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STANDALONE CES PRESENTATION

Unlocking Home Equity Without Sacrificing Your Low Rate

Access liquidity through a Standalone Closed-End Second (CES) loan while protecting your low first mortgage.

LOAN STRUCTURE
Fixed-Rate Subordinate Lien

MAX LIQUIDITY
Up to $500,000 Payout

TERM OPTIONS
10, 15, 20 & 30 Years

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The Home Equity Opportunity

Why a Standalone CES fits today's borrower

The Refinance Dilemma

Market Dynamics



Preserve Low 1st Mortgage Terms

Protect sub-4% primary terms fully intact without refinancing existing debt. Save tens of thousands in long-term interest.



Targeted Cash Draw Efficiency

Borrow targeted cash amounts strictly on needed capital limits without resetting your entire mortgage balance.



$0 Monthly MI Expense

Zero monthly MI premiums enforced across all eligible CLTV ranges, maximizing monthly cash flow efficiency.

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Standalone CES vs. Traditional HELOC

Product Comparison

RECOMMENDED

Closed-End Second (CES)

- **Fixed Interest Rate**
  Protected against market rate spikes.
- **Predictable Payment**
  Consistent principal and interest schedule.
- **Full Lump-Sum**
  Immediate capital disbursement at closing.
- **Extended Terms**
  Amortize over 10, 15, 20, or 30 years.
- **Interest-Only Option (Coming Soon)**
  Flexible structure underwritten with a 30-year term and 20-year amortization.

VARIABLE RISK

Standard HELOC

- **Floating Rates**
  Subject to prime rate volatility.
- **Payment Shock**
  Drastic increases when interest-only ends.
- **Credit Line Freezes**
  Lenders can reduce limits in soft markets.
- **Balloon Risk**
  Accelerated payoff schedules on reset.

Consumer Debt & Interest Rate Pressures

Market Reality

$1.17 Trillion

CREDIT CARD BALANCES

Average rates: 18% – 24%

$1.60 Trillion

STUDENT LOAN DEBT

Average rates: 8% – 15%

Key Takeaway for Borrowers

Borrowers with 2020–2021 low first-mortgage rates don’t want to touch their primary loan. Consolidated 2nd liens offer targeted relief without resetting low primary terms.

Trapped Home Equity Dilemma

Market Opportunity

$11 Trillion

TAPPABLE EQUITY

Only 3% of available home equity was accessed by borrowers last year.

$300,000

AVERAGE EQUITY

Wealth sits at an all-time high per borrower, locked in illiquid property value.

3% Accessed

LIQUIDITY PARADOX

Borrowers hold enough trapped cash to eliminate non-mortgage debt, yet feel squeezed.

The Asset-Rich, Cash-Poor Disconnect

American homeowners are wealthier than ever on paper. Despite record-high values, a massive disconnect remains between owning equity wealth and actually being able to utilize it effectively to relieve financial pressure.

**Data Source: Cotality*

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Home Equity Debt Consolidation & Blended Rate

Sales Tools

Accelerating Debt Payoff

"Rate is not the enemy — Time is the enemy!"

By maintaining the client's current budget of **$1,853.97/mo** (reinvesting the **$614.11/mo savings** back into the Pennymac 2nd), the 10-year term is cut to **under 6 years**, saving substantial interest while eliminating debt faster!

Creditor	Balance	Rate	Payment	Total Interest
Credit Cards	$15,390	22.0%	$461.70	$8,618
Auto Loans	$43,610	6.35%	$850.45	$7,417
Student Loans	$41,000	10.0%	$541.82	$24,018
Total High-Interest Debt	**$100,000**	**10.26%**	**$1,853.97**	**$40,053**
Pennymac HE Second	**$100,000**	**8.50%**	**$1,239.86**	**$48,783**
Pennymac HE 2nd (Accelerated)	**$100,000**	**8.50%**	**$1,853.97**	**$26,388** (~5.7 yrs)



$1,853.97 / mo

REINVEST SAVINGS STRATEGY

Applies $614.11/mo savings directly to Pennymac 2nd principal to achieve early payoff in ~6 years.

1ST LIEN
$400k @ 3.00%

2ND LIEN
$100k @ 8.50%

BLENDED OVERALL RATE
4.10%

**Illustration compares current consumer debts ($1,854/mo) to the Pennymac HE Second. Reinvesting the $614/mo savings pays off the 8.50% 2nd lien in ~6 yrs vs standard 10-yr amortization.*

***Tax deductibility of interest varies by individual circumstance; consult a tax advisor to determine your specific deductibility percentage and total net interest savings.*

****Data sources: Experian, TransUnion, Federal Reserve Board.*

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Program Guidelines

Loan limits, eligibility, and borrower standards

Substantial Capital Capacity

Liquidity Limits

MAXIMUM LOAN AMOUNT

$500,000

For 1-unit primary residences

Starting from $50,000 minimum loan amounts across all eligible property categories and occupancy types.

PRIMARY RESIDENCE

Up to $500,000

1-Unit Properties

PRIMARY RESIDENCE

Up to $250,000

2-Unit Properties

SECOND HOMES

Up to $250,000

1-Unit Properties

INVESTMENT

Up to $250,000

1-Unit Properties

Underwriting Matrix

Eligibility Guidelines

Occupancy & Units	Loan Amount Range	Max CLTV (DTI ≤ 45%)	Max CLTV (DTI ≤ 50%)	Min FICO
Primary (1-Unit)	$50,000 – $250,000	85%	65%	660 – 680
Primary (1-Unit)	> $250,000 – $500,000	85%	80%	680 – 720
Primary (2-Unit)	$50,000 – $250,000	80%	75%	700 – 720
Second Home	$50,000 – $250,000	80%	Not Eligible	680 – 720
Investment Property	$50,000 – $250,000	70%	Not Eligible	700

Qualification Standards

Borrower Benchmarks



Eligible Borrowers

US Citizens and permanent resident aliens eligible across programs.



Mortgage History

0x30x24 clean payment performance required on existing mortgages.



Derogatory Events

Strict 7-year seasoning required on prior bankruptcies or foreclosures.

Process & Compliance

Documentation, valuation, and program guardrails

Efficient Processing & Documentation

Streamlined Process

W-2 Employees

Recent 30 days paystubs plus 1 year W-2 form required.

Self-Employed

Single-year signed personal and business tax returns required.

Zero Reserves

No post-closing asset reserves demanded for standard approvals.

Appraisal Requirements

Loans ≤ $400,000
Automated AVM paired with exterior drive-by photos.

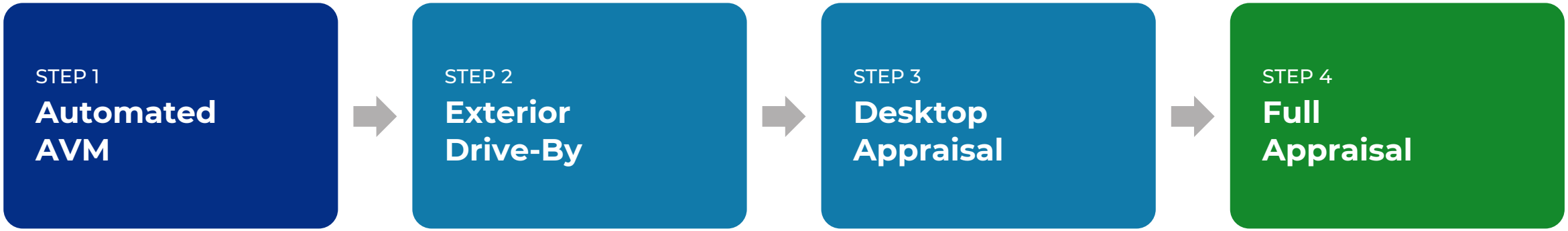
[Pennymac HVE https://corr.pennymac.com/home-value-estimator]

Loans > $400,000
Full interior and exterior standard appraisal required.

Transfer Policy
Eligible valuation transfers accepted directly from approved lenders.

Appraisal Flexibility

Valuation Cascades



Instant digital valuation check.

Property condition confirmation.

Secondary review path.

Standard interior inspection.

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Essential Compliance & Guardrails

Program Rules

12 Mo
OWNERSHIP SEASONING

1–2
PERMITTED UNITS

40 Ac
MAX ACREAGE

0
FINANCED PROPERTY CAP

Active Listings

Subject property cannot be currently listed for sale in any market.

First Lien Structure

Must be a fixed rate or interest-only term with ≥ 7 years remaining.

Prior Cash-Out Seasoning

No cash-out within 12 months unless total CLTV ≤ 75%.

Excluded States

IA, IN, MI, NY, TN, and VT are currently ineligible state locations.

Guideline Compliance Guardrails

Policy Compliance

Guideline Basics

CLTV Exceeding Guidelines

Strict prohibition on loans exceeding max CLTV profile caps.

DTI Max per Product Profile

- **> 45% DTI Limit:** Allowed only for OO, max $250k loan, max 85% CLTV, min 680 FICO.
- **Acreage Restriction (20–40 Acres):** Max $250k loan, reduce max CLTV by 10%, max 45% DTI.

VVOE Verification

Verbal VOE must be completed strictly within 10 days of Closing.

Compliance Issues & Violations

HPML Violations

Failing HPML test limits or failing to provide evidence of appraisal delivery to the borrower as required under HPML rules.

TRID Violations

Zero-tolerance fee violations driven by a lack of a valid Change of Circumstance (COC) documentation.

High-Cost Mortgage Thresholds

Federal & state high-cost test failures regarding financed points/fees, late charges, and overall point limits.

Delegated Underwriting Help: Delegated UW scenarios Correspondent.Credit.Help@pennymac.com

Thank You

Ready to unlock home equity for your clients? Contact your Pennymac Correspondent Account Manager today.

Product Profile: https://corr.pennymac.com/assets/documents/products/standalone-closed-end-second-product-profile.pdf

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