

ASSIGNMENT OF TRADE (AOT) DEMONSTRATION

AOT GUIDELINES

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- AOT Hedge delivery dates:
 - Settlement dates for the current month are not accepted. Acceptable settlement dates are one month out from current month. (e.g. On 01/01/2023 acceptable AOT trades can have settlements in FEB. Please note, AOT's that settle in JAN will no longer be accepted on 01/01/2023.)
- AOT Hedge Amount:
 - Assignment amount does not need to match trade amount.
 - Sum of the trades assigned MINUS the sum of the loans hit must be less than \$1,000,000. (e.g. \$5.4m of won loans and \$7m in AOT assignments will not be accepted)
 - In the case of over delivery of a hedge, the current offer side will be quoted for the overage amount and used to calculate the P&L in the hedge trade.
- AOT Hedges coupons:
 - Hedge coupons DO NOT NEED to match loan delivery best execution coupons.
 - If hedge coupons do not match loan delivery coupons, the current offer side of the hedge coupon will be used to calculate the P&L in the hedge trade.
 - If hedge coupons match bid delivery coupons then current bid side will be used calculating P&L in the hedge trade.
- Miscellaneous
 - Minimum AOT per coupon: \$500,000
 - Max commitment period: 14 days

BID TAPE AOT PROCESS

AOT PROCESS

1. Seller submits bids to AgencyTrading@pennymac.com.
2. All-in loan level pricing will be provided by agency trading. Please note, initial pricing provided on bid is based on current market pricing, and does not reflect AOTs.
3. Seller returns winning loan population along with a filled out 'AOT Trade Entry' template and 'Tri-Party Agreements'.
4. Agency trading will return a final pricing sheet to seller, including AOT Trade pricing adjustment table (See slide 8 for example)
5. Seller will receive a confirmation email with commitment number.
6. All extension and pair-off requests should be submitted to CorrespondentMandatory@pennymac.com.

AOT TRADE ENTRY TEMPLATE

AOT TRADE ENTRY TEMPLATE

Hedge Program	Dealer	Coupon	Trade Date	Trade Amount	Assign Amount	Trade Price	Settlement Month
G230	BMO Capital Markets Corporation	5	12/7/2022	10,000,000	3,000,000	99.914062500	Feb
G230	Daiwa Capital Mkts	5.5	12/13/2022	12,500,000	1,000,000	100.875000000	Feb
FN30	Bank of Oklahoma	5	12/8/2022	6,000,000	1,500,000	99.562500000	Feb
FN30	Banc of America	5.5	11/17/2022	14,000,000	4,000,000	100.457031250	Feb
FN30	Banc of America	6	12/7/2022	9,000,000	500,000	102.132812500	Feb

Column Name	Field Type	Notes
Hedge Program	Drop Down	Selection options: FN15, FN30 and G230
Dealer	Drop Down	Selection limited to approved dealers
Coupon	Text	Original AOT coupon rate
Trade Date	Text	Original AOT trade date
Trade Amount	Text	Original AOT trade amount
Assign Amount	Text	Amount of original trade being assigned
Trade Price	Text	Must be to the last decimal
Settlement Month	Text	Examples: Jan, Feb and Mar

FINAL PRICING SHEET INCLUDING AOT TRADE PRICING ADJUSTMENT TABLE

- Once all required materials have been sent to agency trading, the trade desk will verify the Trade Entry Template and AOT agreements
- The final pricing displays the AOT spread and final price, as highlighted below in red

Pennymac Bulk Bid	
Client	
Bid Date	01/11/23 12:00:00
Delivery Date	01/18/23
Commitment #	

AOT Security & Coupon	AOT Trade	Loans Delivered	Delivery Variance (Over/Under)	AOT Trade Px	Current TBA Bid Px	Current TBA Ask Px (Used for loan under delivery only)	Pair off Amount (Offer Side)	Gain/Loss in Hedge	Gain/Loss (BPS)
UM30 5.0 2/23	\$1,500,000	\$1,524,500	\$24,500	99.562500	100.109375	100.203125		\$ -8,203	-0.5381
UM30 5.5 2/23	\$4,000,000	\$4,033,630	\$33,630	100.457031	101.328125	101.421875		\$ -34,844	-0.8638
UM30 6.0 2/23	\$500,000	\$860,650	\$360,650	102.132813	102.203125	102.312500		\$ -352	-0.0408
	\$6,000,000	\$6,743,780	\$743,780				AOT dollar value	-\$43,399	-0.6435
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GNII30 5.0 2/23	\$3,000,000	\$2,917,112	-\$82,888	99.914063	100.312500	100.359375	-\$82,888	-\$11,992	-0.4111
GNII30 5.5 2/23	\$1,000,000	\$1,312,065	\$312,065	100.875000	101.187500	101.250000		\$ -3,125	-0.2382
	\$4,000,000	\$4,988,527	\$988,527				AOT dollar value	-\$15,117	-0.3030

Loan	Borrower Last	State	Loan Program	Curr. Int. Rate	Term	Loan Amount LTV	CLTV	Usage	Type	DTI	Purpose	Cashout Type	Credit Score	Doc Type	Escrows	Sec Slot	Sec Price	Current Bid	AOT Spread	Final Price
Loan1	LastName1	FL	FHA Fixed 30 Year	5.750	360	\$391,674	96.50	96.50 PrimaryResidence	PUD		40.04 Purchase	NoCashOut	653 Full	Y		GNII30 5.0 2/23	100-10	102.7580	-0.3030	102.4550
Loan2	LastName2	WA	Conv Fixed 30 Year	6.625	360	\$248,465	70.00	70.00 PrimaryResidence	PUD		46.42 Purchase	NoCashOut	804 Full	Y		UM30 5.5 2/23	101-10+	104.4877	-0.6435	103.8442
Loan3	LastName3	FL	Conv Fixed 30 Year	5.875	360	\$111,700	36.50	36.50 PrimaryResidence	1FAM		48.56 Purchase	NoCashOut	717 Full	Y		UM30 5.0 2/23	100-03+	104.3100	-0.6435	103.6665
Loan4	LastName4	TX	FHA Fixed 30 Year	5.750	360	\$242,526	96.50	96.50 PrimaryResidence	1FAM		48.34 Purchase	NoCashOut	712 Full	Y		GNII30 5.0 2/23	100-10	103.4734	-0.3030	103.1704
Loan5	LastName5	TX	Conv Fixed 30 Year	6.625	360	\$486,412	90.00	90.00 PrimaryResidence	PUD		43.01 Purchase	NoCashOut	781 Full	Y		UM30 5.5 2/23	101-10+	103.7059	-0.6435	103.0624
Loan6	LastName6	FL	FHA Fixed 30 Year	6.250	360	\$373,117	96.50	96.50 PrimaryResidence	PUD		55.13 Purchase	NoCashOut	668 Full	Y		GNII30 5.5 2/23	101-06	103.3461	-0.3030	103.0431
Loan7	LastName7	FL	Conv Fixed 30 Year	6.625	360	\$315,250	65.00	65.00 PrimaryResidence	1FAM		49.27 Purchase	NoCashOut	791 Full	Y		UM30 5.5 2/23	101-10+	103.7829	-0.6435	103.1394
Loan8	LastName8	NJ	Conv Fixed 30 Year	6.500	360	\$415,000	64.84	64.84 PrimaryResidence	1FAM		47.86 Purchase	NoCashOut	698 Full	Y		UM30 5.5 2/23	101-10+	102.9467	-0.6435	102.3032
Loan9	LastName9	GA	FHA Fixed 30 Year	6.000	360	\$338,751	96.50	96.50 PrimaryResidence	1FAM		47.54 Purchase	NoCashOut	664 Full	Y		GNII30 5.5 2/23	101-06	102.8905	-0.3030	102.5875
Loan10	LastName10	AZ	USDA Fixed 30 Year	6.750	360	\$237,373	100.58	100.58 PrimaryResidence	1FAM		33.15 Purchase	NoCashOut	654 Full	Y		GNII30 6.5 2/23	102-20+	103.8407	-0.3030	103.5377
Loan11	LastName11	NJ	Conv Fixed 30 Year	6.625	360	\$403,750	85.00	85.00 PrimaryResidence	1FAM		41.06 Purchase	NoCashOut	793 Full	Y		UM30 5.5 2/23	101-10+	103.5213	-0.6435	102.8778

TRADE PRICING ADJUSTMENTS CALCULATIONS

AOT Security & Coupon	AOT Trade	Loans Delivered	Delivery Variance (Over/Under)	AOT Trade Px	Current TBA Bid Px	Current TBA Ask Px (Used for loan under delivery only)	Pair off Amount (Offer Side)	Gain/Loss in Hedge	Gain/Loss (BPS)
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UM30 6.0 2/23	\$500,000	\$860,650	\$360,650	102.132813	102.203125	102.312500	\$	-\$352	-0.0408
	\$6,000,000	\$6,743,780	\$743,780				AOT dollar value	-\$43,399	-0.6435

AOT Less Than Loans Delivered:

Gain/Loss Hedge Calculation:

- (AOT Trade Px – Current TBA Bid Px)/100 * AOT Trade
 - $(99.562500 - 100.109375)/100 * 1,500,000 = -8,203$

Gain/Loss Hedge Calculation (BPS):

- (Gain/Loss in Hedge/Loans Delivered) * 100
 - $(-8,203/1,524,500) * 100 = -.5381$

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GNI30 5.0 2/23	\$3,000,000	\$2,917,112	-\$82,888	99.914063	100.312500	100.359375	-\$82,888	-\$11,992	-0.4111
GNI30 5.5 2/23	\$1,000,000	\$1,312,065	\$312,065	100.875000	101.187500	101.250000	\$	-\$3,125	-0.2382
	\$4,000,000	\$4,988,527	\$988,527				AOT dollar value	-\$15,117	-0.3030

AOT Trade Greater Than or Equal to Loans Delivered:

Gain/Loss Hedge Calculation:

- (AOT Trade Px – Current TBA Bid Px)/100 * Loans Delivered
 - $(99.914063 - 100.312500)/100 * 2,917,112 = -11,623$

- (AOT Trade Px – Current TBA Ask Px)/100 * (- Delivery Variance)
 - $(99.914063 - 100.359375)/100 * -82,888 = -369$

Gain/Loss Hedge Calculation (BPS):

- (Gain/Loss in Hedge/Loans Delivered) * 100
 - $(-11,992/2,917,112) * 100 = -.4111$

PENNYMAC'S APPROVED DEALERS

Pennymac is currently accepting AOTs from the following dealers:

- Banc of America
- Bank of Oklahoma
- Barclays Capital
- BMO Capital Markets Corporation
- BNP Paribas
- BNY Mellon
- Brean Capital
- Cantor Fitzgerald LP
- Citigroup
- Daiwa Capital Markets
- Fannie Cap Markets
- FHN Financial
- Freddie Mac Cap Markets
- Goldman Sachs
- Hilltop Securities
- Huntington Securities Inc
- Janney Montgomery
- Jefferies
- JP Morgan
- JVB Financial Group
- KeyBanc
- MAREX
- Mizuho Securities
- Morgan Stanley
- MUFG Securities Americas
- Multi-Bank Securities
- Nomura Securities
- Performance Trust
- PNC Bank
- Raymond James & Associates
- Robert W. Baird & Co. Incorporated
- Santander US Capital Markets (formerly Amherst Pierpont)
- South Street Securities
- Stifel, Nicolaus & Co
- StoneX Group (formerly INTL FCstone)
- Texas Capital Securities
- Wells Fargo

The most up-to-date list can be found at:

<https://www.gopennymac.com/tools/seller-guide/exhibit-1-aot-slash-acceptable-broker-dealers>