

Assignment of Trade (AOT) Demonstration

AOT Guidelines

AOT Guidelines

- 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 11/01/2019 acceptable AOT trades can have settlements in Dec. Please note, AOT's that settle in Nov will no longer be accepted on 11/01/2019.)
- AOT Hedge Amount:
 - Assignment amount does not need to match trade amount.
 - Hedge assignment tolerance versus loan delivery is the 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: 7 days



Bid Tape AOT Process

AOT Process

1. Seller submits bids to AgencyTrading@pnmac.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@pnmac.com.



AOT Trade Entry Template

AOT Trade Entry Template

	A	B	C	D	E	F	G	H
1	Hedge Program	Dealer	Coupon	Trade Date	Trade Amount	Assign Amount	Trade Price	Settlement Month
2	FN30	Citigroup	4	8/21/2018	2,000,000	1,000,000	100.000000	Sep-18
3								

Select "**Hedge Program**" using the drop down menu; FN15, FN30, G230

Select "**Dealer**" from drop down menu. (Please refer to slide 10 for the full list of our approved dealers)

Insert "**Coupon**"

Insert original AOT "**Trade Date**"

Insert "**Trade Amount**"

Insert "**Assigned AOT Amount**"

Insert "**Trade Price**". The trade price should be displayed to the last decimal space.

Insert the "**Settlement Month**". Please note, you do not need to type in the entire date, just the month. (ex. Jan, Feb, 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
- Column U on the final pricing displays the AOT spread that is applied to the new final price in column V (Please refer to the red boxes in the image below)

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
PennyMac Mando Bid				AOT Security & Coupon	AOT Trade	Loans Delivered	Delivery Variance (Over/Under)	AOT Trade Px	Current TBA Bid Px	Ask Px (Used for loan under delivery only)	Pair off Amount (Offer Side)	Gain/Loss in Hedge	Gain/Loss (BPS)								
				FN30 4.0 9/18	\$1,000,000	\$1,020,600	\$20,600	101.398000	101.906250	101.937500		\$ -5,083	-0.497								
	Client			FN30 4.5 9/18	\$	\$903,804	\$903,804	0.000000	103.937500	103.968750		\$	\$ 0.000								
	Bid Date	08/21/18 11:33:09		FN30 5.0 9/18	\$	\$674,000	\$674,000	0.000000	105.765625	105.796875		\$	\$ 0.000								
	Delivery D	08/24/18																			
					\$1,000,000	\$2,598,404	\$1,598,404				AOT dollar value		\$-5,083	-0.195							
Loan	Borrower Last	State	Loan Program	Curr. Int. Rate	Term	Loan Amou	LTV	CLTV	Usage	Type	DTI	Purpose	Cashout Ty	Credit Score	Doc Type	Escrows	Sec Slot	Sec Price	Current Bid	AOT Spread	Final Price
	x	FL	Conv Fixed 30 Year	5.750	360	\$232,000	80.00	80.00	Investment	1FAM	5.81	Purchase	NoCashOut	802	Full	Y	FN30 5.0 9/18	105-25	103.67	-0.195	103.48
	x	WA	Conv Fixed 30 Year	5.250	360	\$663,804	95.00	95.00	PrimaryRes	1FAM	45.83	Purchase	NoCashOut	777	Full	Y	FN30 4.5 9/18	103-30	104.35	-0.195	104.16
	x	CA	Conv Fixed 30 Year	5.125	360	\$240,000	70.59	89.71	PrimaryRes	CONDO	42.40	Refinance	NoCashOut	745	Full	Y	FN30 4.5 9/18	103-30	104.02	-0.195	103.83
	x	CA	Conv Fixed 30 Year	5.000	360	\$503,100	90.00	90.00	PrimaryRes	1FAM	44.13	Purchase	NoCashOut	764	Full	Y	FN30 4.0 9/18	101-29	103.52	-0.195	103.33
	x	CA	Conv Fixed 30 Year	4.750	360	\$517,500	66.77	80.00	PrimaryRes	1FAM	17.93	Purchase	NoCashOut	761	Full	N	FN30 4.0 9/18	101-29	102.20	-0.195	102.01
	x	TX	Conv Fixed 30 Year	5.625	360	\$442,000	85.00	95.00	PrimaryRes	1FAM	39.65	Purchase	NoCashOut	708	Full	Y	FN30 5.0 9/18	105-25	104.43	-0.195	104.24
	6 Loans			5.199		\$2,598,404	83.12	89.22			35.00			759					103.68		103.50
All bids are subject to change based on market pricing and loan attributes, and any mortgage loans to be purchased by PennyMac Corp. must comply in all respects with the Mortgage Loan Purchase Agreement and the PennyMac Corp. Seller's Guide.																					



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)
FN30 4.0 12/18	\$500,000	\$763,100	\$263,100	100.539063	99.906250	99.937500	\$	\$3,164	0.4146
FN30 4.5 12/18	\$1,000,000	\$773,680	-\$226,320	102.628906	102.296875	102.328125	-\$226,320	\$3,250	0.4200
	\$1,500,000	\$1,822,317	\$322,317				AOT dollar value	\$6,414	0.3520

FN30 4.0 Gain/Loss in Hedge Calculation:
 $(\text{AOT Trade Px} - \text{Current TBA Px}) / 100 * \text{AOT Trade}$

If AOT Trade is greater than Loans Delivered amount:

FN30 4.5 Gain/Loss in Hedge Calculation:
 $(\text{AOT Trade Px} - \text{Current TBA Px}) / 100 * \text{Loans Delivered}$
 +
 $(\text{AOT Trade Px} - \text{Current TBA Ask Px}) / 100 * (- \text{Delivery Variance})$



PennyMac's Approved Dealers

PennyMac is currently accepting AOTs from the following dealers:

- Amherst Pierpont
- Banc of America
- Bank of NY Mellon
- Bank of Oklahoma
- Barclays Capital
- BMO Capital Markets Corporation
- BNP Paribas
- Brean Capital
- Cantor Fitzgerald LP
- Citigroup
- Credit Suisse
- Daiwa Capital Mrkts
- EDFMan Capital Markets
- Fannie Cap Markets
- Goldman Sachs
- Intl Fcstone Inc
- Janney Montgomery
- Jefferies
- JP Morgan
- JVB Financial Group
- Mitsubishi UFJ Securities
- Mizuho Securities
- Morgan Stanley
- MultiBank
- Nomura
- Nomura Securities
- PNC Bank
- Raymond James & Associates
- South Street Securities
- Stifel Nicolaus & Co
- Wells Fargo

