the foregoing waiver and (B) acknowledges that it has been induced to enter into the Operative Documents to which it is a party (or, in the case of a Certificate Insurance Policy, the Certificate Insurer so acknowledges) by, among other things, this waiver.

Section 6.10. Limited Liability.

No recourse hereunder shall be had against, and no personal liability shall attach to, any officer, employee, director, affiliate or shareholder of any party hereto, as such, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute or otherwise in respect of any of this Insurance Agreement or the Certificate Insurance Policy, it being expressly agreed and understood that this Insurance Agreement and the Certificate Insurance Policy are solely corporate obligations of each party hereto, and that any and all personal liability, either at common law or in equity, or by statute or constitution, of every such officer, employee, director, affiliate or shareholder for breaches of any party hereto of any obligations hereunder is hereby expressly waived as a condition of and in consideration for the execution and delivery of this Insurance Agreement.

Section 6.11. Entire Agreement.

This Insurance Agreement and the Certificate Insurance Policy set forth the entire agreement between the parties with respect to the subject matter hereof and thereof, and this Insurance Agreement supersedes and replaces any agreement or understanding that may have existed between the parties prior to the date hereof in respect of such subject matter.

Section 6.12. Offering Documents.

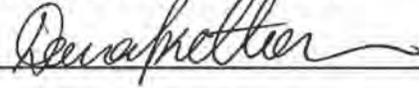
Each offering document delivered with respect to the Certificates shall clearly disclose that the Certificate Insurance Policy is not covered by the property/casualty insurance security fund specified in Article 76 of the New York Insurance Law. In addition, each offering document delivered with respect to the Certificates that includes financial information of the Certificate Insurer prepared in accordance with generally accepted accounting principles shall include the following statement immediately preceding such financial information:

The New York State Insurance Department recognizes only statutory accounting practices (“SAP”) for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the New York Insurance Law, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. Although the Certificate Insurer prepares both GAAP and SAP financial statements, no consideration is given by the New York State Insurance Department to financial statements prepared in accordance with GAAP in making such determinations. A discussion of the principal differences between SAP and GAAP is contained in the notes to the Certificate Insurer’s SAP financial statements

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Insurance Agreement, all as of the day and year first above mentioned.

FINANCIAL GUARANTY INSURANCE COMPANY, as Certificate Insurer

By: 

Name: Dana Skelton

Title: Director

MORGAN STANLEY MORTGAGE CAPITAL HOLDINGS LLC, as Sponsor

By: _____

Name: _____

Title: _____

SAXON MORTGAGE SERVICES, INC., as Servicer

By: _____

Name: _____

Title: _____

MORGAN STANLEY ABS CAPITAL I INC., as Depositor

By: _____

Name: _____

Title: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Master Servicer and Securities Administrator

By: _____

Name: _____

Title: _____

DEUTSCHE BANK NATIONAL TRUST COMPANY, solely as Trustee and not in its individual capacity

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF, the parties hereto have executed this Insurance Agreement, all as of the day and year first above mentioned.

FINANCIAL GUARANTY INSURANCE COMPANY, as Certificate Insurer

By: _____

Name: _____

Title: _____

MORGAN STANLEY MORTGAGE CAPITAL HOLDINGS LLC, as Sponsor

By: _____

Name: _____

Title: _____

SAXON MORTGAGE SERVICES, INC., as Servicer

By:  _____

Name: David L. Dill

Title: Chief Executive Officer and President

MORGAN STANLEY ABS CAPITAL I INC., as Depositor

By: _____

Name: _____

Title: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Master Servicer and Securities Administrator

By: _____

Name: _____

Title: _____

DEUTSCHE BANK NATIONAL TRUST COMPANY, solely as Trustee and not in its individual capacity

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF, the parties hereto have executed this Insurance Agreement, all as of the day and year first above mentioned.

FINANCIAL GUARANTY INSURANCE
COMPANY, as Certificate Insurer

By: _____

Name: _____

Title: _____

MORGAN STANLEY MORTGAGE
CAPITAL HOLDINGS LLC, as Sponsor

By: _____

Name: _____

Title: _____

SAXON MORTGAGE SERVICES, INC.,
as Servicer

By: _____

Name: _____

Title: _____

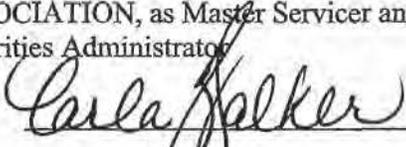
MORGAN STANLEY ABS CAPITAL I INC.,
as Depositor

By: _____

Name: _____

Title: _____

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Master Servicer and
Securities Administrator

By:  _____

Name: **Carla S. Walker**

Title: **Vice President**

Title: _____

DEUTSCHE BANK NATIONAL TRUST
COMPANY,
solely as Trustee and not in its individual
capacity

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF, the parties hereto have executed this Insurance Agreement, all as of the day and year first above mentioned.

FINANCIAL GUARANTY INSURANCE COMPANY, as Certificate Insurer

By: _____

Name: _____

Title: _____

MORGAN STANLEY MORTGAGE CAPITAL HOLDINGS LLC, as Sponsor

By: Steven Shapiro

Name: Steven Shapiro

Title: Vice President

SAXON MORTGAGE SERVICES, INC., as Servicer

By: _____

Name: _____

Title: _____

MORGAN STANLEY ABS CAPITAL I INC., as Depositor

By: Steven Shapiro

Name: Steven Shapiro

Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Master Servicer and Securities Administrator

By: _____

Name: _____

Title: _____

DEUTSCHE BANK NATIONAL TRUST COMPANY, solely as Trustee and not in its individual capacity

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF, the parties hereto have executed this Insurance Agreement, all as of the day and year first above mentioned.

FINANCIAL GUARANTY INSURANCE COMPANY, as Certificate Insurer

By: _____
Name: _____
Title: _____

MORGAN STANLEY MORTGAGE CAPITAL HOLDINGS LLC, as Sponsor

By: _____
Name: _____
Title: _____

SAXON MORTGAGE SERVICES, INC., as Servicer

By: _____
Name: _____
Title: _____

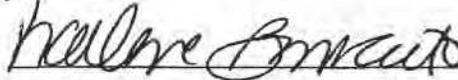
MORGAN STANLEY ABS CAPITAL I INC., as Depositor

By: _____
Name: _____
Title: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Master Servicer and Securities Administrator

By: _____
Name: _____
Title: _____

DEUTSCHE BANK NATIONAL TRUST COMPANY, solely as Trustee and not in its individual capacity

By: 
Name: Karlene Benvenuto
Authorized Signer
Title: _____