

PennyMac Narrative Background

PENNYMAC'S MISSION

PennyMac's mission is to keep borrowers in their homes while providing attractive risk-adjusted returns to our investors over the long term. The knowledge and experience of our executive team is essential to our ability to execute our mission. In service of this mission, we aim to develop loan programs that avoid foreclosure by directly addressing both the borrower's willingness and ability to pay their mortgages.

At PennyMac, we believe that the preservation of home ownership is the highest priority. We also recognize that the ultimate recovery of the U.S. mortgage market will require a multi-pronged approach which balances the needs and interests of consumers, investors, and the financial markets. We strive to deliver the necessary concern for borrowers and commitment to analytic discipline and ethical conduct to the U.S. mortgage marketplace.

WHO IS PENNYMAC?

PennyMac is a new kind of mortgage company with a fully integrated platform that includes purchasing and managing mortgage investment portfolios, originating loans, servicing/managing assets and facilitating sales on the secondary market. The PennyMac platform is comprehensive, scalable and custom-built for the current market.

The PennyMac companies together comprise a specialty financial services firm that was founded to address the dislocations in the U.S. mortgage market. PennyMac's current focus is on investing in and managing troubled mortgage assets. The firm's long-term objective is to play an active role in the revitalization of the mortgage market by supporting improved liquidity for smaller lenders, creating opportunities for public investment, and raising the standards for underwriting and analytic discipline.

HISTORY OF CREDIT CRISIS AND FORMATION OF PENNYMAC

What went wrong?

The mortgage, housing and credit markets play a key role in the foundation of the U.S. economy, enabling financial institutions to provide liquidity solutions for homeowners and businesses alike. Many systemic problems including the failures in oversight of lenders, ratings agencies, and regulators brought these markets to a grinding halt and threatened to destabilize the entire economy.

Where are we now?

Each of these key markets is on the path to recovery. We believe that being able to keep borrowers in their homes is essential to this recovery. Nonetheless, the country continues to struggle to address the foreclosure problem for many reasons including the challenges many financial institutions face in processing troubled loans. Legacy issues are a significant factor in the manner in which financial institutions address problem loans. These legacy issues include: 1) high capital ratios requirements for financial institutions that cause them to be reluctant to write down mortgages while renegotiating with homeowners; 2) the complexities of renegotiating loans that have been securitized because ownership is divided among different parties who must agree

to the changes; and 3) servicing operations that are overwhelmed and are not designed to handle high volumes of problem loans.

The government has a solid framework in place and has made significant progress in recapitalizing the financial system, putting new programs and incentives in place to prevent foreclosures, and seizing assets in “unsound” institutions. The private sector also plays an important role in revitalizing the key markets. Working together, the government and private investors have an opportunity to reestablish trust and discipline, to deliver capital for investment, and to revive the market mechanisms that drive efficiency and effectiveness.

How does PennyMac help?

PennyMac is a new model intended to address the problems of today’s mortgage market. We formed the company with two objectives: 1) to address the immediate problem of the mounting overhang of troubled mortgage assets in the marketplace, and 2) to ultimately revitalize investor trust by establishing an approach for providing clear assurances that underwriting standards and disciplines are sound and transparent.

Over the past two years, our team has worked diligently to build a company with all the operational and intellectual capabilities needed to tackle the enormously complex tasks of sourcing assets, raising investor funds to purchase those assets, constructing a methodology and systems to support rigorous modeling and analytics, developing rational and actionable programs that will keep borrowers in their homes where economically feasible, and developing the organization and systems to implement those programs.

At PennyMac, we believe that achieving a long-term sustainable resolution to the current challenges requires an approach that will encourage investment in the financial markets. Our business model is designed to create the opportunity for the U.S. public to invest in revitalizing the market through direct investment in portfolios of “troubled” residential mortgage loans. Our interests are aligned with: 1) the homeowners, who we help to avoid foreclosure; 2) our investors, who provide necessary capital in exchange for attractive risk-adjusted returns; and 3) the public to the extent that our efforts aid in the stabilization of the housing market and the economic recovery.

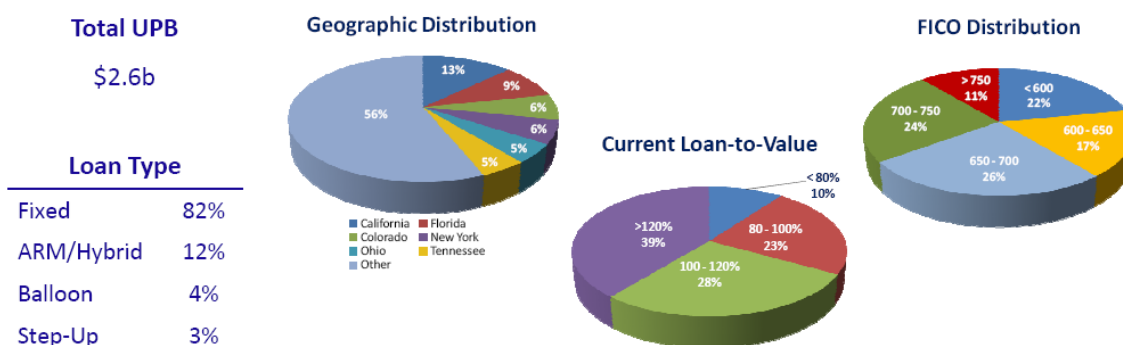
PENNYMAC’S ACCOMPLISHMENTS

The company was established in January 2008 and now services more than \$2 billion in residential loans. In addition, during 2009:

- We have raised over \$647 million in private investment funds and \$314 million in our recent public offering.
- Our loan servicing portfolio grew more than 10-fold to over 13,000 loans and \$2.6 billion UPB (not including transactions closed in December 2009).
- We have expanded our ability to source assets, reducing our dependence on FDIC and direct acquisitions, to include securitizations, structured transactions, distressed condo development projects, and conduit activities.
- We participated in the first unrated securitization of residential mortgage loans to be completed in nearly 2 years.
- We partnered with a major investment bank to structure the transaction.

- We invested in a significant portion of the bonds and obtained servicing rights for the entire \$2 billion portfolio.
- We developed and launched a condo financing program for a newly completed, prominent multi-use development.

PENNYMAC'S LOAN PORTFOLIO as of December 31, 2009



MANAGEMENT TEAM

The executive management team is PennyMac's core strength, collectively representing over 250 years of mortgage industry experience. The team is organized to ensure effective and in-depth coverage of critical operational and strategic functions.

Stanford L. Kurland

Mr. Kurland is the chairman and chief executive officer of PMT, PCM and PLS. Mr. Kurland is an accomplished executive in financial services with more than 27 years of experience in the mortgage banking arena. Prior to founding PennyMac in January 2008, Mr. Kurland served as chief financial officer and then chief operating officer at Countrywide. Mr. Kurland is well recognized for his leadership in developing the strategic direction, risk management activities, financial management, and organizational development of Countrywide. During his tenure at Countrywide from January 1979 to September 2006, Countrywide grew in market capitalization from just over one million dollars to a leading financial services firm with over \$25 billion in market value. Mr. Kurland began his professional career in 1975 in public accounting and practiced as a CPA for the international accounting firm, Grant Thornton LLP. Mr. Kurland holds a BS in Business Administration and Accounting from California State University, Northridge.

David A. Spector

Mr. Spector is the chief operating officer of PMT and chief investment officer of PCM and PLS. He is responsible for oversight of all activities pertaining to investments, and directs the activities of portfolio management, capital markets, and credit as each relates to mortgage credit and company credit risk. Prior to joining PennyMac in March 2008, Mr. Spector was co-head of global residential mortgages for Morgan Stanley, based in London. Prior to joining Morgan Stanley in September 2006, Mr. Spector was senior managing director, secondary marketing, for Countrywide, from May 1990 to August 2006, where he was responsible for all secondary marketing activities, including interest rate risk management, directed loan trading, loan pricing, pipeline hedging, and MSR hedging. Mr. Spector was a member of the Countrywide Asset

Liability and Credit Committees, as well as Freddie Mac and Fannie Mae Advisory Committees. Mr. Spector began his career in 1985 at First Boston in the Mortgage Finance Group in New York. Mr. Spector holds a BA in History from the University of California at Los Angeles.

Anne D. McCallion

Ms. McCallion is the chief financial officer and treasurer of PMT, and chief financial officer of PCM and PLS. She is responsible for overseeing PennyMac's financial management, reporting and controls; compliance; administration; and human resources. Prior to joining PennyMac in April 2009, Ms. McCallion held various financial positions at Countrywide, including serving as chief financial officer after the company was acquired by Bank of America. In her 17 years at Countrywide, from July 1991 to December 2008, she also served as deputy chief financial officer, chief operations officer, and chief administrative officer. Ms. McCallion is a past chair of the Financial Management Committee of the Mortgage Bankers Association and, working closely with standards setters and regulators, led the industry's efforts to improve accounting standards. Prior to joining Countrywide, she was a member of the technical staff at the FASB and practiced as a CPA for Deloitte & Touche LLP and several local accounting firms in the Midwest. Ms. McCallion holds a BS, summa cum laude, in Accounting from Gannon University in Erie, Pennsylvania and an MBA from Ashland University in Ashland, Ohio.

ORGANIZATIONAL CULTURE AND VALUES

The company has defined and nurtured a culture that values and rewards efficiency, productivity and innovative thinking. PennyMac's organizational core values are:

Trust: We hold ourselves to the highest standard of integrity and reliability at all times in all areas of our business. We pride ourselves on our commitment to ethical conduct above all else.

Innovation: The need for solutions that are unbounded by traditional practices is the reason for our existence. We always strive to deliver creative solutions that are practical and easy to understand.

Partnership: We believe in working together for the common good of our customers, our employees, our business partners, and the communities we serve.

Empathy: We are committed to demonstrating the utmost concern for our customers and vow to bring thoughtfulness and consideration to every interaction.

Excellence: We are driven to reach the highest standards of quality, efficiency, reliability, and creativity.

PENNYMAC'S COMMITMENT TO ITS CUSTOMERS

PennyMac has put in place policies and procedures to ensure best practices, transparency, and disclosure, which was lacking in the industry over the past few years. PennyMac has gone even further by hiring mortgage professionals who are able to answer our customers' questions, to explain in detail the terms of their mortgages, and to help empower our customers to explore all of their options. We help each of our customers find the best outcome for their specific situation. PennyMac has invested in resources to ensure rapid response time in responding to customers and

answering calls. On average, PennyMac answers calls in 30 seconds, which is a much faster response time than our peers.

PENNYMAC CORPORATE STRUCTURE AND SUBSIDIARIES

PennyMac is comprised of three operating entities. For the purpose of clarification, we use the PennyMac label to refer to the combined capabilities of all the PennyMac operating entities.

1. **Private National Mortgage Acceptance Co., LLC (PNMAC)**, founded in January 2008 and owned by BlackRock, Highfields Capital Management, and our management, is the parent company of a registered investment adviser and a loan servicer.
2. **PNMAC Capital Management, LLC (PCM)**, is our registered investment adviser that conducts investment activities on behalf of the REIT and our private funds. PCM is a wholly-owned subsidiary of Private National Mortgage Acceptance Co., LLC.

PCM manages our public and private investment vehicles, PennyMac Mortgage Investment Trust (PMT or the REIT) and PNMAC Opportunity Funds (the funds). In its capacity as investment manager, PCM provides:

- Capital markets functions related to the acquisition and disposition of mortgage-related assets including best-in-class analytics to support valuation and modeling activities.
 - Due diligence services for all asset acquisitions.
 - Portfolio management strategy capability designed to analyze each loan and borrower situation individually and to match each borrower with the highest value loan modification, restructuring program or property resolution alternative. The PCM solution set includes a broad range of proprietary and government-sponsored loan modification and restructuring programs that can be tailored to each borrower's circumstance and implemented to create long-term sustainable solutions for borrowers.
 - Secondary marketing functions aimed at marketing restructured and reperforming loans creating the opportunities to fully realize the value created through loan enhancement activities.
 - A conduit platform primarily focused on purchasing newly originated loans from small mortgage lenders and repackaging them for securitization and sale.
3. **PennyMac Loan Services, LLC (PLS)**, is our loan servicing operation that provides a comprehensive, high-touch lending and servicing platform that allows us to fully implement the portfolio strategies developed by PCM. PLS is a wholly-owned subsidiary of Private National Mortgage Acceptance Co., LLC.

PLS's primary servicing operations include:

- All activities of loan administration, call center and web-based customer service, and payment processing
- Sophisticated investor accounting and loan-level reporting for whole loans and securitizations

PLS's special servicing operations include:

- Workout and loan resolution support for troubled borrowers

- Implementation of HAMP and PennyMac modification programs as directed by our proprietary Portfolio Strategy function
- Resources dedicated to Property Resolution employing a broad range of liquidation alternatives when necessary

PLS also offers an origination and fulfillment capability, providing:

- Underwriting and closing of loan modifications
- A centralized origination platform to facilitate:
 - Refinancing of existing customers
 - Buyer financing on short sales and REO properties
 - Consumer-direct lending

Because PennyMac has successfully raised private capital both through private funds and a publicly-traded REIT, not just institutional, but also individual shareholders, have had the ability to invest in the future of our industry. The way these funds are invested is in the public interest because the goal is to refinance or to modify homeowners into loans that they can afford. This can only be done with a first-class, dedicated loan acquisition and servicing operation, which our experienced teams have built from scratch.