Feedback on FHFA White Paper: Building a New Infrastructure for the Secondary Mortgage Market

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Name of business/company/organization:	Penny Mac

How would you describe your business	☐ Aggregator ☐ Broker/Dealer ☐ Collageral Manager ☐ Community and Borrowe Advocacy Group ☐ Industry Group/Trade Association ☐ Investor ☐ Mortgage Insurance Company ☑ Originator ☐ Rating Agency ☐ Regulator ☐ Servicer ☐ Other (Please specify) ☐ Specify your own value: *How would one describe the business*
(1) The proposed securitization platform has four core functions (issuance, disclosure, bond administration and master servicing). Will these core functions provide an efficient and effective foundation for the housing finance system going forward?	☑
Please take a few moments to further explain your response to question (1).	Standardizing the core functions across the enterprises and streamlining existing processes would benefit all market participants. Whether or not standardizing core functions in the PLS market would be the most efficient approach is yet to be seen. PennyMac would be open to being a part of a pilot program to test the private market acceptance and value of the new platform.
(2) Are there additional functionalities that should be considered as core functions of the platform?	Some edits could be verified by the system to confirm that loans meet specified underwriting eligiblity, such as LTV, loan occupancy, loan purpose, DTI, etc... However, it may be difficult to verify that a mortgage loan meets all of an investor's underwriting rules, as many may not tie to hard data values, but could interpretation of underwriting policies, conditions or factors. *For example, should the platform independently verify or determine underwriting and loan eligibility rules or pooling rules, or should the platform rely on an issuer or guarantor for those functions:*
(3) Will the framework for a model PSA described in this paper provide the foundation for a standardized contractual framework for the housing finance system going forward?	☑
Please take a few moments to further explain your response to question (3)	The market will need to review the actual PSA terms to determine if it would address the needs of private security issuers. Different investors may require different documents and disclosures especially sophisticated investors taking on very subordinate or residual risk.
(4) Are there additional elements/attributes that should	

be included in a model PSA?	A few items could be contemplated: 1) Unresolved repurchases could be addressed via arbitration, which is already being performed in current PLS; 2) Servicing compensation and the need to be able to refer loans to high-touch servicers (i.e. allow for transfer of compensation above base servicing fee); and 3) Build in concepts such as substitution of loans that are subject to repurchase; provided they do not materially affect the closing date pool characteristics. *For example, should the Model PSA define when a non-performing loan is required to be purchased out of the trust or transferred to a special servicer?*
(5) How should compliance with the PSA be monitored in the future?:	Could explore a private third party to regulate or have scorecards available to investors, to provide a neutral perspective on a servicer's compliance. Additionally investors could ensure compliance by driving necessary reserves, guaranty fees or potential price advantages for following or exceeding model PSA best practices.
(6) What enhancements to the role of trustee should be considered in order to attract private capital?	Trustees could take a more active role in monitoring Issuers with tools like scorecards based on repurchases. This should not be difficult to implement since already required for Dodd-Frank compliance with Rule 15Ga-1.
(7) How should document custodial and assignment responsibilities be handled?	One of the biggest hurdles is transferring title from defunct lenders/owners and/or lost assignments. Need a way of addressing this issue, as it is very cumbersome and expensive for investors (e.g. utilizing a revamped electronic record keeping system).
(8) Please provide any other comments or feedback you would like to offer on the white paper.:	PennyMac supports a common, standardizd securitization plaform for the GSE's and to have it be open to potential future use by private label issuers.

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