

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

**Form 10-Q**

**(Mark One)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number: 001-34416

**PennyMac Mortgage Investment Trust**

(Exact name of registrant as specified in its charter)

**Maryland**

**(State or other jurisdiction of  
incorporation or organization)**

**27-0186273**

**(IRS Employer  
Identification No.)**

**3043 Townsgate Road, Westlake Village, California**  
(Address of principal executive offices)

**91361**  
(Zip Code)

**(818) 224-7442**  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of Each Class</b>	<b>Trading Symbol (s)</b>	<b>Name of Each Exchange on Which Registered</b>
Common Shares of Beneficial Interest, \$0.01 Par Value	PMT	New York Stock Exchange
8.125% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, \$0.01 Par Value	PMT/PRA	New York Stock Exchange
8.00% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, \$0.01 Par Value	PMT/PRB	New York Stock Exchange
6.75% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest, \$0.01 Par Value	PMT/PRC	New York Stock Exchange
8.50% Senior Note Due 2028	PMTU	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes  No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

<b>Class</b>	<b>Outstanding at October 29, 2024</b>
<b>Common Shares of Beneficial Interest, \$0.01 par value</b>	<b>86,860,960</b>

**PENNymac Mortgage Investment Trust**  
**Form 10-Q**  
**September 30, 2024**  
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## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q (this “Report”) contains certain forward-looking statements that are subject to various risks and uncertainties. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may,” “will,” “should,” “potential,” “intend,” “expect,” “seek,” “anticipate,” “estimate,” “approximately,” “believe,” “could,” “project,” “predict,” “continue,” “plan” or other similar words or expressions.

Forward-looking statements are based on certain assumptions, discuss future expectations, future plans and strategies, contain financial and operating projections or state other forward-looking information. Examples of forward-looking statements include the following:

- projections of our revenues, income, earnings per share, capital structure or other financial items;
- descriptions of our plans or objectives for future operations, products or services;
- forecasts of our future economic performance, interest rates, profit margins and our share of future markets; and
- descriptions of assumptions underlying or relating to any of the foregoing expectations regarding the timing of generating any revenues.

Our ability to predict results or the actual effect of future events, actions, plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. There are a number of factors, many of which are beyond our control that could cause actual results to differ significantly from management’s expectations. Some of these factors are discussed below.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties discussed elsewhere in this Report and the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission (“SEC”) on February 22, 2024.

Factors that could cause actual results to differ materially from historical results or those anticipated include, but are not limited to:

- changes in interest rates;
- our ability to comply with various federal, state and local laws and regulations that govern our business;
- volatility in our industry, the debt or equity markets, the general economy or the real estate finance and real estate markets;
- events or circumstances which undermine confidence in the financial and housing markets or otherwise have a broad impact on financial and housing markets; changes in real estate values, housing prices and housing sales;
- changes in macroeconomic, consumer and real estate market conditions;
- the degree and nature of our competition;
- the availability of, and level of competition for, attractive risk-adjusted investment opportunities in mortgage loans and mortgage-related assets that satisfy our investment objectives;
- the inherent difficulty in winning bids to acquire mortgage loans, and our success in doing so;
- the concentration of credit risks to which the Company is exposed;
- our dependence on our manager and servicer, potential conflicts of interest with such entities and their affiliates, and the performance of such entities;
- changes in personnel and lack of availability of qualified personnel at our manager, servicer or their affiliates;
- our ability to mitigate cybersecurity risks, cybersecurity incidents and technology disruptions;
- the availability, terms and deployment of short-term and long-term capital;
- the adequacy of our cash reserves and working capital;
- our ability to maintain the desired relationship between our financing and the interest rates and maturities of our assets;
- the timing and amount of cash flows, if any, from our investments; our substantial amount of indebtedness;
- the performance, financial condition and liquidity of borrowers;

- our exposure to risks of loss and disruptions in operations resulting from severe weather events, man-made or other natural conditions, including climate change and pandemics;
- the ability of our servicer to approve and monitor correspondent sellers and underwrite loans to investor standards;
- incomplete or inaccurate information or documentation provided by customers or counterparties, or adverse changes in the financial condition of our customers and counterparties;
- our indemnification and repurchase obligations in connection with mortgage loans we may purchase, sell or securitize;
- the quality and enforceability of the collateral documentation evidencing our ownership rights in our investments;
- increased rates of delinquency, defaults and forbearances and/or decreased recovery rates on our investments;
- the performance of mortgage loans underlying mortgage-backed securities in which the Company retains credit risk;
- our ability to foreclose on our investments in a timely manner or at all;
- increased prepayments of the mortgages and other loans underlying our mortgage-backed securities or relating to our mortgage servicing rights and other investments;
- the degree to which our hedging strategies may or may not protect us from interest rate volatility;
- the effect of the accuracy of or changes in the estimates the Company makes about uncertainties, contingencies and asset and liability valuations when measuring and reporting upon our financial condition and results of operations;
- our ability to maintain appropriate internal control over financial reporting;
- our ability to detect misconduct and fraud; developments in the secondary markets for our mortgage loan products;
- legislative and regulatory changes that impact the mortgage loan industry or housing market;
- regulatory or other changes that impact government agencies or government-sponsored entities, or such changes that increase the cost of doing business with such agencies or entities;
- the Consumer Financial Protection Bureau and its issued and future rules and the enforcement thereof;
- changes in government support of home ownership and home affordability programs;
- changes in our investment objectives or investment or operational strategies, including any new lines of business or new products and services that may subject us to additional risks;
- limitations imposed on our business and our ability to satisfy complex rules for us to qualify as a REIT for U.S. federal income tax purposes and qualify for an exclusion from the Investment Company Act of 1940 and the ability of certain of our subsidiaries to qualify as REITs or as taxable REIT subsidiaries for U.S. federal income tax purposes;
- changes in governmental regulations, accounting treatment, tax rates and similar matters;
- our ability to make distributions to our shareholders in the future;
- our failure to deal appropriately with issues that may give rise to reputational risk; and our organizational structure and certain requirements in our charter documents.

Other factors that could also cause results to differ from our expectations may not be described in this Report or any other document. Each of these factors could by itself, or together with one or more other factors, adversely affect our business, income and/or financial condition.

Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made.

## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### PENNYSMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	September 30, 2024	December 31, 2023
	(in thousands, except share information)	
<b>ASSETS</b>		
Cash	\$ 344,358	\$ 281,085
Short-term investments at fair value	102,787	128,338
Mortgage-backed securities at fair value pledged to creditors	4,182,382	4,836,292
Loans acquired for sale at fair value (\$1,649,411 and \$659,751 pledged to creditors, respectively)	1,665,796	669,018
Loans at fair value (\$1,427,722 and \$1,431,896 pledged to creditors, respectively)	1,429,525	1,433,820
Derivative assets (\$29,690 and \$16,160 pledged to creditors, respectively)	81,844	177,984
Deposits securing credit risk transfer arrangements pledged to creditors	1,135,447	1,209,498
Mortgage servicing rights at fair value (\$3,756,894 and \$3,871,249 pledged to creditors, respectively)	3,809,047	3,919,107
Servicing advances (\$59,121 and \$181,201 pledged to creditors, respectively)	71,124	206,151
Due from PennyMac Financial Services, Inc.	8,538	56
Other (\$1,230 and \$1,905 pledged to creditors, respectively)	224,806	252,538
<b>Total assets</b>	<b>\$ 13,055,654</b>	<b>\$ 13,113,887</b>
<b>LIABILITIES</b>		
Assets sold under agreements to repurchase	\$ 5,748,461	\$ 5,624,558
Mortgage loan participation purchase and sale agreements	28,790	—
Notes payable secured by credit risk transfer and mortgage servicing assets	2,830,108	2,910,605
Unsecured senior notes	814,915	600,458
Asset-backed financings of variable interest entities at fair value	1,334,797	1,336,731
Interest-only security payable at fair value	35,098	32,667
Derivative and credit risk transfer strip liabilities at fair value	16,151	51,381
Accounts payable and accrued liabilities	114,085	354,989
Due to PennyMac Financial Services, Inc.	32,603	29,262
Income taxes payable	155,544	190,003
Liability for losses under representations and warranties	8,315	26,143
<b>Total liabilities</b>	<b>11,118,867</b>	<b>11,156,797</b>
Commitments and contingencies – Note 17		
<b>SHAREHOLDERS' EQUITY</b>		
Preferred shares of beneficial interest, \$0.01 par value per share, authorized 100,000,000 shares, issued and outstanding 22,400,000, liquidation preference \$560,000,000	541,482	541,482
Common shares of beneficial interest—authorized, 500,000,000 common shares of \$0.01 par value; issued and outstanding, 86,860,960 and 86,624,044 common shares, respectively	869	866
Additional paid-in capital	1,924,596	1,923,437
Accumulated deficit	(530,160)	(508,695)
<b>Total shareholders' equity</b>	<b>1,936,787</b>	<b>1,957,090</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 13,055,654</b>	<b>\$ 13,113,887</b>

The accompanying notes are an integral part of these consolidated financial statements.

**PENNymac Mortgage Investment Trust and Subsidiaries**  
**Consolidated Balance Sheets (Unaudited)**

Assets and liabilities of consolidated variable interest entities (“VIEs”) included in total assets and liabilities (the assets of each VIE can only be used to settle liabilities of that VIE) are summarized below:

	September 30, 2024	December 31, 2023
	(in thousands)	
<b>ASSETS</b>		
Loans at fair value	\$ 1,427,575	\$ 1,431,689
Derivative assets	29,690	16,160
Deposits securing credit risk transfer arrangements	1,135,447	1,209,498
Other—interest receivable	3,936	4,106
	<u><u>\$ 2,596,648</u></u>	<u><u>\$ 2,661,453</u></u>
<b>LIABILITIES</b>		
Asset-backed financings of the variable interest entities at fair value	\$ 1,334,797	\$ 1,336,731
Derivative and credit risk transfer strip liabilities at fair value	13,475	46,692
Interest-only security payable at fair value	35,098	32,667
Accounts payable and accrued liabilities—interest payable	3,936	4,106
	<u><u>\$ 1,387,306</u></u>	<u><u>\$ 1,420,196</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**PENNymac Mortgage Investment Trust and Subsidiaries**  
**Consolidated Statements of Income (Unaudited)**

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Net investment income</b>				
Net gains (losses) on investments and financings	\$ 146,695	\$ (109,544)	\$ 166,705	\$ 13,761
Net gains on loans acquired for sale:				
From nonaffiliates	18,065	11,704	41,088	19,463
From PennyMac Financial Services, Inc.	1,994	1,854	5,649	5,014
	<u>20,059</u>	<u>13,558</u>	<u>46,737</u>	<u>24,477</u>
Loan origination fees	6,640	3,226	11,099	15,227
Net loan servicing fees:				
From nonaffiliates				
Contractually specified	162,605	166,809	485,089	496,522
Other	4,012	3,752	9,838	14,521
	<u>166,617</u>	<u>170,561</u>	<u>494,927</u>	<u>511,043</u>
Change in fair value of mortgage servicing rights	(184,918)	160,926	(263,676)	(64,515)
Mortgage servicing rights hedging results	(67,220)	(50,689)	(175,399)	(81,584)
	<u>(85,521)</u>	<u>280,798</u>	<u>55,852</u>	<u>364,944</u>
From PennyMac Financial Services, Inc.	441	500	1,267	1,494
	<u>(85,080)</u>	<u>281,298</u>	<u>57,119</u>	<u>364,438</u>
Net interest expense:				
Interest income	176,734	158,926	472,128	474,629
Interest expense	184,171	183,918	527,539	550,445
Net interest expense	(7,437)	(24,992)	(55,411)	(75,816)
Results of real estate acquired in settlement of loans	(65)	(251)	(155)	(251)
Other	52	134	173	411
Net investment income	<u>80,864</u>	<u>163,429</u>	<u>226,267</u>	<u>344,247</u>
<b>Expenses</b>				
Earned by PennyMac Financial Services, Inc.:				
Loan servicing fees	22,240	20,257	62,766	61,023
Management fees	7,153	7,175	21,474	21,510
Loan fulfillment fees	11,492	5,531	19,935	22,895
Professional services	2,614	2,133	6,738	5,537
Compensation	1,326	1,961	4,611	4,779
Loan collection and liquidation	2,257	1,890	4,297	3,378
Safekeeping	1,174	467	3,067	2,707
Loan origination	1,408	710	2,414	3,785
Other	4,666	4,885	13,441	14,559
Total expenses	<u>54,330</u>	<u>45,009</u>	<u>138,743</u>	<u>140,173</u>
Income before (benefit from) provision for income taxes	26,534	118,420	87,524	204,074
(Benefit from) provision for income taxes	(14,873)	56,998	(26,925)	57,331
Net income	<u>41,407</u>	<u>61,422</u>	<u>114,449</u>	<u>146,743</u>
Dividends on preferred shares	10,455	10,455	31,364	31,364
Net income attributable to common shareholders	<u>\$ 30,952</u>	<u>\$ 50,967</u>	<u>\$ 83,085</u>	<u>\$ 115,379</u>
<b>Earnings per common share</b>				
Basic	\$ 0.36	\$ 0.59	\$ 0.95	\$ 1.31
Diluted	\$ 0.36	\$ 0.51	\$ 0.95	\$ 1.20
<b>Weighted average common shares outstanding</b>				
Basic	86,861	86,760	86,800	87,613
Diluted	86,861	111,088	86,800	111,941

The accompanying notes are an integral part of these consolidated financial statements.

**PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**

	Quarter ended September 30, 2024						
	Preferred shares		Common shares			Additional	
	Number	Number	of shares (in thousands, except per share amounts)	Par value	paid-in capital	Accumulated deficit	Total
<b>Balance at June 30, 2024</b>					1,923,78		
	22,400	\$ 541,482	86,861	\$ 869	\$ 0	\$ (526,262)	\$ 9
Net income	—	—	—	—	—	41,407	41,407
Share-based compensation	—	—	—	—	816	—	816
Dividends:							
Preferred shares	—	—	—	—	—	(10,455)	(10,455)
Common shares (\$0.40 per share)	—	—	—	—	—	(34,850)	(34,850)
<b>Balance at September 30, 2024</b>					1,924,59		
	<u>22,400</u>	<u>\$ 541,482</u>	<u>86,861</u>	<u>\$ 869</u>	<u>\$ 6</u>	<u>\$ (530,160)</u>	<u>\$ 7</u>

	Quarter ended September 30, 2023						
	Preferred shares		Common shares			Additional	
	Number	Number	of shares (in thousands, except per share amounts)	Par value	paid-in capital	Accumulated deficit	Total
<b>Balance at June 30, 2023</b>					1,921,71		
	22,400	\$ 541,482	86,761	\$ 868	\$ 0	\$ (532,564)	\$ 6
Net income	—	—	—	—	—	61,422	61,422
Share-based compensation	—	—	—	—	1,420	—	1,420
Dividends:							
Preferred shares	—	—	—	—	—	(10,455)	(10,455)
Common shares (\$0.40 per share)	—	—	—	—	—	(34,805)	(34,805)
<b>Balance at September 30, 2023</b>					1,923,13		
	<u>22,400</u>	<u>\$ 541,482</u>	<u>86,761</u>	<u>\$ 868</u>	<u>\$ 0</u>	<u>\$ (516,402)</u>	<u>\$ 8</u>

The accompanying notes are an integral part of these consolidated financial statements.

	Nine months ended September 30, 2024						
	Preferred shares		Common shares			Additional paid-in capital	Accumulate d deficit
	Number of shares	Amount	Number of shares (in thousands, except per share amounts)	Par value	Total		
<b>Balance at December 31, 2023</b>					1,923,43		
	22,400	\$ 541,482	86,624	\$ 866	\$ 7	\$ (508,695)	\$ 1,957,09
Net income	—	—	—	—	—	114,449	114,449
Share-based compensation	—	—	237	3	1,159	—	1,162
Dividends:							
Preferred shares	—	—	—	—	—	(31,364)	(31,364)
Common shares (\$1.20 per share)	—	—	—	—	—	(104,550)	(104,550)
<b>Balance at September 30, 2024</b>					1,924,59		
	22,400	\$ 541,482	86,861	\$ 869	\$ 6	\$ (530,160)	\$ 1,936,78

	Nine months ended September 30, 2023						
	Preferred shares		Common shares			Additional paid-in capital	Accumulate d deficit
	Number of shares	Amount	Number of shares (in thousands, except per share amounts)	Par value	Total		
<b>Balance at December 31, 2022</b>					1,947,26		
	22,400	\$ 541,482	88,889	\$ 889	\$ 6	\$ (526,822)	\$ 1,962,81
Net income	—	—	—	—	—	146,743	146,743
Share-based compensation	—	—	146	1	2,853	—	2,854
Dividends:							
Preferred shares	—	—	—	—	—	(31,364)	(31,364)
Common shares (\$1.20 per share)	—	—	—	—	—	(104,959)	(104,959)
Repurchase of common shares	—	—	(2,274)	(22)	(26,989)	—	(27,011)
<b>Balance at September 30, 2023</b>					1,923,13		
	22,400	\$ 541,482	86,761	\$ 868	\$ 0	\$ (516,402)	\$ 1,949,07

The accompanying notes are an integral part of these consolidated financial statements.

**PENNymac MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Nine months ended September 30,	
	2024	2023
	(in thousands)	
<b>Cash flows from operating activities</b>		
Net income	\$ 114,449	\$ 146,743
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Net gains on investments and financings	(166,705)	(13,761)
Net gains on loans acquired for sale	(46,737)	(24,477)
Change in fair value of mortgage servicing rights	263,676	64,515
Mortgage servicing rights hedging results	175,399	81,584
Accrual of unearned discounts and amortization of purchase premiums on mortgage-backed securities, loans at fair value, and asset-backed financings	(25,967)	8,050
Amortization of debt issuance costs	16,742	11,147
Results of real estate acquired in settlement of loans	155	251
Share-based compensation expense	3,008	3,421
Purchase of loans acquired for sale from nonaffiliates	(67,670,193)	(63,699,477)
Purchase of loans acquired for sale from PennyMac Financial Services, Inc.	(191,250)	—
Sale to nonaffiliates and repayment of loans acquired for sale	9,340,802	13,576,673
Sale of loans acquired for sale to PennyMac Financial Services, Inc.	57,502,461	50,812,386
Repurchase of loans subject to representations and warranties	(25,318)	(50,537)
Decrease in servicing advances	134,885	103,636
(Increase) decrease in due from PennyMac Financial Services, Inc.	(8,482)	1,308
Repurchase of real estate previously sold as loans acquired for sale	—	(456)
Increase in other assets	(225,737)	(187,922)
Decrease in accounts payable and accrued liabilities	(242,451)	(68,352)
Increase (decrease) in due to PennyMac Financial Services, Inc.	3,341	(8,759)
(Decrease) increase in income taxes payable	(34,459)	51,189
Net cash (used in) provided by operating activities	<u>(1,082,381)</u>	<u>807,162</u>
<b>Cash flows from investing activities</b>		
Net decrease in short-term investments	25,551	102,212
Purchase of mortgage-backed securities	(479,960)	(3,108,701)
Sale and repayment of mortgage-backed securities	1,245,129	2,880,273
Repurchase of loans at fair value	—	(119)
Repayment of loans at fair value	75,113	72,925
Net settlement of derivative financial instruments	(1,346)	(56,025)
Distribution from credit risk transfer arrangements	118,668	136,033
Purchase of mortgage servicing rights	(27,981)	(14,637)
Transfer of mortgage servicing rights relating to delinquent loans to Agency	(341)	653
Sale of real estate acquired in settlement of loans	1,127	3,803
Decrease in margin deposits	122,389	44,065
Net cash provided by investing activities	<u>1,078,349</u>	<u>60,482</u>

Statements continued on the next page

**PENNIMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
**(Continued)**

	Nine months ended September 30,	
	2024	2023
	(in thousands)	
<b>Cash flows from financing activities</b>		
Sale of assets under agreements to repurchase	91,889,781	92,891,387
Repurchase of assets sold under agreements to repurchase	(91,766,070)	(93,488,136)
Issuance of mortgage loan participation purchase and sale agreements	1,771,100	1,739,456
Repayment of mortgage loan participation purchase and sale agreements	(1,742,221)	(1,715,465)
Issuance of notes payable secured by credit risk transfer and mortgage servicing assets	1,306,500	615,000
Repayment of notes payable secured by credit risk transfer and mortgage servicing assets	(1,384,419)	(595,303)
Issuance of asset-backed financing of variable interest entities	8,137	—
Repayment of asset-backed financings of variable interest entities	(73,083)	(70,455)
Issuance of unsecured senior notes	216,500	53,500
Payment of debt issuance costs	(21,260)	(8,344)
Payment of dividends to preferred shareholders	(31,364)	(31,364)
Payment of dividends to common shareholders	(104,450)	(105,812)
Payment of vested share-based compensation tax withholdings	(1,846)	(567)
Repurchase of common shares of beneficial interest	—	(27,011)
Net cash provided by (used in) financing activities	67,305	(743,114)
Net increase in cash	63,273	124,530
Cash at beginning of period	281,085	111,866
Cash at end of period	<u>\$ 344,358</u>	<u>\$ 236,396</u>
<b>Supplemental cash flow information</b>		
Payments, net:		
Income taxes	\$ 7,534	\$ 6,142
Interest	\$ 564,417	\$ 562,109
Non cash investing activities:		
Receipt of mortgage servicing rights as proceeds from sales of loans	\$ 159,456	\$ 249,925
Unsettled purchase of mortgage servicing rights	\$ 1,447	\$ 1,626
Exchange of mortgage servicing spread for interest-only stripped mortgage-backed securities and interest receivable	\$ 35,609	\$ 105,096
Transfer of loans and advances to real estate acquired in settlement of loans	\$ —	\$ 1,182
Non-cash financing activities:		
Dividends declared, not paid	\$ 34,850	\$ 34,805

The accompanying notes are an integral part of these consolidated financial statements.

**PENNymac MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 1—Organization**

PennyMac Mortgage Investment Trust (“PMT” or the “Company”) is a specialty finance company, which, through its subsidiaries (all of which are wholly-owned), invests in residential mortgage-related assets. The Company operates in four segments: credit sensitive strategies, interest rate sensitive strategies, correspondent production, and corporate:

- The credit sensitive strategies segment represents the Company’s investments in credit risk transfer (“CRT”) arrangements referencing loans from its own correspondent production (“CRT arrangements”) and subordinate mortgage-backed securities (“MBS”).
- The interest rate sensitive strategies segment represents the Company’s investments in mortgage servicing rights (“MSRs”), Agency and senior non-Agency MBS and the related interest rate hedging activities.
- The correspondent production segment represents the Company’s operations aimed at serving as an intermediary between lenders and the capital markets by purchasing, pooling and reselling newly originated prime credit quality loans either directly or in the form of MBS, using the services of PNMAC Capital Management, LLC (“PCM”) and PennyMac Loan Services, LLC (“PLS”), both wholly-owned subsidiaries of PennyMac Financial Services, Inc. (“PFSI”), a publicly-traded mortgage banking and investment management company separately listed on the New York Stock Exchange.

The Company primarily sells the loans it acquires through its correspondent production activities to government-sponsored entities (“GSEs”) such as the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”) or to PLS for sale into securitizations guaranteed by the Government National Mortgage Association (“Ginnie Mae”), or the GSEs. Fannie Mae, Freddie Mac and Ginnie Mae are each referred to as an “Agency” and, collectively, as the “Agencies.”

- The corporate segment includes management fees, corporate expense amounts and certain interest income and expense.

The Company conducts substantially all of its operations and makes substantially all of its investments through its subsidiary, PennyMac Operating Partnership, L.P. (the “Operating Partnership”), and the Operating Partnership’s subsidiaries. A wholly-owned subsidiary of the Company is the sole general partner, and the Company is the sole limited partner, of the Operating Partnership.

The Company believes that it qualifies, and has elected to be taxed, as a real estate investment trust (“REIT”) under the Internal Revenue Code of 1986, as amended. To maintain its tax status as a REIT, the Company is required to distribute at least 90% of its taxable income in the form of qualifying distributions to shareholders.

**Note 2—Basis of Presentation and Recently Issued Accounting Pronouncements**

The Company’s consolidated financial statements have been prepared in compliance with accounting principles generally accepted in the United States (“GAAP”) as codified in the Financial Accounting Standards Board’s (“FASB”) *Accounting Standards Codification* for interim financial information and with the Securities and Exchange Commission’s instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, these financial statements and notes do not include all of the information required by GAAP for complete financial statements. This interim consolidated information should be read together with the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

These unaudited consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, income, and cash flows for the interim periods presented, but are not necessarily indicative of the income that may be anticipated for the full year. Intercompany accounts and transactions have been eliminated.

Preparation of financial statements in compliance with GAAP requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results will likely differ from those estimates.

The Company held no restricted cash or restricted cash equivalents during the periods presented. Therefore, the consolidated statements of cash flows do not include references to restricted cash or restricted cash equivalents.

## **Recently Issued Accounting Pronouncements**

During 2023, the FASB issued two Accounting Standards Updates (“ASUs”) aimed at increasing the amount of detail provided to financial statement users in certain existing disclosures. Neither ASU requires changes to the Company’s accounting. The ASUs are discussed below:

### **Segment Disclosures**

The FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* (“ASU 2023-07”), that is intended to improve disclosures about a public entity’s reportable segments and addresses requests from investors and other allocators of capital for more detailed information about a reportable segment’s expenses.

The amendments in ASU 2023-07 are intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The key amendments will require that the Company supplement its existing disclosures to include disclosure of:

- significant segment expenses that are regularly provided to the chief operating decision maker included within each reported measure of segment profit or loss; and
- an amount for other segment items by reportable segment and a description of its composition. The other segment items category is the difference between segment revenue less the significant expenses disclosed and each reported measure of segment profit or loss.

The Company will be required to apply ASU 2023-07 in annual periods beginning with its fiscal year ending December 31, 2024 and for quarterly periods ended thereafter with early adoption permitted.

### **Income Tax Disclosures**

The FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* (“ASU 2023-09”), that is intended to enhance the transparency and decision usefulness of income tax disclosures. ASU 2023-09 requires disclosures of:

- Reconciliation of the expected income tax at the applicable statutory federal income tax rate to the reported income tax in a tabular format, using both percentages and amounts, broken out into specific categories with certain reconciling items of five percent or greater of the expected tax further broken out by nature and/or jurisdiction; and
- Income taxes paid, net of refunds received, broken out between federal and state and local income taxes. Payments to individual jurisdictions representing five percent or more of the total income tax payments must also be separately disclosed.

The disclosures required by ASU 2023-09 are required in the Company’s annual financial statements beginning with the year ending December 31, 2025, with early adoption permitted.

## **Note 3—Concentration of Risks**

As discussed in Note 1 – *Organization* above, PMT’s operations and investing activities are centered in residential mortgage-related assets, including CRT arrangements, subordinate MBS, Agency and senior Non-Agency MBS and MSRs. CRT arrangements and subordinate MBS are more sensitive to borrower credit performance than other mortgage-related investments such as traditional loans. Agency MBS, interest-only (“IO”) and principal-only stripped MBS and senior non-Agency MBS are sensitive to changes in market interest rates. MSRs are sensitive to changes in market interest rates, prepayment rate activity and expectations.

### **Credit Risk**

Note 6 – *Variable Interest Entities* details the Company’s investments in CRT arrangements whereby the Company sold pools of loans into Fannie Mae guaranteed loan securitizations which became reference pools underlying the CRT arrangements. Fannie Mae transferred IO ownership interests and recourse obligations based upon the securitized reference pools of loans subject to the CRT arrangements into trust entities, and the Company acquired the IO ownership interests and assumed the recourse obligations in the CRT arrangements through the acquisition of beneficial interests in the trust entities.

The Company also invests in subordinate MBS, which are among the first beneficial interests in the issuing trusts to absorb credit losses on the underlying loans.

The Company's retention of credit risk through its investment in CRT arrangements and subordinate MBS subjects it to risks associated with delinquency and foreclosure similar to the risks of loss associated with owning the underlying loans, which is greater than the risk of loss associated with selling such loans to the Agencies without the retention of such credit risk in the case of CRT arrangements and investing in senior mortgage-backed securities in the case of subordinate MBS.

Certain of the Company's investments in CRT arrangements are structured such that loans that reach a specific number of days delinquent trigger losses chargeable to the CRT arrangements based on the sizes of the delinquent loans and a contractual schedule of loss severity. Therefore, the risks associated with delinquency and foreclosure may in some instances be greater than the risks associated with owning the related loans because the structure of those CRT arrangements provides that the Company may be required to absorb losses in the event of delinquency or foreclosure even when there is ultimately no loss realized with respect to such loans (e.g., as a result of a borrower's re-performance). In contrast, the structure of the Company's other investments in CRT arrangements requires PMT to absorb losses only when the reference loans realize losses.

#### *Fair Value Risk*

The Company is exposed to fair value risk in addition to the risks specific to credit and, as a result of prevailing market conditions, may be required to recognize losses associated with adverse changes to the fair value of its investments in MSRs, CRT arrangements, and MBS:

- The fair value of MSRs is sensitive to changes in prepayment speeds, the returns demanded by market participants and to estimates of cost to service the underlying loans;
- The fair values of CRT arrangements and subordinate MBS are sensitive to market perceptions of future credit performance of the underlying loans as well as the actual credit performance of such loans and to the returns required by market participants to hold such investments; and
- The fair values of Agency and senior non-Agency MBS are sensitive to changes in market interest rates.

#### **Note 4—Transactions with Related Parties**

The Company enters into transactions with subsidiaries of PFSI in support of its operating, investing and financing activities as summarized below.

##### *Operating Activities*

###### *Loan Servicing*

The Company has a loan servicing agreement with PLS (the "Servicing Agreement") pursuant to which PLS provides subservicing for the Company's portfolio of MSRs, loans held for sale, loans held in VIEs (prime servicing), and its portfolio of residential loans purchased with credit deterioration (special servicing). The Servicing Agreement provides for servicing fees earned by PLS that are established at a per loan monthly amount based on the delinquency, bankruptcy and/or foreclosure status of the serviced loan or real estate acquired in settlement of loans ("REO").

###### *Prime Servicing*

The per-loan base servicing fees for prime loans subserviced by PLS on the Company's behalf are \$7.50 per month for fixed-rate loans and \$8.50 per month for adjustable-rate loans.

To the extent that these prime loans become delinquent, PLS is entitled to an additional servicing fee per loan ranging from \$10 to \$55 per month based on the delinquency, bankruptcy and foreclosure status of the loan or \$75 per month if the underlying mortgaged property becomes REO.

PLS is also entitled to customary ancillary income and certain market-based fees and charges, including boarding and deboarding fees, liquidation and disposition fees, assumption, modification and origination fees and certain fees for pandemic-related forbearance and modification activities.

###### *Special Servicing*

The per-loan base servicing fee rates for loans purchased with credit deterioration (distressed loans) range from \$30 per month for current loans up to \$95 per month for loans in foreclosure proceedings. The base servicing fee rate for REO is \$75 per month. PLS also receives a supplemental servicing fee of \$25 per month for each special servicing loan.

PLS receives activity-based fees for modifications, foreclosures and liquidations that it facilitates with respect to special servicing, as well as other market-based refinancing and loan disposition fees.

The Servicing Agreement expires on June 30, 2025, subject to automatic renewal for additional 18-month periods, unless terminated earlier in accordance with its terms.

#### *MSR Recapture Agreement*

The Company has an MSR recapture agreement with PLS. Pursuant to the terms of the MSR recapture agreement, if PLS refinances (recaptures) mortgage loans for which the Company previously held the MSRs, PLS is generally required to transfer and convey to the Company cash in an amount equal to:

- 40% of the fair market value of the MSRs relating to the recaptured loans subject to the first 15% of the “recapture rate”;
- 35% of the fair market value of the MSRs relating to the recaptured loans subject to the “recapture rate” in excess of 15% and up to 30%; and
- 30% of the fair market value of the MSRs relating to the recaptured loans subject to the “recapture rate” in excess of 30%.

The “recapture rate” means, during each month, the ratio of (i) the aggregate unpaid principal balance (“UPB”) of all recaptured loans, to (ii) the aggregate UPB of all mortgage loans for which the Company held the MSRs and that were refinanced or otherwise paid off in such month. PFSI has further agreed to allocate sufficient resources to target a recapture rate of at least 15%.

The MSR recapture agreement expires, unless terminated earlier in accordance with its terms, on June 30, 2025, subject to automatic renewal for additional 18-month periods, unless terminated in accordance with its terms.

Following is a summary of loan servicing and recapture fees earned by PLS:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
<b>Loan servicing fees:</b>				
Loans acquired for sale	\$ 158	\$ 112	\$ 342	\$ 569
Loans at fair value	60	33	185	184
Mortgage servicing rights	22,022	20,112	62,239	60,270
	<b>\$ 22,240</b>	<b>\$ 20,257</b>	<b>\$ 62,766</b>	<b>\$ 61,023</b>
<b>Average investment in loans:</b>				
Acquired for sale	\$ 1,069,653	\$ 868,808	\$ 1,002,719	\$ 1,613,347
At fair value	\$ 1,388,368	\$ 1,437,418	\$ 1,401,643	\$ 1,479,525
Average MSR portfolio unpaid principal balance	\$ 227,804,449	\$ 231,333,064	\$ 229,174,686	\$ 231,333,990
MSR recapture fees	\$ 441	\$ 500	\$ 1,267	\$ 1,494
UPB of loans recaptured	\$ 71,370	\$ 77,403	\$ 207,651	\$ 270,720

#### Correspondent Production Activities

The Company is provided fulfillment and other services for the operation of its correspondent business under an amended and restated mortgage banking services agreement with PLS. These services include: provision of models and technology for the pricing of loans and MSRs; reviews of loan data; documentation and appraisals to assess loan quality and risk; hedging the fair value of the Company's mortgage loan inventory and commitments to purchase mortgage loans to reduce the risk of loss arising from fluctuations in fair value due to movements in interest rates; correspondent seller performance and credit monitoring procedures; and the sale of loans through secondary mortgage markets on behalf of the Company.

Fulfillment and sourcing fees are summarized below:

- Fulfillment fees shall not exceed the following:
  - (i) the number of loan commitments issued by the Company multiplied by a pull-through factor of either .99 or .80 depending on whether the loan commitments are subject to a “mandatory trade confirmation” or a “best efforts lock confirmation”, respectively, and then multiplied by \$585 for each pull-through adjusted loan commitment up to and including 16,500 per quarter and \$355 for each pull-through adjusted loan commitment in excess of 16,500 per quarter, plus

- (ii) \$315 multiplied by the number of purchased loans up to and including 16,500 per quarter and \$195 multiplied by the number of purchased loans in excess of 16,500 per quarter, plus
- (iii) \$750 multiplied by the number of all purchased loans that are sold to parties other than Fannie Mae and Freddie Mac; provided however, that no fulfillment fee shall be due or payable to PLS with respect to any Ginnie Mae loans and, as of October 1, 2022, designated Fannie Mae or Freddie Mac loans acquired by PLS.

The Company does not hold the Ginnie Mae approval required to issue securities guaranteed by Ginnie Mae for a pool of securitized loans or to act as a servicer for such pool of loans. Accordingly, under the agreement, PLS currently purchases loans saleable in accordance with the Ginnie Mae MBS Guide “as is” and without recourse of any kind from the Company at cost less any administrative fees paid by the correspondent to the Company plus accrued interest and a sourcing fee. The Company may also sell conventional loans to PLS under the same arrangement subject to mutual agreement between the parties. Sourcing fees range from one to two basis points of the loans’ UPBs, generally based on the average number of calendar days the loans are held by PMT before purchase by PLS.

The mortgage banking services agreement expires, unless terminated earlier in accordance with its terms, on June 30, 2025, subject to automatic renewal for additional 18-month periods, unless terminated in accordance with its terms.

The Company may purchase newly originated conforming balance non-government insured or guaranteed loans from PLS under a mortgage loan purchase and sale agreement.

Following is a summary of correspondent production activity between the Company and PLS:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Loan fulfillment fees earned by PLS	\$ 11,492	\$ 5,531	\$ 19,935	\$ 22,895
UPB of loans fulfilled by PLS	\$ 5,948,057	\$ 2,760,000	\$ 9,949,135	\$ 12,418,084
Sourcing fees received from PLS included in <i>Net gains on loans acquired for sale</i>	\$ 1,994	\$ 1,854	\$ 5,649	\$ 5,014
Purchases of loans acquired for sale from PLS	\$ 191,250	\$ —	\$ 191,250	\$ —
UPB of loans sold to PLS:				
Government guaranteed or insured	\$ 11,843,268	\$ 8,606,835	\$ 30,200,608	\$ 29,127,889
Conventional conforming	\$ 8,092,380	\$ 9,932,593	\$ 26,289,016	\$ 21,013,357
	<u>\$ 19,935,648</u>	<u>\$ 18,539,428</u>	<u>\$ 56,489,624</u>	<u>\$ 50,141,246</u>
Tax service fees paid to PLS	\$ 1,112	\$ 579	\$ 1,902	\$ 2,690
	September 30, 2024		December 31, 2023	
	(in thousands)			
Loans included in <i>Loans acquired for sale at fair value</i> pending sale to PLS		\$ 114,723	\$ 168,303	

#### Management Fees

The Company has a management agreement with PCM pursuant to which PMT pays PCM management fees as follows:

- A base management fee that is calculated quarterly and is equal to the sum of (i) 1.5% per year of average shareholders’ equity up to \$2 billion, (ii) 1.375% per year of average shareholders’ equity in excess of \$2 billion and up to \$5 billion, and (iii) 1.25% per year of average shareholders’ equity in excess of \$5 billion.
- A performance incentive fee that is calculated quarterly at a defined annualized percentage of the amount by which “net income,” on a rolling four-quarter basis and before deducting the incentive fee, exceeds certain levels of return on “equity.”

The performance incentive fee is equal to the sum of:

- 10% of the amount by which “net income” for the quarter exceeds (i) an 8% return on “equity” plus the “high watermark”, up to (ii) a 12% return on “equity”; plus
- 15% of the amount by which “net income” for the quarter exceeds (i) a 12% return on “equity” plus the “high watermark”, up to (ii) a 16% return on “equity”; plus
- 20% of the amount by which “net income” for the quarter exceeds a 16% return on “equity” plus the “high watermark.”

For the purpose of determining the amount of the performance incentive fee:

“Net income” is defined as net income or loss attributable to the Company’s common shares of beneficial interest (“Common Shares”) calculated in accordance with GAAP, and adjusted to exclude one-time events pursuant to changes in GAAP and certain other non-cash charges after discussion between PCM and the Company’s independent trustees and after approval by a majority of the Company’s independent trustees.

“Equity” is the weighted average of the issue price per Common Share of all of the Company’s public offerings, multiplied by the weighted average number of Common Shares outstanding (including restricted share units) in the rolling four-quarter period.

“High watermark” is the quarterly adjustment that reflects the amount by which the “net income” (stated as a percentage of return on “equity”) exceeds or falls short of the lesser of 8% and the average Fannie Mae 30-year MBS yield (the “Target Yield”) for the rolling four quarters then ended. The “high watermark” starts at zero and is adjusted quarterly. If the “net income” is lower than the Target Yield, the “high watermark” is increased by the difference. If the “net income” is higher than the Target Yield, the “high watermark” is reduced by the difference. Each time a performance incentive fee is earned, the “high watermark” returns to zero. As a result, the threshold amounts required for PCM to earn a performance incentive fee are adjusted cumulatively based on the performance of PMT’s “net income” over (or under) the Target Yield, until the “net income” in excess of the Target Yield exceeds the then-current cumulative “high watermark” amount.

The base management fee and the performance incentive fee are both payable quarterly in arrears. The performance incentive fee may be paid in cash or a combination of cash and the Company’s Common Shares (subject to a limit of no more than 50% paid in Common Shares), at the Company’s option.

In the event of termination of the management agreement between the Company and PCM, PCM may be entitled to a termination fee in certain circumstances. The termination fee is equal to three times the sum of (a) the average annual base management fee, and (b) the average annual performance incentive fee earned by PCM, in each case during the 24-month period before termination of the management agreement.

Following is a summary of management fee expenses:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Base management	\$ 7,153	\$ 7,175	\$ 21,474	\$ 21,510
Performance incentive	—	—	—	—
	<u>\$ 7,153</u>	<u>\$ 7,175</u>	<u>\$ 21,474</u>	<u>\$ 21,510</u>
Average shareholders’ equity amounts used to calculate base management fee expense	\$ 1,897,006	\$ 1,897,964	\$ 1,912,310	\$ 1,917,525

#### Expense Reimbursement

Under the management agreement, PCM is entitled to reimbursement of its organizational and operating expenses, including third-party expenses, incurred on the Company’s behalf, it being understood that PCM and its affiliates shall allocate a portion of their personnel’s time to provide certain legal, tax and investor relations services for the direct benefit of the Company. PCM is reimbursed \$165,000 per fiscal quarter for these services, such amount to be reviewed annually and to not preclude reimbursement for any other services performed by PCM or its affiliates.

The Company is required to pay PCM and its affiliates a portion of the rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of PCM and its affiliates required for the Company’s and its subsidiaries’ operations. These expenses are allocated based on the ratio of the Company’s and its subsidiaries’ proportion of gross assets compared to all remaining gross assets managed or owned by PCM and/or its affiliates as calculated at each fiscal quarter end.

Following is a summary of the Company's reimbursements to PCM and its affiliates for expenses:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Reimbursement of:				
Expenses incurred on the Company's behalf, net	\$ 6,318	\$ 5,893	\$ 15,511	\$ 15,532
Common overhead incurred by PCM and its affiliates	1,867	1,489	5,811	5,450
Compensation	165	165	495	495
	<u>\$ 8,350</u>	<u>\$ 7,547</u>	<u>\$ 21,817</u>	<u>\$ 21,477</u>
Payments and settlements during the periods (1)	\$ 31,752	\$ 9,190	\$ 91,100	\$ 72,446

(1) Payments and settlements include payments and netting settlements made pursuant to master netting agreements between the Company and PFSI for the operating, investing and financing activities itemized in this Note.

#### Financing Activities

PFSI held 75,000 of the Company's Common Shares at both September 30, 2024 and December 31, 2023.

#### Amounts Receivable from and Payable to PFSI

Amounts receivable from and payable to PFSI are summarized below:

	September 30, 2024		December 31, 2023	
	(in thousands)			
Due from PFSI-Miscellaneous receivables	\$ 8,538		\$ 56	
Due to PFSI:				
Loan servicing fees	\$ 8,670		\$ 6,809	
Correspondent production fees	7,986		8,288	
Management fees	7,153		7,252	
Allocated expenses and expenses and costs paid by PFSI on PMT's behalf	4,788		5,612	
Fulfillment fees	4,006		1,301	
	<u>\$ 32,603</u>		<u>\$ 29,262</u>	

The Company has also transferred cash to PLS to fund loan servicing advances and REO property acquisition and preservation costs on its behalf. Such amounts are included in various balance sheet items of the Company as summarized below:

Balance sheet line including advance amount	September 30, 2024		December 31, 2023	
	(in thousands)			
Loan servicing advances	\$ 71,124		\$ 206,151	
Other assets-Real estate acquired in settlement of loans	1,378		2,003	
	<u>\$ 72,502</u>		<u>\$ 208,154</u>	

#### Note 5—Loan Sales

The following table summarizes cash flows between the Company and transferees in transfers of loans that are accounted for as sales where the Company maintains continuing involvement with the loans:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Cash flows:				
Proceeds from sales	\$ 5,172,208	\$ 3,107,613	\$ 9,340,802	\$ 13,576,673
Loan servicing fees received	\$ 162,605	\$ 166,809	\$ 485,089	\$ 496,522

The following table summarizes for the dates presented collection status information for loans that are accounted for as sales where the Company maintains continuing involvement:

	September 30, 2024	December 31, 2023
	(in thousands)	
UPB of loans outstanding	\$ 224,586,882	\$ 228,838,471
Collection status (UPB)		
Delinquency:		
30-89 days delinquent	\$ 2,510,113	\$ 2,184,500
90 or more days delinquent:		
Not in foreclosure	\$ 891,525	\$ 1,029,962
In foreclosure	\$ 105,065	\$ 85,045
Bankruptcy	\$ 256,683	\$ 185,320
Custodial funds managed by the Company (1)	\$ 3,019,441	\$ 1,759,974

(1) Custodial funds include borrower and investor custodial cash accounts relating to loans serviced under mortgage servicing agreements and are not included on the Company's consolidated balance sheets. The Company earns placement fees on certain of the custodial funds it manages on behalf of the loans' borrowers and investors, and these fees are included in *Interest income* in the Company's consolidated statements of income.

## Note 6—Variable Interest Entities

The Company is a variable interest holder in various VIEs that relate to its investing and financing activities as discussed below.

### Credit Risk Transfer Arrangements

The Company has previously entered into certain loan sales arrangements pursuant to which it accepted credit risk relating to the loans sold in exchange for a portion of the interest earned on such loans. These arrangements absorb scheduled or realized credit losses on those loans and comprise the Company's investments in CRT arrangements.

The Company, through its subsidiary, PennyMac Corp. ("PMC"), entered into CRT arrangements with Fannie Mae, pursuant to which the Company sold pools of loans into Fannie Mae-guaranteed securitizations while retaining recourse obligations as part of the retention of IO ownership interests in such loans. CRT arrangements include:

- securities which are structured such that loans that reach a specific number of days delinquent (including loans in forbearance) trigger losses chargeable to the CRT arrangement based on the sizes of the delinquent loans and a contractual schedule of loss severity; and
- securities which require the Company to absorb losses only when the reference loans realize credit losses.

The Company placed *Deposits securing CRT arrangements* into subsidiary trust entities to secure its recourse obligations. The *Deposits securing CRT arrangements* represent the Company's maximum contractual exposure to claims under its recourse obligations and are the sole source of settlement of losses under the CRT arrangements.

The Company's exposure to losses under its recourse obligations was initially established at rates ranging from 3.5% to 4.0% of the UPB of the loans sold under the CRT arrangements. As the UPB of the underlying loans subject to each CRT arrangement decreased through repayments, the percentage exposure to losses of each CRT arrangement increased to maximums ranging from 4.5% to 5.0% of outstanding UPB, although the total dollar amount of exposure to losses did not increase.

The Company has concluded that the subsidiary trust entities holding its CRT arrangements are VIEs and the Company is the primary beneficiary of the VIEs as it is the holder of the primary beneficial interests which absorb the variability of the trusts' income. For CRT arrangements where losses are triggered based on the loans' delinquency status, the Company recognizes its IO ownership interests and recourse obligations on the consolidated balance sheets as *CRT Derivatives in Derivative assets* and *Derivative and credit risk transfer strip liabilities*. For CRT securities where losses are absorbed when the reference loans realize credit losses, the Company recognizes its IO ownership interests and recourse obligations as CRT strips which are included on the consolidated balance sheet in *Derivative and credit risk transfer strip liabilities*. Gains and losses on the derivatives and strips (including the IO ownership interest sold to a nonaffiliate) included in the CRT arrangements are included in *Net gains (losses) on investments and financings* in the consolidated statements of income.

Following is a summary of the CRT arrangements:

	Quarter ended September 30,		Nine months ended September 30,					
	2024	2023	2024	2023				
	(in thousands)							
Net investment income:								
<i>Net gains (losses) on investments and financings</i>								
CRT derivatives and strips:								
CRT derivatives								
Realized	\$ 3,275	\$ 4,051	\$ 10,248	\$ 12,504				
Valuation changes	5,460	9,113	13,716	26,619				
	8,735	13,164	23,964	39,123				
CRT strips								
Realized	10,990	11,241	34,368	35,529				
Valuation changes	3,499	9,977	33,217	68,601				
	14,489	21,218	67,585	104,130				
Interest-only security payable at fair value	(2,390)	(4,228)	(2,431)	(6,363)				
	20,834	30,154	89,118	136,890				
<i>Interest income — Deposits securing CRT arrangements</i>	15,042	16,419	46,121	46,410				
	\$ 35,876	\$ 46,573	\$ 135,239	\$ 183,300				
Net payments made to settle losses on CRT arrangements	\$ 827	\$ 496	\$ 1,140	\$ 2,252				
	September 30, 2024		December 31, 2023					
	(in thousands)							
Carrying value of CRT arrangements:								
Derivative assets - CRT derivatives	\$ 29,690	\$ 16,160						
CRT strip liabilities	(13,475)	(46,692)						
Deposits securing CRT arrangements	1,135,447	1,209,498						
Interest-only security payable at fair value	(35,098)	(32,667)						
	\$ 1,116,564	\$ 1,146,299						
CRT arrangement assets pledged to secure borrowings:								
Derivative assets	\$ 29,690	\$ 16,160						
Deposits securing CRT arrangements (1)	\$ 1,135,447	\$ 1,209,498						
UPB of loans underlying CRT arrangements	\$ 21,708,165	\$ 23,152,230						
Collection status (UPB):								
Delinquency								
Current	\$ 21,105,679	\$ 22,531,905						
30-89 days delinquent	\$ 424,102	\$ 411,991						
90-180 days delinquent	\$ 119,236	\$ 120,011						
180 or more days delinquent	\$ 42,283	\$ 64,647						
Foreclosure	\$ 16,865	\$ 23,676						
Bankruptcy	\$ 64,331	\$ 58,696						

(1) *Deposits securing credit risk transfer arrangements* also secure \$13.5 million and \$46.7 million in CRT strip liabilities at September 30, 2024 and December 31, 2023, respectively.

#### *Subordinate Mortgage-Backed Securities*

The Company retains or purchases subordinate MBS in transactions sponsored by PMC or a nonaffiliate. Cash inflows from the loans underlying these securities are distributed to investors and service providers in accordance with the respective securities' contractual priorities of payments and, as such, most of these inflows must be directed first to service and repay the senior securities.

The rights of holders of subordinate securities to receive distributions of principal and/or interest, as applicable, are subordinate to the rights of holders of senior securities. After the senior securities are repaid, substantially all cash inflows will be directed to the subordinate securities, including those held by the Company, until they are fully repaid.



The Company's retention or purchase of subordinate MBS exposes PMT to the credit risk in the underlying loans because the Company's investments are among the first beneficial interests to absorb credit losses on those assets. The Company's exposure to losses from its investments in subordinate MBS is limited to its recorded investment in such securities.

The Company has concluded that the trusts holding the assets underlying these transactions are VIEs. The Company also has concluded that it is the primary beneficiary of certain of the VIEs as it has the power, through PLS, in its role as the servicer or sub-servicer of the underlying loans, to direct the activities of the trusts that most significantly impact the trusts' economic performance and, as a holder of subordinate securities, that PMT is exposed to losses that could potentially be significant to the VIEs. Therefore, PMT consolidates those VIEs.

The Company recognizes the interest income earned on the loans owned by the VIEs and the interest expense attributable to the asset-backed securities issued to nonaffiliates by its consolidated VIEs on its consolidated statements of income.

Following is a summary of the Company's investment in subordinate MBS backed by assets held in consolidated VIEs:

	Quarter ended September 30,		Nine months ended September 30,					
	2024	2023	2024	2023				
	(in thousands)							
Net investment income:								
<i>Net gains (losses) on investments and financings:</i>								
Loans at fair value	\$ 75,360	\$ (54,082)	\$ 71,381	\$ (61,318)				
Asset-backed financings at fair value	(72,922)	58,474	(64,151)	66,108				
<i>Interest income</i>	16,037	9,505	41,594	38,315				
<i>Interest expense</i>	10,838	13,652	34,918	38,796				
	<u>\$ 7,637</u>	<u>\$ 245</u>	<u>\$ 13,906</u>	<u>\$ 4,309</u>				
September 30, 2024								
(in thousands)								
Loans at fair value	\$ 1,427,575	\$ 1,431,689						
Asset-backed financings at fair value	\$ 1,334,797	\$ 1,336,731						
Retained subordinate MBS at fair value pledged to secure <i>Assets sold under agreements to repurchase</i>	\$ 83,417	\$ 85,344						

#### *Financing of Mortgage Servicing Assets*

The Company entered into financing transactions in which VIEs issued variable funding notes, term notes and term loans backed by beneficial interests in Fannie Mae MSRs. The Company acts as guarantor of the variable funding notes, term notes and term loans. The Company determined that it is the primary beneficiary of the VIEs because, as the holder of the variable funding notes and issuer of performance guarantees, it holds the variable interests in the VIEs. Therefore, the Company consolidates the VIEs.

For financial reporting purposes, the MSRs financed by the consolidated VIEs are included in *Mortgage servicing rights at fair value*, the variable funding notes sold under agreements to repurchase are included in *Assets sold under agreements to repurchase* and the term notes and term loans are included in *Notes payable secured by credit risk transfer and mortgage servicing assets* on the Company's consolidated balance sheets. The financing is described in Note 15 – *Long Term Debt*.

#### **Note 7—Fair Value**

The Company's consolidated financial statements include assets and liabilities that are measured at or based on their fair values. Measurement of assets and liabilities at or based on fair value may be on a recurring or nonrecurring basis depending on the accounting principles applicable to the specific asset or liability and whether the Company has elected to carry the item at its fair value as discussed in the following paragraphs.

The Company groups its assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the observability of the inputs used to determine fair value. These levels are:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Prices determined or determinable using other significant observable inputs. Observable inputs are inputs that other market participants would use in pricing an asset or liability and are developed based on market data obtained from sources independent of the Company.

- Level 3—Prices determined using significant unobservable inputs. In situations where significant observable inputs are unavailable, unobservable inputs may be used. Unobservable inputs reflect the Company's own judgments about the factors that market participants use in pricing an asset or liability, and are based on the best information available in the circumstances.

As a result of the difficulty in observing certain significant valuation inputs affecting “Level 3” fair value assets and liabilities, the Company is required to make judgments regarding these items’ fair values. Different persons in possession of the same facts may reasonably arrive at different conclusions as to the inputs to be applied in valuing these assets and liabilities and their fair values. Such differences may result in significantly different fair value measurements. Likewise, due to the general illiquidity of some of these assets and liabilities, subsequent transactions may be at values significantly different from those reported.

The Company reclassifies its assets and liabilities between levels of the fair value hierarchy when the inputs required to establish fair value at a level of the fair value hierarchy are no longer readily available, requiring the use of lower-level inputs, or when the inputs required to establish fair value at a higher level of the hierarchy become available.

#### ***Fair Value Accounting Elections***

The Company identified all of PMT’s non-cash financial assets and MSRs to be accounted for at fair value. The Company has elected to account for these assets at fair value so such changes in fair value will be reflected in income as they occur and more timely reflect the results of the Company’s performance.

The Company has also identified its *Asset-backed financings at fair value* and *Interest-only security payable at fair value* to be accounted for at fair value to reflect the generally offsetting changes in fair value of these borrowings to changes in fair value of the assets at fair value collateralizing these financings. For other borrowings, the Company has determined that historical cost accounting is more appropriate because under historical cost accounting debt issuance costs are amortized over the term of the debt facility, thereby matching the debt issuance costs to the periods benefiting from the availability of the debt.

**Financial Statement Items Measured at Fair Value on a Recurring Basis**

Following is a summary of financial statement items that are measured at fair value on a recurring basis:

	September 30, 2024				Total
	Level 1	Level 2	Level 3	(in thousands)	
<b>Assets:</b>					
Short-term investments	\$ 102,787	\$ —	\$ —	\$ 102,787	
Mortgage-backed securities at fair value	—	4,101,126	81,256	4,182,382	
Loans acquired for sale at fair value	—	1,659,727	6,069	1,665,796	
Loans at fair value	—	1,427,575	1,950	1,429,525	
Derivative assets:					
Call options on interest rate futures purchase contracts	12,844	—	—	12,844	
Put options on interest rate futures purchase contracts	1,953	—	—	1,953	
Forward purchase contracts	—	635	—	635	
Forward sale contracts	—	11,997	—	11,997	
MBS put options	—	1,508	—	1,508	
CRT derivatives	—	—	29,690	29,690	
Interest rate lock commitments	—	—	7,476	7,476	
Total derivative assets before netting	<u>14,797</u>	<u>14,140</u>	<u>37,166</u>	<u>66,103</u>	
Netting	—	—	—	15,741	
Total derivative assets after netting	<u>14,797</u>	<u>14,140</u>	<u>37,166</u>	<u>81,844</u>	
Mortgage servicing rights at fair value	—	—	3,809,047	3,809,047	
	<u><u>\$ 117,584</u></u>	<u><u>\$ 7,202,568</u></u>	<u><u>\$ 3,935,488</u></u>	<u><u>\$ 11,271,381</u></u>	
<b>Liabilities:</b>					
Asset-backed financings of the variable interest entities at fair value	\$ —	\$ 1,334,797	\$ —	\$ 1,334,797	
Interest-only security payable at fair value	—	—	35,098	35,098	
Derivative and credit risk transfer strip liabilities:					
Forward purchase contracts	—	7,452	—	7,452	
Forward sales contracts	—	11,530	—	11,530	
Interest rate lock commitments	—	—	1,574	1,574	
Total derivative liabilities before netting	<u>—</u>	<u>18,982</u>	<u>1,574</u>	<u>20,556</u>	
Netting	—	—	—	(17,880)	
Total derivative liabilities after netting	<u>—</u>	<u>18,982</u>	<u>1,574</u>	<u>2,676</u>	
Credit risk transfer strips	—	—	13,475	13,475	
Total derivative and credit risk transfer strip liabilities	<u>—</u>	<u>18,982</u>	<u>15,049</u>	<u>16,151</u>	
	<u><u>\$ —</u></u>	<u><u>\$ 1,353,779</u></u>	<u><u>\$ 50,147</u></u>	<u><u>\$ 1,386,046</u></u>	

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
<b>Assets:</b>				
Short-term investments	\$ 128,338	\$ —	\$ —	\$ 128,338
Mortgage-backed securities at fair value	—	4,742,061	94,231	4,836,292
Loans acquired for sale at fair value	—	662,700	6,318	669,018
Loans at fair value	—	1,431,689	2,131	1,433,820
Derivative assets:				
Call options on interest rate futures purchase contracts	41,712	—	—	41,712
Put options on interest rate futures purchase contracts	4,324	—	—	4,324
Forward purchase contracts	—	15,905	—	15,905
Forward sale contracts	—	671	—	671
MBS call options	—	3,218	—	3,218
MBS put options	—	5	—	5
CRT derivatives	—	—	16,160	16,160
Interest rate lock commitments	—	—	7,596	7,596
Total derivative assets before netting	46,036	19,799	23,756	89,591
Netting	—	—	—	88,393
Total derivative assets after netting	46,036	19,799	23,756	177,984
Mortgage servicing rights at fair value	—	—	3,919,107	3,919,107
	<b>\$ 174,374</b>	<b>\$ 6,856,249</b>	<b>\$ 4,045,543</b>	<b>\$ 11,164,559</b>
<b>Liabilities:</b>				
Asset-backed financings of the variable interest entities at fair value	\$ —	\$ 1,336,731	\$ —	\$ 1,336,731
Interest-only security payable at fair value	—	—	32,667	32,667
Derivative liabilities and credit risk transfer strips:				
Call options on interest rate futures purchase contracts	2,005	—	—	2,005
Call options on interest rate futures sell contracts	1,328	—	—	1,328
Forward purchase contracts	—	490	—	490
Forward sales contracts	—	50,363	—	50,363
Interest rate lock commitments	—	—	64	64
Total derivative liabilities before netting	3,333	50,853	64	54,250
Netting	—	—	—	(49,561)
Total derivative liabilities after netting	3,333	50,853	64	4,689
Credit risk transfer strips	—	—	46,692	46,692
Total derivative and credit risk transfer strip liabilities	3,333	50,853	46,756	51,381
	<b>\$ 3,333</b>	<b>\$ 1,387,584</b>	<b>\$ 79,423</b>	<b>\$ 1,420,779</b>

The following is a summary of changes in items measured at fair value on a recurring basis using Level 3 inputs that are significant to the estimation of the fair values of the assets and liabilities at either the beginning or end of the periods presented:

Assets (1)	Quarter ended September 30, 2024							
	Interest-only stripped mortgage-backed securities	Loans acquired for sale	Loans at fair value	CRT derivatives	Interest rate lock commitments	CRT strips	Mortgage servicing rights	Total
	(in thousands)							
Balance, June 30, 2024	\$ 87,841	\$ 7,994	\$ 1,998	\$ 24,305	\$ 1,552	\$ (16,974)	\$ 3,941,861	\$ 4,048,577
Purchases (purchase adjustments) and issuances	—	(156)	—	—	18,971	—	—	18,815
Repayments and sales	(40,487)	(1,728)	(38)	(3,350)	—	(10,990)	—	(56,593)
Accrual of unearned discount	2,264	—	—	—	—	—	—	2,264
Amounts received pursuant to sales of loans	—	—	—	—	—	—	87,588	87,588
Changes in fair value included in income arising from:								
Changes in instrument - specific credit risk	—	—	—	—	—	—	—	—
Other factors	(3,971)	(41)	(10)	8,735	27,776	14,489	(184,918)	(137,940)
(3,971)	(41)	(10)	8,735	27,776	14,489	(184,918)	(137,940)	
Exchange of mortgage servicing spread for interest-only stripped mortgage-backed securities	35,609	—	—	—	—	—	(35,609)	—
Transfers of:								
Interest rate lock commitments to loans acquired for sale (2)	—	—	—	—	(42,397)	—	—	(42,397)
Mortgage servicing rights relating to delinquent loans to Agency	—	—	—	—	—	—	125	125
Balance, September 30, 2024	\$ 81,256	\$ 6,069	\$ 1,950	\$ 29,690	\$ 5,902	\$ (13,475)	\$ 3,809,047	\$ 3,920,439
Changes in fair value recognized during the quarter relating to assets still held at September 30, 2024	\$ (3,971)	\$ (9)	\$ (19)	\$ 5,460	\$ 5,902	\$ 3,499	\$ (180,885)	\$ (170,023)

(1) For the purpose of this table, CRT derivative, interest rate lock commitment (“IRLC”), and CRT strip asset and liability positions are shown net.  
(2) The Company had transfers among the fair value levels arising from transfers of IRLCs to loans acquired for sale at fair value upon purchase of the respective loans.

Liabilities	Quarter ended September 30, 2024	
	(in thousands)	
Interest-only security payable:		
Balance, June 30, 2024	\$ 32,708	
Changes in fair value included in income arising from:		
Changes in instrument - specific credit risk	—	
Other factors	2,390	
2,390		
Balance, September 30, 2024	\$ 35,098	
Changes in fair value recognized during the quarter relating to liability outstanding at September 30, 2024	\$ 2,390	

Assets (1)	Quarter ended September 30, 2023								Total
	Interest-only stripped mortgage-backed securities	Loans acquired for sale	Loans at fair value	CRT derivatives	Interest rate lock commitment	CRT strips	Mortgage servicing rights		
	(in thousands)								
Balance, June 30, 2023	\$ —	\$ 6,630	\$ 2,665	\$ (4,394)	\$ (1,298)	\$ (78,569)	\$ 3,977,938	\$ 3,902,972	
Purchases and issuances	—	—	—	—	6,618	—	16,263	22,881	
Repayments and sales	—	(1,383)	(510)	(4,028)	—	(11,241)	—	(17,162)	
Amounts received pursuant to sales of loans	—	(496)	—	—	—	—	58,560	58,064	
Changes in fair value included in income arising from:									
Changes in instrument - specific credit risk	—	—	—	—	—	—	—	—	
Other factors	(14)	131	(58)	13,164	(16,255)	21,218	160,926	179,112	
	(14)	131	(58)	13,164	(16,255)	21,218	160,926	179,112	
Exchange of mortgage servicing spread for interest-only stripped mortgage-backed securities	103,547	—	—	—	—	—	(105,096)	(1,549)	
Transfers of:									
Interest rate lock commitments to loans acquired for sale (2)	—	—	—	—	7,587	—	—	7,587	
Mortgage servicing rights relating to delinquent loans to Agency	—	—	—	—	—	—	70	70	
Balance, September 30, 2023	\$ 103,533	\$ 4,882	\$ 2,097	\$ 4,742	\$ (3,348)	\$ (68,592)	\$ 4,108,661	\$ 4,151,975	
Changes in fair value recognized during the quarter relating to assets still held at September 30, 2023	\$ (14)	\$ (104)	\$ (74)	\$ 9,113	\$ (3,348)	\$ 9,977	\$ 160,926	\$ 176,476	

(1) For the purpose of this table, CRT derivative, IRLC, and CRT strip asset and liability positions are shown net.  
(2) The Company had transfers among the fair value levels arising from transfers of IRLCs to loans acquired for sale at fair value upon purchase of the respective loans.

Liabilities	Quarter ended September 30, 2023	
	(in thousands)	
Interest-only security payable:		
Balance, June 30, 2023	\$ 24,060	
Changes in fair value included in results of operations arising from:		
Changes in instrument - specific credit risk	—	
Other factors	4,228	
	4,228	
Balance, September 30, 2023	\$ 28,288	
Changes in fair value recognized during the quarter relating to liability outstanding at September 30, 2023	\$ 4,228	

**Nine months ended September 30, 2024**

Assets (1)	Interest-only stripped mortgage- backed securities	Loans acquired for sale	Loans at fair value	CRT derivatives (in thousands)	Interest rate lock commitment s	CRT strips	Mortgage servicing rights	Total
Balance, December 31, 2023	\$ 94,231	\$ 6,318	\$ 2,131	\$ 16,160	\$ 7,532	\$ (46,692)	\$ 3,919,107	\$ 3,998,787
Purchases and issuances	—	5,341	—	—	26,842	—	29,428	61,611
Repayments and sales	(50,541)	(5,404)	(129)	(10,434)	—	(34,368)	—	(100,876)
Accrual of unearned discounts	6,870	—	—	—	—	—	—	6,870
Amounts received pursuant to sales of loans	—	—	—	—	—	—	159,456	159,456
Changes in fair value included in income arising from:								
Changes in instrument - specific credit risk	—	—	—	—	—	—	—	—
Other factors	(4,913)	(186)	(52)	23,964	22,774	67,585	(263,676)	(154,504)
	(4,913)	(186)	(52)	23,964	22,774	67,585	(263,676)	(154,504)
Exchange of mortgage servicing spread for interest-only stripped mortgage -backed securities	35,609	—	—	—	—	—	(35,609)	—
Transfers of:								
Interest rate lock commitments to loans acquired for sale (2)	—	—	—	—	(51,246)	—	—	(51,246)
Mortgage servicing rights relating to delinquent loans to Agency	—	—	—	—	—	—	341	341
Balance, September 30, 2024	<u>\$ 81,256</u>	<u>\$ 6,069</u>	<u>\$ 1,950</u>	<u>\$ 29,690</u>	<u>\$ 5,902</u>	<u>\$ (13,475)</u>	<u>\$ 3,809,047</u>	<u>\$ 3,920,439</u>
Changes in fair value recognized during the period relating to assets still held at September 30, 2024	<u>\$ (4,913)</u>	<u>\$ (154)</u>	<u>\$ (71)</u>	<u>\$ 13,716</u>	<u>\$ 5,902</u>	<u>\$ 33,217</u>	<u>\$ (261,304)</u>	<u>\$ (213,607)</u>

(1) For the purpose of this table, CRT derivative, IRLC, and CRT strip asset and liability positions are shown net.

(2) The Company had transfers among the fair value levels arising from transfers of IRLCs to loans acquired for sale at fair value upon purchase of the respective loans.

Liabilities	Nine months ended September 30, 2024	
	(in thousands)	
<b>Interest-only security payable:</b>		
Balance, December 31, 2023	\$ 32,667	—
Changes in fair value included in income arising from:		
Changes in instrument - specific credit risk	—	—
Other factors	2,431	2,431
Balance, September 30, 2024	<u>\$ 35,098</u>	<u>—</u>
Changes in fair value recognized during the period relating to liability outstanding at September 30, 2024	<u>\$ 2,431</u>	<u>—</u>

Nine months ended September 30, 2023

Assets (1)	Interest-only stripped mortgage-backed securities	Loans acquired for sale	Loans at fair value	CRT derivatives	Interest rate lock commitments	CRT strips	Mortgage servicing rights	Total
(in thousands)								
Balance, December 31, 2022	\$ —	\$ 10,708	\$ 3,457	\$ (22,098)	\$ (478)	\$ (137,193)	\$ 4,012,737	\$ 3,867,133
Purchases and issuances	—	4,262	119	—	2,687	—	16,263	23,331
Repayments and sales	—	(9,787)	(534)	(12,283)	—	(35,529)	—	(58,133)
Amounts received pursuant to sales of loans	—	(496)	—	—	—	—	249,925	249,429
Changes in fair value included in income arising from:								
Changes in instrument - specific credit risk	—	—	—	—	—	—	—	—
Other factors	(14)	195	(485)	39,123	(3,578)	104,130	(64,515)	74,856
(14)	195	(485)	39,123	(3,578)	104,130	(64,515)	74,856	
Exchange of mortgage servicing spread for interest-only stripped mortgage-backed securities	103,547	—	—	—	—	—	(105,096)	(1,549)
Transfers of:								
Loans to REO	—	—	(460)	—	—	—	—	(460)
Interest rate lock commitments to loans acquired for sale (2)	—	—	—	—	(1,979)	—	—	(1,979)
Mortgage servicing rights relating to delinquent loans to Agency	—	—	—	—	—	—	(653)	(653)
Balance, September 30, 2023	<u>\$ 103,533</u>	<u>\$ 4,882</u>	<u>\$ 2,097</u>	<u>\$ 4,742</u>	<u>\$ (3,348)</u>	<u>\$ (68,592)</u>	<u>\$ 4,108,661</u>	<u>\$ 4,151,975</u>
Changes in fair value recognized during the period relating to assets still held at September 30, 2023	<u>\$ (14)</u>	<u>\$ (74)</u>	<u>\$ (1,011)</u>	<u>\$ 26,619</u>	<u>\$ (3,348)</u>	<u>\$ 68,601</u>	<u>\$ (64,515)</u>	<u>\$ 26,258</u>

(1) For the purpose of this table, CRT derivative, IRLC, and CRT strip asset and liability positions are shown net.  
(2) The Company had transfers among the fair value levels arising from transfers of IRLCs to loans acquired for sale at fair value upon purchase of the respective loans.

Liabilities	Nine months ended September 30, 2023 (in thousands)
Interest-only security payable:	
Balance, December 31, 2022	\$ 21,925
Changes in fair value included in results of operations arising from:	
Changes in instrument - specific credit risk	—
Other factors	6,363
6,363	
Balance, September 30, 2023	\$ 28,288
Changes in fair value recognized during the period relating to liability outstanding at September 30, 2023	\$ 6,363

**Financial Statement Items Measured at Fair Value under the Fair Value Option**

Following are the fair values and related principal amounts due upon maturity of loans accounted for under the fair value option (including loans acquired for sale, loans held in consolidated VIEs, and distressed loans):

	September 30, 2024			December 31, 2023		
	Fair value	Principal amount due upon maturity	Difference (in thousands)	Fair value	Principal amount due upon maturity	Difference
<b>Loans acquired for sale at fair value:</b>						
Current through 89 days delinquent	\$ 1,665,099	\$ 1,619,369	\$ 45,730	\$ 667,857	\$ 648,283	\$ 19,574
<b>90 or more days delinquent:</b>						
Not in foreclosure	622	873	(251)	433	617	(184)
In foreclosure	75	96	(21)	728	845	(117)
	697	969	(272)	1,161	1,462	(301)
	<b>\$ 1,665,796</b>	<b>\$ 1,620,338</b>	<b>\$ 45,458</b>	<b>\$ 669,018</b>	<b>\$ 649,745</b>	<b>\$ 19,273</b>
<b>Loans at fair value:</b>						
<b>Held in consolidated VIEs:</b>						
Current through 89 days delinquent	\$ 1,426,511	\$ 1,620,842	\$ (194,331)	\$ 1,430,427	\$ 1,697,305	\$ (266,878)
<b>90 or more days delinquent:</b>						
Not in foreclosure	891	1,122	(231)	1,262	1,582	(320)
In foreclosure	173	219	(46)	—	—	—
	1,064	1,341	(277)	1,262	1,582	(320)
	<b>1,427,575</b>	<b>1,622,183</b>	<b>(194,608)</b>	<b>1,431,689</b>	<b>1,698,887</b>	<b>(267,198)</b>
<b>Distressed:</b>						
Current through 89 days delinquent	460	634	(174)	569	728	(159)
<b>90 or more days delinquent:</b>						
Not in foreclosure	1,490	4,332	(2,842)	393	2,023	(1,630)
In foreclosure	—	—	—	1,169	2,546	(1,377)
	1,490	4,332	(2,842)	1,562	4,569	(3,007)
	1,950	4,966	(3,016)	2,131	5,297	(3,166)
	<b>\$ 1,429,525</b>	<b>\$ 1,627,149</b>	<b>\$ (197,624)</b>	<b>\$ 1,433,820</b>	<b>\$ 1,704,184</b>	<b>\$ (270,364)</b>

Following are the changes in fair value included in current period income by consolidated statement of income line item for financial statement items accounted for under the fair value option:

	Quarter ended September 30, 2024				
	Net gains (losses) on investments and financings	Net gains on loans acquired for sale	Net loan servicing fees (in thousands)	Net interest expense	Total
<b>Assets:</b>					
Mortgage-backed securities at fair value	\$ 123,433	\$ —	\$ —	\$ 15,663	\$ 139,096
Loans acquired for sale at fair value	—	65,611	—	—	65,611
Loans at fair value	75,350	—	—	2,229	77,579
Credit risk transfer strips	14,489	—	—	—	14,489
MSRs at fair value	—	—	(184,918)	—	(184,918)
	<b>\$ 213,272</b>	<b>\$ 65,611</b>	<b>\$ (184,918)</b>	<b>\$ 17,892</b>	<b>\$ 111,857</b>
<b>Liabilities:</b>					
Interest-only security payable at fair value	\$ (2,390)	\$ —	\$ —	\$ —	\$ (2,390)
Asset-backed financings of VIEs at fair value	(72,922)	—	—	1,026	(71,896)
	<b>\$ (75,312)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,026</b>	<b>\$ (74,286)</b>

	Quarter ended September 30, 2023				
	Net gains (losses) on investments and financings	Net gains on loans acquired for sale	Net loan servicing fees (in thousands)	Net interest expense	Total

**Assets:**

Mortgage-backed securities at fair value	\$ (144,031)	\$ —	\$ —	\$ 1,048	\$ (142,983)
Loans acquired for sale at fair value	—	(13,106)	—	—	(13,106)
Loans at fair value	(54,141)	—	—	(5,153)	(59,294)
Credit risk transfer strips	21,218	—	—	—	21,218
MSRs at fair value	—	—	160,926	—	160,926
	<u>\$ (176,954)</u>	<u>\$ (13,106)</u>	<u>\$ 160,926</u>	<u>\$ (4,105)</u>	<u>\$ (33,239)</u>

**Liabilities:**

Interest-only security payable at fair value	\$ (4,228)	\$ —	\$ —	\$ —	\$ (4,228)
Asset-backed financings at fair value	58,474	—	—	1,132	59,606
	<u>\$ 54,246</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,132</u>	<u>\$ 55,378</u>

**Nine months ended September 30, 2024**

	Net gains (losses) on investments and financings	Net gains on loans acquired for sale	Net loan servicing fees (in thousands)	Net interest expense	Total
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**Assets:**

Mortgage-backed securities at fair value	\$ 50,310	\$ —	\$ —	\$ 25,340	\$ 75,650
Loans acquired for sale at fair value	—	67,243	—	—	67,243
Loans at fair value	71,330	—	—	(511)	70,819
Credit risk transfer strips	67,585	—	—	—	67,585
MSRs at fair value	—	—	(263,676)	—	(263,676)
	<u>\$ 189,225</u>	<u>\$ 67,243</u>	<u>\$ (263,676)</u>	<u>\$ 24,829</u>	<u>\$ 17,621</u>

**Liabilities:**

Interest-only security payable at fair value	\$ (2,431)	\$ —	\$ —	\$ —	\$ (2,431)
Asset-backed financings at fair value	(64,151)	—	—	1,138	(63,013)
	<u>\$ (66,582)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,138</u>	<u>\$ (65,444)</u>

**Nine months ended September 30, 2023**

	Net gains (losses) on investments and financings	Net gains on loans acquired for sale	Net loan servicing fees (in thousands)	Net interest expense	Total
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**Assets:**

Mortgage-backed securities at fair value	\$ (127,434)	\$ —	\$ —	\$ (1,172)	\$ (128,606)
Loans acquired for sale at fair value	—	(7,215)	—	—	(7,215)
Loans at fair value	(61,803)	—	—	(6,212)	(68,015)
Credit risk transfer strips	104,130	—	—	—	104,130
MSRs at fair value	—	—	(64,515)	—	(64,515)
	<u>\$ (85,107)</u>	<u>\$ (7,215)</u>	<u>\$ (64,515)</u>	<u>\$ (7,384)</u>	<u>\$ (164,221)</u>

**Liabilities:**

Interest-only security payable at fair value	\$ (6,363)	\$ —	\$ —	\$ —	\$ (6,363)
Asset-backed financings at fair value	66,108	—	—	666	66,774
	<u>\$ 59,745</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 666</u>	<u>\$ 60,411</u>

#### **Financial Statement Item Measured at Fair Value on a Nonrecurring Basis**

Following is a summary of the carrying value of assets that were remeasured during the period based on fair value on a nonrecurring basis:

Real estate acquired in settlement of loans	Level 1	Level 2	Level 3	Total
	(in thousands)			
September 30, 2024	\$ —	\$ —	\$ 438	\$ 438
December 31, 2023	\$ —	\$ —	\$ 753	\$ 753

The following table summarizes the fair value changes recognized during the periods on assets held at period end that were remeasured at fair value on a nonrecurring basis:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Real estate acquired in settlement of loans	\$ 9	\$ (258)	\$ 105	\$ (288)

The Company remeasures its REO based on fair value when it evaluates the REO properties for impairment. The Company evaluates its REO for impairment with reference to the respective properties' fair values less costs to sell. REO may be revalued after acquisition due to the Company receiving greater access to the property, the property being held for an extended period or receiving indications that the property's fair value may not be supported by developing market conditions. Any subsequent change in fair value to a level that is less than or equal to the property's cost is recognized in *Results of real estate acquired in settlement of loans* in the Company's consolidated statements of income.

#### **Fair Value of Financial Instruments Carried at Amortized Cost**

Most of the Company's borrowings are carried at amortized cost. The Company's *Assets sold under agreements to repurchase, Mortgage loan participation purchase and sale agreements, Notes payable secured by credit risk transfer and mortgage servicing assets* and the Exchangeable Notes, defined in Note 15 – *Long-Term Debt*, are classified as "Level 3" fair value liabilities due to the Company's reliance on unobservable inputs to estimate these instruments' fair values. The Company classifies the 2028 Senior Notes, defined in Note 15 – *Long-Term Debt*, as "Level 2" fair value liabilities.

The Company has concluded that the fair values of these borrowings other than term notes and term loans included in *Notes payable secured by credit risk transfer and mortgage servicing assets* and the *Unsecured senior notes* approximate the agreements' carrying values due to the borrowing agreements' variable interest rates and short maturities.

The Company estimates the fair values of the term notes and term loans included in *Notes payable secured by credit risk transfer and mortgage servicing assets* using indications of fair value provided by nonaffiliate brokers for the term notes, internal estimates of fair value for the term loans, and pricing services for the *Unsecured senior notes*. The fair values and carrying values of these liabilities are summarized below:

Instrument	September 30, 2024		December 31, 2023	
	Carrying value	Fair value	Carrying value	Fair value
Notes payable secured by credit risk transfer and mortgage servicing assets	\$ 2,830,108	\$ 2,846,037	\$ 2,910,605	\$ 2,904,678
Unsecured senior notes	\$ 814,915	\$ 818,647	\$ 600,458	\$ 580,090

#### **Valuation Governance**

Most of the Company's assets, its *Asset-backed financings at fair value, Interest-only security payable at fair value and Derivative and credit risk transfer strip liabilities at fair value* are carried at fair value with changes in fair value recognized in current period income. A substantial portion of these items are "Level 3" fair value assets and liabilities which require the use of unobservable inputs that are significant to the estimation of the fair values of the assets and liabilities. Unobservable inputs reflect the Company's own judgments about the factors that market participants use in pricing an asset or liability and are based on the best information available under the circumstances.

Due to the difficulty in estimating the fair values of "Level 3" fair value assets and liabilities, the Company has assigned responsibility for estimating the fair values of these assets and liabilities to specialized staff within PFSI's capital markets group and subjects the valuation process to significant senior management oversight.

With respect to "Level 3" valuations other than IRLCs, the capital markets valuation staff reports to PFSI's senior management valuation committee, which oversees the valuations. The capital markets valuation staff monitors the models used for valuation of the Company's "Level 3" fair value assets and liabilities other than IRLCs, including the models' performance versus actual results, and

reports those results to PFSI's senior management valuation committee. PFSI's senior management valuation committee includes the Company's chief financial and investment officers as well as other senior members of PFSI's finance, risk management and capital markets staffs.

The capital markets valuation staff is responsible for reporting to PFSI's senior management valuation committee on the changes in the valuation of the non-IRLC "Level 3" fair value assets and liabilities, including major factors affecting the valuation and any changes in model methods and inputs. To assess the reasonableness of its valuations, the capital markets valuation staff presents an analysis of the effect on the valuation of changes to the significant inputs to the models and, for MSRs, comparisons of its estimates of fair value and key inputs to those procured from nonaffiliate brokers and published surveys.

The fair values of the Company's IRLCs are developed by PFSI's capital markets risk management staff and are reviewed by its capital markets operations staff.

#### ***Valuation Techniques and Inputs***

The following is a description of the techniques and inputs used in estimating the fair values of "Level 2" and "Level 3" fair value assets and liabilities:

##### ***Mortgage-Backed Securities***

The Company's categorization of its current holdings of MBS is based on whether the respective security is an IO security:

- The Company categorizes the majority of its current holdings of MBS, comprised of securities other than IO securities, as "Level 2" fair value assets. Fair value of these securities is established based on quoted market prices for the Company's MBS holdings or similar securities.
- The Company categorizes its current holdings of IO securities as "Level 3" fair value assets. The Company uses a discounted cash flow approach to estimate the fair values of its IO securities.

The key inputs used in the estimation of the fair value of IO securities include pricing spread (discount rate) and prepayment speed. Significant changes to those inputs in isolation may result in significant changes in the IO securities' fair value measurements. Changes in these key inputs are not directly related.

Following are the key inputs used in determining the fair value of IO securities:

	September 30, 2024	December 31, 2023
Fair value (in thousands)	\$ 81,256	\$ 94,231
Key inputs (1)		
Pricing spread (2)		
Range	5.9% – 6.5%	5.1% – 5.1%
Weighted average	6.5%	5.1%
Annual total prepayment speed (3)		
Range	11.7% – 12.1%	10.9% – 11.0%
Weighted average	11.7%	10.9%
Equivalent life (in years)		
Range	4.4 – 6.8	4.7 – 7.2
Weighted average	6.7	7.1

(1) Weighted-average inputs are based on the UPB of the underlying loans.

(2) Pricing spread represents a margin that is applied to a reference forward rate to develop periodic discount rates. The Company uses the pricing spread over a derived United States Treasury Securities ("Treasury") yield curve for the purpose of discounting cash flows relating to IO securities.

(3) Prepayment speed is measured using life total Conditional Prepayment Rate ("CPR"). Equivalent life is provided as supplementary information.

Changes in the fair value of MBS are included in *Net gains (losses) on investments and financings* in the consolidated statements of income.

## *Loans*

Fair value of loans is estimated based on whether the loans are saleable into active markets:

- Loans that are saleable into active markets, comprised of most of the Company's loans acquired for sale at fair value and all of the loans at fair value held in VIEs, are categorized as "Level 2" fair value assets:
- For loans acquired for sale, the fair values are established using the loans' contracted selling prices, quoted market prices or market price equivalents.
- For the loans at fair value held in VIEs, the quoted indications of fair value of all of the individual securities issued by the securitization trusts are used to derive fair values for the loans. The Company obtains indications of fair value from nonaffiliate brokers based on comparable securities and/or pricing services and validates the brokers' indications of fair value using pricing models and inputs the Company believes are similar to the pricing models and inputs used by other market participants. The Company adjusts the fair values received from brokers and/or pricing services to include the fair value of MSRs attributable to the loans included in the VIEs.
- Loans that are not saleable into active markets, comprised of home equity lines of credit, previously sold loans that the Company repurchased pursuant to the representation and warranties it provided to the purchaser and distressed loans, are categorized as "Level 3" fair value assets:
  - Fair values for loans acquired for sale categorized as "Level 3" assets are estimated using a discounted cash flow approach or the loans' contracted selling prices when applicable. Inputs to the discounted cash flow model include current interest rates, payment statuses, property types, discount rates and forecasts of future interest rates, home prices, prepayment speeds, default speeds and loss severities.
  - Distressed loans' fair values are estimated based on the expected resolution from the individual asset's disposition strategy. When a cash flow projection is used to estimate fair values, those cash flows are discounted at annual rates up to 20%.

## *Derivative and Credit Risk Transfer Strip Assets and Liabilities*

### *CRT Derivatives*

The Company categorizes CRT derivatives as "Level 3" fair value assets and liabilities. The fair values of CRT derivatives are based on indications of fair value provided to the Company by nonaffiliate brokers for the certificates representing the beneficial interests in the trusts holding the *Deposits securing credit risk transfer arrangements pledged to creditors*, the recourse obligations and the IO ownership interests. Together, the recourse obligation and the IO ownership interest comprise the CRT derivative. Fair values of the CRT derivatives are derived by deducting the balances of the *Deposits securing credit risk transfer arrangements pledged to creditors* from the fair values of the certificates.

The Company assesses the fair values it receives from nonaffiliate brokers using the discounted cash flow approach. The significant unobservable inputs used by the Company in its review and approval of the valuation of CRT derivatives are the discount rates, voluntary and involuntary prepayment speeds and the remaining loss expectations of the reference loans. Changes in fair value of CRT derivatives are included in *Net gains (losses) on investments and financings* in the consolidated statements of income.

Following is a quantitative summary of key unobservable inputs used in the Company's review and approval of broker-provided fair values for CRT derivatives:

	September 30, 2024	December 31, 2023
	(dollars in thousands)	
Fair value	\$ 29,690	\$ 16,160
UPB of loans in reference pools	\$ 5,071,449	\$ 5,437,551
Key inputs (1)		
Discount rate		
Range	8.4% - 11.7%	9.0% - 9.7%
Weighted average	8.7%	9.6%
Voluntary prepayment speed (2)		
Range	6.8% - 7.1%	6.9% - 7.6%
Weighted average	7.1%	7.4%
Involuntary prepayment speed (3)		
Range	0.1% - 0.1%	0.2% - 0.8%
Weighted average	0.1%	0.3%
Remaining loss expectation		
Range	0.0% - 0.2%	0.2% - 0.3%
Weighted average	0.1%	0.3%

(1) Weighted average inputs are based on fair value amounts of the CRT arrangements, except for remaining loss expectation which is based on the UPB of the loans in the reference pools.

(2) Voluntary prepayment speed is measured using life voluntary CPR.

(3) Involuntary prepayment speed is measured using life involuntary CPR.

#### Interest Rate Lock Commitments

The Company categorizes IRLCs as "Level 3" fair value assets and liabilities. The Company estimates the fair values of IRLCs based on quoted Agency MBS prices, the probability that the loans will be purchased under the commitments (the "pull-through rate") and the Company's estimate of the fair values of the MSRs it expects to receive upon sale of the loans.

The significant unobservable inputs used in the fair value measurement of the Company's IRLCs are the pull-through rates and the estimated MSRs attributed to the mortgage loans subject to the commitments. Significant changes in the pull-through rates or the MSR components of the IRLCs, in isolation, may result in a significant change in the IRLCs' fair values. The financial effects of changes in these inputs are generally inversely correlated as increasing interest rates have a positive effect on the fair value of the MSR component of an IRLC's fair value, but also increase the pull-through rate for the loan principal and interest payment cash flow component that has decreased in fair value. Changes in fair value of IRLCs are included in *Net gains on loans acquired for sale* in the consolidated statements of income.

Following is a quantitative summary of key unobservable inputs used in the valuation of IRLCs:

	September 30, 2024	December 31, 2023
Fair value (in thousands) (1)	\$ 5,902	\$ 7,532
Committed amount (in thousands)	\$ 2,062,088	\$ 874,017
Key inputs (2)		
Pull-through rate		
Range	52.1% - 99.0%	50.0% - 98.0%
Weighted average	87.3%	82.5%
MSR fair value expressed as		
Servicing fee multiple		
Range	2.0 - 8.2	1.7 - 6.5
Weighted average	5.3	4.6
Percentage of unpaid principal balance		
Range	0.5% - 2.6%	0.4% - 2.4%
Weighted average	2.0%	1.7%

(1) For purposes of this table, IRLC asset and liability positions are shown net.

(2) Weighted-average inputs are based on the committed amounts.

## Hedging Derivatives

Fair values of derivative financial instruments actively traded on exchanges are categorized by the Company as “Level 1” fair value assets and liabilities. Fair values of derivative financial instruments based on observable interest rates, volatilities and prices in the MBS or other markets are categorized by the Company as “Level 2” fair value assets and liabilities. Changes in the fair values of hedging derivatives are included in *Net loan servicing fees – from nonaffiliates – Mortgage servicing rights hedging results, Net gains on loans acquired for sale, or Net gains (losses) on investments and financings*, as applicable, in the consolidated statements of income.

### Credit Risk Transfer Strips

The Company categorizes CRT strips as “Level 3” fair value liabilities. The fair values of CRT strips are based on indications of fair value provided to the Company by nonaffiliate brokers for the securities representing the beneficial interests in the trusts holding the *Deposits securing credit risk transfer arrangements pledged to creditors*, the IO ownership interests and the recourse obligations. Together, the IO ownership interest and the recourse obligation comprise the CRT strip.

Fair values of the CRT strips are derived by deducting the balance of the *Deposits securing credit risk transfer arrangements pledged to creditors* from the indications of fair value of the securities provided by the nonaffiliate brokers.

The Company assesses the indications of fair value it receives from nonaffiliate brokers using the discounted cash flow approach. The significant unobservable inputs used by the Company in its review and approval of the valuation of the CRT strips are the discount rates, voluntary and involuntary prepayment speeds and the remaining loss expectations of the reference loans. Changes in fair value of CRT strips are included in *Net gains (losses) on investments and financings* in the consolidated statements of income.

Following is a quantitative summary of key unobservable inputs used in the Company’s review and approval of the broker-provided fair values of the CRT strip liabilities:

	September 30, 2024	December 31, 2023
	(dollars in thousands)	
Fair value	\$ 13,475	\$ 46,692
Unpaid principal balance of loans in the reference pools	\$ 16,636,716	\$ 17,714,679
Key inputs (1)		
Discount rate		
Range	6.9% - 8.7%	7.9% - 9.6%
Weighted average	8.4%	9.4%
Voluntary prepayment speed (2)		
Range	7.3% - 7.4%	6.6% - 8.2%
Weighted average	7.3%	6.8%
Involuntary prepayment speed (3)		
Range	0.1% - 0.2%	0.2% - 0.3%
Weighted average	0.1%	0.2%
Remaining loss expectation		
Range	0.4% - 1.5%	0.5% - 1.6%
Weighted average	0.5%	0.6%

(1) Weighted average inputs are based on fair value amounts of the CRT arrangements, except for remaining loss expectation which is based on the UPB of the loans in the reference pools.

(2) Voluntary prepayment speed is measured using life voluntary CPR.

(3) Involuntary prepayment speed is measured using life involuntary CPR.

### Mortgage Servicing Rights

The Company categorizes MSRs as “Level 3” fair value assets. The Company uses a discounted cash flow approach to estimate the fair values of MSRs. The fair values of MSRs are derived from the net positive cash flows associated with the servicing agreements. The Company receives a servicing fee based on the remaining UPB of the loans subject to the servicing agreements and generally has the right to receive other remuneration including various mortgagor-contracted fees such as late charges and collateral reconveyance charges, and is generally entitled to retain any placement fees earned on certain custodial funds held pending remittance of mortgagor principal, interest, tax and insurance payments.

The key inputs used in the estimation of the fair value of MSRs include the applicable pricing spreads, the prepayment speeds of the underlying loans, and the annual per-loan costs to service the loans, all of which are unobservable. Significant changes to any of those inputs in isolation could result in significant changes in the MSR fair value measurements. Changes in these key inputs are not directly related. Changes in the fair value of MSRs are included in *Net loan servicing fees – From nonaffiliates – Change in fair value of mortgage servicing rights* in the consolidated statements of income.

MSRs are generally subject to loss in fair value when prepayment speed expectations and experience increase, when returns required by market participants (pricing spreads) increase, or when annual per-loan costs of servicing increase. Reductions in the fair value of MSRs affect income primarily through recognition of the change in fair value.

Following are the key inputs used in determining the fair value of MSRs at the time of initial recognition:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
MSRs recognized (in thousands)	\$ 87,588	\$ 58,560	\$ 159,456	\$ 249,925
Unpaid principal balance of underlying loans (in thousands)	\$ 5,130,285	\$ 3,052,557	\$ 9,203,814	\$ 13,458,182
Weighted average annual servicing fee rate (in basis points)	35	38	35	40
Key inputs (1)				
Pricing spread (2)				
Range	5.4% - 7.3%	5.5% - 8.5%	5.4% - 8.5%	5.5% - 8.8%
Weighted average	5.5%	5.5%	5.6%	5.8%
Prepayment speed (3)				
Range	11.7% - 26.7%	10.1% - 22.7%	10.8% - 26.7%	10.1% - 22.7%
Weighted average	13.6%	11.3%	13.1%	12.3%
Equivalent average life (in years)				
Range	3.5 - 6.4	3.2 - 7.2	3.4 - 7.2	2.8 - 7.2
Weighted average	6.3	7.1	6.5	6.8
Annual per-loan cost of servicing				
Range	\$68 - \$87	\$69 - \$71	\$68 - \$87	\$68 - \$71
Weighted average	\$68	\$71	\$69	\$69

(1) Weighted average inputs are based on UPB of the underlying loans.

(2) The Company uses the pricing spread over a derived Treasury yield curve for the purpose of discounting cash flows relating to MSRs.

(3) Prepayment speed is measured using life total CPR, which includes both voluntary and involuntary prepayments. Equivalent average life is provided as supplementary information.

Following is a quantitative summary of key inputs used in the valuation of MSRs as of the dates presented, and the effect on the fair value from adverse changes in those inputs:

	September 30, 2024	December 31, 2023
Fair value (in thousands)	\$ 3,809,047	\$ 3,919,107
Unpaid principal balance of underlying loans (in thousands)	\$ 228,127,324	\$ 230,294,583
Weighted average annual servicing fee rate (in basis points)	28	28
Weighted average note interest rate	3.8%	3.7%
Key inputs (1)		
Pricing spread (2)		
Range	5.4% - 8.1%	5.5% - 8.5%
Weighted average	5.4%	5.5%
Effect on fair value (in thousands) of (3):		
5% adverse change	\$(46,966)	\$(48,362)
10% adverse change	\$(92,816)	\$(95,575)
20% adverse change	\$(181,313)	\$(186,699)
Prepayment speed (4)		
Range	7.4% - 18.8%	6.5% - 17.9%
Weighted average	7.5%	7.0%
Equivalent average life (in years)		
Range	2.5 - 8.5	2.7 - 9.4
Weighted average	8.2	8.5
Effect on fair value (in thousands) of (3):		
5% adverse change	\$(57,286)	\$(53,964)
10% adverse change	\$(112,596)	\$(106,144)
20% adverse change	\$(217,698)	\$(205,509)
Annual per-loan cost of servicing		
Range	\$68 - \$89	\$70 - \$89
Weighted average	\$68	\$70
Effect on fair value (in thousands) of (3):		
5% adverse change	\$(16,607)	\$(17,276)
10% adverse change	\$(33,214)	\$(34,551)
20% adverse change	\$(66,428)	\$(69,103)



- (1) Weighted-average inputs are based on the UPBs of the underlying loans.
- (2) The Company uses a pricing spread over a derived Treasury yield curve for the purpose of discounting cash flows relating to MSRs.
- (3) These sensitivity analyses are limited in that they were performed as of a particular date; only account for the estimated effect of the movements in the indicated inputs; do not incorporate changes in those inputs in relation to other inputs; are subject to the accuracy of the models and inputs used; and do not incorporate other factors that would affect the Company's overall financial performance in such events, including operational adjustments to account for changing circumstances. For these reasons, these analyses should not be viewed as earnings forecasts.
- (4) Prepayment speed is measured using life total CPR, which includes both voluntary and involuntary prepayments. Equivalent average life is provided as supplementary information.

### *Real Estate Acquired in Settlement of Loans*

REO is measured based on its fair value on a nonrecurring basis and is categorized as a “Level 3” fair value asset. Fair value of REO is established by using a current estimate of fair value from either a broker’s price opinion, a full appraisal, or the price given in a pending contract of sale.

REO fair values are reviewed by PLS staff appraisers when the Company obtains multiple indications of fair value and there is a significant difference between the indications of fair value. PLS staff appraisers will attempt to resolve the difference between the indications of fair value. In circumstances where the staff appraisers are not able to generate adequate data to support a fair value conclusion, the staff appraisers obtain an additional appraisal to determine fair value. Recognized changes in the fair value of REO are included in *Results of real estate acquired in settlement of loans* in the consolidated statements of income.

## **Note 8—Mortgage-Backed Securities**

Following is a summary of activity in the Company's holdings of MBS:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Balance at beginning of period	\$ 4,068,337	\$ 4,731,341	\$ 4,836,292	\$ 4,462,601
Purchases	80,500	64,384	479,960	3,108,701
Sales	(35,667)	—	(977,007)	(2,629,540)
Repayments	(105,493)	(90,319)	(268,122)	(250,733)
Exchange of mortgage servicing spread for interest-only stripped mortgage-backed securities	35,609	103,547	35,609	103,547
Changes in fair value included in income arising from:				
Accrual (amortization) of net purchase premiums and discounts	15,663	1,048	25,340	(1,172)
Valuation adjustments, net	123,433	(144,031)	50,310	(127,434)
	139,096	(142,983)	75,650	(128,606)
Balance at end of period	<u>\$ 4,182,382</u>	<u>\$ 4,665,970</u>	<u>\$ 4,182,382</u>	<u>\$ 4,665,970</u>

Following is a summary of the Company's investments in MBS:

Security type (1)	September 30, 2024				Fair value
	Principal balance or notional amount	Unamortized net purchase premiums (discounts) (in thousands)	Cumulative valuation changes		
Agency fixed-rate pass-through securities	\$ 3,217,437	\$ (2,344)	\$ 37,815	\$ 3,252,908	
Principal-only stripped securities	631,601	(118,563)	27,751	540,789	
Subordinate credit-linked securities	174,813	(4,744)	26,242	196,311	
Senior non-Agency securities	115,302	(3,177)	(1,007)	111,118	
	<u>\$ 4,139,153</u>	<u>\$ (128,828)</u>	<u>\$ 90,801</u>	<u>4,101,126</u>	
Interest-only stripped securities	\$ 395,952			81,256	
				<u>\$ 4,182,382</u>	

Security type (1)	December 31, 2023				Fair value
	Principal balance or notional amount	Unamortized net purchase premiums (discounts) (in thousands)	Cumulative valuation changes		
Agency fixed-rate pass-through securities	\$ 4,311,342	\$ 34	\$ (41,320)	\$ 4,270,056	
Principal-only stripped securities	65,573	(18,567)	6,330	53,336	
Subordinate credit-linked securities	275,963	(3,633)	28,850	301,180	
Senior non-Agency securities	124,771	(3,567)	(3,715)	117,489	
	<u>\$ 4,777,649</u>	<u>\$ (25,733)</u>	<u>\$ (9,855)</u>	<u>4,742,061</u>	
Interest-only stripped securities	\$ 419,791			94,231	
				<u>\$ 4,836,292</u>	

(1) All MBS have maturities of more than ten years and are pledged to secure *Assets sold under agreements to repurchase*.

#### Note 9—Loans Acquired for Sale at Fair Value

Following is a summary of the distribution of the Company's loans acquired for sale at fair value:

Loan type	September 30, 2024		December 31, 2023	
		(in thousands)		
Held for sale to nonaffiliates—GSE eligible (1)	\$ 1,486,193		\$ 491,108	
Held for sale to PLS				
GSE eligible		1,434		62,234
Government insured or guaranteed		113,289		106,069
		114,723		168,303
Jumbo		58,811		3,289
Home equity lines of credit		1,445		1,803
Repurchased pursuant to representations and warranties		4,624		4,515
	<u>\$ 1,665,796</u>		<u>\$ 669,018</u>	
Loans pledged to secure:				
<i>Assets sold under agreements to repurchase</i>	\$ 1,619,233		\$ 659,751	
<i>Mortgage loan participation purchase and sale agreements</i>	30,178		—	
	<u>\$ 1,649,411</u>		<u>\$ 659,751</u>	

(1) GSE eligibility refers to the eligibility of loans for sale to Fannie Mae or Freddie Mac. The Company sells or finances a portion of its GSE eligible loan production to other investors, including PLS.

## Note 10—Loans at Fair Value

Loans at fair value are comprised primarily of loans held in VIEs securing asset-backed financings as described in Note 6 –*Variable Interest Entities – Subordinate Mortgage-Backed Securities*.

Following is a summary of the distribution of the Company's loans at fair value:

Loan type	September 30, 2024 (in thousands)	December 31, 2023 (in thousands)
<b>Loans in VIEs:</b>		
Agency-conforming loans secured by investment properties	\$ 1,379,963	\$ 1,383,392
Fixed interest rate jumbo loans	47,612	48,297
	1,427,575	1,431,689
Distressed loans	1,950	2,131
	\$ 1,429,525	\$ 1,433,820
<b>Loans at fair value pledged to secure:</b>		
<i>Asset-backed financings at fair value (1)</i>	\$ 1,427,575	\$ 1,431,689
<i>Assets sold under agreements to repurchase</i>	147	207
	\$ 1,427,722	\$ 1,431,896

(1) As discussed in Note 6 – *Variable Interest Entities – Subordinate Mortgage-Backed Securities*, the Company holds a portion of the securities issued by the VIEs. At September 30, 2024 and December 31, 2023, \$83.4 million and \$85.3 million, respectively, of such retained securities were pledged to secure *Assets sold under agreements to repurchase*.

## Note 11—Derivative and Credit Risk Transfer Strip Assets and Liabilities

Derivative and credit risk transfer assets and liabilities are summarized below:

	September 30, 2024 (in thousands)	December 31, 2023 (in thousands)
Derivative assets	\$ 81,844	\$ 177,984
	\$ 81,844	\$ 177,984
Derivative liabilities	\$ 2,676	\$ 4,689
Credit risk transfer strip liabilities	13,475	46,692
	\$ 16,151	\$ 51,381

The Company records all derivative and CRT strip assets and liabilities at fair value and records changes in fair value in current period income.

### Derivative Activities

The Company holds and issues derivative financial instruments in connection with its operating, investing and financing activities. Derivative financial instruments are created as a result of the Company's operations and the Company also enters into derivative transactions as part of its interest rate risk management activities.

Derivative financial instruments created as a result of the Company's operations include:

- IRLCs that are created when the Company commits to purchase loans acquired for sale; and
- Certain of the CRT arrangements whereby the Company retained recourse obligations relating to loans it sold into Fannie Mae guaranteed securitizations as part of the retention of IO ownership interests in such loans.

The Company engages in interest rate risk management activities in an effort to reduce the variability of earnings caused by the effects of changes in interest rates on the fair values of certain of its assets and liabilities. The Company bears price risk related to its mortgage production, servicing assets and MBS financing activities due to changes in market interest rates as discussed below:

- The Company is exposed to losses if market mortgage interest rates increase, because market interest rate increases generally cause the fair values of MBS, IRLCs and loans acquired for sale to decrease.
- The Company is exposed to losses if market mortgage interest rates decrease, because market interest rate decreases generally encourage increased mortgage refinancing activities, which causes the fair values of MSRs to decrease.

To manage the price risk resulting from these interest rate risks, the Company uses derivative financial instruments with the intention of moderating the risk that changes in market interest rates will result in unfavorable changes in the fair values of the

Company's MBS, inventory of loans acquired for sale, IRLCs and MSRs. The Company does not designate and qualify any of its derivative financial instruments for hedge accounting.

Cash flows from derivative financial instruments relating to hedging of IRLCs and loans acquired for sale are included in *Cash flows from operating activities* in *Sale to nonaffiliates and repayment of loans acquired for sale at fair value*. Cash flows from derivative financial instruments relating to hedging of MSRs are included in *Cash flows from investing activities*.

*Derivative Notional Amounts and Fair Value of Derivatives*

The Company had the following derivative assets and liabilities recorded within *Derivative assets* and *Derivative and credit risk transfer strip liabilities* and related margin deposits on the consolidated balance sheets:

Instrument	September 30, 2024			December 31, 2023		
	Notional amount (1)	Derivative assets	Derivative liabilities	Notional amount (1)	Derivative assets	Derivative liabilities
Hedging derivatives subject to master netting arrangements (2):						
Call options on interest rate futures purchase contracts	4,700,000	\$ 12,844	\$ —	2,315,000	\$ 41,712	\$ 2,005
Put options on interest rate futures purchase contracts	500,000	1,953	—	2,900,000	4,324	—
Call options on interest rate futures sell contracts	—	—	—	500,000	—	1,328
Forward purchase contracts	3,194,957	635	7,452	2,789,324	15,905	490
Forward sale contracts	9,672,080	11,997	11,530	7,219,512	671	50,363
MBS call options	—	—	—	500,000	3,218	—
MBS put options	500,000	1,508	—	450,000	5	—
Bond futures	2,096,000	—	—	2,860,500	—	—
Swap futures	951,200	—	—	1,048,800	—	—
Other derivatives not subject to master netting arrangements:						
CRT derivatives	5,071,449	29,690	—	5,437,551	16,160	—
Interest rate lock commitments	2,062,088	7,476	1,574	874,017	7,596	64
Total derivative instruments before netting		66,103	20,556		89,591	54,250
Netting		15,741	(17,880)		88,393	(49,561)
		<u>\$ 81,844</u>	<u>\$ 2,676</u>		<u>\$ 177,984</u>	<u>\$ 4,689</u>
Margin deposits placed with derivative counterparties included in derivative balances above, net		\$ 33,620			\$ 137,955	
Derivative assets pledged to secure:						
Notes payable secured by credit risk transfer and mortgage servicing assets		\$ 29,690			\$ 16,160	

(1) Notional amounts provide an indication of the volume of the Company's derivative activities.

(2) All hedging derivatives are interest rate derivatives that are used as economic hedges.

*Netting of Financial Instruments*

The Company has elected to net derivative asset and liability positions, and cash collateral placed with or received from its counterparties when such positions are subject to legally enforceable master netting arrangements and the Company intends to set off. The derivative financial instruments that are not subject to master netting arrangements are CRT derivatives and IRLCs. As of September 30, 2024 and December 31, 2023, the Company was not a party to any reverse repurchase agreements or securities lending transactions that are required to be disclosed in the following tables.

*Derivative Assets, Financial Instruments and Collateral Held by Counterparty*

The following table summarizes by significant counterparty the amounts of derivative asset positions after considering master netting arrangements and financial instruments or cash pledged that do not meet the accounting guidance qualifying for setoff accounting.

Counterparty	September 30, 2024				December 31, 2023			
	Net amount of assets presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet			Net amount of assets presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet		
		Financial instruments	Cash collateral received	Net amount (in thousands)		Financial instruments	Cash collateral received	Net amount
CRT derivatives	\$ 29,690	\$ —	\$ —	\$ 29,690	\$ 16,160	\$ —	\$ —	\$ 16,160
Interest rate lock commitments	7,476	—	—	7,476	7,596	—	—	7,596
RJ O'Brien & Associates, LLC	14,797	—	—	14,797	42,703	—	—	42,703
Morgan Stanley & Co. LLC	10,699	—	—	10,699	79,825	—	—	79,825
Wells Fargo Securities, LLC	7,666	—	—	7,666	7,759	—	—	7,759
Bank of America, N.A.	4,436	—	—	4,436	3,418	—	—	3,418
Goldman Sachs & Co. LLC	2,163	—	—	2,163	18,701	—	—	18,701
J.P. Morgan Securities LLC	1,307	—	—	1,307	997	—	—	997
Citigroup Global Markets Inc.	1,160	—	—	1,160	503	—	—	503
Other	2,450	—	—	2,450	322	—	—	322
					177,98			
	<u>\$ 81,844</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 81,844</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 177,984</u>

*Derivative Liabilities, Financial Liabilities and Collateral Pledged by Counterparty*

The following table summarizes by significant counterparty the amounts of derivative liabilities and assets sold under agreements to repurchase after considering master netting arrangements and financial instruments or cash pledged that do not meet the accounting guidance to qualify for setoff accounting. All assets sold under agreements to repurchase represent sufficient collateral with fair values that exceed the liability amounts recorded on the consolidated balance sheet.

Counterparty	September 30, 2024				December 31, 2023			
	Net amount of liabilities presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet			Net amount of liabilities presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet		
		Financial instruments (1)	Cash collateral pledged	Net amount (in thousands)		Financial instruments (1)	Cash collateral pledged	Net amount
Interest rate lock commitments	\$ 1,574	\$ —	\$ —	\$ 1,574	\$ 64	\$ —	\$ —	\$ 64
J.P. Morgan Securities LLC	1,631,801	(1,631,801)	—	—	1,521,072	(1,521,072)	—	—
Bank of America, N.A.	(809,476)	(809,476)	—	—	(785,756)	(785,756)	—	—
Wells Fargo Securities, LLC	(803,927)	(803,927)	—	—	(569,129)	(569,129)	—	—
Barclays Capital Inc.	(578,798)	(578,798)	—	—	(803,641)	(803,641)	—	3,763
Santander US Capital	(362,604)	(362,604)	—	65	(292,091)	(292,091)	—	—
Citigroup Global Markets Inc.	(310,707)	(310,707)	—	—	(147,093)	(147,093)	—	—
Daiwa Capital Markets	(230,033)	(230,033)	—	—	(340,975)	(340,975)	—	—
Goldman Sachs & Co. LLC	(227,545)	(227,545)	—	—	(145,007)	(145,007)	—	—
RBC Capital Markets, L.P.	(212,560)	(212,560)	—	—	(128,602)	(128,602)	—	—
Atlas Securitized Products, L.P.	(206,873)	(206,873)	—	—	(783,456)	(783,456)	—	—

Morgan Stanley & Co. LLC		(201,862	2)	—	—	25,814	(25,814)	—	—
Mizuho Financial Group		98,686	(98,121)	—	565	67,637	(67,110)	—	527
BNP Paribas		77,277	(77,277)	—	—	10,121	(10,121)	—	—
Nomura Holdings America, Inc		—	—	—	—	8,135	(7,940)	—	195
Other		472	—	—	472	140	—	—	140
		<u>5,754,1</u>	<u>(5,751,5</u>			<u>5,632,4</u>	<u>(5,627,8</u>		
		<u>95</u>	<u>19)</u>	<u>—</u>	<u>2,676</u>	<u>96</u>	<u>07)</u>	<u>—</u>	<u>4,689</u>

(1) Amounts represent the UPB of *Assets sold under agreements to repurchase*.

Following are the net gains (losses) recognized by the Company on derivative financial instruments and the consolidated statements of income line items where such gains and losses are included:

Derivative activity	Consolidated statements of income line	Quarter ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
		(in thousands)			
Interest rate lock commitments	Net gains on loans acquired for sale (1)	\$ 4,349	\$ (2,050)	\$ (1,631)	\$ (2,870)
CRT derivatives	Net gains (losses) on investments and financings	\$ 8,735	\$ 13,164	\$ 23,964	\$ 39,123
Hedged item:					
Assets sold under agreements to repurchase	Net gains (losses) on investments and financings	\$ —	\$ —	\$ 20,098	\$ —
Interest rate lock commitments and loans acquired for sale	Net gains on loans acquired for sale	\$ (45,471)	\$ 24,092	\$ (35,698)	\$ 22,742
Mortgage servicing rights	Net loan servicing fees	\$ (67,220)	\$ (50,689)	\$ (175,399)	\$ (81,584)

(1) Represents net change in fair value of IRLCs from the beginning to the end of the reporting period. Amounts recognized at the date of commitment and fair value changes recognized during the period until purchase of the underlying loan or cancellation of the commitment are shown in the rollforwards of IRLCs for the period in Note 7 – *Fair Value – Financial Statement Items Measured at Fair Value on a Recurring Basis*.

## Note 12—Mortgage Servicing Rights

Following is a summary of MSRs:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Balance at beginning of period	\$ 3,941,861	\$ 3,977,938	\$ 3,919,107	\$ 4,012,737
Purchases	—	16,263	29,428	16,263
MSRs resulting from loan sales	87,588	58,560	159,456	249,925
Transfers to Agency of mortgage servicing rights relating to delinquent loans	125	70	341	(653)
Exchange of mortgage servicing spread for interest-only stripped mortgage-backed securities and interest receivable	(35,609)	(105,096)	(35,609)	(105,096)
Changes in fair value:				
Due to changes in inputs used in valuation model (1)	(84,306)	263,139	33,303	232,414
Other changes in fair value (2)	(100,612)	(102,213)	(296,979)	(296,929)
	(184,918)	160,926	(263,676)	(64,515)
Balance at end of period	\$ 3,809,047	\$ 4,108,661	\$ 3,809,047	\$ 4,108,661

	September 30, 2024		December 31, 2023	
	(in thousands)			
Fair value of mortgage servicing rights pledged to secure <i>Assets sold under agreements to repurchase and Notes payable secured by credit risk transfer and mortgage servicing assets</i>	\$	3,756,894	\$	3,871,249

(1) Primarily reflects changes in pricing spread, prepayment speed, servicing cost, and UPB of underlying loan inputs.

(2) Represents changes due to realization of expected cash flows.

Servicing fees relating to MSRs are recorded in *Net loan servicing fees – from nonaffiliates* on the Company's consolidated statements of income and are summarized below:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Contractually specified servicing fees	\$ 162,605	\$ 166,809	\$ 485,089	\$ 496,522
Ancillary and other fees:				
Late charges	1,044	878	3,019	2,442
Other	2,968	2,874	6,819	12,079
	<u>4,012</u>	<u>3,752</u>	<u>9,838</u>	<u>14,521</u>
	<u>\$ 166,617</u>	<u>\$ 170,561</u>	<u>\$ 494,927</u>	<u>\$ 511,043</u>
Average UPB of underlying loans	\$ 227,804,449	\$ 231,333,064	\$ 229,174,686	\$ 231,333,990

#### Note 13—Other Assets

Other assets are summarized below:

	September 30, 2024		December 31, 2023	
	(dollars in thousands)			
Margin deposits	\$ 116,155	\$ 124,293		
Interest receivable	39,593	37,305		
Servicing fees receivable	11,791	14,603		
Correspondent lending receivables	8,202	6,313		
Other receivables	13,966	7,199		
Real estate acquired in settlement of loans	3,401	4,541		
Other	31,698	58,284		
	<u>\$ 224,806</u>	<u>\$ 252,538</u>		
Real estate acquired in settlement of loans pledged to secure				
<i>Assets sold under agreements to repurchase</i>	\$ 1,230	\$ 1,905		

#### Note 14—Short-Term Debt

The borrowing facilities described throughout these Notes 14 and 15 contain various covenants, including financial covenants relating to the Company and its subsidiaries' net worth, debt-to-equity ratio, and liquidity. The Company believes that it was in compliance with these covenants as of September 30, 2024.

##### *Assets Sold Under Agreements to Repurchase*

Following is a summary of financial information relating to assets sold under agreements to repurchase:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(dollars in thousands)			
Weighted average interest rate (1)	6.02 %	5.97 %	6.09 %	5.81 %
Average balance	\$ 5,513,519	\$ 5,714,082	\$ 5,225,906	\$ 6,451,377
Total interest expense	\$ 86,900	\$ 87,414	\$ 244,821	\$ 284,027
Maximum daily amount outstanding	\$ 6,474,799	\$ 6,318,746	\$ 7,624,113	\$ 9,412,768

(1) Excludes the effect of amortization of debt issuance costs and non-utilization fees of \$3.4 million and \$6.4 million for the quarter and nine months ended September 30, 2024, respectively, and \$1.4 million and \$3.8 million for the quarter and nine months ended September 30, 2023, respectively.

	September 30, 2024	December 31, 2023
	(dollars in thousands)	
Carrying value:		
Unpaid principal balance	\$ 5,751,519	\$ 5,627,807
Unamortized debt issuance costs	(3,058)	(3,249)
	<u>5,748,461</u>	<u>5,624,558</u>
Weighted average interest rate	5.55 %	6.14 %
Available borrowing capacity (1):		
Committed	\$ 597,072	\$ 634,147
Uncommitted	4,944,783	5,221,706
	<u>\$ 5,541,855</u>	<u>\$ 5,855,853</u>
Margin deposits placed with (received from) counterparties included in Other assets (Accounts payable and accrued liabilities), net	\$ 36,657	\$ (116,358)
Assets securing agreements to repurchase:		
Mortgage-backed securities	\$ 4,182,382	\$ 4,836,292
Loans acquired for sale at fair value	\$ 1,619,233	\$ 659,751
Loans at fair value:		
Securities retained in asset-backed financings	\$ 83,417	\$ 85,344
Distressed	\$ 147	\$ 207
Deposits securing credit risk transfer arrangements	\$ 71,975	\$ 77,417
Mortgage servicing rights (2)	\$ 1,935,890	\$ 2,000,574
Servicing advances	\$ 34,364	\$ 101,927
Real estate acquired in settlement of loans	\$ 1,230	\$ 1,905

(1) The amount the Company is able to borrow under asset repurchase agreements is tied to the fair value of unencumbered assets eligible to secure those agreements and the Company's ability to fund the agreements' margin requirements relating to the assets financed.

(2) Beneficial interests in Fannie Mae MSRs are pledged to secure both *Assets sold under agreements to repurchase* and *Notes payable secured by credit risk transfer and mortgage servicing assets*.

Following is a summary of maturities of outstanding advances under repurchase agreements by maturity date:

Remaining maturity at September 30, 2024 (1)	Unpaid principal balance
	(in thousands)
Within 30 days	\$ 287,565
Over 30 to 90 days	4,071,705
Over 90 days to 180 days	1,240,249
Over 180 days to 1 year	—
Over 1 year to 2 years	152,000
	<u>\$ 5,751,519</u>
Weighted average maturity (in months)	2.6

(1) The Company is subject to margin calls during the period the repurchase agreements are outstanding and therefore may be required to repay a portion of the borrowings before the respective repurchase agreements mature if the fair values (as determined by the applicable lender) of the assets securing those repurchase agreements decrease.

The amount at risk (the fair value of the assets pledged plus the related margin deposit, less the amount advanced by the counterparty and interest payable) and maturity information relating to the Company's assets sold under agreements to repurchase is summarized by pledged asset and counterparty below as of September 30, 2024:

*Loans, REO and MSRs*

Counterparty	Amount at risk (in thousands)	Weighted-average maturity	
		Advances	Facility
Goldman Sachs & Co. LLC	\$ 94,042	December 23, 2024	January 26, 2026
Citibank, N.A.	\$ 44,524	November 9, 2024	June 11, 2026
Bank of America, N.A.	\$ 43,142	October 11, 2024	June 10, 2026
JPMorgan Chase & Co.	\$ 10,946	November 9, 2024	June 28, 2026
Atlas Securitized Products, L.P.	\$ 51,541	November 24, 2024	June 26, 2026
Wells Fargo Securities, LLC	\$ 7,448	December 19, 2024	October 15, 2025
Barclays Capital Inc.	\$ 10,112	December 23, 2024	March 6, 2026
RBC Capital Markets, L.P.	\$ 10,722	January 1, 2025	August 11, 2025
Morgan Stanley & Co. LLC	\$ 9,549	December 19, 2024	May 22, 2026
BNP Paribas	\$ 3,207	December 23, 2024	September 30, 2025

*Securities*

Counterparty	Amount at risk (in thousands)	Weighted average maturity	
Citibank, N.A.	\$ 45,724	December 27, 2024	
Bank of America, N.A.	\$ 29,249	November 14, 2024	
JPMorgan Chase & Co.	\$ 58,000	November 11, 2024	
Wells Fargo Securities, LLC	\$ 33,220	January 23, 2025	
Barclays Capital Inc.	\$ 24,401	November 27, 2024	
Santander US Capital	\$ 19,410	December 23, 2024	
Daiwa Capital Markets America Inc.	\$ 6,617	January 2, 2025	
Mizuho Financial Group	\$ 5,448	January 6, 2025	

*CRT arrangements*

Counterparty	Amount at risk (in thousands)	Weighted average maturity	
Goldman Sachs & Co. LLC	\$ 22,378	January 8, 2025	

*Mortgage Loan Participation Purchase and Sale Agreement*

One of the borrowing facilities secured by loans acquired for sale is in the form of a mortgage loan participation purchase and sale agreement. Participation certificates, each of which represents an undivided beneficial ownership interest in a pool of loans that have been pooled with Fannie Mae or Freddie Mac, are sold to the lender pending the securitization of such loans and the sale of the resulting security. The commitment between the Company and a nonaffiliate to sell such security is also assigned to the lender at the time a participation certificate is sold.

The purchase price paid by the lender for each participation certificate is based on the trade price of the security, plus an amount of interest expected to accrue on the security to its anticipated delivery date, minus a present value adjustment, any related hedging costs and a holdback amount. The holdback amount is based on a percentage of the purchase price and is not required to be paid to the Company until the settlement of the security and its delivery to the lender.

The mortgage loan participation purchase and sale agreement is summarized below:

	Quarter ended September 30,		Nine months ended September 30,	
	2024		2023	
	(dollars in thousands)			
Average balance	\$ 32,353	\$ 22,043	\$ 18,829	\$ 20,991
Weighted average interest rate (1)	6.59 %	6.69 %	6.66 %	6.46 %
Total interest expense	\$ 568	\$ 403	\$ 1,033	\$ 1,109
Maximum daily amount outstanding	\$ 78,068	\$ 46,303	\$ 78,068	\$ 90,565



(1) Excludes the effect of amortization of debt issuance costs of \$31,000 and \$94,000, respectively, for the quarter and nine months ended September 30, 2024 and 2023.

	September 30, 2024 (dollars in thousands)
Carrying value:	
Amount outstanding	\$ 28,878
Unamortized debt issuance costs	(88)
	<u><u>\$ 28,790</u></u>
Weighted average interest rate	6.10 %
Loans acquired for sale pledged to secure mortgage loan participation purchase and sale agreement	\$ 30,178

## Note 15— Long-Term Debt

### *Notes Payable Secured By Credit Risk Transfer and Mortgage Servicing Assets*

#### CRT Arrangement Financing

The Company, through various wholly-owned subsidiaries, issued secured term notes (the “CRT Term Notes”) to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended (the “Securities Act”). All of the CRT Term Notes rank pari passu with each other.

Following is a summary of the CRT Term Notes outstanding:

CRT Term Notes	Issuance date	Issuance amount (in thousands)	Unpaid principal balance	Annual interest rate spread (1)	Maturity date
2024 3R	August 28, 2024	\$ 158,500	\$ 155,474	3.10%	September 27, 2028
2024 2R	April 4, 2024	\$ 247,000	235,364	3.35%	March 29, 2027
2024 1R	March 6, 2024	\$ 306,000	289,886	3.50%	March 1, 2027
2020 1R	February 14, 2020	\$ 350,000	46,100	3.35%	February 27, 2025
2019 3R	October 16, 2019	\$ 375,000	42,918	3.70%	October 29, 2024
			<u><u>\$ 769,742</u></u>		

(1) Interest rates are charged at a spread to the Secured Overnight Financing Rate ("SOFR").

#### Fannie Mae MSR Financing

The Company, through two subsidiaries, PMT ISSUER TRUST-FMSR and PMT CO-ISSUER TRUST-FMSR (together, the "Issuer Trusts"), finances MSRs owned by PMC and the related excess servicing spread ("ESS") owned by PennyMac Holdings, LLC ("PMH"), another subsidiary of PMT, through a combination of repurchase agreements and term financing.

The repurchase agreements financings for Fannie Mae MSRs and ESS are effected through the issuance of variable funding notes (a Series 2017-VF1 Note and a Series 2024-VF1 Note, and together the "FMSR VFNs") by the Issuer Trusts to PMC and PMH, which are then sold to qualified institutional buyers under agreements to repurchase. The amounts outstanding under the FMSR VFNs are included in *Assets sold under agreements to repurchase* in the Company's consolidated balance sheets. The FMSR VFNs have a combined committed borrowing capacity of \$775 million under two-year repurchase agreement facilities.

The term financing for Fannie Mae MSRs through the Issuer Trusts is effected through the issuance of term notes (the “FT-1 Term Notes”) to qualified institutional buyers under Rule 144A of the Securities Act and a series of syndicated term loans with various lenders (the “FTL-1 Term Loans”).

The FT-1 Term Notes and FTL-1 Term Loans and the FMSR VFNs are secured by certain participation certificates relating to Fannie Mae MSRs and ESS and rank pari passu with each other.

Following is a summary of the term financing of the Company's Fannie Mae MSRs:

Issuance	Issuance date	Unpaid principal balance (in thousands)	Annual interest rate spread(1)	Maturity date	
				Stated	Optional extension (2)
<b>Term Loans</b>					
2023	May 25, 2023	\$ 370,000	3.00%	May 25, 2028	May 25, 2029
<b>Term Notes</b>					
2024	June 27, 2024	355,000	2.75%	December 27, 2027	June 26, 2028
2021	March 30, 2021	350,000	3.00%	March 25, 2026	March 27, 2028
		<u>\$ 1,075,000</u>			

(1) Interest rates are charged at a spread to SOFR.

(2) The indentures relating to these issuances provide the Company with the option of extending the maturity dates of FT-1 Term Notes and FTL-1 Term Loans under conditions specified in the respective agreements.

#### Freddie Mac MSR and Servicing Advance Receivables Financing

The Company, through PMC and PMH, finances certain MSRs relating to loans pooled into Freddie Mac securities through various credit agreements. The total loan amount available under the agreements is approximately \$2.0 billion, bearing interest at an annual rate equal to SOFR plus a spread as defined in each agreement. The agreements have a weighted average maturity of July 2026. The total loan amount available under the agreements may be reduced by other debt outstanding with the counterparties. Advances under the credit agreements are secured by MSRs relating to loans serviced for Freddie Mac guaranteed securities.

On August 10, 2023, the Company, through its wholly-owned subsidiaries, PMT ISSUER TRUST - FHLMC SAF, PMT SAF Funding, LLC, and PMC, entered into a structured finance transaction that allows PMC to finance Freddie Mac servicing advance receivables (the "Series 2023-VF1"). The maturity date of the related Series 2023-VF1, Class A-VF1 Variable Funding Note is August 9, 2025 and has a maximum principal amount of \$150 million.

Following is a summary of financial information relating to notes payable secured by credit risk transfer and mortgage servicing assets:

	Quarter ended September 30,		Nine months ended September 30,	
	2024		2023	
	(dollars in thousands)			
Average balance	\$ 2,854,487	\$ 3,106,809	\$ 2,871,883	\$ 2,995,752
Weighted average interest rate (1)	8.60 %	8.70 %	8.84 %	8.28 %
Total interest expense	\$ 66,305	\$ 69,952	\$ 198,760	\$ 191,049
Maximum daily amount outstanding	\$ 3,183,237	\$ 3,380,951	\$ 3,327,400	\$ 3,403,116

(1) Excludes the effect of amortization of debt issuance costs of \$4.6 million and \$8.7 million for the quarter and nine months ended September 30, 2024, respectively, and \$1.9 million and \$5.4 million for the quarter and nine months ended September 30, 2023, respectively.

	September 30, 2024		December 31, 2023		
	(dollars in thousands)				
<b>Carrying value:</b>					
Unpaid principal balance:					
CRT arrangement financing	\$ 769,742	\$ 747,662			
Fannie Mae MSR financing	1,075,000	1,025,000			
Freddie Mac MSR and servicing advance receivable financing	995,000	1,145,000			
	2,839,742	2,917,662			
Unamortized debt issuance costs	(9,634)	(7,057)			
	\$ 2,830,108	\$ 2,910,605			
Weighted average interest rate	8.08 %	8.73 %			
<b>Assets securing notes payable:</b>					
MSRs (1)	\$ 3,756,894	\$ 3,871,249			
Servicing advances	24,757	79,274			
<b>CRT Agreements:</b>					
Deposits securing CRT arrangements	\$ 1,063,472	\$ 1,132,081			
Derivative assets	29,690	16,160			



(1) Beneficial interests in Freddie Mac MSRs are pledged as collateral for the *Notes payable secured by credit risk transfer and mortgage servicing assets*. Beneficial interests in Fannie Mae MSRs are pledged for both *Assets sold under agreements to repurchase* and *Notes payable secured by credit risk transfer and mortgage servicing assets*.

**Unsecured Senior Notes**

Exchangeable Senior Notes

PMC has issued \$216.5 million aggregate principal amount of exchangeable senior notes due 2029 (the “2029 Exchangeable Notes”), \$345 million aggregate principal amount of exchangeable senior notes due 2026 (the “2026 Exchangeable Notes”) and \$210 million aggregate principal amount of exchangeable senior notes due 2024 (the “2024 Exchangeable Notes”). The 2029 Exchangeable Notes, the 2026 Exchangeable Notes and the 2024 Exchangeable Notes are referred to collectively as the “Exchangeable Notes”. The Exchangeable Notes are summarized below:

Initial issuance date	Unpaid principal balance (in thousands)	Annual interest rate	Conversion rates (1)	Maturity date (2)
May 24, 2024	\$ 216,500	8.50%	63.3332	June 1, 2029
March 5, 2021	345,000	5.50%	46.1063	March 15, 2026
November 7, 2019	210,000	5.50%	40.1010	November 1, 2024
	<b>\$ 771,500</b>			

(1) Common Shares per \$1,000 principal amount.

(2) Unless repurchased or exchanged in accordance with their terms before such date.

Effective June 21, 2024, the Company and PMC entered into a supplemental indenture pursuant to which PMC made an irrevocable election to eliminate its option to elect physical share settle on any exchange of the 2024 Exchangeable Notes and the 2026 Exchangeable Notes. As a result of entering into the supplemental indenture, the 2024 Exchangeable Notes and the 2026 Exchangeable Notes are exchangeable for: (1) cash for the principal amount of the notes to be exchanged; and (2) cash, Common Shares or a combination of cash and Common Shares, at the Company’s election, for the remainder, if any, of the exchange obligation in excess of the principal amount of the notes being exchanged, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date.

The Exchangeable Notes are fully and unconditionally guaranteed by the Company.

2028 Senior Notes

In September 2023, the Company issued \$53.5 million principal amount of unsecured 8.50% senior notes due September 30, 2028 (the “2028 Senior Notes”). Interest on the 2028 Senior Notes is payable quarterly.

On or after September 30, 2025, PMT may redeem for cash all or any portion of the 2028 Senior Notes, at its option, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The 2028 Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by PMC, including the due and punctual payment of principal and interest, whether at stated maturity, upon acceleration, call for redemption or otherwise.

Following is financial information relating to the unsecured senior notes:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Average balance	\$ 825,000	\$ 553,338	\$ 710,496	\$ 549,063
Weighted average interest rate (1)	6.45%	5.56%	6.16%	5.60%
Interest expense	\$ 14,571	\$ 8,541	\$ 35,884	\$ 25,316

	September 30, 2024		December 31, 2023		
	(in thousands)				
Carrying value:					
Unpaid principal balance	\$ 825,000	\$ 608,500			
Unamortized debt issuance costs	(10,085)	(8,042)			
	<b>\$ 814,915</b>	<b>\$ 600,458</b>			

(1) Excludes the effect of amortization of debt issuance costs of \$1.2 million and \$3.1 million for the quarter and nine months ended September 30, 2024, respectively, and \$790,000 and \$2.3 million for the quarter and nine months ended September 30, 2023, respectively.

#### **Asset-Backed Financings of Variable Interest Entities at Fair Value**

Following is a summary of financial information relating to the asset-backed financings of VIEs at fair value described in Note 6 – *Variable Interest Entities – Subordinate Mortgage-Backed Securities*:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(dollars in thousands)			
Average balance	\$ 1,542,753	\$ 1,342,093	\$ 1,561,810	\$ 1,381,994
Total interest expense	\$ 10,838	\$ 13,652	\$ 34,918	\$ 38,796
Weighted average interest rate (1)	3.06 %	3.70 %	3.08 %	3.69 %

(1) Excludes the effect of (accrual) amortization of net issuance premiums and debt issuance costs of \$(1.0) million and \$(1.1) million for the quarter and nine months ended September 30, 2024, respectively, and \$1.1 million and \$666,000 for the quarter and nine months ended September 30, 2023, respectively.

	September 30, 2024		December 31, 2023	
	(dollars in thousands)			
Fair value	\$ 1,334,797	\$ 1,336,731		
Unpaid principal balance	\$ 1,527,681	\$ 1,590,003		
Weighted average interest rate	3.22 %	3.22 %		

The asset-backed financings are non-recourse liabilities and are secured solely by the assets of consolidated VIEs and not by any other assets of the Company. The assets of the VIEs are the only source of funds for repayment of the asset-backed financings.

#### **Maturities of Long-Term Debt**

Contractual maturities of long-term debt obligations (based on final maturity dates) are as follows:

	Total	Twelve months ended September 30,						Thereafter
		2025	2026	2027	2028	2029		
Notes payable secured by credit risk transfer and mortgage servicing assets (1)	2,839,742	\$ 89,018	\$ 0	\$ 525,250	\$ 880,474	\$ —	\$ —	\$ —
Unsecured senior notes	825,000	210,000	345,000	—	53,500	216,500	—	—
Asset-backed financings at fair value (2)	1,527,681	—	—	—	—	—	—	1,527,681
Interest-only security payable at fair value (2)	35,098	—	—	—	—	—	—	35,098
Total	5,227,521	\$ 299,018	\$ 0	\$ 525,250	\$ 933,974	\$ 216,500	\$ 9	1,562,779

(1) Based on stated maturity. As discussed above, certain of the *Notes payable secured by credit risk and mortgage servicing assets* allow the Company to exercise optional extensions.

(2) Contractual maturity does not reflect expected repayment as borrowers of the underlying loans generally have the right to repay their loans at any time.

## Note 16—Liability for Losses Under Representations and Warranties

Following is a summary of the Company's liability for losses under representations and warranties:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Balance, beginning of period	\$ 13,183	\$ 37,069	\$ 26,143	\$ 39,471
Provision for losses:		(in thousands)		
Pursuant to loan sales	459	448	917	2,126
Reduction in liability due to change in estimate	(5,180)	(4,365)	(18,598)	(7,920)
Losses incurred	(147)	—	(147)	(525)
Balance, end of period	<u>\$ 8,315</u>	<u>\$ 33,152</u>	<u>\$ 8,315</u>	<u>\$ 33,152</u>
UPB of loans subject to representations and warranties at end of period			\$ 223,245,804	\$ 228,679,429

## Note 17—Commitments and Contingencies

### *Commitments*

The following table summarizes the Company's outstanding contractual commitments:

	September 30, 2024 (in thousands)
Commitments to purchase loans acquired for sale	\$ 2,062,088

### *Legal Proceedings*

From time to time, the Company may be involved in various legal and regulatory proceedings, claims and legal actions arising in the ordinary course of business. The amount, if any, of ultimate liability with respect to such matters cannot be determined, but despite the inherent uncertainties of litigation, management believes that the ultimate disposition of any such proceedings and exposure will not have, individually or taken together, a material adverse effect on the financial condition, income, or cash flows of the Company.

### *Litigation*

On June 14, 2024, a purported shareholder of the Company's Series A Preferred Shares and Series B Preferred Shares (each, as defined hereafter) filed a complaint in a putative class action in the United States District Court for the Central District of California, captioned Roberto Verthelyi v. PennyMac Mortgage Investment Trust and PNMAC Capital Management, LLC, Case No. 2:24-cv-05028 (the "Verthelyi Action"). The Verthelyi Action alleges, among other things, that the Company (and its external investment advisor, PCM), committed unlawful and unfair acts in violation of California's Unfair Competition Law by replacing its floating three-month London Inter-bank Offered Rate ("LIBOR") dividend rate for the Series A and Series B Preferred Shares with a fixed rate, in violation of the LIBOR Act, 12 U.S.C. § 5801 et seq., and the LIBOR Rule, 12 C.F.R. § 253 et seq.

The Verthelyi Action seeks injunctive relief requiring the Company to implement SOFR as a replacement to the three-month LIBOR rate and damages for the putative class in the form of restitution, interest, disgorgement and other relief. The Company believes it has interpreted the Articles Supplementary to its Series A and Series B Preferred Shares consistent with their terms and, more specifically, the interest rate fallback provisions contained therein, as applied under the LIBOR Act and the LIBOR rules, and that the Verthelyi Action is without merit. Accordingly, while no assurance can be provided as to the ultimate outcome of this claim, the Company and PCM plan to vigorously defend the matter. Pursuant to the terms of the Third Amended and Restated Management Agreement, dated as of June 30, 2020, by and between the Company and PCM, the Company has assumed the defense of PCM in the Verthelyi Action. The Company and PCM each filed a motion to dismiss the complaint on August 20, 2024.

## Note 18—Shareholders' Equity

### *Preferred Shares of Beneficial Interest*

Preferred shares of beneficial interest are summarized below:

Preferred Shares	Description (1)	Number of shares	Liquidation preference	Issuance discount	Carrying value (in thousands, except dividends per share)	Dividends per share, period ended September 30,			
						Quarter		Nine months	
						2024	2023	2024	2023
Series A	8.125% Issued March 2017	4,600	\$ 115,000	\$ 3,828	\$ 111,172	\$ 0.51	\$ 0.51	\$ 1.53	\$ 1.53
Series B	8.00% Issued July 2017	7,800	195,000	6,465	188,535	\$ 0.50	\$ 0.50	\$ 1.50	\$ 1.50
Series C	6.75% Issued August 2021	10,000							
		0	250,000	8,225	241,775	\$ 0.42	\$ 0.42	\$ 1.26	\$ 1.26
		22,400		18,51					
		0	\$ 560,000	\$ 8	\$ 541,482				

(1) Par value is \$0.01 per share.

In accordance with the Articles Supplementary for each of the Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Shares of Beneficial Interest (the “Series A Preferred Shares”) and the Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Shares of Beneficial Interest (the “Series B Preferred Shares”), and disregarding the polling provisions contained in the Articles Supplementary for the Series A Preferred Shares and the Series B Preferred Shares that are deemed null and void in accordance with Federal Reserve rules, the applicable dividend rate for dividend periods from and after March 15, 2024, in the case of the Series A Preferred Shares, or June 15, 2024, in the case of the Series B Preferred Shares, are being calculated at the dividend rate in effect for the immediately preceding dividend period. As a result, the Series A Preferred Shares and Series B Preferred Shares will continue to accumulate dividends from and after March 15, 2024, in the case of the Series A Preferred Shares, or June 15, 2024, in the case of the Series B Preferred Shares, at their fixed rate then in effect and will not transition to floating reference rates.

The Series A Preferred Shares became redeemable on March 15, 2024 and the Series B Preferred Shares became redeemable on June 15, 2024. The Series C Cumulative Redeemable Preferred Shares will not be redeemable before August 24, 2026, except in connection with the Company’s qualification as a REIT for U.S. federal income tax purposes or upon the occurrence of a change of control. On or after the date the preferred shares become redeemable, or 120 days after the first date on which such change of control occurs, the Company may, at its option, redeem any or all of the preferred shares at \$25.00 per share plus any accumulated and unpaid dividends to, but not including, the redemption date. No preferred shares were redeemed during the quarter and nine months ended September 30, 2024.

The preferred shares have no stated maturity, are not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless redeemed or repurchased by the Company or converted into Common Shares in connection with a change of control by the holders of the preferred shares.

### *Common Shares of Beneficial Interest*

#### “At-The-Market” (“ATM”) Equity Offering Program

On June 14, 2024, the Company filed a shelf registration statement and a prospectus supplement, and entered into separate equity distribution agreements to sell from time to time, through an ATM equity offering program under which the counterparties will act as sales agents and/or principals, the Company’s Common Shares having an aggregate offering price of up to \$200 million. As of September 30, 2024, the Company had not sold any Common Shares under the ATM equity offering program.

#### Common Share Repurchase Program

The Company has a Common Share repurchase program with a repurchase authorization of \$500 million before transaction fees.

The following table summarizes the Company’s Common Share repurchase activity:

	Nine months ended September 30,		Cumulative total (1)
	2024	2023 (in thousands)	
Common Shares repurchased	—	—	2,274
Cost of Common Shares repurchased (2)	\$ —	\$ —	\$ 27,011

(1) Amounts represent the Common Share repurchase program total from its inception in August 2015 through September 30, 2024.

(2) Cumulative total cost of Common Shares repurchased includes \$582,000 of transaction fees.

## Note 19—Net Gains (Losses) on Investments and Financings

Net gains (losses) on investments and financings are summarized below:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Mortgage-backed securities	\$ 123,433	\$ (144,031)	\$ 50,310	\$ (127,434)
Loans:				
Held in VIEs	75,360	(54,082)	71,381	(61,318)
Distressed	(10)	(59)	(51)	(485)
CRT arrangements	20,834	30,154	89,118	136,890
Asset-backed financings	(72,922)	58,474	(64,151)	66,108
Hedging derivatives	—	—	20,098	—
	<u>\$ 146,695</u>	<u>\$ (109,544)</u>	<u>\$ 166,705</u>	<u>\$ 13,761</u>

## Note 20—Net Gains on Loans Acquired for Sale

Net gains on loans acquired for sale are summarized below:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
From nonaffiliates:				
Cash losses:				
Sales of loans	\$ (23,594)	\$ (71,105)	\$ (94,999)	\$ (260,697)
Hedging activities	(72,868)	(30,155)	(116,797)	(52,822)
	<u>(96,462)</u>	<u>(101,260)</u>	<u>(211,796)</u>	<u>(313,519)</u>
Non-cash gains:				
Receipt of MSRs in mortgage loan sale transactions	87,588	58,560	159,456	249,925
Provision for losses relating to representations and warranties provided in loan sales:				
Pursuant to loans sales	(459)	(448)	(917)	(2,126)
Reduction of liability due to change in estimate	5,180	4,365	18,598	7,920
	<u>4,721</u>	<u>3,917</u>	<u>17,681</u>	<u>5,794</u>
Changes in fair value of loans and derivatives				
Interest rate lock commitments	4,349	(2,050)	(1,631)	(2,870)
Loans	(9,528)	(1,710)	(3,721)	4,569
Hedging derivatives	27,397	54,247	81,099	75,564
	<u>22,218</u>	<u>50,487</u>	<u>75,747</u>	<u>77,263</u>
	<u>114,527</u>	<u>112,964</u>	<u>252,884</u>	<u>332,982</u>
Total from nonaffiliates	18,065	11,704	41,088	19,463
From PFSI – cash gains	1,994	1,854	5,649	5,014
	<u>\$ 20,059</u>	<u>\$ 13,558</u>	<u>\$ 46,737</u>	<u>\$ 24,477</u>

## Note 21—Net Interest Expense

Net interest expense is summarized below:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
<b>Interest income:</b>				
Cash and short-term investments	\$ 7,590	\$ 6,288	\$ 22,867	\$ 19,311
Mortgage-backed securities	66,573	66,563	184,762	180,244
Loans acquired for sale at fair value	23,900	14,720	50,804	77,487
Loans at fair value	16,044	9,514	41,617	38,348
Deposits securing CRT arrangements	15,042	16,419	46,121	46,410
Placement fees relating to custodial funds	47,256	44,005	124,226	110,602
Other	329	1,417	1,731	2,227
	<u>176,734</u>	<u>158,926</u>	<u>472,128</u>	<u>474,629</u>
<b>Interest expense:</b>				
Assets sold under agreements to repurchase	86,900	87,414	244,821	284,027
Mortgage loan participation purchase and sale agreements	568	403	1,033	1,109
Notes payable secured by credit risk transfer and mortgage servicing assets	66,305	69,952	198,760	191,049
Unsecured senior notes	14,571	8,541	35,884	25,316
Asset-backed financings at fair value	10,838	13,652	34,918	38,796
Interest shortfall on repayments of loans serviced for Agency securitizations	1,913	1,503	5,011	4,322
Interest on loan impound deposits	2,285	2,079	5,284	4,737
Other	791	374	1,828	1,089
	<u>184,171</u>	<u>183,918</u>	<u>527,539</u>	<u>550,445</u>
	<u>\$ (7,437)</u>	<u>\$ (24,992)</u>	<u>\$ (55,411)</u>	<u>\$ (75,816)</u>

## Note 22—Share-Based Compensation

The Company has an equity incentive plan, adopted in 2019, that provides for the issuance of equity based awards based on Common Shares that may be made by the Company to its officers and trustees, and the members, officers, trustees, directors and employees of PCM, PFSI, or their affiliates and to PCM, PFSI and other entities that provide services to PMT and the employees of such other entities.

The equity incentive plan is administered by the Company's compensation committee, pursuant to authority delegated by PMT's board of trustees, which has the authority to make awards to the eligible participants referenced above, and to determine what form the awards will take, and the terms and conditions of the awards.

The equity incentive plan allows for the grant of restricted and performance-based share and unit awards.

The shares underlying award grants will again be available for award under the equity incentive plan if:

- any shares subject to an award granted under the equity incentive plan are forfeited, canceled, exchanged or surrendered;
- an award terminates or expires without a distribution of shares to the participant; or
- shares are surrendered or withheld by PMT as payment of either the exercise price of an award and/or withholding taxes for an award.

Restricted share units have been awarded to trustees and officers of the Company and to other employees of PFSI and its subsidiaries at no cost to the grantees. Such awards generally vest over a one- to three-year period.

The following table summarizes the Company's share-based compensation activity:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
<b>Grants:</b>				
Restricted share units	—	—	182	172
Performance share units	—	—	140	166
	—	—	322	338
<b>Grant date fair value:</b>				
Restricted share units	\$ —	\$ —	\$ 2,605	\$ 2,212
Performance share units	—	—	2,007	2,088
	—	—	4,612	4,300
<b>Vestings:</b>				
Restricted share units	—	—	164	140
Performance share units (1)	—	—	203	48
	—	—	367	188
<b>Forfeitures:</b>				
Restricted share units	—	—	3	6
Performance share units	—	—	4	—
	—	—	7	6
<b>Compensation expense relating to share-based grants</b>	<b>\$ 816</b>	<b>\$ 1,420</b>	<b>\$ 3,008</b>	<b>\$ 3,421</b>

(1) The actual number of performance-based restricted share units ("RSUs") that vested during the nine months ended September 30, 2024 was 203,110 Common Shares, which is approximately 140% of the originally granted performance-based RSUs.

	September 30, 2024	
	Restricted share units	Performance share units
<b>Shares expected to vest:</b>		
Number of restricted shares units (in thousands)	265	251
Grant date average fair value per unit	\$ 14.10	\$ 14.04

#### Note 23—Income Taxes

The Company's effective tax rate was (56.1)% and (30.8)% with consolidated pretax income of \$26.5 million and \$87.5 million for the quarter and nine months ended September 30, 2024. The Company's taxable REIT subsidiary ("TRS") recognized a tax benefit of \$15.5 million on a pretax loss of \$64.7 million and tax benefit of \$27.5 million on a pretax loss of \$115.6 million for the quarter and nine months ended September 30, 2024. For the same periods in 2023, the TRS recognized a tax expense of \$57.1 million on pretax income of \$234.0 million and tax expense of \$56.5 million on pretax income of \$221.9 million. The Company's reported consolidated pretax income was \$118.4 million for the quarter ended September 30, 2023. The primary difference between the Company's effective tax rate and the statutory tax rate is generally attributable to nontaxable REIT income resulting from the dividends paid deduction.

The Company assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. On the basis of this evaluation, as of September 30, 2024, the valuation allowance remains zero. The conclusion was primarily based on the fact that the TRS has reported cumulative GAAP income over the last three-year period ended September 30, 2024. The amount of deferred tax assets considered realizable could be adjusted in future periods based on future income.

In general, cash dividends declared by the Company will be considered ordinary income to the shareholders for income tax purposes. Some portion of the dividends may be characterized as capital gain distributions or a return of capital. The 2017 Tax Cuts and Jobs Act (subject to certain limitations) provides a 20% deduction from taxable income for ordinary REIT dividends.

#### Note 24—Earnings Per Common Share

The Company determines earnings per share using the two-class method. Under the two-class method, all earnings (distributed and undistributed) are allocated to Common Shares and participating securities based on their respective rights to receive dividends. The Company's participating securities are grants of restricted share units that entitle the recipients to receive dividend equivalents during the vesting period on a basis equivalent to the dividends paid to holders of Common Shares.

Basic earnings per share is determined by dividing net income available to common shareholders (net income reduced by preferred dividends and income attributable to the participating securities) by the weighted average Common Shares outstanding during the period.

Diluted earnings per share is determined by dividing net income by the weighted average number of Common Shares and dilutive securities. The Company's potentially dilutive securities are share-based compensation awards and the Exchangeable Notes. The number of dilutive securities included in diluted earnings per share is calculated using the treasury stock method for share-based compensation awards and the if-converted method for the Exchangeable Notes.

As discussed in *Note 15—Long-Term Debt*, effective June 21, 2024, the Company entered into a supplemental indenture affecting the terms of conversion of the 2024 Exchangeable Notes and the 2026 Exchangeable Notes. As a result of entering into the supplemental indenture, beginning with the quarter and the six months ended June 30, 2024, the number of shares included in the diluted weighted average shares outstanding will represent the number of shares required to settle the obligation in excess of the unpaid balance of the notes being exchanged.

The following table summarizes the basic and diluted earnings per share calculations:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net income	\$ 41,407	\$ 61,422	\$ 114,449	\$ 146,743
Dividends on preferred shares	(10,455)	(10,455)	(31,364)	(31,364)
Effect of participating securities—share-based compensation awards	(106)	(147)	(323)	(332)
Net income attributable to common shareholders	30,846	50,820	82,762	115,047
Interest on Exchangeable Notes, net of income taxes	—	6,359	—	18,773
Loss attributable to participating securities	—	(4)	—	(35)
Diluted net income attributable to common shareholders	\$ 30,846	\$ 57,175	\$ 82,762	\$ 133,785
Weighted average basic shares outstanding	86,861	86,760	86,800	87,613
Dilutive securities:				
Shares issuable pursuant to exchange of the Exchangeable Notes	—	24,328	—	24,328
Diluted weighted average shares outstanding	86,861	111,088	86,800	111,941
Basic earnings per share	\$ 0.36	\$ 0.59	\$ 0.95	\$ 1.31
Diluted earnings per share	\$ 0.36	\$ 0.51	\$ 0.95	\$ 1.20

Calculation of diluted earnings per share requires certain potentially dilutive shares to be excluded when the inclusion of such shares would be anti-dilutive. The following table summarizes the potentially dilutive shares excluded from the diluted earnings per share calculation:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Shares issuable under share-based compensation plan	151	188	210	166

## Note 25—Segments

The Company operates in four segments as described in Note 1 – *Organization*.

The Company's reportable segments are identified based on PMT's investment strategies. The Company's chief operating decision maker is its chief executive officer. The following disclosures about the Company's business segments are presented consistent with the way the Company's chief operating decision maker organizes and evaluates financial information for making operating decisions and assessing performance.

Financial highlights by operating segment are summarized below:

Quarter ended September 30, 2024	Credit sensitive strategies	Interest rate sensitive strategies	Correspondent production (in thousands)	Corporate	Total
<b>Net investment income:</b>					
Net gains (losses) on investments and financings	\$ 27,113	\$ 119,582	\$ —	\$ —	\$ 146,695
Net gains on loans acquired for sale	—	—	20,059	—	20,059
Net loan servicing fees	—	(85,080)	—	—	(85,080)
<b>Net interest expense:</b>					
Interest income	21,389	128,458	23,853	3,034	176,734
Interest expense	21,921	136,873	24,273	1,104	184,171
	(532)	(8,415)	(420)	1,930	(7,437)
Other	(65)	—	6,692	—	6,627
	26,516	26,087	26,331	1,930	80,864
<b>Expenses:</b>					
Loan fulfillment and servicing fees payable to PFSI	20	22,220	11,492	—	33,732
Management fees	—	—	—	7,153	7,153
Other	47	3,376	1,590	8,432	13,445
	67	25,596	13,082	15,585	54,330
Pretax income	\$ 26,449	\$ 491	\$ 13,249	\$ (13,655)	\$ 26,534
Total assets at end of quarter	\$ 1,453,245	\$ 9,429,883	\$ 1,724,696	\$ 447,830	\$ 13,055,654

Quarter ended September 30, 2023	Credit sensitive strategies	Interest rate sensitive strategies	Correspondent production (in thousands)	Corporate	Total
<b>Net investment income:</b>					
Net gains (losses) on investments and financings	\$ 38,772	\$ (148,316)	\$ —	\$ —	\$ (109,544)
Net gains on loans acquired for sale	—	—	13,558	—	13,558
Net loan servicing fees	—	281,298	—	—	281,298
<b>Net interest expense:</b>					
Interest income	26,235	114,430	14,656	3,605	158,926
Interest expense	23,235	142,942	16,388	1,353	183,918
	3,000	(28,512)	(1,732)	2,252	(24,992)
Other	(251)	—	3,360	—	3,109
	41,521	104,470	15,186	2,252	163,429
<b>Expenses:</b>					
Loan fulfillment and servicing fees payable to PFSI	33	20,224	5,531	—	25,788
Management fees	—	—	—	7,175	7,175
Other	492	2,683	809	8,062	12,046
	525	22,907	6,340	15,237	45,009
Pretax income	\$ 40,996	\$ 81,563	\$ 8,846	\$ (12,985)	\$ 118,420
Total assets at end of quarter	\$ 1,620,322	\$ 10,079,073	\$ 1,134,812	\$ 389,129	\$ 13,223,336

<b>Nine months ended September 30, 2024</b>	<b>Credit sensitive strategies</b>	<b>Interest rate sensitive strategies</b>	<b>Correspondent production (in thousands)</b>	<b>Corporate</b>	<b>Total</b>
<b>Net investment income:</b>					
Net gains (losses) on investments and financings	\$ 104,114	\$ 62,591	\$ —	\$ —	\$ 166,705
Net gains on loans acquired for sale	—	—	46,737	—	46,737
Net loan servicing fees	—	57,119	—	—	57,119
<b>Net interest expense:</b>					
Interest income	68,520	343,954	50,652	9,002	472,128
Interest expense	69,204	403,262	51,541	3,532	527,539
	(684)	(59,308)	(889)	5,470	(55,411)
Other	(155)	—	11,272	—	11,117
	103,275	60,402	57,120	5,470	226,267
<b>Expenses:</b>					
Loan fulfillment and servicing fees payable to PFSI	60	62,706	19,935	—	82,701
Management fees	—	—	—	21,474	21,474
Other	202	7,574	2,716	24,076	34,568
	262	70,280	22,651	45,550	138,743
<b>Pretax income</b>	<b>\$ 103,013</b>	<b>\$ (9,878)</b>	<b>\$ 34,469</b>	<b>\$ (40,080)</b>	<b>\$ 87,524</b>
<b>Total assets at end of period</b>	<b>\$ 1,453,245</b>	<b>\$ 9,429,883</b>	<b>\$ 1,724,696</b>	<b>\$ 447,830</b>	<b>\$ 13,055,654</b>
<b>Nine months ended September 30, 2023</b>	<b>Credit sensitive strategies</b>	<b>Interest rate sensitive strategies</b>	<b>Correspondent production (in thousands)</b>	<b>Corporate</b>	<b>Total</b>
<b>Net investment income:</b>					
Net gains (losses) on investments and financings	\$ 161,867	\$ (148,106)	\$ —	\$ —	\$ 13,761
Net gains on loans acquired for sale	—	—	24,477	—	24,477
Net loan servicing fees	—	366,438	—	—	366,438
<b>Net interest expense:</b>					
Interest income	72,775	315,168	77,292	9,394	474,629
Interest expense	62,790	406,098	78,259	3,298	550,445
	9,985	(90,930)	(967)	6,096	(75,816)
Other	(251)	—	15,638	—	15,387
	171,601	127,402	39,148	6,096	344,247
<b>Expenses:</b>					
Loan fulfillment and servicing fees payable to PFSI	142	60,881	22,895	—	83,918
Management fees	—	—	—	21,510	21,510
Other	2,039	5,155	4,224	23,327	34,745
	2,181	66,036	27,119	44,837	140,173
<b>Pretax income</b>	<b>\$ 169,420</b>	<b>\$ 61,366</b>	<b>\$ 12,029</b>	<b>\$ (38,741)</b>	<b>\$ 204,074</b>
<b>Total assets at end of period</b>	<b>\$ 1,620,322</b>	<b>\$ 10,079,073</b>	<b>\$ 1,134,812</b>	<b>\$ 389,129</b>	<b>\$ 13,223,336</b>

## Note 26—Regulatory Capital and Liquidity Requirements

The Company, through PMC, is subject to financial eligibility requirements established by the Federal Housing Finance Agency for sellers/servicers eligible to sell or service mortgage loans with Fannie Mae and Freddie Mac.

The Agencies' applicable capital and liquidity amounts and requirements are summarized below:

Measurement date	Net worth (1)		Tangible net worth / total assets ratio (1)		Liquidity (1)	
	Actual	Required	Actual (dollars in thousands)	Required	Actual	Required
September 30, 2024	\$ 865,895	\$ 580,944	13 %	6 %	\$ 587,218	\$ 219,026
December 31, 2023	\$ 874,628	\$ 584,131	15 %	6 %	\$ 450,210	\$ 210,691

(1) Calculated in accordance with the Agencies' requirements.

Noncompliance with the Agencies' capital and liquidity requirements can result in the Agencies taking various remedial actions up to and including removing the Company's ability to sell loans to and service loans on behalf of the Agencies.

## Note 27—Subsequent Events

Management has evaluated all events and transactions through the date the Company issued these consolidated financial statements. During this period, all agreements to repurchase assets that matured before the date of this Report were extended or renewed.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of financial condition and results of operations should be read with the consolidated financial statements and the related notes of PennyMac Mortgage Investment Trust ("PMT") included within this Quarterly Report on Form 10-Q (this "Report").

Statements contained in this Report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors, which may cause actual results to be materially different from those expressed or implied in such statements. You can identify these forward-looking statements by words such as "may," "will," "should," "expect," "anticipate," "believe," "estimate," "intend," "plan" and other similar expressions. You should consider our forward-looking statements in light of the risks discussed under the heading "Risk Factors," as well as our consolidated financial statements, related notes, and the other financial information appearing elsewhere in this Report and our other filings with the United States Securities and Exchange Commission ("SEC"). The forward-looking statements contained in this Report are made as of the date hereof and we assume no obligation to update or supplement any forward-looking statements.

The following discussion and analysis provides information that we believe is relevant to an assessment and understanding of our consolidated income and financial condition. Unless the context indicates otherwise, references in this Report to the words "we," "us," "our" and the "Company" refer to PMT and its consolidated subsidiaries.

### ***Our Company***

We are a specialty finance company that invests in mortgage-related assets. Our objective is to provide attractive risk-adjusted returns to our investors over the long-term, primarily through dividends and secondarily through capital appreciation. A significant portion of our investment portfolio is comprised of mortgage-related assets that we have created through our correspondent production activities, including mortgage servicing rights ("MSRs"), subordinate mortgage-backed securities ("MBS"), and credit risk transfer ("CRT") arrangements, which absorb credit losses on certain of the loans we have sold. We also invest in Agency and senior non-Agency MBS, subordinate credit-linked MBS and interest-only ("IO") and principal-only ("PO") stripped MBS. We have also historically invested in distressed mortgage assets (distressed loans and real estate acquired in settlement of loans ("REO")), which we have substantially liquidated.

We are externally managed by PNMAC Capital Management, LLC ("PCM"), an investment adviser that specializes in and focuses on U.S. mortgage-related assets. Our loans and MSRs are serviced by PennyMac Loan Services, LLC ("PLS"). PCM and PLS are both wholly-owned subsidiaries of PennyMac Financial Services, Inc. ("PFSI"), a publicly-traded mortgage banking and investment management company separately listed on the New York Stock Exchange.

We operate our business in four segments: Credit sensitive strategies, Interest rate sensitive strategies, Correspondent production and our Corporate operations, as described below:

- The credit sensitive strategies segment represents our investments in CRT arrangements referencing loans from our own correspondent production and subordinate MBS.
- The interest rate sensitive strategies segment represents our investments in MSRs, Agency and senior non-Agency MBS and the related interest rate hedging activities.
- The correspondent production segment represents our operations aimed at serving as an intermediary between lenders and the capital markets by purchasing, pooling and reselling newly originated prime credit quality loans either directly or in the form of MBS, using the services of PCM and PLS.

We primarily sell the loans we acquire through our correspondent production activities to government-sponsored entities ("GSEs") such as the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") or to PLS for sale into securitizations guaranteed by the Government National Mortgage Association ("Ginnie Mae"), or the GSEs. Fannie Mae, Freddie Mac and Ginnie Mae are each referred to as an "Agency" and, collectively, as the "Agencies."

- The corporate segment includes management fees, corporate expense amounts and certain interest income and expense.

### ***Our Investment Activities***

#### *Credit Sensitive Investments*

##### *CRT Arrangements*

We have previously entered into loan sales arrangements with Fannie Mae pursuant to which we accepted credit risk relating to the loans sold in exchange for a portion of the interest earned on such loans. These arrangements absorb scheduled or realized credit losses on those loans and comprise the Company's investments in CRT arrangements.

We held net CRT-related investments (comprised of deposits securing CRT arrangements, CRT derivatives, CRT strips and an interest-only security payable) totaling approximately \$1.1 billion at September 30, 2024.

#### Subordinate Credit-Linked Mortgage-Backed Securities

Subordinate credit-linked MBS provide us with a higher yield than senior MBS securities. However, we incur credit risk in the subordinate credit-linked MBS since they are the first securities to absorb credit losses relating to the underlying loans. We sold approximately \$111.0 million of our holdings of subordinate credit-linked MBS during the nine months ended September 30, 2024. We held subordinate credit-linked MBS with fair values totaling approximately \$196.3 million at September 30, 2024.

As the result of the Company's consolidation of the variable interest entities that issued certain of the subordinate MBS as described in Note 6 – *Variable Interest Entities – Subordinate Mortgage-Backed Securities* to the consolidated financial statements included in this Report, we include loans underlying these and similar transactions with unpaid principal balances ("UPBs") totaling approximately \$1.6 billion on our consolidated balance sheet as of September 30, 2024.

#### Interest Rate Sensitive Investments

Our interest rate sensitive investments include:

- Mortgage servicing rights. During the nine months ended September 30, 2024, we received approximately \$159.5 million of MSRs as proceeds from sales of loans acquired for sale. We held approximately \$3.8 billion of MSRs at fair value at September 30, 2024.
- REIT-eligible Agency, senior non-Agency, and Agency IO and PO stripped MBS. During the nine months ended September 30, 2024, we purchased approximately \$516.0 million of Agency PO stripped and IO stripped MBS and sold \$869.4 million of fixed-rate pass-through securities and IO stripped MBS. We held Agency fixed-rate pass-through, senior non-Agency, and Agency IO stripped and PO stripped MBS with fair values totaling approximately \$4.0 billion at September 30, 2024.

#### Correspondent Production

Our correspondent production activities involve the acquisition and sale of newly originated prime credit quality residential loans. Correspondent production has served as the source of our investments in MSRs, private label non-Agency securitizations and CRT arrangements. Our correspondent production and resulting investment activity are summarized below:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Sales of loans acquired for sale:				
To nonaffiliates	\$ 5,172,208	\$ 3,107,613	\$ 9,340,802	\$ 13,576,673
To PennyMac Financial Services, Inc.	20,341,142	18,725,228	57,502,461	50,812,386
	<u>\$ 25,513,350</u>	<u>\$ 21,832,841</u>	<u>\$ 66,843,263</u>	<u>\$ 64,389,059</u>
Net gains on loans acquired for sale	\$ 20,059	\$ 13,558	\$ 46,737	\$ 24,477
Investment activities resulting from correspondent production:				
Receipt of MSRs as proceeds from sales of loans	\$ 87,588	\$ 58,560	\$ 159,456	\$ 249,925

During the nine months ended September 30, 2024, we purchased newly originated prime credit quality residential loans with fair values totaling \$67.9 billion as compared to \$63.7 billion for the nine months ended September 30, 2023, in our correspondent production business. To the extent that we purchase loans that are insured by the U.S. Department of Housing and Urban Development through the Federal Housing Administration, or guaranteed by the U.S. Department of Veterans Affairs or U.S. Department of Agriculture, we and PLS have agreed that PLS will fulfill and purchase such loans, as PLS is a Ginnie Mae approved issuer and we are not. This arrangement has enabled us to compete with other correspondent aggregators that purchase both government and conventional loans. We may also sell conventional loans that we purchase to PLS subject to our and PLS's mutual agreement. During the nine months ended September 30, 2024, we sold \$30.2 billion and \$26.3 billion UPB of government guaranteed or insured loans and conventional loans, respectively, to PLS in order to optimize our use and allocation of capital.

Our purchase volume included \$57.5 billion and \$50.8 billion of loans we sold to PLS during the nine months ended September 30, 2024 and 2023, respectively. We receive a sourcing fee from PLS based on the UPB of each loan that we sell to PLS under such arrangement, and earn interest income on the loan for the period we hold it before the sale to PLS. During the nine months ended September 30, 2024, we received sourcing fees totaling \$5.6 million, relating to \$56.5 billion, in UPB of loans that we sold to PLS.

### Taxation

We believe that we qualify to be taxed as a REIT and as such will not be subject to federal income tax on that portion of our income that is distributed to shareholders as long as we meet applicable REIT asset, income and share ownership tests. If we fail to qualify as a REIT, and do not qualify for certain statutory relief provisions, our profits will be subject to income taxes and we may be precluded from qualifying as a REIT for the four tax years following the year we lose our REIT qualification.

A portion of our activities, including our correspondent production business, is conducted in our taxable REIT subsidiary (“TRS”), which is subject to corporate federal and state income taxes. Accordingly, we make a provision for income taxes with respect to the operations of our TRS. We expect that the effective rate for the provision for income taxes may be volatile in future periods. Our goal is to manage the business to take full advantage of the tax benefits afforded to us as a REIT.

We evaluate our deferred tax assets quarterly to determine if valuation allowances are required based on the consideration of all available positive and negative evidence using a “more-likely-than-not” standard with respect to whether deferred tax assets will be realized. Our evaluation considers, among other factors, taxable loss carryback availability, expectations of sufficient future taxable income, trends in earnings, existence of taxable income in recent years, the future reversal of temporary differences, and available tax planning strategies that could be implemented, if required. The ultimate realization of our deferred tax assets depends primarily on our ability to generate future taxable income during the periods in which the related deferred tax assets become deductible.

### Non-Cash Investment Income

A substantial portion of our net investment income is comprised of non-cash items, including fair value adjustments and recognition of the fair value of assets created and liabilities incurred in loan sales transactions. Because we have elected, or are required by accounting principles generally accepted in the United States (“GAAP”), to record certain of our financial assets (comprised of MBS, loans acquired for sale at fair value, loans at fair value and CRT strips), our derivatives, our MSRs, and our asset-backed financings and interest-only security payable at fair value, a substantial portion of the income or loss we record with respect to such assets and liabilities results from non-cash changes in fair value.

The amounts of net non-cash investment income items included in net investment income are as follows:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(dollars in thousands)			
Net gains on investments and financings:				
Mortgage-backed securities	\$ 123,433	\$ (144,031)	\$ 50,310	\$ (127,434)
Loans:				
Held in variable interest entities	75,360	(54,082)	71,381	(61,318)
Distressed	(10)	(88)	(51)	(515)
CRT arrangements	8,959	19,090	46,933	95,220
Interest-only security payable at fair value	(2,390)	(4,228)	(2,431)	(6,363)
Asset-backed financings at fair value	(72,922)	58,474	(64,151)	66,108
	132,430	(124,865)	101,991	(34,302)
Net gains on loans acquired for sale (1)	114,527	112,964	252,884	332,982
Net loan servicing fees—MSR valuation adjustments (2)	(78,905)	162,605	122,378	(35,444)
	\$ 168,052	\$ 150,704	\$ 477,253	\$ 263,236
Net investment income	\$ 80,864	\$ 163,429	\$ 226,267	\$ 344,247
Non-cash items as a percentage of net investment income	208 %	92 %	211 %	76 %

(1) Amount represents MSRs received, liability for representations and warranties incurred in loan sales transactions and changes in fair value of loans, interest rate lock commitments (“IRLCs”) and hedging derivatives held at the end of the quarter.

(2) Includes fair value changes due to changes in fair value inputs and fair value changes related to MSR derivative hedging instruments held at the end of the period.

We receive or pay cash relating to:

- Our investment in MBS through monthly principal and interest payments from the issuer of such securities or from the sale of the investment;
- Loan investments when the investments are paid down, paid off or sold, when payments of principal and interest occur on such loans or when the properties acquired in settlement of loans are sold;
- CRT arrangements through a portion of the interest payments collected on loans in the CRT arrangements’ reference pools, interest payments from the investment of the deposits securing the arrangement in short-term investments and the release to us of the deposits securing the arrangements as principal on such loans is repaid;

- Hedging instruments when we receive or make margin deposits as the fair value of respective instruments change, when the instruments mature or when we effectively cancel the transactions through offsetting trades;
- Our liability for representations and warranties when we repurchase loans or settle loss claims from investors; and
- MSRs in the form of loan servicing fees and placement fees on the deposits we manage on behalf of the borrowers and investors in the loans we service.

### ***Results of Operations***

#### *Business Trends*

The U.S. Federal Reserve has begun to reduce the federal funds rate from its highest level since 2007 as inflationary pressures have abated, and longer term interest rates have declined slightly from their most elevated levels in recent years. Elevated interest rates have constrained growth in the size of the mortgage origination market from \$1.5 trillion in 2023 to an estimated \$1.7 trillion in 2024, but forecasted declining interest rates are projected to increase the refinancing activity and are projected to drive the origination market higher to \$2.3 trillion in 2025, according to mortgage origination economists.

Declining interest rates and increasing opportunity for refinancing in recent periods have driven increased mortgage production activity in the most recent quarter, and also led to increasing prepayment speeds on our mortgage servicing portfolio from the historically slow prepayment speeds experienced earlier in the year. Higher interest rate levels have increased the costs of floating rate borrowings and interest income from placement fees we receive relating to custodial funds that we manage on deposits and loans held for sale as compared to the same period in the prior year, although we would expect these to begin declining as well as if the Federal Reserve reduces the federal funds rate as expected. We have also continued our sales of conventional loans to PLS during the nine months ended September 30, 2024, and we intend to continue to sell a portion of our conventional loans to PLS throughout the remainder of 2024 to optimize our use and allocation of capital.

The recent period of inflationary pressure and elevated interest rates may also lead to a reduction in economic activity and slowing home price growth or depreciation, which could lead to increasing mortgage delinquencies or defaults and increased losses. If these effects are realized, they could negatively affect the performance of our credit-sensitive assets such as our CRT arrangements or subordinate credit-linked notes and increase losses from our representations and warranties. However, many of the loans underlying our assets have favorable credit characteristics including low loan-to-value ratios, which are likely to help moderate the negative effects of credit performance in an economic downturn.

We are aggregating Agency eligible non-owner occupied loans and evaluating investment opportunities in the private label securitization market.

The following is a summary of our key performance measures:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(dollar amounts in thousands, except per common share amounts)			
Net gains (losses) on investments and financings	\$ 146,695	\$ (109,544)	\$ 166,705	\$ 13,761
Loan production income (1)	26,699	16,784	57,836	39,704
Net loan servicing fees	(85,080)	281,298	57,119	366,438
Net interest expense	(7,437)	(24,992)	(55,411)	(75,816)
Other	(13)	(117)	18	160
Net investment income	80,864	163,429	226,267	344,247
Expenses	54,330	45,009	138,743	140,173
Pretax income	26,534	118,420	87,524	204,074
(Benefit from) provision for income taxes	(14,873)	56,998	(26,925)	57,331
Net income	41,407	61,422	114,449	146,743
Dividends on preferred shares	10,455	10,455	31,364	31,364
Net income attributable to common shareholders	\$ 30,952	\$ 50,967	\$ 83,085	\$ 115,379
Pretax income by segment:				
Credit sensitive strategies	\$ 26,449	\$ 40,996	\$ 103,013	\$ 169,420
Interest rate sensitive strategies	491	81,563	(9,878)	61,366
Correspondent production	13,249	8,846	34,469	12,029
Corporate	(13,655)	(12,985)	(40,080)	(38,741)
	\$ 26,534	\$ 118,420	\$ 87,524	\$ 204,074
Annualized return on average common shareholders' equity	8.8 %	14.5 %	7.8 %	10.8 %
Earnings per common share				
Basic	\$ 0.36	\$ 0.59	\$ 0.95	\$ 1.31
Diluted	\$ 0.36	\$ 0.51	\$ 0.95	\$ 1.20
Dividends per common share	\$ 0.40	\$ 0.40	\$ 1.20	\$ 1.20
	September 30, 2024		December 31, 2023	
Total assets	\$ 13,055,654	\$ 13,113,887		
Book value per common share	\$ 15.85	\$ 16.13		
Closing price per common share	\$ 14.26	\$ 14.95		

(1) Includes net gains on sales of loans and loan origination fees.

Our consolidated net income decreased by \$20.0 million and \$32.3 million during the quarter and nine months ended September 30, 2024, as compared to the quarter and nine months ended September 30, 2023 reflecting the fair value performance of our MSRs and reduced CRT-related investment gains, offset by increased gains on MBS and benefits from income taxes.

The decreases in the quarterly and nine months pretax results are summarized below:

- Our credit sensitive strategies segment recognized a \$9.3 million and \$47.8 million decrease in net gains on our CRT arrangements during the quarter and nine months ended September 30, 2024, respectively, as market credit spreads tightened less compared to the same periods in 2023.
- Our interest rate sensitive strategies segment recognized a \$366.4 million and \$309.3 million decrease in net servicing fees during the quarter and nine months ended September 30, 2024, respectively, resulting from increased net MSR valuation losses compared to the quarter and nine months ended September 30, 2023, caused by a decrease in market interest rates during the periods in 2024. These decreases were partially offset by a \$277.7 million and \$218.4 million increase in valuation gains on MBS and hedging derivatives during the quarter and nine months ended September 30, 2024, respectively, as well as a \$20.1 million and \$31.6 million decrease in net interest expense.
- Our correspondent production segment recognized a \$6.5 million and \$22.3 million increase in our net gains on sales of loans during the quarter and nine months ended September 30, 2024, respectively, reflecting increased gain on sale margins for mortgage loans and a reduction of our liability for representations and warranties due to the effects of certain loans reaching specified performance histories identified by the Agencies as sufficient to limit repurchase claims relating to such loans.

### Net Investment Income

Our net investment income is summarized below:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Net gains (losses) on investments and financings	\$ 146,695	\$ (109,544)	\$ 166,705	\$ 13,761
Net gains on loans acquired for sale	20,059	13,558	46,737	24,477
Loan origination fees	6,640	3,226	11,099	15,227
Net loan servicing fees	(85,080)	281,298	57,119	366,438
Net interest expense	(7,437)	(24,992)	(55,411)	(75,816)
Other	(13)	(117)	18	160
	<u>\$ 80,864</u>	<u>\$ 163,429</u>	<u>\$ 226,267</u>	<u>\$ 344,247</u>

#### Net Gains (Losses) on Investments and Financings

Net gains (losses) on investments and financings are summarized below:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Mortgage-backed securities	\$ 123,433	\$ (144,031)	\$ 50,310	\$ (127,434)
Loans at fair value:				
Held in consolidated variable interest entities	75,360	(54,082)	71,381	(61,318)
Distressed	(10)	(59)	(51)	(485)
CRT arrangements	20,834	30,154	89,118	136,890
Asset-backed financings at fair value	(72,922)	58,474	(64,151)	66,108
Hedging derivatives	—	—	20,098	—
	<u>\$ 146,695</u>	<u>\$ (109,544)</u>	<u>\$ 166,705</u>	<u>\$ 13,761</u>

The increase in net gains on investments for the quarter and nine months ended September 30, 2024, as compared to the same periods in 2023, was primarily due to improved performance from our investments in MBS as interest rates decreased, partially offset by reduced gains in our CRT arrangements as credit spreads did not tighten as much as during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023.

#### Mortgage-Backed Securities

During the quarter and nine months ended September 30, 2024, we recognized net valuation gains of \$123.4 million and \$50.3 million, respectively, as compared to net valuation losses of \$144.0 million and \$127.4 million for the same periods in 2023.

The increased gains recognized during the quarter ended September 30, 2024 reflect decreasing interest rates during the quarter and nine months ended September 30, 2024 as compared to increasing interest rates during the quarter ended September 30, 2023.

#### Loans at Fair Value – Held in VIEs and Asset-Backed Financings at Fair Value

Loans at fair value held in VIEs and *Asset-backed financings at fair value* recorded combined net valuation gains of \$2.4 million and \$7.2 million during the quarter and nine months ended September 30, 2024, as compared to a net valuation gains of \$4.4 million and \$4.8 million during the quarter and nine months ended September 30, 2023. The net gain during the quarter and nine months ended September 30, 2024, reflects the effect of credit spread tightening (a decrease in the interest rate premium demanded by investors for instruments over those that are considered “risk free”), on our net investments secured by jumbo loans and investment properties, as well as the effect of decreasing interest rates.

## CRT Arrangements

The activity in and balances relating to our CRT arrangements are summarized below:

	Quarter ended September 30,		Nine months ended September 30,					
	2024	2023	2024	2023				
	(in thousands)							
Net investment income:								
<i>Net gains (losses) on investments and financings</i>								
CRT derivatives and strips:								
CRT derivatives								
Realized	\$ 3,275	\$ 4,051	\$ 10,248	\$ 12,504				
Valuation changes	5,460	9,113	13,716	26,619				
	8,735	13,164	23,964	39,123				
CRT strips								
Realized	10,990	11,241	34,368	35,529				
Valuation changes	3,499	9,977	33,217	68,601				
	14,489	21,218	67,585	104,130				
Interest-only security payable at fair value	(2,390)	(4,228)	(2,431)	(6,363)				
	20,834	30,154	89,118	136,890				
<i>Interest income — Deposits securing CRT arrangements</i>	15,042	16,419	46,121	46,410				
	<u>\$ 35,876</u>	<u>\$ 46,573</u>	<u>\$ 135,239</u>	<u>\$ 183,300</u>				
Net payments made to settle losses on CRT arrangements								
	\$ 827	\$ 496	\$ 1,140	\$ 2,252				
September 30, 2024								
(in thousands)								
Carrying value of CRT arrangements:								
Derivative assets - CRT derivatives	\$ 29,690	\$ 16,160						
CRT strip liabilities	(13,475)	(46,692)						
<i>Deposits securing CRT arrangements</i>	1,135,447	1,209,498						
<i>Interest-only security payable at fair value</i>	(35,098)	(32,667)						
	<u>\$ 1,116,564</u>	<u>\$ 1,146,299</u>						
CRT arrangement assets pledged to secure borrowings:								
Derivative assets	\$ 29,690	\$ 16,160						
<i>Deposits securing CRT arrangements</i> (1)	\$ 1,135,447	\$ 1,209,498						
UPB of loans underlying CRT arrangements	\$ 21,708,165	\$ 23,152,230						
Collection status (UPB):								
Delinquency								
Current	\$ 21,105,679	\$ 22,531,905						
30-89 days delinquent	\$ 424,102	\$ 411,991						
90-180 days delinquent	\$ 119,236	\$ 120,011						
180 or more days delinquent	\$ 42,283	\$ 64,647						
Foreclosure	\$ 16,865	\$ 23,676						
Bankruptcy	\$ 64,331	\$ 58,696						

(1) *Deposits securing credit risk transfer arrangements* also secure \$13.5 million and \$46.7 million in CRT strip at September 30, 2024 and December 31, 2023, respectively.

The performance of our investments in CRT arrangements during the quarter and nine months ended September 30, 2024 and 2023 reflect credit spread tightening for CRT securities in the credit markets.

*Net Gains on Loans Acquired for Sale*

Our net gains on loans acquired for sale are summarized below:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
<b>From non-affiliates:</b>				
Cash losses:				
Sales of loans	\$ (23,594)	\$ (71,105)	\$ (94,999)	\$ (260,697)
Hedging activities	(72,868)	(30,155)	(116,797)	(52,822)
	<u>(96,462)</u>	<u>(101,260)</u>	<u>(211,796)</u>	<u>(313,519)</u>
Non-cash gains:				
Receipt of MSRs in loan sale transactions	87,588	58,560	159,456	249,925
Provision for losses relating to representations and warranties provided in loan sales:				
Pursuant to loan sales	(459)	(448)	(917)	(2,126)
Reduction in liability due to change in estimate	5,180	4,365	18,598	7,920
	<u>4,721</u>	<u>3,917</u>	<u>17,681</u>	<u>5,794</u>
Changes in fair value of financial instruments during the period:				
Interest rate lock commitments	4,349	(2,050)	(1,631)	(2,870)
Loans	(9,528)	(1,710)	(3,721)	4,569
Hedging derivatives	27,397	54,247	81,099	75,564
	<u>22,218</u>	<u>50,487</u>	<u>75,747</u>	<u>77,263</u>
	<u>114,527</u>	<u>112,964</u>	<u>252,884</u>	<u>332,982</u>
Total from nonaffiliates	18,065	11,704	41,088	19,463
From PFSI—cash	1,994	1,854	5,649	5,014
	<u>\$ 20,059</u>	<u>\$ 13,558</u>	<u>\$ 46,737</u>	<u>\$ 24,477</u>
<b>Interest rate lock commitments issued on loans acquired for sale:</b>				
To nonaffiliates	\$ 7,373,266	\$ 3,492,877	\$ 12,447,372	\$ 14,402,777
To PFSI	8,229,074	10,333,029	26,756,917	21,637,229
	<u>\$ 15,602,340</u>	<u>\$ 13,825,906</u>	<u>\$ 39,204,289</u>	<u>\$ 36,040,006</u>
<b>Acquisition of loans for sale (UPB):</b>				
To nonaffiliates	\$ 5,948,057	\$ 2,760,001	\$ 9,949,135	\$ 12,418,084
To PFSI	19,880,534	18,780,719	56,544,379	50,461,568
	<u>\$ 25,828,591</u>	<u>\$ 21,540,720</u>	<u>\$ 66,493,514</u>	<u>\$ 62,879,652</u>

The changes in *Net gains on loans acquired for sale* during the quarter and nine months ended September 30, 2024, as compared to the same periods in 2023, reflect increased gain on sale margins for mortgage loans supplemented by the effect of a reduction in our liability for representations and warranties.

Non-cash elements of gain on sale of loans:

Interest Rate Lock Commitments

Our *Net gains on loans acquired for sale* include our estimates of gains or losses we expect to realize upon the sale of mortgage loans we have committed to purchase but have not yet purchased or sold. Therefore, we recognize a substantial portion of our net gains before we purchase the loans. These gains are reflected on our balance sheet as IRLC derivative assets and liabilities. We adjust the fair values of our IRLCs as the loan acquisition process progresses until we complete the acquisitions or the commitments are canceled. Such adjustments are included in our *Net gains on loans acquired for sale*. The fair values of our IRLCs becomes part of the carrying values of our loans when we complete the purchases of the loans. The methods and key inputs we use to measure the fair values of IRLCs are summarized in Note 7 – *Fair value – Valuation Techniques and Inputs* to the consolidated financial statements included in this Report.

The MSRs and liabilities for representations and warranties we recognize represent our estimate of the fair value of future benefits and costs we will realize for years in the future. These estimates change as circumstances change, and changes in these estimates are recognized in our income in subsequent periods. Subsequent changes in the fair value of our MSRs significantly affect our income.

#### Mortgage Servicing Rights

The methods we use to measure and update the measurements of our MSRs as well as the effect of changes in valuation inputs on MSR fair value are detailed in Note 7 – *Fair value – Valuation Techniques and Inputs* to the consolidated financial statements included in this Report.

#### Liability for Losses Under Representations and Warranties

We recognize liabilities for losses we expect to incur relating to the representations and warranties we provide to purchasers in our loan sales transactions. The representations and warranties we provide require adherence to purchaser and insurer origination and underwriting guidelines, including but not limited to the validity of the lien securing the loan, property eligibility, borrower credit, income and asset requirements, and compliance with applicable federal, state and local laws.

In the event of a breach of our representations and warranties, we may be required to either repurchase the loans with the identified defects or indemnify the investor or insurer against credit losses attributable to the loans with indemnified defects. In such cases, we bear any subsequent credit losses on the loans. Our credit losses may be reduced by any recourse we have to correspondent sellers that, in turn, had sold such loans to us and breached similar or other representations and warranties. In such event, we have the right to seek a recovery of those repurchase losses from that correspondent seller.

We recorded a provision for losses relating to representations and warranties relating to loan sales of \$459,000 and \$917,000, respectively, for the quarter and nine months ended September 30, 2024 and \$448,000 and \$2.1 million, respectively, for the quarter and nine months ended September 30, 2023.

Following is a summary of the indemnification, repurchase and loss activity and loans subject to representations and warranties:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
<b>Indemnification activity (UPB):</b>				
Loans indemnified at beginning of period	\$ 15,178	\$ 12,148	\$ 12,124	\$ 8,108
New indemnifications	343	1,734	3,397	6,522
Less: indemnified loans sold, repaid or refinanced	540	1,980	540	2,728
Loans indemnified at end of period	<u>\$ 14,981</u>	<u>\$ 11,902</u>	<u>\$ 14,981</u>	<u>\$ 11,902</u>
Indemnified loans indemnified by correspondent lenders at end of period			\$ 5,772	\$ 4,076
UPB of loans with deposits received from correspondent sellers collateralizing prospective indemnification losses at end of period			\$ 5,488	\$ 4,190
<b>Repurchase activity (UPB):</b>				
Loans repurchased	\$ 7,612	\$ 13,908	\$ 25,383	\$ 50,849
Less:				
Loans repurchased by correspondent sellers	7,621	14,383	19,622	46,063
Loans resold or repaid by borrowers	1,810	1,469	5,267	11,081
Net loans repurchased (resolved) with losses chargeable to liability to representations and warranties	<u>\$ (1,819)</u>	<u>\$ (1,944)</u>	<u>\$ 494</u>	<u>\$ (6,295)</u>
Losses charged to liability for representations and warranties	\$ 147	\$ —	\$ 147	\$ 525
<b>At end of period:</b>				
Loans subject to representations and warranties			\$ 223,245,804	\$ 228,679,429
Liability for representations and warranties			\$ 8,315	\$ 33,152

The losses on representations and warranties we have recorded to date have been moderated by our ability to recover most of the losses inherent in the repurchased loans from the correspondent sellers. As the outstanding balance of loans we purchase and sell subject to representations and warranties increases, as the loans outstanding season, as our investors' and guarantors' loss mitigation strategies change and as our correspondent sellers' ability and willingness to repurchase loans change, we expect that the level of repurchase activity and associated losses may increase.

The method we use to estimate the liability for representations and warranties is a function of our estimates of future defaults, loan repurchase rates, severities of loss in the event of default and the probabilities of reimbursement by the correspondent loan sellers. We establish a liability at our estimate of its fair value at the time loans are sold and review our liability estimate on a periodic basis and adjust the liability for estimated losses in excess of the recorded liability.

The amount of the liability for representations and warranties is difficult to estimate and requires considerable judgment. The level of loan repurchase losses is dependent on economic factors, investor loss mitigation strategies, our ability to recover any losses inherent in the repurchased loan from the correspondent seller and other external conditions that change over the lives of the underlying loans. We may be required to incur losses related to such representations and warranties for several periods after the loans are sold or liquidated.

We record adjustments to our liability for losses on representations and warranties as economic fundamentals change, as investor and Agency evaluations of their loss mitigation strategies (including claims under representations and warranties) change and as economic conditions affect our correspondent sellers' ability or willingness to fulfill their recourse obligations to us. Such adjustments may be material to our financial position and income in future periods.

Adjustments to our liability for representations and warranties are included as a component of our *Net gains on loans acquired for sale at fair value*. We recorded \$5.2 million and \$18.6 million reductions in the liability for representations and warranties during the quarter and nine months ended September 30, 2024, respectively, and \$4.4 million and \$7.9 during the quarter and nine months ended September 30, 2023, respectively, due to the effects of certain loans reaching specified performance histories identified by the Agencies as sufficient to limit repurchase claims relating to such loans.

#### *Loan Origination Fees*

Loan origination fees represent fees we charge correspondent sellers relating to our purchase of loans from those sellers. Loan origination fees increased during the quarter ended September 30, 2024 compared to the same period in 2023, as we purchased more loans for sale to nonaffiliates during the quarter ended September 30, 2024. Loan origination fees decreased during the nine months ended September 30, 2024, compared to the same period in 2023, reflecting the overall decrease in our purchase volume of loans for sale to nonaffiliates during the nine months ended September 30, 2024.

#### *Net Loan Servicing Fees*

Our net loan servicing fees have two primary components: fees earned for servicing loans and the effects of MSR valuation changes, net of hedging results, as summarized below:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Loan servicing fees	\$ 166,617	\$ 170,561	\$ 494,927	\$ 511,043
Effect of MSRs and hedging results	(251,697)	110,737	(437,808)	(144,605)
Net loan servicing fees	<u><u>\$ (85,080)</u></u>	<u><u>\$ 281,298</u></u>	<u><u>\$ 57,119</u></u>	<u><u>\$ 366,438</u></u>

#### *Loan Servicing Fees*

Following is a summary of our loan servicing fees:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Contractually specified servicing fees	\$ 162,605	\$ 166,809	\$ 485,089	\$ 496,522
Ancillary and other fees:				
Late charges	1,044	878	3,019	2,442
Other	2,968	2,874	6,819	12,079
	<u><u>4,012</u></u>	<u><u>3,752</u></u>	<u><u>9,838</u></u>	<u><u>14,521</u></u>
Average UPB of underlying loans	<u><u>\$ 166,617</u></u>	<u><u>\$ 170,561</u></u>	<u><u>\$ 494,927</u></u>	<u><u>\$ 511,043</u></u>
	<u><u>\$ 227,804,449</u></u>	<u><u>\$ 231,333,064</u></u>	<u><u>\$ 229,174,686</u></u>	<u><u>\$ 231,333,990</u></u>

Loan servicing fees that relate to our MSRs are primarily related to servicing we provide for loans included in Agency securitizations. These fees are contractually established at an annualized percentage of the UPB of the loans serviced and we collect

these fees from borrower payments. Other loan servicing fees are comprised primarily of borrower-contracted fees, such as late charges and reconveyance fees, and incentive fees we receive from the Agencies for loss mitigation activities as well as fees we charge to correspondent lenders for loans repaid by the borrower shortly after purchase.

The change in contractually-specified fees during the quarter and nine months ended September 30, 2024, as compared to the same periods in 2023, is due primarily to a slight reduction in our MSR servicing portfolio, reflecting the shift of a portion of our loan sales from third party sales with servicing rights retained to sales to PLS which include the transfer of servicing rights to PLS.

#### Mortgage Servicing Rights and Hedging

We have elected to carry our servicing assets at fair value. Changes in fair value have two components: changes due to realization of the servicing cashflows and changes due to changes in inputs used to estimate fair value. We endeavor to moderate the effects of changes in fair value attributable to changes in fair value inputs (market conditions) primarily by entering into derivatives transactions.

Changes in fair value of MSRs and hedging results are summarized below:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Change in fair value of MSRs				
Changes in valuation inputs used in valuation model	\$ (84,306)	\$ 263,139	\$ 33,303	\$ 232,414
Recapture income from PFSI	441	500	1,267	1,494
Hedging results	(67,220)	(50,689)	(175,399)	(81,584)
	(151,085)	212,950	(140,829)	152,324
Realization of cash flows	(100,612)	(102,213)	(296,979)	(296,929)
	\$ (251,697)	\$ 110,737	\$ (437,808)	\$ (144,605)
Average balance of mortgage servicing rights	\$ 3,876,497	\$ 4,054,265	\$ 3,935,371	\$ 4,014,783

Changes in fair value due to changes in valuation inputs used in our valuation model during the quarter and nine months ended September 30, 2024 reflect the effects of expectations for faster future prepayments of the underlying loans.

The decrease in loan recapture income from PFSI reflects the decrease in refinancing activity in our MSR portfolio during the quarter and nine months ended September 30, 2024, as compared to the same periods in 2023. We have an agreement with PFSI that allows us to receive a recapture fee when PFSI refinances a loan for which we held the MSRs. The MSR recapture agreement is summarized in Note 4 – *Transactions with Related Parties – Operating Activities* to the consolidated financial statements included in this Report.

Hedging results reflect valuation losses in hedges against interest rate changes during the quarter and nine months ended September 30, 2024 that are attributable to the effects of interest rate volatility and elevated hedge costs on the fair value of the hedging instruments. Hedging results reflect valuation losses in hedges against interest rates during the quarter and nine months ended September 30, 2024, that are attributable to the effects of interest rate volatility and elevated hedge costs on the fair value of the hedging instruments. PMT's hedging activities are intended to manage its net exposure across all interest rate sensitive strategies, which include MSRs, MBS and related tax impacts. For the quarter ended September 30, 2024, the loss in net loan servicing fees due to changes in valuation inputs to the valuation model and hedging results due to interest rate decreases and volatility, along with related tax impacts, were largely offset by gains on mortgage-backed securities recorded in net investment income also due to the effect of decreasing interest rates.

Changes in realization of cash flows are influenced by changes in the level of servicing assets and liabilities and changes in estimates of remaining cash flows to be realized.

The following table summarizes for the dates presented collection status information for loans in our originated MSR portfolio:

	September 30, 2024		December 31, 2023	
	(in thousands)			
UPB of loans outstanding	\$ 224,586,882		\$ 228,838,471	
Collection status (UPB)				
Delinquency:				
30-89 days delinquent	\$ 2,510,113		\$ 2,184,500	
90 or more days delinquent:				
Not in foreclosure	\$ 891,525		\$ 1,029,962	
In foreclosure	\$ 105,065		\$ 85,045	
Bankruptcy	\$ 256,683		\$ 185,320	
Custodial funds managed by the Company (1)	\$ 3,019,441		\$ 1,759,974	

(1) Custodial funds include borrower and investor custodial cash accounts relating to loans serviced under mortgage servicing agreements and are not included on the Company's consolidated balance sheets. The Company earns placement fees on certain of the custodial funds it manages on behalf of the loans' borrowers and investors, and these fees are included in *Interest income* in the Company's consolidated statements of income.

Following is a summary of characteristics of our MSR servicing portfolio as of September 30, 2024:

Loan type	Unpaid principal balance	Loan count	Note rate	Seasoning (months)	Remaining maturity (months)	Loan size	Average		Original LTV (1)	Current LTV (1)	60+ Delinquency (by UPB)
							(Dollars and loan count in thousands)	FICO credit score at origination			
<b>Agency:</b>											
Fannie Mae	\$ 113,315,411	435	3.8%	47	302	\$ 261	757	75%	52%	0.9%	
Freddie Mac	\$ 110,793,124	394	3.8%	38	309	\$ 282	761	74%	56%	0.5%	
Other (2)	\$ 4,018,789	15	4.9%	36	321	\$ 262	760	72%	56%	0.7%	
	\$ 228,127,324	844	3.8%	42	305	\$ 270	759	75%	54%	0.7%	

(1) Loan-to-value.

(2) Represents MSRs on conventional loans sold to private investors.

#### Net Interest Expense

Net interest expense is summarized below:

	Quarter ended September 30, 2024			Quarter ended September 30, 2023		
	Interest income/ expense	Average balance	Interest yield/ cost %	Interest income/ expense	Average balance	Interest yield/ cost %
<b>Assets:</b>						
Cash and short-term investments	\$ 7,590	\$ 502,592	6.01%	\$ 6,288	\$ 431,256	5.80%
Mortgage-backed securities	\$ 66,573	\$ 4,105,749	6.45%	\$ 66,563	\$ 4,711,723	5.62%
Loans acquired for sale	\$ 23,900	\$ 1,069,653	8.89%	\$ 14,720	\$ 868,808	6.74%
Loans at fair value	\$ 16,044	\$ 1,388,368	4.60%	\$ 9,514	\$ 1,437,418	2.63%
Deposits securing CRT arrangements	\$ 15,042	\$ 1,157,694	5.17%	\$ 16,419	\$ 1,255,966	5.20%
	\$ 129,149	\$ 8,224,056	6.25%	\$ 113,504	\$ 8,705,171	5.19%
Placement fees relating to custodial funds	\$ 47,256			\$ 44,005		
Other	\$ 329			\$ 1,417		
	\$ 176,734	\$ 8,224,056	8.55%	\$ 158,926	\$ 8,705,171	7.26%
<b>Liabilities:</b>						
Assets sold under agreements to repurchase	\$ 86,900	\$ 5,513,519	6.27%	\$ 87,414	\$ 5,714,082	6.09%
Mortgage loan participation purchase and sale agreements	\$ 568	\$ 32,353	6.98%	\$ 403	\$ 22,043	7.27%
Notes payable secured by credit risk transfer and mortgage servicing assets	\$ 66,305	\$ 2,854,487	9.24%	\$ 69,952	\$ 3,106,809	8.96%
Senior notes	\$ 14,571	\$ 825,000	7.03%	\$ 8,541	\$ 553,338	6.14%
Asset-backed financings	\$ 10,838	\$ 1,542,753	2.79%	\$ 13,652	\$ 1,342,093	4.05%
	\$ 179,182	\$ 10,768,112	6.62%	\$ 179,962	\$ 10,738,365	6.67%
Interest shortfall on repayments of loans serviced for Agency securitizations	\$ 1,913			\$ 1,503		
Interest on loan impound deposits	\$ 2,285			\$ 2,079		
Other	\$ 791			\$ 374		
	\$ 184,171	\$ 10,768,112	6.80%	\$ 183,918	\$ 10,738,365	6.81%
	\$ (7,437)			\$ (24,992)		

	Nine months ended September 30, 2024			Nine months ended September 30, 2023		
	Interest income/ expense	Average balance	Interest yield/ cost % (dollars in thousands)	Interest income/ expense	Average balance	Interest yield/ cost %
<b>Assets:</b>						
Cash and short-term investments	\$ 22,867	\$ 535,677	5.70 %	\$ 19,311	\$ 511,194	5.06 %
Mortgage-backed securities	184,762	4,087,442	6.04 %	180,244	4,603,082	5.25 %
Loans acquired for sale	50,804	1,002,719	6.77 %	77,487	1,613,347	6.44 %
Loans at fair value	41,617	1,401,643	3.97 %	38,348	1,479,525	3.47 %
Deposits securing CRT arrangements	46,121	1,176,798	5.24 %	46,410	1,285,327	4.84 %
	346,171	8,204,279	5.64 %	361,800	9,492,475	5.11 %
Placement fees relating to custodial funds	124,226			110,602		
Other	1,731			2,227		
	\$ 472,128	\$ 8,204,279	7.69 %	\$ 474,629	\$ 9,492,475	6.70 %
<b>Liabilities:</b>						
Assets sold under agreements to repurchase	\$ 244,821	\$ 5,225,906	6.26 %	\$ 284,027	\$ 6,451,377	5.90 %
Mortgage loan participation purchase and sale agreements	1,033	18,829	7.33 %	1,109	20,991	7.08 %
Notes payable secured by credit risk transfer and mortgage servicing assets	198,760	2,871,883	9.24 %	191,049	2,995,752	8.55 %
Unsecured senior notes	35,884	710,496	6.75 %	25,316	549,063	6.18 %
Asset-backed financings	34,918	1,561,810	2.99 %	38,796	1,381,994	3.76 %
	515,416	10,388,924	6.63 %	540,297	11,399,177	6.35 %
Interest shortfall on repayments of loans serviced for Agency securitizations	5,011			4,322		
Interest on loan impound deposits	5,284			4,737		
Other	1,828			1,089		
	\$ 527,539	\$ 10,388,924	6.78 %	\$ 550,445	\$ 11,399,177	6.47 %
	<u>\$ (55,411)</u>			<u>\$ (75,816)</u>		

The effects of changes in the yields and costs and composition of our investments on our net interest expense are summarized below:

	Quarter ended September 30, 2024 vs. Quarter ended September 30, 2023			Nine months ended September 30, 2024 vs. Nine months ended September 30, 2023		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Rate	Volume	Total	Rate	Volume	Total
	(in thousands)					
<b>Assets:</b>						
Cash and short-term investments	\$ 231	\$ 1,071	\$ 1,302	\$ 2,576	\$ 980	\$ 3,556
Mortgage-backed securities	9,159	(9,149)	10	25,801	(21,283)	4,518
Loans acquired for sale	5,321	3,859	9,180	3,826	(30,509)	(26,683)
Loans at fair value	6,865	(335)	6,530	5,335	(2,066)	3,269
Deposits securing CRT arrangements	(100)	(1,277)	(1,377)	3,721	(4,010)	(289)
	21,476	(5,831)	15,645	41,259	(56,888)	(15,629)
Placement fees relating to custodial funds			3,251			13,624
Other			(1,088)			(496)
	\$ 21,476	\$ (5,831)	\$ 17,808	\$ 41,259	\$ (56,888)	\$ (2,501)
<b>Liabilities:</b>						
Assets sold under agreements to repurchase	\$ 2,604	\$ (3,118)	\$ (514)	\$ 16,630	\$ (55,836)	\$ (39,206)
Mortgage loan participation purchase and sale agreements	(17)	182	165	39	(115)	(76)
Notes payable secured by credit risk transfer and mortgage servicing assets	2,164	(5,811)	(3,647)	15,621	(7,910)	7,711
Senior notes	1,369	4,661	6,030	2,506	8,062	10,568
Asset-backed financings	(4,649)	1,835	(2,814)	(8,595)	4,717	(3,878)
	1,471	(2,251)	(780)	26,201	(51,082)	(24,881)
Interest shortfall on repayments of loans serviced for Agency securitizations			410			689
Interest on loan impound deposits			206			547
Other			417			739
	1,471	(2,251)	253	26,201	(51,082)	(22,906)
	\$ 20,005	\$ (3,580)	\$ 17,555	\$ 15,058	\$ (5,806)	\$ 20,405

The decrease in net interest expense during the quarter and nine months ended September 30, 2024, as compared to the same periods in 2023, is due to yields on our interest-earning assets increasing more than the cost of our interest-bearing liabilities and the increase in earnings from placement fees relating to custodial funds managed for borrowers and investors.

## Expenses

Our expenses are summarized below:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
<b>Earned by PennyMac Financial Services, Inc.:</b>				
Loan servicing fees	\$ 22,240	\$ 20,257	\$ 62,766	\$ 61,023
Management fees	7,153	7,175	21,474	21,510
Loan fulfillment fees	11,492	5,531	19,935	22,895
Professional services	2,614	2,133	6,738	5,537
Compensation	1,326	1,961	4,611	4,779
Loan collection and liquidation	2,257	1,890	4,297	3,378
Safekeeping	1,174	467	3,067	2,707
Loan origination	1,408	710	2,414	3,785
Other	4,666	4,885	13,441	14,559
	\$ 54,330	\$ 45,009	\$ 138,743	\$ 140,173

Expenses increased \$9.3 million and decreased \$1.4 million, or 21% and 1%, respectively, during the quarter and nine months ended September 30, 2024, as compared to the same periods in 2023, primarily due to increased loan fulfillment fees reflecting increased production for sale to nonaffiliates during the quarter ended September 30, 2024 and decreased loan fulfillment fees, reflecting reduced loan production for sale to nonaffiliates, during the nine months ended September 30, 2024.

#### *Loan Servicing Fees*

Loan servicing fees payable to PLS are summarized below:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
<b>Loan servicing fees:</b>				
Loans acquired for sale	\$ 158	\$ 112	\$ 342	\$ 569
Loans at fair value	60	33	185	184
Mortgage servicing rights	22,022	20,112	62,239	60,270
	<u>\$ 22,240</u>	<u>\$ 20,257</u>	<u>\$ 62,766</u>	<u>\$ 61,023</u>
<b>Average investment in loans:</b>				
Acquired for sale	\$ 1,069,653	\$ 868,808	\$ 1,002,719	\$ 1,613,347
At fair value	\$ 1,388,368	\$ 1,437,418	\$ 1,401,643	\$ 1,479,525
Average MSR portfolio unpaid principal balance	\$ 227,804,449	\$ 231,333,064	\$ 229,174,686	\$ 231,333,990
MSR recapture fees	\$ 441	\$ 500	\$ 1,267	\$ 1,494
UPB of loans recaptured	\$ 71,370	\$ 77,403	\$ 207,651	\$ 270,720

Loan servicing fees increased by \$2.0 million and \$1.74 million during the quarter and nine months ended September 30, 2024, respectively, as compared to the same periods in 2023.

#### *Management Fees*

Management fees decreased by \$22,000 and \$36,000 during the quarter and nine months ended September 30, 2024, respectively, as compared to the same periods in 2023. Management fees decreased due to lower average shareholders' equity during the quarter and nine months ended September 30, 2024.

#### *Loan Fulfillment Fees*

Loan fulfillment fees represent fees we pay to PLS for the services it performs on our behalf in connection with our acquisition, packaging and sale of loans and are summarized below:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Loan fulfillment fees earned by PLS	\$ 11,492	\$ 5,531	\$ 19,935	\$ 22,895
UPB of loans fulfilled by PLS	\$ 5,948,057	\$ 2,760,000	\$ 9,949,135	\$ 12,418,084

Fulfillment fees increased \$6.0 million and decreased \$3.0 million during the quarter and nine months ended September 30, 2024, respectively, as compared to the same periods in 2023. The increase during the quarter ended September 30, 2024 was due to an increase in the volume of loans purchased for sale to nonaffiliates as compared to the overall decrease in loans purchased for sale to nonaffiliates volume during the nine months ended September 30, 2023. Our loan fulfillment fee structure is described in Note 4 – *Transactions with Related Parties* to the consolidated financial statements included in this Report.

#### *Loan Origination*

Loan origination expenses increased \$698,000 and decreased \$1.4 million, during the quarter and nine months ended September 30, 2024, respectively, as compared to the same periods in 2023, primarily reflecting an increase during the quarter ended September 30, 2024 in the volume of loans purchased for sale to nonaffiliates as compared to the overall decrease in the volume of loans purchased for sale to nonaffiliates during the nine months ended September 30, 2023.

*Other Expenses*

Other expenses are summarized below:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Common overhead allocation from PFSI	\$ 1,867	\$ 1,489	\$ 5,811	\$ 5,450
Bank service charges	622	483	1,662	1,478
Technology	511	601	1,449	1,521
Insurance	436	472	1,390	1,494
Other	1,230	1,840	3,129	4,616
	<u>\$ 4,666</u>	<u>\$ 4,885</u>	<u>\$ 13,441</u>	<u>\$ 14,559</u>

*Income Taxes*

We have elected to treat PennyMac Corp. (“PMC”), as a taxable REIT subsidiary (“TRS”). Income from a TRS is only included as a component of REIT taxable income to the extent that the TRS makes dividend distributions of income to us. A TRS is subject to corporate federal and state income tax. Accordingly, a provision for income taxes for PMC is included in the accompanying consolidated statements of income.

The Company’s effective tax rate was (56.1)% and (30.8)% with consolidated pretax income of \$26.5 million and \$87.5 million for the quarter and nine months ended September 30, 2024. The Company’s TRS recognized a tax benefit of \$15.5 million on a pretax loss of \$64.7 million and tax benefit of \$27.5 million on a pretax loss of \$115.6 million for the quarter and nine months ended September 30, 2024. For the same periods in 2023, the TRS recognized a tax expense of \$57.1 million on pretax income of \$234.0 million and a tax expense of \$56.5 million on pretax income of \$221.9 million. The Company’s reported consolidated pretax income was \$118.4 million for the quarter ended September 30, 2023. The primary difference between the Company’s effective tax rate and the statutory tax rate is generally attributable to nontaxable REIT income resulting from the dividends paid deduction.

The Company assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. On the basis of this evaluation, as of September 30, 2024, the valuation allowance remains zero as a result of cumulative GAAP income at the TRS for the three-year period ended September 30, 2024. The amount of deferred tax assets considered realizable could be adjusted in future periods based on future income.

In general, cash dividends declared by the Company will be considered ordinary income to the shareholders for income tax purposes. Some portion of the dividends may be characterized as capital gain distributions or a return of capital. The 2017 Tax Cuts and Jobs Act (subject to certain limitations) provides a 20% deduction from taxable income for ordinary REIT dividends.

## Balance Sheet Analysis

Following is a summary of key balance sheet items as of the dates presented:

	September 30, 2024	December 31, 2023
	(in thousands)	
<b>Assets</b>		
Cash and short-term investments	\$ 447,145	\$ 409,423
Mortgage-backed securities at fair value	4,182,382	4,836,292
Loans acquired for sale at fair value	1,665,796	669,018
Loans at fair value	1,429,525	1,433,820
Derivative assets	81,844	177,984
Deposits securing credit risk transfer arrangements	1,135,447	1,209,498
Mortgage servicing rights	3,809,047	3,919,107
	<u>12,751,186</u>	<u>12,655,142</u>
Other	304,468	458,745
<b>Total assets</b>	<b>\$ 13,055,654</b>	<b>\$ 13,113,887</b>
<b>Liabilities</b>		
Debt:		
Short-term	\$ 5,777,251	\$ 5,624,558
Long-term	5,014,918	4,880,461
	<u>10,792,169</u>	<u>10,505,019</u>
Other	326,698	651,778
<b>Total liabilities</b>	<b>11,118,867</b>	<b>11,156,797</b>
Shareholders' equity	1,936,787	1,957,090
<b>Total liabilities and shareholders' equity</b>	<b>\$ 13,055,654</b>	<b>\$ 13,113,887</b>

Total assets decreased by approximately \$58.2 million during the period from December 31, 2023 through September 30, 2024, primarily due to a \$653.9 million reduction in *Mortgage-backed securities at fair value* and a \$110.1 million decrease in MSR fair value partially offset by an increase of \$996.8 million in *Loans acquired for sale at fair value*.

## Asset Acquisitions

Our asset acquisitions are summarized below.

### Correspondent Production

Following is a summary of our correspondent production acquisitions at fair value:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Correspondent loan purchases:				
GSE-Eligible Loans (1)	\$ 14,384,633	\$ 12,810,679	\$ 36,834,544	\$ 33,722,514
Government insured or guaranteed (2)	12,047,525	8,945,053	30,892,013	29,975,859
Jumbo loans	97,982	—	134,886	1,002
Advances to home equity lines of credit	—	52	—	102
	<u>\$ 26,530,140</u>	<u>\$ 21,755,784</u>	<u>\$ 67,861,443</u>	<u>\$ 63,699,477</u>

- (1) GSE eligibility refers to the eligibility of loans for sale to Fannie Mae or Freddie Mac. The Company sells or finances a portion of its GSE eligible loan production to or with other investors, including PLS.
- (2) The Company sells all of its loans eligible for inclusion in Ginnie Mae securities to PLS. The Company is not approved by Ginnie Mae as an issuer of Ginnie Mae-guaranteed securities which are backed by government-insured or guaranteed loans. The Company earns a sourcing fee for all loans that it purchases from correspondent sellers and subsequently sells to PLS as described in Note 4 – *Transactions with Related Parties – Operating Activities – Correspondent Production Activities*.

During the quarter and nine months ended September 30, 2024, we purchased for sale \$26.5 billion and \$67.9 billion, respectively, in fair value of correspondent production loans as compared to \$21.8 billion and \$63.7 billion during the same periods in 2023.

### Other Investment Activities

Following is a summary of our net acquisitions (sales) of mortgage-related investments held in our credit sensitive strategies and interest rate sensitive strategies segments:

	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Credit sensitive assets:				
Subordinate credit-linked securities	\$ —	\$ 6,555	\$ (111,044)	\$ 70,616
Interest rate sensitive assets:				
Agency fixed-rate pass-through securities	—	—	(830,296)	308,742
Principal-only stripped mortgage-backed securities	80,442	—	479,902	—
Senior non-Agency securities	—	57,829	—	99,803
Interest-only stripped mortgage-backed securities	—	103,547	—	103,547
Mortgage servicing rights:				
Purchases	—	16,263	29,428	16,263
Received in loan sales (1)	51,979	(46,536)	123,847	144,829
	132,421	131,103	(197,119)	673,184
	<u>\$ 132,421</u>	<u>\$ 137,658</u>	<u>\$ (308,163)</u>	<u>\$ 743,800</u>

(1) Net of exchange of mortgage servicing spread for interest-only stripped mortgage-backed securities.

Our acquisitions during the quarter and nine months ended September 30, 2024 and 2023 were financed through the use of a combination of proceeds from borrowings and liquidations of existing investments. We continue to identify additional means of increasing our investment portfolio through cash flow from our business activities, existing investments, borrowings, and transactions that minimize current cash outlays. However, we expect that, over time, our ability to continue our investment portfolio growth will depend on our ability to raise additional equity capital.

### Investment Portfolio Composition

#### Mortgage-Backed Securities

Following is a summary of our MBS holdings:

	September 30, 2024				December 31, 2023			
	Fair value	Principal/ notional	Average		Fair value	Principal/ notional	Average	
			Life (in years)	Coupon (dollars in thousands)			Life (in years)	Coupon
Agency pass-through securities	\$ 3,252,908	\$ 3,217,437	6.8	5.4 %	\$ 4,270,056	\$ 4,311,342	7.6	5.1 %
Principal-only stripped securities	540,789	631,601	2.8	0.1 %	53,336	65,573	3.3	0.0 %
Subordinate credit-linked securities	196,311	174,813	5.5	13.1 %	301,180	275,963	4.3	12.4 %
Senior non-Agency securities	111,118	115,302	7.0	5.1 %	117,489	124,771	7.0	5.1 %
Interest-only stripped securities	81,256	395,952	6.9	4.9 %	94,231	419,791	7.3	4.9 %
		4,535,105			4,836,292	5,197,440		
	<u>\$ 4,182,382</u>	<u>\$ 5</u>			<u>\$ 2</u>	<u>\$ 0</u>		

#### Credit Risk Transfer Arrangements

Following is a summary of our investment in CRT arrangements:

	September 30, 2024		December 31, 2023	
	(in thousands)			
Carrying value of CRT arrangements:				
Derivative assets - CRT derivatives	\$ 29,690	\$ 16,160		
Derivative and credit risk transfer strip liabilities- CRT strips	(13,475)	(46,692)		
Deposits securing CRT arrangements	1,135,447	1,209,498		
Interest-only security payable at fair value	(35,098)	(32,667)		
	<u>\$ 1,116,564</u>	<u>\$ 1,146,299</u>		
UPB of loans subject to credit guarantee obligations	<u>\$ 21,708,165</u>	<u>\$ 23,152,230</u>		



Following is a summary of the composition of the loans underlying our investment in CRT arrangements as of September 30, 2024:

	Year of origination							Total
	2020	2019	2018	2017	2016	2015		
	(in millions)							
<b>UPB:</b>								
Outstanding	\$ 4,449	\$ 10,098	\$ 2,602	\$ 2,198	\$ 1,800	\$ 561	\$ 21,708	
<b>Liquidations:</b>								
Balances	\$ 1.0	\$ 8.4	\$ 59.2	\$ 163.5	\$ 123.2	\$ 61.4	\$ 416.7	
Losses	\$ —	\$ 0.9	\$ 5.7	\$ 20.4	\$ 13.1	\$ 7.4	\$ 47.5	
<b>Modifications:</b>								
Balances	\$ 68.6	\$ 554.4	\$ 306.9	\$ —	\$ —	\$ —	\$ 929.9	
Losses	\$ 1.8	\$ 19.4	\$ 14.9	\$ —	\$ —	\$ —	\$ 36.1	
<b>Weighted average:</b>								
Original debt-to-income ratio	33.5 %	35.9 %	39.1 %	36.5 %	35.1 %	35.7 %	35.8 %	
Origination FICO credit score	765	754	736	745	751	743	753	
Origination loan-to-value ratio	80.7 %	83.3 %	83.5 %	82.4 %	80.6 %	80.9 %	82.4 %	
Current loan-to-value ratio (1)	50.0 %	49.8 %	47.5 %	42.5 %	38.5 %	36.0 %	47.5 %	

(1) Based on current UPB compared to estimated fair value of the property securing the loan.

Distribution by state	Year of origination							Total
	2020	2019	2018	2017	2016	2015		
	(in millions)							
California	\$ 467	\$ 1,001	\$ 328	\$ 234	\$ 351	\$ 107	\$ 2,488	
Florida	488	965	335	229	191	50	2,258	
Texas	527	871	208	187	222	83	2,098	
Virginia	239	449	94	101	125	54	1,062	
Maryland	177	433	119	127	119	31	1,006	
Other	2,551	6,379	1,518	1,320	792	236	12,796	
	<u>\$ 4,449</u>	<u>\$ 10,098</u>	<u>\$ 2,602</u>	<u>\$ 2,198</u>	<u>\$ 1,800</u>	<u>\$ 561</u>	<u>\$ 21,708</u>	

Regional geographic distribution (1)	Year of origination							Total
	2020	2019	2018	2017	2016	2015		
	(in millions)							
Northeast	\$ 414	\$ 1,269	\$ 307	\$ 323	\$ 233	\$ 84	\$ 2,630	
Southeast	1,509	3,449	932	753	564	171	7,378	
Midwest	413	1,062	223	209	162	40	2,109	
Southwest	1,157	2,222	487	428	332	116	4,742	
West	956	2,096	653	485	509	150	4,849	
	<u>\$ 4,449</u>	<u>\$ 10,098</u>	<u>\$ 2,602</u>	<u>\$ 2,198</u>	<u>\$ 1,800</u>	<u>\$ 561</u>	<u>\$ 21,708</u>	

(1) Northeast consists of CT, DE, ME, MA, NH, NJ, NY, PA, PR, RI, VT, VI; Southeast consists of AL, DC, FL, GA, KY, MD, MS, NC, SC, TN, VA, WV; Midwest consists of IL, IN, IA, MI, MN, NE, ND, OH, SD, WI; Southwest consists of AZ, AR, CO, KS, LA, MO, NM, OK, TX, UT; and West consists of AK, CA, GU, HI, ID, MT, NV, OR, WA and WY.

Collection status	Year of origination							Total
	2020	2019	2018	2017	2016	2015		
	(in millions)							
<b>Delinquency</b>								
Current - 89 Days	\$ 4,429	\$ 10,012	\$ 2,552	\$ 2,185	\$ 1,793	\$ 559	\$ 21,530	
90 - 179 Days	13	53	32	12	7	2	119	
180+ Days	5	24	13	—	—	—	42	
Foreclosure	2	9	5	1	—	—	17	
	<u>\$ 4,449</u>	<u>\$ 10,098</u>	<u>\$ 2,602</u>	<u>\$ 2,198</u>	<u>\$ 1,800</u>	<u>\$ 561</u>	<u>\$ 21,708</u>	
Bankruptcy	\$ 4	\$ 31	\$ 16	\$ 5	\$ 7	\$ 1	\$ 64	

### Cash Flows

Our cash flows for the periods ended September 30, 2024 and 2023 are summarized below:

	Nine months ended September 30,	
	2024	2023
	(in thousands)	
Operating activities	\$ (1,082,381)	\$ 807,162
Investing activities	1,078,349	60,482
Financing activities	67,305	(743,114)
Net cash flows	<u>\$ 63,273</u>	<u>\$ 124,530</u>

Our cash flows resulted in a net increase in cash of \$63.3 million during the nine months ended September 30, 2024, as discussed below.

#### Operating activities

Cash used in operating activities totaled \$1.1 billion during the nine months ended September 30, 2024, as compared to cash provided by our operating activities of \$807.2 million during the nine months ended September 30, 2023. Cash flows from operating activities are influenced by cash flows from loans acquired for sale as shown below:

	Nine months ended September 30,	
	2024	2023
	(in thousands)	
Operating cash flows from:		
Loans acquired for sale	\$ (1,043,498)	\$ 639,045
Other	(38,883)	168,117
	<u>\$ (1,082,381)</u>	<u>\$ 807,162</u>

Cash flows from loans acquired for sale primarily reflect changes in the level of inventory from the beginning to end of the periods presented. Our inventory of loans held for sale increased during the nine months ended September 30, 2024, as compared to a decrease during the same period in 2023.

#### Investing activities

Net cash provided by our investing activities was \$1.1 billion for the nine months ended September 30, 2024, as compared to net cash provided by our investing activities of \$60.5 million for the nine months ended September 30, 2023, primarily due to our net sale of MBS.

#### Financing activities

Net cash provided by our financing activities was \$67.3 million for the nine months ended September 30, 2024, as compared to net cash used in our financing activities of \$743.1 million for the nine months ended September 30, 2023. This change primarily reflects relative stability in the size of our balance sheet during the nine months ended September 30, 2024.

As discussed below in *Liquidity and Capital Resources*, our Manager continually evaluates and pursues additional sources of financing to provide us with future investing capacity. We do not raise equity or enter into borrowings for the purpose of financing the payment of dividends. We believe that our cash earnings are adequate to fund our operating expenses and dividend payment requirements. However, we manage our liquidity in the aggregate and are reinvesting our cash flows in new investments as well as using such cash to fund our dividend requirements.

## **Liquidity and Capital Resources**

Our liquidity reflects our ability to meet our current obligations (including the purchase of loans from correspondent sellers, our operating expenses and, when applicable, retirement of, and margin calls relating to, our debt and derivatives positions), make investments as our Manager identifies them, pursue our share repurchase program and make distributions to our shareholders. We generally need to distribute at least 90% of our taxable income each year (subject to certain adjustments) to our shareholders to qualify as a REIT under the Internal Revenue Code. This distribution requirement limits our ability to retain earnings and thereby replenish or increase capital to support our activities.

We expect our primary sources of liquidity to be cash flows from our investment portfolio, including cash earnings on our investments, cash flows from business activities, liquidation of existing investments and proceeds from borrowings and/or additional equity offerings. When we finance a particular asset, the amount borrowed is less than the asset's fair value and we must provide the cash in the amount of such difference. Our ability to continue making investments is dependent on our ability to invest the cash representing such difference.

On March 15, 2024, the Company, PMT ISSUER TRUST-FMSR and PMT CO-ISSUER TRUST-FMSR (together, the "Issuer Trusts"), PMT and PennyMac Holdings, LLC ("PMH") entered into a Series 2024-VF1 Note with Goldman Sachs Bank, USA, as part of the structured finance transaction that PMC uses to finance Fannie Mae mortgage servicing rights and related excess servicing spread and servicing advance receivables. The initial two-year term of the Series 2024-VF1 Note is set to expire on March 15, 2026, at which point the Series 2024-VF1 Note amortizes over 12 months prior to termination.

On April 4, 2024, we issued in a private offering \$247 million aggregate principal amount of CRT term notes that mature on March 29, 2027 at a rate of 3.35% over the Secured Overnight Financing Rate.

On May 24, 2024 and June 4, 2024, PMC issued in a private offering \$216.5 million aggregate principal amount of exchangeable senior notes due 2029 (the "2029 Exchangeable Notes") that mature on June 1, 2029 at a rate of 8.500% per year. The 2029 Exchangeable Notes are fully and unconditionally guaranteed by PMT. Upon exchange, PMC will pay cash up to the aggregate principal amount of the Exchangeable Notes to be exchanged and pay or deliver, as the case may be, cash, PMT's common shares of beneficial interest ("Common Shares"), or a combination thereof, at PMT's election, in respect of the remainder, if any, of its exchange obligation in excess of the aggregate principal amount of the Exchangeable Notes to be exchanged. The exchange rate initially equals 63.3332 Common Shares per \$1,000 principal amount of the 2029 Exchangeable Notes.

On June 27, 2024, the Company, the Issuer Trusts, PMC and PMH issued an aggregate principal amount of \$355 million in secured term notes (the "Series 2024-FT1 Term Notes") as part of the structured finance transaction that PMC and PMH use to finance Fannie Mae mortgage servicing rights and related excess servicing spread and servicing advance receivables. The initial 3.5 year term of the Series 2024-FT1 Term Notes is set to mature on December 27, 2027, unless the Company exercises a six-month optional extension.

### **Debt Financing**

Our current debt financing strategy is to finance our assets where we believe such borrowing is prudent, appropriate and available. We make collateralized borrowings in the form of sales of assets under agreements to repurchase, loan participation purchase and sale agreements and notes payable, including secured term financing for our MSRs and our CRT arrangements that have allowed us to match the term of our borrowings more closely to the expected lives of the assets securing those borrowings. We have also borrowed money by issuing unsecured senior notes.

Our debt financing as of September 30, 2024 is summarized below:

Financing	Assets financed							Total	
	MBS	Loans acquired for sale	Loans at fair value	CRT assets (in thousands)	Servicing assets (1)	REO			
<b>Borrowings</b>									
Short term									
Assets sold under agreements to repurchase	\$ 3,981,417	\$ 1,505,024	\$ 61,149	\$ 50,808	\$ 150,063	\$ —	\$ 5,748,461		
Mortgage loan participation purchase and sale agreements	—	28,790	—	—	—	—	—	28,790	
Long term									
Notes payable secured by CRT arrangements and MSRs	—	—	—	766,415	2,063,693	—	—	2,830,108	
Asset-backed financings at fair value	—	—	1,334,797	—	—	—	—	1,334,797	
Interest-only security payable	—	—	—	35,098	—	—	—	35,098	
Total secured borrowings	<u>3,981,417</u>	<u>1,533,814</u>	<u>1,395,946</u>	<u>852,321</u>	<u>2,213,756</u>	—	—	<u>9,977,254</u>	
Unsecured senior notes	—	—	—	—	—	—	—	814,915	
Total borrowings	<u>\$ 3,981,417</u>	<u>\$ 1,533,814</u>	<u>\$ 1,395,946</u>	<u>\$ 852,321</u>	<u>\$ 2,213,756</u>	<u>\$ —</u>	<u>\$ —</u>	<u>10,792,169</u>	
Shareholders' equity									
Total financing	—	—	—	—	—	—	—	<u>1,936,787</u>	
Assets pledged to secure borrowings	<u>\$ 4,182,382</u>	<u>\$ 1,649,411</u>	<u>\$ 1,427,722</u>	<u>\$ 1,165,137</u>	<u>\$ 3,816,015</u>	<u>\$ 1,230</u>	<u>\$ —</u>	<u>\$ 12,241,897</u>	
Debt-to-equity ratio:	—	—	—	—	—	—	—	4.9:1	
Excluding non-recourse debt	—	—	—	—	—	—	—	5.6:1	

(1) Amounts pledged to secure borrowings include pledged servicing advances.

#### Sales of Assets Under Agreements to Repurchase

Our repurchase agreements represent the sales of assets together with agreements for us to buy back the assets at a later date. Following is a summary of the activities in our repurchase agreements financing:

Assets sold under agreements to repurchase	Quarter ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Average balance outstanding	\$ 5,513,519	\$ 5,714,082	\$ 5,225,906	\$ 6,451,377
Maximum daily balance outstanding	\$ 6,474,799	\$ 6,318,746	\$ 7,624,113	\$ 9,412,768
Ending balance	—	—	\$ 5,751,519	\$ 6,020,716

The difference between the maximum and average daily amounts outstanding is primarily due to timing of loan purchases and sales in our correspondent production business. The total facility size of our *Assets sold under agreements to repurchase* was approximately \$11.3 billion at September 30, 2024.

Because a significant portion of our current debt facilities consists of short-term borrowings, we expect to either renew these facilities in advance of maturity in order to ensure our ongoing liquidity and access to capital or otherwise allow ourselves sufficient time to replace any necessary financing.

As discussed above, all of our repurchase agreements, and mortgage loan participation purchase and sale agreements have short-term maturities:

- The transactions relating to loans and REO under agreements to repurchase generally provide for terms of approximately one to two years;
- The transactions relating to loans under mortgage loan participation purchase and sale agreements provide for terms of approximately one year;
- The transactions relating to assets under notes payable provide for terms ranging from two to five years; and
- All repurchase agreements that matured between September 30, 2024 and the date of this Report have been renewed, extended or replaced.

The amount at risk (the fair value of the assets pledged plus the related margin deposit, less the amount advanced by the counterparty and accrued interest) relating to our *Assets sold under agreements to repurchase* is summarized by counterparty below as of September 30, 2024:

<u>Counterparty</u>	<u>Amount at risk (in thousands)</u>
Goldman Sachs & Co. LLC	\$ 116,420
Citibank, N.A.	90,248
Bank of America, N.A.	72,391
JPMorgan Chase & Co.	68,946
Atlas Securitized Products, L.P.	51,541
Wells Fargo Securities, LLC	40,668
Barclays Capital Inc.	34,513
Santander US Capital	19,410
RBC Capital Markets, L.P.	10,722
Morgan Stanley & Co. LLC	9,549
Daiwa Capital Markets America Inc.	6,617
Mizuho Financial Group	5,448
BNP Paribas	3,207
	<u>\$ 529,680</u>

#### Unsecured Senior Notes

In September 2023, we issued \$53.5 million principal amount of our unsecured 8.50% senior notes due September 30, 2028 (the “2028 Senior Notes”). The 2028 Senior Notes bear interest at a rate of 8.50% per year payable quarterly.

On or after September 30, 2025, we may redeem for cash all or any portion of the 2028 Senior Notes, at our option, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No “sinking fund” will be provided for the 2028 Senior Notes.

The 2028 Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by PMC, including the due and punctual payment of principal of and interest on the 2028 Senior Notes, whether at stated maturity, upon acceleration, call for redemption or otherwise (the “PMC Guarantee”). PMC’s operations and investing activities are centered in residential mortgage-related assets, including the creation of and investment in MSRs.

Under the terms of the PMC Guarantee, holders of the 2028 Senior Notes will not be required to exercise their remedies against us before they proceed directly against PMC. PMC’s obligations under the guarantee are limited to the maximum amount that will not, after giving effect to all other contingent and fixed liabilities of PMC, result in the guarantee constituting a fraudulent transfer or conveyance. The PMC Guarantee will:

- rank equal in right of payment to any of PMC’s existing and future unsecured and unsubordinated indebtedness and guarantees of PMC;
- be effectively subordinated in right of payment to any of PMC’s existing and future secured indebtedness and secured guarantees to the extent of the value of the assets securing such indebtedness or guarantees; and
- be structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables) and (to the extent not held by PMC) preferred stock, if any, of PMC’s subsidiaries and of any entity PMC accounts for using the equity method of accounting.

The following summarized financial information for PMT and PMC is presented on a combined basis. Intercompany balances and transactions between PMT and PMC have been eliminated:

	September 30, 2024 (in thousands)
Loans acquired for sale at fair value	\$ 1,665,796
Mortgage servicing rights at fair value	3,818,037
Other assets	
From nonaffiliates	722,298
From PFSI	8,537
From non-issuer or non-guarantor subsidiaries	513,414
Total assets	<u><u>\$ 6,728,082</u></u>
Total liabilities	
Payable to nonaffiliates	\$ 1,692,092
Payable to non-issuer or non-guarantor subsidiaries	4,650,634
Payable to PFSI	23,754
	<u><u>\$ 6,366,480</u></u>
	Nine months ended September 30, 2024 (in thousands)
<b>Net investment income</b>	
From nonaffiliates	\$ 184,070
From PFSI	6,916
From non-issuer or non-guarantor subsidiaries (1)	(246,713)
<b>Expenses</b>	
From nonaffiliates	17,207
From PFSI	98,883
Pre-tax loss	(171,817)
Benefit from income taxes	(42,353)
Net loss	<u><u>\$ (129,464)</u></u>

(1) Excludes equity in earnings of non-guarantor subsidiaries.

#### Debt Covenants

Our debt financing agreements require us and certain of our subsidiaries to comply with various financial covenants. As of the filing of this Report, these financial covenants include the following:

- a minimum of \$75 million in unrestricted cash and cash equivalents among the Company and/or our subsidiaries; a minimum of \$75 million in unrestricted cash and cash equivalents among our Operating Partnership and its consolidated subsidiaries; a minimum of \$25 million in unrestricted cash and cash equivalents between PMC and PMH; a minimum of \$25 million in unrestricted cash and cash equivalents at PMC; and a minimum of \$10 million in unrestricted cash and cash equivalents at PMH;
- a minimum tangible net worth for the Company of \$1.25 billion; a minimum tangible net worth for our Operating Partnership of \$1.25 billion; a minimum tangible net worth for PMH of \$250 million; and a minimum tangible net worth for PMC of \$300 million;
- a maximum ratio of total indebtedness to tangible net worth of less than 10:1 for PMC and PMH and 10:1 for the Company and our Operating Partnership; and
- at least two warehouse or repurchase facilities that finance amounts and assets similar to those being financed under our existing debt financing agreements.

Although these financial covenants limit the amount of indebtedness we may incur and impact our liquidity through minimum cash reserve requirements, we believe that these covenants currently provide us with sufficient flexibility to successfully operate our business and obtain the financing necessary to achieve that purpose.

PLS is also subject to various financial covenants, both as a borrower under its own financing arrangements and as our servicer under certain of our debt financing agreements. The most significant of these financial covenants currently include the following:

- a minimum in unrestricted cash and cash equivalents of \$100 million;
- a minimum tangible net worth of \$1.25 billion;
- a maximum ratio of total indebtedness to tangible net worth of 10:1; and
- at least one other warehouse or repurchase facility that finances amounts and assets that are similar to those being financed under certain of our existing secured financing agreements.

Many of our debt financing agreements contain a condition precedent to obtaining additional funding that requires us to maintain positive net income for at least one (1) of the previous two consecutive quarters, or other similar measures. For the most recent fiscal quarter, the Company is compliant with all such conditions. However, we may be required to obtain waivers from certain lenders in the future if this condition precedent is not met.

Our debt financing agreements also contain margin call provisions that, upon notice from the applicable lender at its option, require us to transfer cash or, in some instances, additional assets in an amount sufficient to eliminate any margin deficit. A margin deficit will generally result from any decline in the market value (as determined by the applicable lender) of the assets subject to the related financing agreement, although in some instances we may agree with the lender upon certain thresholds (in dollar amounts or percentages based on the market value of the assets) that must be exceeded before a margin deficit will arise. Upon notice from the applicable lender, we will generally be required to satisfy the margin call on the day of such notice or within one business day thereafter, depending on the timing of the notice.

#### **Regulatory Capital and Liquidity Requirements**

In addition to the financial covenants imposed upon us and PLS as our servicer under our debt financing agreements, we, through PMC and/or PLS, as applicable, are also subject to liquidity and net worth requirements established by the Federal Housing Finance Agency (“FHFA”) for Agency seller/servicers and Ginnie Mae for single-family issuers. FHFA and Ginnie Mae have established minimum liquidity and net worth requirements for their approved non-depository single-family sellers/servicers in the case of Fannie Mae, Freddie Mac, and Ginnie Mae for its approved single-family issuers.

Ginnie Mae has issued risk-based capital requirements which will be effective December 31, 2024. We believe that our servicer is in compliance with the Agency's pending requirements as of September 30, 2024.

We continue to explore a variety of additional means of financing our business, including debt financing through bank warehouse lines of credit, repurchase agreements, term financing, securitization transactions and unsecured debt and equity offerings. However, there can be no assurance as to how much additional financing capacity such efforts will produce, what form the financing will take or that such efforts will be successful.

#### ***Off-Balance Sheet Arrangements and Aggregate Contractual Obligations***

##### ***Off-Balance Sheet Arrangements***

As of September 30, 2024, we have not entered into any off-balance sheet arrangements.

Our management, servicing, and loan fulfillment fee agreements are described in Note 4 – *Transactions with Related Parties* to the consolidated financial statements included in this Report.

All debt financing arrangements that matured between September 30, 2024 and the date of this Report have been renewed, extended or replaced.

#### ***Critical Accounting Estimates***

Preparation of financial statements in compliance with GAAP requires us to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Certain of these estimates significantly influence the portrayal of our financial condition and results, and they require us to make difficult, subjective or complex judgments. Our critical accounting policies primarily relate to our fair value estimates.

Our Annual Report on Form 10-K for the year ended December 31, 2023 contains a discussion of our critical accounting policies, which utilize relevant critical accounting estimates.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices, real estate values and other market-based risks. The primary market risks that we are exposed to are real estate risk, credit risk, interest rate risk, prepayment risk, inflation risk and market value risk.

Our primary trading asset is our inventory of loans acquired for sale. We believe that such assets' fair values respond primarily to changes in the market interest rates for comparable recently-originated loans. Our other market-risk assets are a substantial portion of our investments and are primarily comprised of MSRs, CRT arrangements and MBS. We believe that the fair values of MSRs and MBS also respond primarily to changes in the market interest rates for comparable loans or yields on MBS. Changes in interest rates are reflected in the prepayment speeds underlying these investments and in the pricing spread (an element of the discount rate) used in their valuation. We believe that the primary market risks to the fair values of our investment in CRT arrangements are changes in market credit spreads and the fair value of the real estate securing the loans underlying such arrangements.

The following sensitivity analyses are limited in that they were performed at a particular point in time; only contemplate the movements in the indicated variables; do not incorporate changes to other variables; are subject to the accuracy of various models and assumptions used; and do not incorporate other factors that would affect our overall financial performance in such scenarios, including operational adjustments made by management to account for changing circumstances. For these reasons, the following estimates should not be viewed as earnings forecasts.

#### *Mortgage-backed securities at fair value*

The following table summarizes the estimated change in fair value of our mortgage-backed securities as of September 30, 2024, given several hypothetical (instantaneous) changes in interest rates and parallel shifts in the yield curve:

Interest rate shift in basis points	-200	-75	-50	50	75	200
	(in thousands)					
Change in fair value	\$ 78,397	\$ 110,601	\$ 84,388	\$ (108,066)	\$ (166,104)	\$ (471,181)

#### *Mortgage Servicing Rights*

The following tables summarize the estimated change in fair value of MSRs as of September 30, 2024, given several shifts in pricing spread, prepayment speeds and annual per-loan cost of servicing:

Change in fair value attributable to shift in:	-20%	-10%	-5%	+5%	+10%	+20%
	(in thousands)					
Pricing spread	\$ 199,795	\$ 97,431	\$ 48,119	\$ (46,966)	\$ (92,816)	\$ (181,313)
Prepayment speed	\$ 251,348	\$ 120,970	\$ 59,378	\$ (57,286)	\$ (112,596)	\$ (217,698)
Annual per-loan cost of servicing	\$ 66,428	\$ 33,214	\$ 16,607	\$ (16,607)	\$ (33,214)	\$ (66,428)

#### *CRT Arrangements*

Following is a summary of the effect on fair value of various changes to the pricing spread input used to estimate the fair value of our CRT arrangements given several shifts in pricing spread:

Pricing spread shift in basis points	-100	-50	-25	25	50	100
	(in thousands)					
Change in fair value	\$ 41,006	\$ 20,198	\$ 10,024	\$ (9,877)	\$ (19,609)	\$ (38,652)

Following is a summary of the effect on fair value of various instantaneous changes in home values from those used to estimate the fair value of our CRT arrangements given several shifts:

Property value shift in %	-15%	-10%	-5%	5%	10%	15%
	(in thousands)					
Change in fair value	\$ (10,310)	\$ (6,176)	\$ (2,784)	\$ 2,300	\$ 4,196	\$ 5,757

#### **Item 4. Controls and Procedures**

##### ***Disclosure Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. However, no matter how well a control system is designed and operated, it can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in our periodic reports.

Our management has conducted an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report as required by paragraph (b) of Rules 13a-15 and 15d-15 under the Exchange Act. Based on our evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective, as of the end of the period covered by this Report, to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

##### ***Changes in Internal Control over Financial Reporting***

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### **Item 1. Legal Proceedings**

From time to time, we may be involved in various legal actions, claims and proceedings arising in the ordinary course of our business. See Note 17 — Commitments and Contingencies, to the financial statements contained in this report for a discussion of legal actions, claims and proceedings that are incorporated by reference into this Item.

### **Item 1A. Risk Factors**

There are no material changes from the risk factors set forth under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 22, 2024.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

There were no sales of unregistered equity securities during the quarter and nine months ended September 30, 2024.

The following table provides information about our repurchases of common shares of beneficial interest (“Common Shares”) during the quarter ended September 30, 2024:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (1)	Amount available for future share repurchases under the plans or programs (1)	
				(in thousands, except average price paid per share)	
July 1, 2024 – July 31, 2024	—	\$ —	—	\$	73,353
August 1, 2024 – August 31, 2024	—	\$ —	—	\$	73,353
September 1, 2024 – September 30, 2024	—	\$ —	—	\$	73,353

(1) On October 24, 2022, the Company’s board of trustees approved an increase to the Company’s Common Share repurchase authorization from \$400 million to \$500 million (the “share repurchase program”). The share repurchase program does not require the Company to purchase a specific number of Common Shares, and the timing and amount of any Common Shares repurchased are based on market conditions and other factors, including price, regulatory requirements and capital availability. Common Share repurchases may be effected through privately negotiated transactions or open market purchases, including pursuant to a trading plan implemented pursuant to Rule 10b5-1 of the Exchange Act. The share repurchase program does not have an expiration date but may be suspended, modified or discontinued at any time without prior notice.

### **Item 3. Defaults Upon Senior Securities**

None

### **Item 4. Mine Safety Disclosures**

Not applicable

### **Item 5. Other Information**

#### (c) Trading Plans

During the quarter ended September 30, 2024, none of our trustees or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

**Item 6. Exhibits**

Exhibit No.	Exhibit Description	Incorporated by Reference from the Below-Listed Form (Each Filed under SEC File Number 001-34416)	Form	Filing Date
3.1	<a href="#">Declaration of Trust of PennyMac Mortgage Investment Trust, as amended and restated.</a>		10-Q	November 6, 2009
3.2	<a href="#">Second Amended and Restated Bylaws of PennyMac Mortgage Investment Trust</a>		8-K	March 16, 2018
3.3	<a href="#">Articles Supplementary classifying and designating the 8.125% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Shares of Beneficial Interest.</a>		8-A	March 7, 2017
3.4	<a href="#">Articles Supplementary classifying and designating the 8.00% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Shares of Beneficial Interest.</a>		8-A	June 30, 2017
3.5	<a href="#">Articles Supplementary classifying and designating the 6.75% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest.</a>		8-A	August 20, 2021
10.1^	<a href="#">First Amendment to Master Repurchase Agreement, dated as of October 18, 2024, among PMC FMSR VFN Funding, LLC, PMH FMSR VFN Funding, LLC, PennyMac Corp., PennyMac Holdings, LLC, and Goldman Sachs Bank, USA.</a>		*	
31.1	<a href="#">Certification of David A. Spector pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>		*	
31.2	<a href="#">Certification of Daniel S. Perotti pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>		*	
32.1**	<a href="#">Certification of David A. Spector pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>		**	
32.2**	<a href="#">Certification of Daniel S. Perotti pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>		**	
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023 (ii) the Consolidated Statements of Income For the quarter and nine months ended September 30, 2024 and September 30, 2023, (iii) the Consolidated Statements of Changes in Shareholders' Equity For the quarter and nine months ended September 30, 2024 and September 30, 2023, (iv) the Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and September 30, 2023 and (v) the Notes to the Consolidated Financial Statements.		*	
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			
101.SCH	Inline XBRL Taxonomy Extension Schema Document			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	Inline XBRL Taxonomy Extension Definition Linkbase Document			
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)			

\* Filed herewith.

^ Portions of the exhibit have been redacted.

\*\* The certifications attached hereto as Exhibits 32.1 and 32.2 are furnished to the SEC pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PENNYMAC MORTGAGE INVESTMENT TRUST  
(Registrant)

Dated: October 30, 2024

By: /s/ David A. Spector

David A. Spector  
*Chairman and Chief Executive Officer*  
*(Principal Executive Officer)*

Dated: October 30, 2024

By: /s/ Daniel S. Perotti

Daniel S. Perotti  
*Senior Managing Director and Chief Financial Officer*  
*(Principal Financial Officer)*

EXHIBIT 10.1

INFORMATION INDICATED WITH BRACKETS [\*\*\*] HAS BEEN OMITTED FROM THIS EXHIBIT BECAUSE IT IS NOT MATERIAL AND CONTAINS INFORMATION THAT THE COMPANY TREATS AS PRIVATE OR CONFIDENTIAL.

FIRST AMENDMENT  
TO  
MASTER REPURCHASE AGREEMENT

This FIRST AMENDMENT TO MASTER REPURCHASE AGREEMENT (this “**Amendment**”), is entered into as of October 18, 2024, by and among PMC FMSR VFN FUNDING, LLC, as a seller (the “PMC FMSR Seller”), PMH FMSR VFN FUNDING, LLC, as a seller (the “PMH FMSR Seller” and together with the PMC FMSR Seller, the “Sellers”), PENNYMAC CORP., as a parent (“PMC FMSR Parent” or “PMC”), and PENNYMAC HOLDINGS, LLC, as a parent (“PMH FMSR Parent” or “PMH” and, together with the PMC FMSR Parent, the “Parents”), the Buyer party hereto and GOLDMAN SACHS BANK USA (“GS Bank”), as administrative agent (the “**Administrative Agent**”).

WHEREAS, the Sellers, the Parents, the Administrative Agent and GS Bank, as the initial Buyer have entered into that certain Master Repurchase Agreement, dated as of March 15, 2024 (the “**Existing Master Repurchase Agreement**”);

WHEREAS, the Sellers have requested that the Administrative Agent and the Buyers agree to amend the Existing Master Repurchase Agreement to make certain changes thereto (the Existing Master Repurchase Agreement, as amended by this Amendment, being referred to herein as the “**Amended Master Repurchase Agreement**”); and

WHEREAS, subject to the terms and conditions set forth in this Amendment, the Administrative Agent and the Buyers are willing to amend the Existing Master Repurchase Agreement as set forth below.

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein, the parties hereto agree as follows:

1. Definitions and Construction. Unless otherwise defined or provided herein, capitalized terms used herein have the respective meanings attributed thereto in, or by reference in, the Amended Master Repurchase Agreement. The rules of construction in Article I of the Amended Master Repurchase Agreement shall apply *mutatis mutandis* to this Amendment.

2. Amendment to the Existing Master Repurchase Agreement. Upon satisfaction of the conditions set forth in Section 3 hereof, the parties hereto hereby agree the Existing Master Purchase Agreement is amended in its entirety to read as set forth on Exhibit A hereto.

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3. Conditions to Effectiveness. This Amendment shall be effective upon the Administrative Agent's receipt of the following:

(a) counterparts of this Amendment and the related amended and restated Pricing Side Letter (the "A&R Pricing Side Letter") executed by each of the parties thereto; and

(b) confirmation that the Administrative Agent shall have received payment in full of all fees and expenses (including reasonable accrued fees and expenses of counsel to the Administrative Agent), which are due and payable under the Program Agreements on or before the date hereof.

4. Certain Representations and Warranties. In order to induce the Administrative Agent and the Buyers to enter into this Amendment, each Seller Party hereby represents and warrants to Administrative Agent and each Buyer as of the date hereof, as follows:

(a) *Authorization.* It has all necessary corporate or other power, authority and legal right to execute and deliver this Amendment and the A&R Pricing Side Letter and perform its obligations under the Amended Master Repurchase Agreement and the A&R Pricing Side Letter. It has taken all requisite or other corporate action to authorize its execution and delivery of this Amendment and the A&R Pricing Side Letter and performance of the Amended Master Repurchase Agreement and the A&R Pricing Side Letter.

(b) *Consents.* No consent, approval, authorization or order of, registration or filing with, or notice to any governmental authority, court or other Person is required under applicable Law in connection with its execution and delivery of this Amendment and the A&R Pricing Side Letter and performance of the Amended Master Repurchase Agreement and the A&R Pricing Side Letter.

(c) *Execution, No Conflict.* This Amendment and the A&R Pricing Side Letter have been duly executed and delivered by it and the Amended Master Repurchase Agreement and the A&R Pricing Side Letter constitutes a legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as such enforcement may be affected by bankruptcy, by other insolvency laws, or other similar laws affecting the enforcement of creditor's rights. Its execution and delivery of this Amendment and the A&R Pricing Side Letter or performance of the Amended Master Repurchase Agreement and the A&R Pricing Side Letter do not constitute or will not result in (i) any breach of any term or provision of the Organizational Documents of any Seller Party, (ii) a breach of any indenture, loan agreement, warehouse line of credit, repurchase agreement, mortgage, deed of trust, the Fannie Mae Lender Contract or any other material contractual obligation of such Seller Party; (iii) a material default or an acceleration under any of the foregoing; or (iv) the violation of any Law applicable to any Seller Party or its property, which conflict would have a Material Adverse Effect.

(d) *No Defaults.* As of the date hereof and after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing.

(e) *Representations and Warranties.* The representations and warranties of the Borrower contained in the Transaction Documents are true, correct and complete on and as of the date hereof in all material respects with the same force and effect as if made on and as of such date (or, (i) if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date and (ii) if any such representation or warranty is already qualified by materiality or material adverse effect, such representation or warranty shall be true and correct in all respects, as written).

5. Reference to, and Effect on, the Master Repurchase Agreement and the Transaction Documents.

(a) This Amendment constitutes a Program Agreement for all purposes of, or in connection with, the Amended Master Repurchase Agreement and the other Transaction Documents.

(b) Except as expressly set forth herein, all of the terms, conditions and covenants of the Existing Master Repurchase Agreement and the other Program Agreements are hereby ratified and confirmed in all respects by each of the parties hereto and shall remain in full force and effect in accordance with its terms.

(c) On and after the effectiveness of this Amendment, each reference in the Amended Master Repurchase Agreement to "this Agreement", "this Master Repurchase Agreement", "hereunder", "hereof" or words of like import referring to the Agreement, and each reference in each of the other Transaction Documents to "the Master Repurchase Agreement", "thereunder", "thereof" or words of like import referring to the Master Repurchase Agreement, shall mean and be a reference to the Existing Master Repurchase Agreement as amended by this Amendment.

(d) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of or amendment to, any right, power or remedy of the Administrative Agent under, nor constitute a waiver of or amendment to, any other provision of, the Amended Master Repurchase Agreement or any other Program Agreement.

6. No Novation. This Amendment is not intended by the parties to be, and shall not be construed to be, a novation of the Amended Master Repurchase Agreement or any other Program Agreement or an accord and satisfaction in regard thereto and each Seller Party reaffirms that any security interest created by the Existing Master Repurchase Agreement and each other Program Agreement is and remains in full force and effect.

7. Miscellaneous. The provisions of Section 11.04 (Governing Law; Submission to (Jurisdiction; Waivers) of the Master Repurchase Agreement are incorporated into this Amendment as if fully set forth herein, *mutatis mutandis*.

8. Entire Agreement. This Amendment constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all other understandings, oral or written, with respect to the subject matter hereof.

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9. Severability. In case any provision in or obligation under this Amendment shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

10. Section Headings. All Section headings are inserted for convenience of reference only and shall not affect any construction or interpretation of this Amendment.

11. General. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

12. Execution. This Amendment may be executed in any number of counterparts and by each party hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or by e-mail in portable document format (.pdf) shall be effective as delivery of a manually executed counterpart of this Amendment.

*(Signature pages follow)*

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Master Repurchase Agreement be executed by their respective officers thereunto duly authorized, as of the date first above written.

**PMC FMSR VFN FUNDING, LLC,**  
as a Seller

By: \_\_\_\_\_

Name:

Title:

**PMH FMSR VFN FUNDING, LLC,**  
as a Seller

By: \_\_\_\_\_

Name:

Title:

**PENNIMAC HOLDINGS, LLC,**  
as a Parent

By: \_\_\_\_\_

Name:

Title:

**PENNIMAC CORP.,**  
as a Parent

By: \_\_\_\_\_

Name:

Title:

*[Signature Page to VF1 Master Repurchase Agreement Amendment]*

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**GOLDMAN SACHS BANK USA,**  
as Administrative Agent

By: \_\_\_\_\_

Name:

Title:

**GOLDMAN SACHS BANK USA,**  
as a Buyer

By: \_\_\_\_\_

Name:

Title:

*[Signature Page to VF1 Master Repurchase Agreement Amendment]*

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EXHIBIT A

See attached

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EXHIBIT A to First Amendment

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MASTER REPURCHASE AGREEMENT

among

GOLDMAN SACHS BANK USA,

as Administrative Agent

and

PMC FMSR VFN FUNDING, LLC,

as a Seller

and

PMH FMSR VFN FUNDING, LLC,

as a Seller

and

Buyers from time to time party hereto

and

PENNymac CORP.,

as a Parent

and

PENNymac HOLDINGS, LLC,

as a Parent

Dated as of March 15, 2024

PMT ISSUER TRUST – FMSR AND PMT CO-ISSUER TRUST I - FMSR  
MSR COLLATERALIZED NOTES, SERIES 2024-VF1

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Schedule 1 – Asset Schedule

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Exhibit A – Form of Transaction Notice

Exhibit B – Existing Indebtedness of Seller Parties

## MASTER REPURCHASE AGREEMENT

This Master Repurchase Agreement (this “Agreement”) is made as of March 15, 2024, among GOLDMAN SACHS BANK USA, as administrative agent (“Administrative Agent”), Buyers (as defined herein) from time to time party hereto, PMC FMSR VFN FUNDING, LLC, as a seller (the “PMC FMSR Seller”), PMH FMSR VFN FUNDING, LLC, as a seller (the “PMH FMSR Seller” and together with the PMC FMSR Seller, the “Sellers”), PENNYMAC CORP., as a parent (“PMC FMSR Parent” or “PMC”), and PENNYMAC HOLDINGS, LLC, as a parent (“PMH FMSR Parent” or “PMH” and, together with the PMH FMSR Parent, the “Parents”). Capitalized terms have the meanings specified in Sections 1.01 and 1.02.

### WITNESSETH:

**WHEREAS**, from time to time the parties hereto may enter into transactions in which Sellers agree to transfer to Administrative Agent on behalf of the Buyers a certain Note (as defined below) against the transfer of funds by Buyers, with a simultaneous agreement by Buyers to transfer to Sellers such Note at a date certain or on demand, against the transfer of funds by Sellers. Each such transaction shall be referred to herein as a “Transaction” and, unless otherwise agreed in writing, shall be governed by this Agreement, including any supplemental terms or conditions contained in any annexes identified herein, as applicable hereunder;

**WHEREAS**, pursuant to the Base Indenture and the Series 2024-VF1 Indenture Supplement, PMT ISSUER TRUST - FMSR (“Issuer”) and PMT CO-ISSUER TRUST I – FMSR (“Co-Issuer”) have duly authorized the issuance of a Series of Notes, as a single Class of Variable Funding Note, known as the “PMT ISSUER TRUST - FMSR and PMT CO-ISSUER TRUST I - FMSR MSR Collateralized Notes, SERIES 2024-VF1” (the “Note”);

**WHEREAS**, from time to time the parties hereto may enter into Transactions;

**WHEREAS**, the Sellers are the owners of the Note; and

**WHEREAS**, the Sellers wish to sell the Note to Buyers, which will be held by Administrative Agent on behalf of Buyers, pursuant to the terms of this Agreement.

**NOW, THEREFORE**, in consideration of the mutual agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Administrative Agent, Buyers, Sellers and Parents hereby agree as follows.

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## ARTICLE I

### DEFINITIONS

Section 1.01 Certain Defined Terms. Capitalized terms used herein shall have the indicated meanings:

“1933 Act” means the Securities Act of 1933, as amended from time to time.

“1934 Act” means the Securities Exchange Act of 1934, as amended from time to time.

“Accepted Servicing Practices” means (a) with respect to any Mortgage Loan, the customary and usual standards of mortgage servicing practices of prudent mortgage banking institutions in the business servicing mortgage loans for itself or for other third-party portfolios of mortgage loans of the same type as such Mortgage Loan in the jurisdiction where the related mortgaged property is located; and (b) with respect to all MSRs, those practices required by Fannie Mae (including the Fannie Mae Lender Contract); provided, however, that in all cases the accepted servicing practices must (i) comply with the terms of applicable Laws and the related loan documents and (ii) meet a standard of care not less than customary, reasonable and usual standards of practice for institutions that service loans that are similar to the Mortgage Loans.

“Act of Insolvency” means, with respect to any Person:

- (a) such Person shall become insolvent or generally fail to pay, or admit in writing its inability to pay, its debts as they become due, or shall voluntarily commence any proceeding or file any petition under any bankruptcy, insolvency or similar Law, which proceeding or petition seeks dissolution, liquidation or reorganization or the appointment of a receiver, trustee, custodian, conservator or liquidator for itself or a substantial portion of its property, assets or business or to effect a plan or other arrangement with its creditors, or shall file any answer admitting the jurisdiction of the court and the material allegations of an involuntary petition filed against it in any bankruptcy, insolvency or similar proceeding, or shall be adjudicated bankrupt, or shall make a general assignment for the benefit of creditors, or such Person, or a substantial part of its property, assets or business, shall be subject to, consent to or acquiesce in the appointment of a receiver, trustee, custodian, conservator or liquidator for itself or a substantial portion of its property, assets or business;
- (b) corporate action shall be taken by such Person for the purpose of effectuating any of the foregoing;
- (c) an order for relief shall be entered in a case under the Bankruptcy Code in which such Person is a debtor; or
- (d) involuntary proceedings or an involuntary petition shall be commenced or filed against such Person under any bankruptcy, insolvency or similar Law, which proceeding or petition seeks dissolution, liquidation or reorganization of such Person or the appointment of a receiver, trustee, custodian, conservator or liquidator for such Person or of a substantial part of the property, assets or business of such Person, or any writ, order, judgment, warrant of attachment,

execution or similar process shall be issued or levied against a substantial part of the property, assets or business of such Person.

“Additional Balance” has the meaning set forth in Section 2.13.

“Additional Funding” has the meaning set forth in Section 2.13.

“Additional Repurchase Assets” has the meaning set forth in Section 4.02(c).

“Adjusted Committed Amount” has the meaning given such term in the Pricing Side Letter.

“Adjusted Maximum Purchase Price” has the meaning given such term in the Pricing Side Letter.

“Adjusted Tangible Net Worth” has the meaning assigned to such term in the Pricing Side Letter.

“Administrative Agent” has the meaning assigned to such term in the preamble to this Agreement.

“Administrative Agent Account” means the account identified on Schedule 3 hereto.

“Administrator” means PMC, in its capacity as the administrator on behalf of the Issuer, and any successor to PMC in such capacity.

“Affiliate” means, with respect to (i) any specified Person, any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such specified Person and (ii) any Seller Party, the VFN Guarantor and its Subsidiaries; provided for the avoidance of doubt, neither PennyMac Loan Services, LLC nor any of its Affiliates nor any of its Subsidiaries shall be considered an Affiliate of Parent and its Subsidiaries pursuant to clause (i) of this “Affiliate” definition.

“Aggregate Adjusted Committed Amount” means the sum of all Adjusted Committed Amounts.

“Agreement” has the meaning assigned to such term in the preamble to this Agreement.

“Amortization Date” has the meaning assigned to such term in the Pricing Side Letter.

“Amortization Payment Amount” has the meaning assigned to such term in the Pricing Side Letter.

“Anti-Money Laundering Laws” shall have the meaning set forth in Section 3.27.

**“Applicable Lending Office”** means the “lending office” of Administrative Agent or a Buyer (or of an Affiliate of Administrative Agent or a Buyer) designated on the signature page hereof or such other office of Administrative Agent or a Buyer (or of an Affiliate of Administrative Agent or a Buyer) as Administrative Agent or the applicable Buyer may from time to time specify to each Seller in writing as the office by which the Transactions are to be made and/or maintained.

**“Approved Subservicer”** means any subservicer approved in writing by Administrative Agent (such approval not to be unreasonably withheld, conditioned or delayed) and any Interim Servicer (as defined in the Base Indenture). On the Closing Date, PennyMac Loan Services, LLC shall be considered an Approved Subservicer.

**“Approved Subservicing Agreement”** means (i) the Flow Servicing Agreement between PMC and PennyMac Loan Services, LLC, dated as of June 1, 2022 and (ii) any subservicing agreement approved in writing by Administrative Agent (such approval not to be unreasonably withheld, conditioned or delayed) with an Approved Subservicer, as the context may require.

**“Asset Schedule”** means Schedule 2 attached hereto, which lists the Note and the terms thereof, as such schedule shall be updated from time to time in accordance with Section 2.02 hereof, including in connection with Administrative Agent’s approval of any Additional Balances pursuant to Section 2.13.

**“Asset Value”** has the meaning assigned to such term in the Pricing Side Letter.

**“Audits”** means any Fannie Mae audits, examinations, evaluations, monitoring reviews and reports of its origination and servicing operations (including those prepared on a contract basis for Fannie Mae).

**“Bankruptcy Code”** means the U.S. Bankruptcy Code, 11 U.S.C. § 101, et seq., as amended.

**“Base Indenture”** means the Amended and Restated Base Indenture, dated as of October 10, 2023, among the Issuer, Co-Issuer, Citibank, N.A., as indenture trustee, as calculation agent, as paying agent and as securities intermediary, PMC, as administrator and as servicer, PMH, as co-issuer administrator, and Atlas Securitized Products, L.P., as administrative agent, as may be amended, restated, supplemented or otherwise modified from time to time.

**“Base Rate”** has the meaning assigned to such term in the Pricing Side Letter.

**“BHC Act Affiliate”** of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

**“Business Day”** means any day excluding Saturday, Sunday, any day which is a legal holiday under the laws of the State of New York, any day on which banking institutions located in any such state are authorized or required by law or other governmental action to close, and any day on which the New York Stock Exchange or the Federal Reserve Bank of New York is authorized or obligated by law or executive order to be closed.

“Buyer” means each Person listed on the signature pages to this Agreement as a Buyer, together with their successors, and any assignee, Participant (subject to the restrictions in Section 9.02) or Transferee of such Person in the Transaction, other than any such Person that ceases to be a Buyer pursuant to this Agreement.

“Buyer Indebtedness” means GS Indebtedness.

“Change in Control” means any of the following shall occur without the prior written consent of Administrative Agent:

(i) PMC FMSR Parent ceases to own, directly or indirectly, 100% of the equity interests of PMC FMSR Seller;

(ii) PMH FMSR Parent ceases to own, directly or indirectly, 100% of the equity interests of PMH FMSR Seller;

(iii) with respect to the VFN Guarantor, in any transaction or series of related transactions, any “person” or “group” as such terms are used in Sections 13(d) and 14(d) of the Exchange Act of 1934, other than a trustee or other fiduciary holding securities of such Person under an employee benefit plan of such Person, becomes the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of such Person representing 50% or more of (i) the outstanding shares of common stock of such Person or (ii) the combined voting power of such Person’s then-outstanding securities;

(iv) the VFN Guarantor ceases to own, directly or indirectly, legally and beneficially, more than 50% of the Equity Interests of PMH and PMC or ceases to have the power to vote, directly, voting securities of PMH and PMC representing more than 50% of the voting power of the total outstanding voting securities of PMH or PMC;

(v) any transaction or event as a result of which the VFN Guarantor ceases to be a public company; or

(vi) any transaction or series of related transactions that has the effect of any one or more of the foregoing.

“Closing Date” has the meaning assigned to such term in the Pricing Side Letter.

“Co-Issuer” has the meaning assigned to such term in the Recitals.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Committed Amount” has the meaning assigned to such term in the Pricing Side Letter.

“Confidential Information” has the meaning set forth in Section 11.11(b).

“Contribution Agreement” means the Contribution Agreement, dated as of March 15, 2024, by and between the Sellers and the Parents.

“Control,” “Controlling” or “Controlled” means possession of the power to direct or cause the direction of the management or policies of a Person through the right to exercise voting power or by contract, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Covered Entity” shall mean any of the following:

- (a) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);
- (b) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or
- (c) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Default” means an event, condition or default that, with the giving of notice, the passage of time, or both, would constitute an Event of Default.

“Defaulting Buyer” has the meaning set forth in Section 2.02.

“Defaulting Buyer Deficiency” has the meaning set forth in Section 2.02.

“Default Rights” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“Division” means, with respect to any Person that is a limited liability company organized under the laws of the State of Delaware, that any such Person (a) divides into two or more Persons (whether or not the original Person or Subsidiary thereof survives such division) or (b) creates, or reorganizes into, one or more series, in each case, as contemplated under the laws of the State of Delaware, including Section 18-217 of the Delaware Limited Liability Company Act.

“Dollars” and “¥” means dollars in lawful currency of the United States of America.

“Equity Interests” means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation), including partnership interests and membership interests, and any and all warrants, rights or options to purchase or other arrangements or rights to acquire any of the foregoing.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

“ERISA Affiliate” means any person (as defined in Section 3(9) of ERISA) that together with Parents or VFN Guarantor would be a member of the same “controlled group” or is treated as a single employer under Section 414(b) or (c) of the Code or solely for purposes of Section 302 of ERISA and Section 412 of the Code is treated as single employer described in Section 414 of the Code.

“ERISA Event” has the meaning assigned to such term in Section 6.21(a)(iii)(6).

“Event of Default” has the meaning assigned to such term in Section 7.01.

“Existing Indebtedness” has the meaning specified in Section 3.21.

“Expenses” means all present and future expenses reasonably incurred by or on behalf of Administrative Agent or any Buyer in connection with the negotiation, execution or enforcement of this Agreement or any of the other Program Agreements and any amendment, supplement or other modification or waiver related hereto or thereto, whether incurred heretofore or hereafter, which expenses shall include the reasonable and documented cost of title, lien, judgment and other record searches; reasonable and documented attorneys’ fees; any ongoing audits or due diligence costs in connection with valuation, entering into Transactions or determining whether a Margin Deficit may exist; and costs of preparing and recording any UCC financing statements or other filings necessary to perfect the security interest created hereby.

“Fannie Mae” means the Federal National Mortgage Association and its successors and assigns.

“Fannie Mae Approvals” has the meaning assigned in Section 6.12.

“Fannie Mae Guide” means the Fannie Mae Selling Guide and the Fannie Mae Servicing Guide, as amended from time to time, and any related announcements, directives and correspondence issued by Fannie Mae.

“Fannie Mae Lender Contract” means the Mortgage Selling and Servicing Contract (as mentioned in the Acknowledgment Agreement), the Fannie Mae Selling Guide, the Fannie Mae Servicing Guide and all supplemental servicing instructions or directives provided by Fannie Mae, all applicable master agreements, recourse agreements, repurchase agreements, indemnification agreements, loss-sharing agreements, and any other agreements between Fannie Mae and PMC, which rights include the right of Fannie Mae to terminate the Fannie Mae Lender Contract with or without cause and the right to sell, or have transferred, the MSRs.

“Fannie Mae Requirements” means the rights and interests of Fannie Mae in and to the MSRs arising under the Fannie Mae Lender Contract, the Acknowledgment Agreement, the Fannie Mae Guide, or any other agreement between PMC and Fannie Mae.

“Fannie Mae Selling Guide” shall have the meaning of Selling Guide as set forth in the Acknowledgment Agreement.

“Fannie Mae Servicing Guide” shall have the meaning of Servicing Guide as set forth in the Acknowledgment Agreement.

**“FATCA”** Sections 1471 through 1474 of the Code as of the date of this Agreement (or any amended or successor version that is substantially comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any U.S. or non-U.S. fiscal or regulatory legislation, guidance, notes, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code.

**“Fee Letters”** means the Pricing Side Letter and any other fee letter entered into from time to time between Administrative Agent and/or any Buyer on the one hand and one or more of Seller Parties and/or the VFN Guarantor on the other hand.

**“Fees”** means any fees described in the Fee Letters.

**“Fidelity Insurance”** means insurance coverage with respect to employee errors, omissions, dishonesty, forgery, theft, disappearance and destruction, robbery and safe burglary, property (other than money and securities) and computer fraud in an aggregate amount acceptable to PMC’s regulators.

**“GAAP”** means U.S. generally accepted accounting principles that are (i) consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its successors, as in effect from time to time, and (ii) applied consistently with principles applied to past financial statements of the applicable Person and its subsidiaries; provided, that a certified public accountant would, insofar as the use of such accounting principles is pertinent, be in a position to deliver an unqualified opinion (other than a qualification regarding changes in generally accepted accounting principles) that such principles have been properly applied in preparing such financial statements.

**“Governmental Actions”** means any and all consents, approvals, permits, orders, authorizations, waivers, exceptions, variances, exemptions or licenses of, or registrations, declarations or filings with, any Governmental Authority required under any Governmental Rules.

**“Governmental Authority”** means any nation or government, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions over Administrative Agent, any Seller Party or any Buyer, as applicable.

**“Governmental Rules”** means any and all laws, statutes, codes, rules, regulations, ordinances, orders, writs, decrees and injunctions, of any Governmental Authority and any and all legally binding conditions, standards, prohibitions, requirements and judgments of any Governmental Authority.

**“GS Bank”** means Goldman Sachs Bank USA.

**“GS Indebtedness”** means Indebtedness (other than hereunder), entered into between (i) GS Bank or one of its Affiliates, and (ii) any one or more of the VFN Guarantor or any of its Subsidiaries.

**“Guarantee”** means, as to any Person, any obligation of such Person directly or indirectly guaranteeing any Indebtedness of any other Person or in any manner providing for the payment of any Indebtedness of any other Person or otherwise protecting the holder of such Indebtedness against loss (whether by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, or to take-or-pay or otherwise); provided that the term **“Guarantee”** shall not include (i) endorsements for collection or deposit in the ordinary course of business, or (ii) obligations to make servicing advances for delinquent taxes and insurance or other obligations in respect of a mortgaged property. The amount of any Guarantee of a Person shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith. The terms **“Guarantee”** and **“Guaranteed”** used as verbs shall have correlative meanings.

**“Guarantor”** means PMC, PMH and VFN Guarantor.

**“Indebtedness”** has the meaning assigned to such term in the Pricing Side Letter.

**“Indenture”** means the Base Indenture, together with the Series 2024-VF1 Indenture Supplement thereto.

**“Indenture Trustee”** means Citibank, N.A., its permitted successors and assigns.

**“Independent Manager”** means the applicable independent manager appointed in accordance with the Organizational Documents of each Seller.

**“Issuer”** has the meaning assigned to such term in the recitals to this Agreement.

**“Law”** means any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, order, guideline, judgment, injunction, writ, decree or award of any Governmental Authority.

**“Lien”** means, with respect to any property or asset of any Person (a) any mortgage, lien, pledge, charge or other security interest or encumbrance of any kind in respect of such property or asset or (b) the interest of a vendor or lessor arising out of the acquisition of or agreement to acquire such property or asset under any conditional sale agreement, lease purchase agreement or other title retention agreement.

**“Margin”** has the meaning assigned to such term in the Pricing Side Letter.

**“Margin Call”** has the meaning set forth in **Section 2.05(a)**.

**“Margin Deficit”** has the meaning set forth in **Section 2.05(a)**.

**“Margin Stock”** shall have the meaning set forth in Regulation U.

**“Material Adverse Change”** means the occurrence of an event or a change in circumstances that had or is reasonably likely to have a Material Adverse Effect.

**“Material Adverse Effect”** means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, assets, condition (financial or otherwise) or prospects of any Seller Party or any Affiliate that is a party to any Program Agreement; (b) a material impairment of the ability of any Seller Party or any Affiliate that is a party to any Program Agreement to perform under any Program Agreement and to avoid any Event of Default; (c) a material adverse effect upon the legality, validity, binding effect or enforceability of any Program Agreement against any Seller Party or any Affiliate that is a party to any Program Agreement or (d) a material adverse effect upon the existence, perfection, priority or enforceability of Administrative Agent’s security interest in a material portion of the Repurchase Assets.

**“Maximum Purchase Price”** has the meaning assigned to such term in the Pricing Side Letter.

**“Monthly Report Date”** has the meaning set forth in Section 6.21(c).

**“Multiemployer Plan”** means a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA to which PMC or any of its ERISA Affiliates has contributed, or has been obligated to contribute.

**“Non-Excluded Taxes”** has the meaning set forth in Section 2.11(a).

**“Note”** has the meaning assigned to such term in the recitals to this Agreement.

**“Notice”** or **“Notices”** means all requests, demands and other communications, in writing (including facsimile transmissions and e-mails), sent by overnight delivery service, facsimile transmission, electronic transmission or hand-delivery to the intended recipient at the address specified in Section 11.05 or, as to any party, at such other address as shall be designated by such party in a written notice to the other party.

**“Obligations”** means (a) all of Sellers’ indebtedness, obligations to pay the outstanding principal balance of the Purchase Price, together with interest thereon on the Termination Date, outstanding interest due on each Price Differential Payment Date, and other obligations and liabilities, to Administrative Agent, Buyers or their respective Affiliates arising under, or in connection with, the Program Agreements, whether on account of principal, interest, reimbursement obligations, fees, indemnities, out-of-pocket costs, and expenses (including all fees, charges and disbursements of counsel to Administrative Agent or any Buyer that are required to be paid by Sellers pursuant hereto or under any other Program Agreement) or otherwise, whether now existing or hereafter arising; (b) any and all sums reasonably incurred and paid by Administrative Agent or Buyers or on behalf of Administrative Agent or Buyers in order to preserve any Repurchase Asset or its interest therein; (c) all Servicing Diligence Agent Fees; (d) in the event of any proceeding for the collection or enforcement of any of Sellers’ indebtedness, obligations or liabilities referred to in this definition, the reasonable expenses of retaking, holding, collecting, preparing for sale, selling or otherwise disposing of or realizing on any Repurchase Asset, or of any exercise by Administrative Agent or Buyers of their respective rights under the Program Agreements, including reasonable attorneys’ fees and disbursements and court costs and (e) all of Sellers’ indemnity obligations to Administrative Agent and Buyers pursuant to the Program Agreements.

“OFAC” means the United States Treasury Department’s Office of Foreign Assets Control.

“Officer’s Compliance Certificate” has the meaning assigned to such term in the Pricing Side Letter.

“Organizational Documents” means the corporate charter and by-laws, the articles of organization and operating agreement and the partnership certificate and partnership agreement, as applicable of a Person.

“Other Taxes” has the meaning set forth in Section 2.11(b).

“Parent” has the meaning assigned to such term in the preamble to this Agreement.

“Participant” has the meaning set forth in Section 9.02(a).

“PBGC” means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

“Pension Protection Act” means the Pension Protection Act of 2006, as amended from time to time.

“Person” means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

“Plan” means any “employee pension benefit plan” within the meaning of Section 3(2) of ERISA that is subject to Title IV of ERISA or Section 412 of the Code (other than a Multiemployer Plan) and that is maintained and contributed to by (or to which there is an obligation to contribute), or at any time during the five (5) calendar years preceding the date of this Agreement was maintained or contributed to by (or to which there was an obligation to contribute), PMC or any Subsidiary thereof or any of their respective ERISA Affiliates.

“PMC” has the meaning assigned to such term in the preamble to this Agreement.

“PMH” has the meaning assigned to such term in the preamble to this Agreement.

“Price Differential” means with respect to any Transaction as of any date of determination, an amount equal to the product of (A) the Pricing Rate for such Transaction and (B) the Purchase Price for such Transaction, calculated daily on the basis of a 360 day year for the actual number of days during the Price Differential Period.

“Price Differential Payment Date” means, for as long as any Obligations shall remain owing by Sellers to Administrative Agent or Buyers, each Payment Date (as defined in the Indenture).

“Price Differential Period” means, the period from and including a Price Differential Payment Date (or the Purchase Date for any date of determination before the first Price Differential Payment Date), up to but excluding the next Price Differential Payment Date.

“Price Differential Statement Date” has the meaning set forth in Section 2.04.

“Pricing Rate” means Base Rate plus the applicable Margin.

“Pricing Side Letter” means the letter agreement dated as of the Closing Date, by and among Administrative Agent, Buyers, Sellers and Guarantor as amended, restated, supplemented or otherwise modified from time to time.

“Primary Repurchase Assets” has the meaning set forth in Section 4.02(a).

“Program Agreements” means this Agreement, the Fee Letters, the VFN Repo Guaranty, the Contribution Agreement, the Base Indenture, the PC Repurchase Agreement, the PC Repo Guaranty, the Excess Spread Participation Agreement, the Retained Excess Spread Participation Agreement, the Servicing Diligence Agreement (as defined in the Pricing Side Letter), the Subservicer Side Letter and the Series 2024-VF1 Indenture Supplement, as each of the same may hereafter be amended, restated, supplemented or otherwise modified from time to time; provided, however, that the Program Agreements shall not include any rights created pursuant to an Indenture Supplement other than the Series 2024-VF1 Indenture Supplement, or any rights under the Base Indenture or any other Program Agreements relating to such other Indenture Supplements.

“Property” means any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

“Pro Rata Share” means, with respect to each Buyer, a percentage equal to a fraction, the numerator of which is the amount of such Buyer’s Adjusted Committed Amount at such time and the denominator of which is the Aggregate Adjusted Committed Amount at such time; provided that, with respect to the application of payments pursuant to Section 2.07, “Pro Rata Share” means, with respect to each Buyer, a percentage equal to a fraction, the numerator of which is equal to such Buyer’s aggregate outstanding Purchase Price and the denominator of which is the aggregate Purchase Price outstanding hereunder.

“Purchase Date” means, subject to the satisfaction of the conditions precedent set forth in Article V hereof, each Funding Date (as defined in the Indenture) on which a Transaction is entered into by Administrative Agent (as agent for Buyers) pursuant to Section 2.02 or such other mutually agreed upon date as more particularly set forth on Exhibit A hereto.

**“Purchase Price”** means on any date of determination:

- (i) the price at which each Purchased Asset (or portion thereof) is transferred by Sellers to Buyers (or Administrative Agent, as agent and bailee for Buyers), which shall equal the Asset Value of such Purchased Asset on the related Purchase Date, *minus*
  - (ii) the sum of (a) any Purchase Price paid with respect to such Purchased Asset pursuant to Section 2.03, plus (b) any Additional Note Payment made with respect to such Purchased Asset pursuant to Section 4.4(b) or Section 4.5(e) of the Indenture, *plus* (c) any Redemption Amount paid pursuant to Section 13.1 of the Indenture, *plus* (d) any amounts paid or applied with respect to such Purchased Asset pursuant to Section 2.05.

**“Purchase Price Percentage”** has the meaning assigned to such term in the Pricing Side Letter.

**“Purchased Assets”** means, collectively, the Note and all outstanding Additional Balances together with the Repurchase Assets related to such Note and Additional Balances transferred by Sellers to Administrative Agent, as agent and bailee for the Buyers, in a Transaction hereunder, as listed on the related Asset Schedule attached to the related Transaction Notice.

**“QFC”** has the meaning assigned to such term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

**“Records”** means all instruments, agreements and other books, records, and reports and data generated by other media for the storage of information maintained by any Seller Party, or any other Person with respect to the Purchased Assets.

**“Register”** has the meaning set forth in Section 9.02(b).

**“Reportable Event”** means a reportable event as defined in Section 4043 of ERISA with respect to a Plan as to which the PBGC has not waived the requirement of Section 4043(a) of ERISA that it be notified within thirty (30) days of the occurrence of such event.

**“Repurchase Assets”** has the meaning set forth in Section 4.02(c).

**“Repurchase Date”** means the earlier of (i) the Termination Date or (ii) the date requested by Sellers on which the Repurchase Price is paid pursuant to Section 2.03.

**“Repurchase Price”** means the price at which Purchased Assets are to be transferred by or on behalf of Buyers to Sellers upon termination of a Transaction, which will be determined in each case (including Transactions terminable upon demand) as the sum of the Purchase Price and the accrued but unpaid Price Differential as of the date of such determination.

**“Repurchase Rights”** has the meaning set forth in Section 4.02(c).

“Required Buyers” means at any time (a) Buyers (other than Defaulting Buyers) owning an aggregate of greater than 50% of the Obligations outstanding at such time (excluding the portion of the Obligations owed to a Defaulting Buyer), or (b) at any time there are no Obligations outstanding, “Required Buyers” means Buyers (other than Defaulting Buyers) holding aggregate Committed Amounts of greater than 50% (excluding the Committed Amounts of any Defaulting Buyers).

“Requirement of Law” means, with respect to any Person, any law, treaty, rule or regulation or determination of an arbitrator, a court or other Governmental Authority, applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Responsible Officer” means as to any Person, the chief executive officer or, with respect to financial matters, the chief financial officer or treasurer of such Person. The Responsible Officers of each Seller Party as of the Closing Date are listed on Schedule 1 hereto.

“Seller” or “Sellers” has the meaning assigned to such term in the preamble to this Agreement.

“Seller Parties” means the Sellers and Parents.

“Seller Termination Option” means (a) a Buyer has or shall incur material costs in connection with those matters provided for in Section 2.10 or 2.11 and (b) Administrative Agent on behalf of a Buyer requests that Sellers pay to such Buyer those costs in connection therewith.

“Series 2024-VF1 Indenture Supplement” means the Series 2024-VF1 Indenture Supplement, dated as of March 15, 2024, among the Issuer, Co-Issuer, Citibank, N.A., as indenture trustee, as calculation agent, as paying agent and as securities intermediary, PMC, as administrator and as servicer, PMH, as co-issuer administrator and Administrative Agent, as administrative agent, as amended, restated, supplemented or otherwise modified from time to time.

“Servicing Diligence Agent Fees” has the meaning assigned to such term in the Pricing Side Letter.

“Specified Entity” means Fannie Mae, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, the United States Department of Housing and Urban Development, the Federal Housing Administration of the United States Department of Housing and Urban Development, the Department of Veterans Affairs or the United States Department of Agriculture Rural Development and, in each case any successor thereto.

“Subservicer Side Letter” means the Amended and Restated Subservicer Side Letter Agreement, dated March 15, 2024, between the Subservicer and PMC, as acknowledged and agreed to by Atlas Securitized Products, L.P., as an administrative agent, Administrative Agent and Citibank, N.A., as indenture trustee, calculation agent, paying agent and securities intermediary, as amended, restated, supplemented or otherwise modified from time to time.

“Subservicer Termination Event” means an event of default or subservicer termination event (however defined) under any Approved Subservicing Agreement.

“Subsidiary” has the meaning assigned to such term in the Pricing Side Letter.

“Taxes” has the meaning assigned to such term in Section 2.11(a).

“Termination Date” has the meaning assigned to such term in the Pricing Side Letter.

“Transaction” has the meaning assigned to such term in the recitals to this Agreement.

“Transaction Documents” has the meaning assigned to such term in the Base Indenture.

“Transaction Notice” has the meaning assigned to such term in Section 2.02(a).

“Transaction Register” has the meaning assigned to such term in Section 9.03(b).

“Transferee” has the meaning set forth in Section 9.02(b).

“Uncommitted Transaction” has the meaning set forth in Section 2.01(b).

“Uniform Commercial Code” or “UCC” means the Uniform Commercial Code as in effect on the Closing Date in the State of New York or the Uniform Commercial Code as in effect in the applicable jurisdiction.

“VFN Guarantor” means PennyMac Mortgage Investment Trust, in its capacity as guarantor under the VFN Repo Guaranty.

“VFN Repo Guaranty” means the Guaranty, dated as of the Closing Date, pursuant to which each Guarantor fully and unconditionally guarantees the obligations of Sellers hereunder.

## Section 1.02 Other Defined Terms.

(a) Any capitalized terms used and not defined herein shall have the meaning set forth in the Base Indenture or the Series 2024-VF1 Indenture Supplement, as applicable.

(b) The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Unless otherwise specified herein, the term “or” has the inclusive meaning represented by the term “and/or” and the words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” All references to Sections, subsections, Articles and Exhibits shall be to Sections, subsections, and Articles of, and Exhibits to, this Agreement unless otherwise specifically provided.

(c) Reference to and the definition of any document (including this Agreement) shall be deemed a reference to such document as it may be amended, restated, supplemented or otherwise modified from time to time and any reference to a statute, rule or regulation is to that statute, rule or regulation as now enacted or as the same may from time to time be amended, re-enacted or expressly replaced.

(d) In the computation of periods of time from a specified date to a later specified date, unless otherwise specified herein the words "commencing on" mean "commencing on and including," the word "from" means "from and including" and the words "to" and "until" each means "to but excluding."

## ARTICLE II

### GENERAL TERMS

#### Section 2.01 Transactions.

(a) Subject to the terms and conditions hereof, each Buyer, severally and not jointly, agrees to enter into Transactions with Sellers for a Purchase Price outstanding at any one time not to exceed the Adjusted Maximum Purchase Price at such time. No Buyer shall have any commitment or obligation to enter into a Transaction in connection with the Note to the extent (i) the outstanding Purchase Price related to such Buyer after giving effect to such Transaction exceeds the related Adjusted Committed Amount for Buyer or (ii) if the Transaction is requested on or after the Amortization Date. During the term of this Agreement, Sellers may request Transactions, Sellers may pay the Repurchase Price in whole or in part at any time during such period without penalty, and additional Transactions may be entered into in accordance with the terms and conditions hereof. Buyer's obligation to enter into Transactions pursuant to the terms of this Agreement shall terminate on the Termination Date. All Transactions shall be effected by Buyers simultaneously and proportionately to their respective Pro Rata Shares, it being understood that no Buyer shall be responsible for any default by any other Buyer in such other Buyer's obligation to enter into a Transaction nor shall any Pro Rata Share of any Buyer be increased or decreased as a result of a default by any other Buyer in such other Buyer's obligation to enter into a Transaction hereunder, except to the extent agreed to by the non-Defaulting Buyer pursuant to Section 2.02(e).

(b) GS Bank, as a Buyer, may, in its sole and absolute discretion, enter into Transactions with Seller for a Purchase Price outstanding that would cause the aggregate Purchase Price outstanding to be in excess of the Adjusted Maximum Purchase Price (each such transaction, an "Uncommitted Transaction") at such time so long the aggregate Purchase Price outstanding at such time would not exceed the Maximum Purchase Price. Notwithstanding the foregoing, GS Bank, as a Buyer, shall not have any commitment or obligation to enter into Transactions to the extent the outstanding Purchase Price related to GS Bank, as a Buyer, after giving effect to such Transaction exceeds its Adjusted Committed Amount.

Section 2.02 Procedure for Entering into Transactions.

(a) Each Seller may enter into Transactions with Buyers under this Agreement on any Purchase Date; provided, that the applicable Seller shall have given Administrative Agent and Buyers irrevocable notice (each, a “Transaction Notice”), which notice (i) shall be substantially in the form of Exhibit A, (ii) shall be signed by a Responsible Officer of Seller and be received by Administrative Agent and Buyers prior to 1:00 p.m. (New York time) one (1) Business Day prior to the related Purchase Date on a Purchase Date that shall not occur more than once per calendar week without consent of Administrative Agent, and (iii) shall specify: (A) the Maximum VFN Principal Balance of the Note, (B) with respect to the first Purchase Date, the Initial Note Balance of the Note, and, with respect to any other Purchase Date, the Additional Balance (if any), (C) after taking into account the Additional Balance (if any), the outstanding VFN Principal Balance of the Note (D) the Dollar amount of the requested Purchase Price; (E) the requested Purchase Date; (F) the Repurchase Date; (G) the Pricing Rate or Repurchase Price applicable to the Transaction; and (H) any additional terms or conditions of the Transaction not inconsistent with this Agreement. Each Transaction Notice on any Purchase Date shall be in an amount equal to at least \$500,000.

(b) If a Seller shall deliver a Transaction Notice to the Buyers that satisfies the requirements of Section 2.02(a) and all applicable conditions precedent set forth in Article V have been satisfied or waived by each Buyer on or prior to the Purchase Date, then subject to the foregoing, on the Purchase Date, each Buyer shall remit its Pro Rata Share of the requested Purchase Price in U.S. Dollars and in immediately available funds to Administrative Agent at the account specified in Schedule 3 (or such other account designated in writing by Administrative Agent) no later than 11:00 a.m. (New York time) on the date specified in the Transaction Notice as the Purchase Date, and upon satisfaction or waiver of all applicable conditions set forth herein, Administrative Agent shall deposit such proceeds into the account of the applicable Parent specified in Schedule 5 of the Base Indenture (or such other account designated by Sellers in the Transaction Notice) not later than 3:00 p.m. (New York time) on the Purchase Date.

(c) The failure of any Buyer to advance the proceeds of its Pro Rata Share of any Transaction required to be advanced hereunder shall not relieve any other Buyer of its obligation to advance the proceeds of its Pro Rata Share of any such Transaction required to be advanced hereunder.

(d) If a Buyer does not intend to fund its Pro Rata Share of the requested Purchase Price, such Buyer shall, within one (1) Business Day of the related Purchase Date, notify Administrative Agent, the other Buyers and Sellers of its intent not to fund together with a description of the reason for not remitting its Pro Rata Share of the requested Purchase Price.

(e) The liabilities and obligations of each Buyer hereunder shall be several and not joint, and neither Administrative Agent nor any Buyer shall be responsible for the performance by any other Buyer of its obligations hereunder. Each Buyer shall be liable to Sellers only for the amount of its respective Committed Amount. If a Buyer does not perform its obligations hereunder with respect to its Committed Amount (such Buyer a “Defaulting Buyer”), all or any part of such Defaulting Buyer’s participation in any Transaction (“Defaulting Buyer Deficiency”) shall be reallocated among the non Defaulting Buyers in accordance with their respective Pro Rata Shares,

but only to the extent that (x) such non Defaulting Buyer has consented to such reallocation, (y) such reallocation does not cause the aggregate Committed Amount held by any non Defaulting Buyer to exceed such non Defaulting Buyer's Committed Amount and (z) to the extent required in writing by Administrative Agent, Sellers shall confirm that the conditions set forth in this Section 2.02 are satisfied at the time of such reallocation.

(f) To the extent that the Defaulting Buyer thereafter funds such Defaulting Buyer Deficiency with Price Differential thereon, if applicable, then upon the agreement between Sellers and the Administrative Agent, such Buyer shall no longer be a Defaulting Buyer. If Sellers and Administrative Agent agree in writing that a Buyer is no longer a Defaulting Buyer, Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Buyer will, to the extent applicable, purchase at par that portion of outstanding Purchase Price of the other Buyers or take such other actions as Administrative Agent may determine to be necessary to cause the Purchase Prices to be held on a pro rata basis by the Buyers in accordance with their Committed Amount, whereupon such Buyer will cease to be a Defaulting Buyer; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of Sellers while that Buyer was a Defaulting Buyer; provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Buyer to Buyer will constitute a waiver or release of any claim of any party hereunder arising from that Buyer's having been a Defaulting Buyer.

(g) Upon entering into each Transaction hereunder, the Asset Schedule shall be automatically updated and replaced with the Asset Schedule attached to the related Transaction Notice.

Section 2.03 Repurchase; Payment of Repurchase Price.

(a) The Sellers hereby promise, jointly and severally, to repurchase the Purchased Assets and pay all outstanding Obligations on the Termination Date.

(b) On each Price Differential Payment Date following the Amortization Date, Sellers shall pay to Administrative Agent in immediately available funds the Amortization Payment Amount.

(c) By notifying Administrative Agent and each Buyer in writing at least one (1) Business Day in advance, Sellers shall be permitted, at their option, to prepay, subject to Section 2.12, the Purchase Price in whole or in part at any time together with any Fees with respect thereto and accrued and unpaid Price Differential on the amount so prepaid.

(d) To the extent an Event of Default shall not have occurred and be continuing, the Sellers shall ensure that the aggregate amount of payments of the Purchase Price by the Sellers over the term of this Agreement, including, without limitation, Margin Calls, that are paid from Collections on the Participation Certificates shall not exceed 10% of the Purchase Price as of the date of any such payment. Notwithstanding anything to the contrary herein or in the Base Indenture, no Event of Default shall arise in connection with any breach by a Seller of the foregoing sentence unless and until the Administrative Agent shall have provided written notice of such

breach to each Parent. For the avoidance of doubt, nothing stated in this Section 2.03(d), (i) limits the Sellers' obligations to pay Repurchase Price, any Margin Calls or other obligations as set forth in this Agreement from funds other than Collections on the Participation Certificates or (ii)(a) obligates the Administrative Agent to monitor Sellers' adherence to the above limitation, (b) limits the obligation of the Sellers to deposit all collections, payments and proceeds in respect of the Note into the Administrative Agent Account as required by Section 2.06 or (c) restricts or limits the right of the Administrative Agent to apply funds in the Administrative Agent Account in accordance with Section 2.07, to the extent amounts due and payable are not otherwise paid directly by the Sellers with funds that do not constitute Collections.

**Section 2.04      Price Differential.** On each Price Differential Payment Date, each of the Sellers hereby promises to pay to Administrative Agent (on behalf of Buyers) all accrued and unpaid Price Differential on the Transactions, as invoiced by Administrative Agent to Sellers three (3) Business Days prior to the related Price Differential Payment Date (the "Price Differential Statement Date"); provided, that on each Price Differential Payment Date prior to the occurrence and continuation of an Event of Default, the estimated Price Differential owed hereunder shall be subject to a true-up of the amount determined by Administrative Agent and agreed by Sellers one (1) Business Day prior to the related Price Differential Payment Date. If Administrative Agent fails to deliver such invoice on the Price Differential Statement Date, on such Price Differential Payment Date Sellers shall pay the amount which Sellers calculate as the Price Differential due and upon delivery of the invoice, Sellers shall remit to Administrative Agent any shortfall, or Administrative Agent shall refund to Sellers any excess, in the Price Differential paid. The Price Differential shall accrue each day on the Purchase Price at a rate per annum equal to the Pricing Rate. The Price Differential shall be computed on the basis of the actual number of days in each Price Differential Period and a 360-day year.

**Section 2.05      Margin Maintenance.**

(a) If at any time the aggregate outstanding amount of the Purchase Price of the Note is greater than the Margin Market Value or the Maximum Purchase Price for the related Transaction (such excess, a "Margin Deficit"), then Administrative Agent shall, unless waived by all Buyers, by notice to Sellers require Sellers to transfer to Administrative Agent, for the benefit of Buyers, cash in an amount at least equal to the Margin Deficit (such requirement, a "Margin Call").

(b) Notice delivered pursuant to Section 2.05(a) may be given by any written or electronic means. With respect to a Margin Call, any notice given before 5:00 p.m. (New York City time) on a Business Day shall be met, and the related Margin Call satisfied, no later than 5:00 p.m. (New York City time) on the following Business Day. With respect to a Margin Call, any notice given after 5:00 p.m. (New York City time) on a Business Day shall be met, and the related Margin Call satisfied, no later than 5:00 p.m. (New York City time) on the second (2<sup>nd</sup>) Business Day following the date of such notice. The failure of Administrative Agent, on any one or more occasions, to exercise the rights of Buyers hereunder, shall not change or alter the terms and conditions to which this Agreement is subject or limit the right of Administrative Agent to do so at a later date. Seller Parties, Administrative Agent and each of the Buyers each agree that a failure or delay by Administrative Agent to exercise the rights of Buyers hereunder shall not limit or

waive Administrative Agent's rights under this Agreement or otherwise existing by law or in any way create additional rights for the Sellers.

(c) In the event that a Margin Deficit exists, Administrative Agent may retain any funds received by it to which the Sellers would otherwise be entitled hereunder, which funds (i) may be held by Administrative Agent, for the benefit of Buyers, against the related Margin Deficit or (ii) may be applied by Administrative Agent against the Purchase Price. Notwithstanding the foregoing, Administrative Agent retains the right, in its sole discretion (unless otherwise subject to a right of waiver by all Buyers under this Section 2.05), to make a Margin Call in accordance with the provisions of this Section 2.05.

**Section 2.06 Payment Procedure.** The Sellers absolutely, unconditionally, and irrevocably, shall make, or cause to be made, all payments required to be made by Sellers hereunder. Sellers shall deposit or cause to be deposited all amounts constituting collection, payments and proceeds of the Note (including all fees and proceeds of any sale) to Administrative Agent Account.

**Section 2.07 Application of Payments.**

(a) On each Price Differential Payment Date prior to the occurrence of an Event of Default, all amounts deposited into Administrative Agent Account from and after the immediately preceding Price Differential Payment Date (or the Closing Date in connection with the initial Price Differential Payment Date), or received by Administrative Agent from the Issuer and Co-Issuer in Administrative Agent's capacity as VFN Noteholder on behalf of Buyers, shall be applied as follows:

- (i) first, to each Buyer, in accordance with its Pro Rata Share, to the payment of any accrued and unpaid Price Differential owing;
- (ii) second, to each Buyer, in accordance with its Pro Rata Share, to the payment of Purchase Price outstanding to satisfy any Margin Deficit owing;
- (iii) third, to each Buyer, in accordance with its Pro Rata Share, to the payment of any unpaid Amortization Payment Amount;
- (iv) fourth, to payment of all Fees and Expenses payable to Buyer or any other Person pursuant to this Agreement, first to Administrative Agent and then to each Buyer and each other Person on a *pro rata* basis;
- (v) fifth, to each Buyer, in accordance with its Pro Rata Share, to the payment of Purchase Price outstanding as a result of any Additional Note Payment made pursuant to Section 4.4(b) or Section 4.5(e) of the Indenture; and
- (vi) sixth, any remainder to each Seller based upon an allocation percentage to be provided by Sellers to the Administrative Agent.

(b) Notwithstanding the preceding provisions, if an Event of Default shall have occurred hereunder, all funds related to the Note shall be applied by Administrative Agent as follows:

(i) first, to each Buyer, in accordance with its Pro Rata Share, to the payment of any accrued and unpaid Price Differential owing;

(ii) second, to each Buyer, in accordance with its Pro Rata Share, to the payment of Purchase Price until reduced to zero;

(iii) third, to payment of all Fees and Expenses payable to Buyer or any other Person pursuant to this Agreement, first to Administrative Agent and then to each Buyer and each other Person on a *pro rata* basis;

(iv) fourth ratably, to the payment of any other Obligations; and

(v) fifth, any remainder to each Seller based upon an allocation percentage to be provided by Sellers to the Administrative Agent.

(c) To the extent any Collections (as defined in the Base Indenture) are paid to reduce the outstanding purchase price under any other repurchase transaction relating to any other Series or Class of VFN (as defined in the Base Indenture), Seller Parties shall ensure that Collections are paid to reduce the outstanding Purchase Price hereunder concurrently on a pro rata basis with such outstanding purchase price under such other repurchase transaction.

(d) Notwithstanding any of the foregoing to the contrary, so long as no Event of Default has occurred and is continuing, any payment of the Purchase Price shall be applied first to pay the portion related to Uncommitted Transactions and second after portions related to Uncommitted Transactions are paid in full, to pay the Purchase Price related to all other Transactions.

**Section 2.08 Use of Purchase Price and Transaction Requests.** The Purchase Price shall be used by Seller Parties to satisfy their obligations under the Indenture and for general corporate purposes.

**Section 2.09 Recourse.** Notwithstanding anything else to the contrary contained or implied herein or in any other Program Agreement, (i) Administrative Agent and Buyers shall have full, unlimited recourse against each Seller Party and its assets in order to satisfy the Obligations and (ii) solely with respect to the Sellers, all obligations of each Seller Party (excluding PMC's obligations relating to its servicing functions) hereunder, including payment of any amounts owed on any date, shall be joint and several obligations of the Seller Parties.

Section 2.10 Requirements of Law.

(a) If any Requirement of Law (other than with respect to any amendment made to a Buyer's certificate of trust and trust agreement or other organizational or governing documents) or any change in the interpretation or application thereof or compliance by a Buyer with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the Closing Date:

(i) shall subject such Buyer to any tax of any kind whatsoever with respect to this Agreement or the Transactions (excluding income taxes, branch profits taxes, franchise taxes or similar taxes imposed on such Buyer as a result of any present or former connection between such Buyer and the United States, other than any such connection arising solely from such Buyer having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement) or change the basis of taxation of payments to such Buyer in respect thereof;

(ii) shall impose, modify or hold any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, or other extensions of credit by, or any other acquisition of funds by, any office of such Buyer which is not otherwise included in the determination of the Price Differential hereunder; or

(iii) shall impose on such Buyer any other condition;

and the result of any of the foregoing is to increase the cost to such Buyer, by an amount which such Buyer deems to be material, of entering, continuing or maintaining this Agreement or any other Program Agreement, the Transactions or to reduce any amount due or owing hereunder in respect thereof, then, in any such case, Sellers shall promptly pay such Buyer such additional amount or amounts as calculated by such Buyer in good faith as will compensate such Buyer for such increased cost or reduced amount receivable.

(b) If a Buyer shall have determined that the adoption of or any change in any Requirement of Law (other than with respect to any amendment made to such Buyer's certificate of incorporation and by-laws or other organizational or governing documents) regarding capital adequacy or in the interpretation or application thereof or compliance by such Buyer or any corporation Controlling such Buyer with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the Closing Date shall have the effect of reducing the rate of return on such Buyer's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Buyer or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Buyer's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Buyer to be material, then from time to time, Sellers shall promptly pay to such Buyer such additional amount or amounts as will compensate such Buyer for such reduction.

(c) If a Buyer becomes entitled to claim any additional amounts pursuant to this Section 2.10, it shall promptly notify Sellers of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to this Section 2.10 submitted by a Buyer to Sellers shall be conclusive in the absence of manifest error.

Section 2.11 Taxes.

(a) Any and all payments by or on behalf of any Seller under or in respect of this Agreement or any other Program Agreements to which any Seller is a party shall be made free and clear of, and without deduction or withholding for or on account of, any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities (including penalties, interest and additions to tax) with respect thereto, whether now or hereafter imposed, levied, collected, withheld or assessed by any taxation authority or other Governmental Authority (collectively, "Taxes"), unless required by law. If any Seller shall be required under any applicable Requirement of Law to deduct or withhold any Taxes from or in respect of any sum payable under or in respect of this Agreement or any of the other Program Agreements to Administrative Agent and any Buyer (including for purposes of Section 2.10 and this Section 2.11, any assignee, successor or participant), (i) such Seller shall make all such deductions and withholdings in respect of Taxes, (ii) such Seller shall pay the full amount deducted or withheld in respect of Taxes to the relevant taxation authority or other Governmental Authority in accordance with any applicable Requirement of Law, and (iii) the sum payable by such Seller shall be increased as may be necessary so that after such Seller has made all required deductions and withholdings (including deductions and withholdings applicable to additional amounts payable under this Section 2.11) Administrative Agent and Buyers receive an amount equal to the sum it would have received had no such deductions or withholdings been made in respect of Non-Excluded Taxes. For purposes of this Agreement the term "Non-Excluded Taxes" are Taxes other than, in the case of Administrative Agent and Buyers, Taxes that are (i) imposed on its overall net income (and franchise taxes imposed in lieu thereof) by the jurisdiction under the laws of which Administrative Agent or the related Buyer is organized or of its Applicable Lending Office, or any political subdivision thereof, unless such Taxes are imposed as a result of Administrative Agent or the related Buyer having executed, delivered or performed its obligations or received payments under, or enforced, this Agreement or any of the other Program Agreements (in which case such Taxes will be treated as Non-Excluded Taxes) and (ii) imposed pursuant to FATCA.

(b) In addition, the Sellers hereby agree to pay any present or future stamp, recording, documentary, excise, property or value-added taxes, or similar taxes, charges or levies that arise from any payment made under or in respect of this Agreement or any other Program Agreement or from the execution, delivery or registration of, any performance under, or otherwise with respect to, this Agreement or any other Program Agreement (collectively, "Other Taxes").

(c) The Sellers hereby agree, jointly and severally, to indemnify Administrative Agent and Buyers for, and to hold each of them harmless against, the full amount of Non-Excluded Taxes and Other Taxes, and the full amount of Taxes of any kind imposed by any jurisdiction on amounts payable by any Seller under this Section 2.11 imposed on or paid by Administrative Agent or such Buyer and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto. The indemnity by the Sellers provided for in this Section 2.11 shall apply and be made whether or not the Non-Excluded Taxes or Other Taxes for which

indemnification hereunder is sought have been correctly or legally asserted. Amounts payable by any Seller under the indemnity set forth in this Section 2.11(c) shall be paid within ten (10) days from the date on which Administrative Agent or such Buyer makes written demand therefor.

(d) Without prejudice to the survival of any other agreement of the Sellers hereunder, the agreements and obligations of the Sellers contained in this Section 2.11 shall survive the termination of this Agreement and the other Program Agreements. Nothing contained in Section 2.10 or this Section 2.11 shall require Administrative Agent or any Buyer to make available any of its tax returns or any other information that it deems to be confidential or proprietary.

(e) Administrative Agent and Buyers will timely furnish Sellers, or any agent of Sellers, any tax forms or certifications (such as an applicable IRS Form W-8, IRS Form W-9 or any successors to such IRS forms) that it is legally entitled to provide and that Sellers or their agents may reasonably request (A) to permit Sellers or their agents to make payments to it without, or at a reduced rate of, deduction or withholding, (B) to enable Sellers or their agents to qualify for a reduced rate of withholding or deduction in any jurisdiction from or through which Sellers or their agents receive payments and (C) to enable Sellers or their agents to satisfy reporting and other obligations under the Code and Treasury Regulations and under any other applicable Laws, and shall update or replace such tax forms or certifications as appropriate or in accordance with their terms or subsequent amendments, and acknowledges that the failure to provide, update or replace any such tax forms or certifications may result in the imposition of withholding or back-up withholding upon payments to Administrative Agent and Buyers.

Section 2.12 Indemnity. Without limiting, and in addition to, the provisions of Section 11.02, each of the Sellers, jointly and severally, agrees to indemnify Administrative Agent and each Buyer and to hold Administrative Agent and each Buyer harmless from any loss or expense that Administrative Agent or Buyers may sustain or incur as a consequence of (i) a default by any Seller in payment when due of the Repurchase Price or Price Differential or (ii) a default by any Seller in making any prepayment of Repurchase Price after such Seller has given a notice thereof in accordance with Section 2.03.

Section 2.13 Additional Balance and Additional Funding. In the event that any Seller wishes an increase in the VFN Principal Balance, such Seller shall deliver to Administrative Agent and Buyers a copy of the VFN Note Balance Adjustment Request that is delivered under the Indenture. If all the Funding Conditions required pursuant to Section 5.02 hereof and in the Indenture have been satisfied, then upon approval in writing by Administrative Agent of such increase in the VFN Principal Balance (such increase, upon such approval, an "Additional Balance"), (i) the outstanding VFN Principal Balance set forth in the Asset Schedule hereof shall be automatically updated as set forth in the related Transaction Notice in accordance with Section 2.02 and (ii) if requested by Sellers, each Buyer shall thereupon deliver to Administrative Agent in cash its Pro Rata Share of the amount equal to the product of such Additional Balance and the Purchase Price Percentage (the "Additional Funding").

Section 2.14 Fees. Seller Parties shall pay all Fees and Expenses as provided in the Fee Letters. Such payments shall be made in Dollars in immediately available funds, without deduction, set off or counterclaim, and, to the extent applicable, to Administrative Agent at such account designated in writing by Administrative Agent.

Section 2.15 Termination.

(a) Notwithstanding anything to the contrary set forth herein, if a Seller Termination Option occurs, the Sellers may, upon five (5) Business Days' prior written notice to Administrative Agent and each Buyer of such event, upon payment of the applicable Repurchase Price and satisfaction of the other termination conditions set forth in the Indenture terminate this Agreement and the Termination Date shall be deemed to have occurred (upon the expiration of such five (5) Business Day period).

(b) In the event that a Seller Termination Option as described in clause (a) of the definition thereof has occurred and the Sellers have notified Administrative Agent and each Buyer in writing of its option to terminate this Agreement, the affected Buyer shall have the right to withdraw its request for payment within three (3) Business Days of Sellers' notice of its exercise of Seller Termination Option and the Sellers shall no longer have the right to terminate this Agreement.

(c) For the avoidance of doubt, each Seller, jointly and severally, shall remain responsible for all costs actually incurred by Administrative Agent and Buyers pursuant to Sections 2.10 and 2.11 in connection with any related prepayment.

## ARTICLE III

### REPRESENTATIONS AND WARRANTIES

Each Seller Party, solely with respect to itself, represents and warrants to Administrative Agent and Buyers as of the Closing Date and as of each Purchase Date for any Transaction that:

Section 3.01 Seller Party Existence. Each Seller Party has been duly organized and is validly existing as a limited liability company in good standing under the laws of the State of Delaware and in each other jurisdiction in which the transaction of its business makes such qualification necessary.

Section 3.02 Licenses. Each Seller Party is duly licensed or is otherwise qualified in each jurisdiction in which it transacts business for the business which it conducts and is not in default of any applicable federal, state or local laws, rules and regulations unless, in either instance, the failure to take such action is not reasonably likely (either individually or in the aggregate) to cause a Material Adverse Effect and is not in default of such state's applicable Laws, rules and regulations. Each Seller Party has the requisite power and authority and legal right to own, sell and grant a lien on all of its right, title and interest in and to the Note. Each Seller Party has the requisite power and authority and legal right to execute and deliver, engage in the transactions contemplated by, and perform and observe the terms and conditions of, this Agreement, each Program Agreement and any Transaction Notice.

Section 3.03 Power. Each Seller Party has all requisite corporate or other power and authority, and has all governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted, except where the lack of such licenses, authorizations, consents and approvals would not be reasonably likely to have a Material Adverse Effect.

Section 3.04 Due Authorization. Each Seller Party has all necessary corporate or other power, authority and legal right to execute, deliver and perform its obligations under each of the Program Agreements, as applicable. This Agreement, any Transaction Notice and the Program Agreements have been (or, in the case of Program Agreements and any Transaction Notice not yet executed, will be, at the time of such execution) duly authorized, executed and delivered by such Seller Party, all requisite or other corporate action having been taken, and each is valid, binding and enforceable against such Seller Party in accordance with its terms except as such enforcement may be affected by bankruptcy, by other insolvency laws, or other similar laws affecting the enforcement of creditor's rights.

Section 3.05 Financial Statements.

(a) Each Parent has heretofore furnished to Administrative Agent and each Buyer a copy of (i) its balance sheet for the fiscal year of such Parent ended December 31, 2022 and the related statements of income for such Parent for such fiscal year, with the opinion thereon of Deloitte & Touche LLP and (ii) its balance sheet for the quarterly fiscal period of such Parent ended September 30, 2023 and the related statements of income for such Parent for such quarterly fiscal period. All such financial statements are accurate, complete and correct and fairly present, in all material respects, the financial condition of such Parent (subject to normal year-end adjustments) and the results of its operations as at such dates and for such fiscal periods, all in accordance with GAAP applied on a consistent basis, and to the best of such Parent's knowledge, do not omit any material fact as of the date(s) thereof. Since December 31, 2022, there has been no material adverse change in the consolidated business, operations or financial condition of such Parent from that set forth in said financial statements nor is any Seller Party aware of any state of facts which (with notice or the lapse of time) would or could result in any such material adverse change. No Seller Party has any liabilities, direct or indirect, fixed or contingent, matured or unmatured, known or unknown, or liabilities for taxes, long-term leases or unusual forward or long-term commitments not disclosed by, or reserved against in, said balance sheet and related statements, and at the present time there are no material unrealized or anticipated losses from any loans, advances or other commitments of any Seller Party except as heretofore disclosed to Administrative Agent and each Buyer in writing.

(b) Unless VFN Guarantor is a public company whose financials are generally available, PMC Parent shall cause VFN Guarantor to furnish to Administrative Agent and each Buyer a copy of (i) the balance sheet for the fiscal year of VFN Guarantor ended December 31, 2022 and the related statements of income for VFN Guarantor for such fiscal year, with the opinion thereon of Deloitte & Touche LLP and (ii) its balance sheet for the quarterly fiscal period of VFN Guarantor ended September 30, 2023 and the related statements of income for VFN Guarantor for such quarterly fiscal period. All such financial statements are accurate, complete and correct and fairly present, in all material respects, the financial condition of VFN Guarantor (subject to normal year-end adjustments) and the results of its operations as at such dates and for such fiscal periods,

all in accordance with GAAP applied on a consistent basis, and to the best of each Seller Party's knowledge, do not omit any material fact as of the date(s) thereof. Since December 31, 2022, there has been no material adverse change in the consolidated business, operations or financial condition of VFN Guarantor from that set forth in said financial statements nor is any Seller Party aware of any state of facts which (with notice or the lapse of time) would or could result in any such material adverse change. VFN Guarantor has no liabilities, direct or indirect, fixed or contingent, matured or unmatured, known or unknown, or liabilities for taxes, long-term leases or unusual forward or long-term commitments not disclosed by, or reserved against in, said balance sheet and related statements, and at the present time there are no material unrealized or anticipated losses from any loans, advances or other commitments of VFN Guarantor except as heretofore disclosed to Administrative Agent and each Buyer in writing.

**Section 3.06     No Event of Default.** There exists no (a) Event of Default under Section 7.01 hereof or (b) default under any mortgage, borrowing agreement or other instrument or agreement pertaining to indebtedness for borrowed money or to the repurchase of mortgage loans or securities or other instrument or contractual or legal obligation to which it is a party or by which it is bound in any respect that could reasonably be expected to result in a Material Adverse Effect.

**Section 3.07     Solvency.** As of the date hereof and immediately after giving effect to each Transaction, the fair value of its assets is greater than the fair value of its liabilities (including contingent liabilities if and to the extent required to be recorded as a liability on the financial statements of it in accordance with GAAP) and each Seller Party is solvent and will not be rendered insolvent by any Transaction and, after giving effect to such Transaction, will not be left with an unreasonably small amount of capital with which to engage in its business. No Seller Party intends to incur, nor believes that it has incurred, debts beyond its ability to pay such debts as they mature and is not contemplating the commencement of insolvency, bankruptcy, liquidation or consolidation proceedings or the appointment of a receiver, liquidator, conservator, trustee or similar official in respect of such entity or any of its assets. Sellers are not selling and/or pledging any Repurchase Assets with any intent to hinder, delay or defraud any of its creditors.

**Section 3.08     No Conflicts.** The execution, delivery and performance by each Seller Party of this Agreement, any Transaction Notice hereunder and the Program Agreements do not constitute or will not result in (a) any breach of any term or provision of the Organizational Documents of any Seller Party, (b) a breach of any indenture, loan agreement, warehouse line of credit, repurchase agreement, mortgage, deed of trust, the Fannie Mae Lender Contract or any other material contractual obligation of such Seller Party; (c) a material default or an acceleration under any of the foregoing; (d) the violation of any Law applicable to any Seller Party or its property, which conflict would have a Material Adverse Effect; (e) require the creation or imposition of any Lien upon any of the properties or assets of any Seller Party (other than any Liens created under any of this Agreement, any Transaction Notice and the Program Agreements in favor of Administrative Agent for the benefit of Administrative Agent and Buyers), or (f) or require any approval of stockholders, members or partners or any approval or consent of any Person under any material contractual obligation of such Seller Party, except for such approvals or consents which have been obtained on or before the Closing Date.

Section 3.09 True and Complete Disclosure. All information, reports, exhibits, schedules, financial statements or certificates of each Seller Party or any Affiliate thereof or any of their officers furnished or to be furnished to Administrative Agent and Buyers in connection with the initial or any ongoing due diligence of any Seller Party or any Affiliate or officer thereof, negotiation, preparation, or delivery of this Agreement or the other Program Agreements, included herein or therein or delivered pursuant hereto or thereto, when taken as a whole, are true and complete in all material respects and do not omit to disclose any material facts necessary to make the statements herein or therein, in light of the circumstances in which they are made, not misleading. All financial statements have been prepared in accordance with GAAP. There is no fact known to it that, after due inquiry, could reasonably be expected to have a Material Adverse Effect that has not been disclosed herein, in the other Program Agreements or in a report, financial statement, exhibit, schedule, disclosure letter or other writing furnished in writing to Administrative Agent and Buyers for use in connection with the transactions contemplated hereby or thereby.

Section 3.10 Approvals. No consent, approval, authorization or order of, registration or filing with, or notice to any governmental authority, court or other Person is required under applicable Law in connection with the execution, delivery and performance by Seller Parties of this Agreement, any Transaction Notice and the Program Agreements.

Section 3.11 Litigation. There is no action, proceeding or investigation pending with respect to which any Seller Party has received service of process or, to the best of each Seller Party's knowledge threatened or affecting it or any of its property against it before any court, administrative agency or other tribunal (A) asserting the invalidity of this Agreement, any Transaction, Transaction Notice or any Program Agreement, (B) seeking to prevent the consummation of any of the transactions contemplated by this Agreement, any Transaction Notice or any Program Agreement, (C) makes a claim individually or in the aggregate in an amount greater than 5.0% of VFN Guarantor's Adjusted Tangible Net Worth, (D) which requires filing with the SEC in accordance with the 1934 Act or any rules thereunder, (E) which has resulted in the voluntary or involuntary suspension of a license, a cease and desist order, or such other action as could adversely impact any Seller Party's business, or (F) which might materially and adversely affect the validity of the Purchased Assets or the performance by it of its obligations under, or the validity or enforceability of, this Agreement, any Transaction Notice or any Program Agreement which could be reasonably likely to have a Material Adverse Effect.

Section 3.12 Material Adverse Change. There has been no event or circumstance since December 31, 2022 is reasonably likely to have a Material Adverse Effect on any Seller Party.

Section 3.13 Ownership.

(a) Each Seller Party has good, valid, insurable (in the case of real property) and marketable title to all of its properties and other assets, whether real or personal, tangible or intangible, reflected on the financial statements delivered to Administrative Agent and Buyers, except for such properties and other assets that have been disposed of in the ordinary course of business of its business, and all such properties and other assets are free and clear of all liens except as disclosed in such financial statements.

(b) Each Seller has good title to all of the related Repurchase Assets, free and clear of all mortgages, security interests, restrictions, Liens and encumbrances of any kind other than the Liens created hereby or contemplated herein, and any Transaction shall convey all of such Seller's right, title and interest in and to the related Purchased Assets to the applicable Buyers.

(c) Each item of the Repurchase Assets was acquired by Sellers in the ordinary course of its business, in good faith, for value and without notice of any defense against or claim to it on the part of any Person.

(d) There are no agreements or understandings between any Seller Party and any other party which would modify, release, terminate or delay the attachment of the security interests granted to Administrative Agent under this Agreement.

(e) The provisions of this Agreement are effective to create in favor of Administrative Agent a valid security interest in all right, title and interest of Sellers in, to and under the Repurchase Assets.

(f) Upon the filing of financing statements on Form UCC-1 naming Administrative Agent as "Secured Party" and each Seller as a "Debtor", and describing the Repurchase Assets, in the recording offices of the Secretary of State of Delaware the security interests granted hereunder in the Repurchase Assets will constitute fully perfected first priority security interests under the Uniform Commercial Code in all right, title and interest of the related Seller Party in, to and under such Repurchase Assets which can be perfected by filing under the Uniform Commercial Code.

Section 3.14 The Note. Each of the Sellers has (i) delivered the Note to Administrative Agent, (ii) duly endorsed the Note to Administrative Agent or the administrative Agent's designee, (iii) notified the Indenture Trustee of such transfer and (iv) completed all documents required to effect such transfer in the Note Register, including receipt by the Note Registrar of the Rule 144A Note Transfer Certificate and such other information and documents that may be required pursuant to the terms of the Indenture. In addition, Administrative Agent has received all other Program Agreements (including all exhibits and schedules referred to therein or delivered pursuant thereto), all amendments thereto, waivers relating thereto and other side letters or agreements affecting the terms thereof and all agreements and other material documents relating thereto, and each Seller hereby certifies that the copies delivered to Administrative Agent by each Seller are true and complete. None of such documents has been amended, supplemented or otherwise modified (including waivers) since the respective dates thereof, except by amendments, copies of which have been delivered to Administrative Agent. Each such document to which any Seller Party is a party has been duly executed and delivered by such Seller Party and is in full force and effect, and no default or material breach has occurred and is continuing thereunder.

Section 3.15 Taxes. Each Seller Party and its respective Subsidiaries have timely filed all tax returns that are required to be filed by them and have paid all taxes, assessments, fees and other governmental charges levied upon it or its property or income (whether or not shown on such tax returns) that are due and payable, including interest and penalties, except for any such taxes, assessments, fees and other governmental charges as are being appropriately contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate

reserves have been provided. The charges, accruals and reserves on the books of each Seller Party and its respective Subsidiaries in respect of taxes and other governmental charges are, in the opinion of Seller Parties, adequate. Any taxes, fees and other governmental charges payable by it in connection with a Transaction and the execution and delivery of this Agreement, any Transaction Notice and the Program Agreements have been paid.

Section 3.16 Investment Company. No Seller Party is required to register as an “investment company” within the meaning of the 1940 Act; no one acting on any Seller Party’s behalf has taken any action that would require registration of any Seller Party or any of their respective Subsidiaries under the Investment Company Act, and no one acting on any Seller Party’s behalf has authorized or will authorize any Person to act in such manner. No Seller Party nor any of their respective Subsidiaries are required to be registered as an “investment company” within the meaning of the Investment Company Act. No Transaction represents an “ownership interest” in any Seller for purposes of the “Volcker Rule” (Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act). Sellers are structured so as not to constitute a “covered fund” as defined in the final regulations issued December 10, 2013, implementing the “Volcker Rule” (Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act).

Section 3.17 Chief Executive Office; Jurisdiction of Organization. On the Closing Date, each Seller Party’s chief executive office, is, and has been, located at 3043 Townsgate Road, Westlake Village, CA 91361. On the Closing Date, each Seller Party’s jurisdiction of organization is the State of Delaware. No Seller Party has a trade name. During the preceding five (5) years, no Seller Party has been known by or done business under any other name, corporate or fictitious, and has not filed or had filed against it any bankruptcy receivership or similar petitions nor has it made any assignments for the benefit of creditors.

Section 3.18 Location of Books and Records. The location where each Seller Party keeps its books and records, including all computer tapes and records relating to the Repurchase Assets is its chief executive office.

Section 3.19 ERISA. Except as could not reasonably be expected to result in a Material Adverse Effect (i) each Seller Party, its respective ERISA Affiliates, and each Plan are in compliance in all respects with the requirements of ERISA and the Code, (ii) no Reportable Event has occurred with respect to any Plan, (iii) no Plan is considered to be an “at-risk” plan within the meaning of Section 430 of the Code or Section 303 of ERISA, (iv) each Seller Party and its respective Subsidiaries and their respective ERISA Affiliates do not provide any material medical or health benefits to former employees other than as required by the Consolidated Omnibus Budget Reconciliation Act, as amended, or similar state or local law (collectively, “COBRA”), (v) each Seller Party and its respective Subsidiaries and their respective ERISA Affiliates have made all required contributions to each Plan, and to each Multiemployer Plan to which it is obligated to contribute, and (vi) no event or condition described in Section 6.21(a)(iii)(6) has occurred or exists, other than an event or condition with respect to which notice has been provided in accordance with Section 6.21(a)(iii)(6).

Section 3.20 Financing of Note and Additional Balances. Each Transaction will be used to purchase the Note and one or more Additional Balances relating thereto, which Note will be conveyed and/or sold by Sellers to Buyers.

Section 3.21 Agreements. No Seller Party nor any Subsidiary of a Seller Party is a party to any agreement, instrument, or indenture or subject to any restriction materially and adversely affecting its business, operations, assets or financial condition, except as disclosed in the financial statements described in Section 3.05 hereof. No Seller Party nor any Subsidiary of a Seller Party is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement, instrument, or indenture which default could have a material adverse effect on the business, operations, properties, or financial condition of any Seller Party. No holder of any indebtedness of any Seller Party or of any of its respective Subsidiaries has given notice of any asserted default thereunder.

Section 3.22 Other Indebtedness. All Indebtedness (other than Indebtedness evidenced by this Agreement) of each Seller Party existing on the Closing Date is listed on Exhibit B hereto (the “Existing Indebtedness”).

Section 3.23 No Reliance. Each Seller Party has made its own independent decisions to enter into the Program Agreements and each Transaction and as to whether such Transaction is appropriate and proper for it based upon its own judgment and upon advice from such advisors (including legal counsel and accountants) as it has deemed necessary. Seller Parties are not relying upon any advice from Administrative Agent or Buyers as to any aspect of the Transactions, including the legal, accounting or tax treatment of such Transactions.

Section 3.24 Plan Assets. No Seller Party is an employee benefit plan as defined in Section 3 of Title I of ERISA, or a plan described in Section 4975(e)(1) of the Code, and the Purchased Assets are not “plan assets” within the meaning of 29 CFR § 2510.3 101 as amended by Section 3(42) of ERISA, in any Seller Party’s hands, and transactions by or with any Seller Party are not subject to any state or local statute regulating investments or fiduciary obligations with respect to governmental plans within the meaning of Section 3(32) of ERISA.

Section 3.25 Compliance with 1933 Act. No Seller Party nor anyone acting on its behalf has offered, transferred, pledged, sold or otherwise disposed of the Note, any interest in the Note or any other similar security to, or solicited any offer to buy or accept a transfer, pledge or other disposition of the Note, any interest in the Note or any other similar security from, or otherwise approached or negotiated with respect to the Note, any interest in the Note or any other similar security with, any person in any manner, or made any general solicitation by means of general advertising or in any other manner, or taken any other action which would constitute a distribution of the Note under the 1933 Act or which would render the disposition of the Note a violation of Section 5 of the 1933 Act or require registration pursuant thereto.

Section 3.26 Anti-Money Laundering Laws. Each Seller Party has complied with all applicable anti-money laundering laws and regulations, including the Patriot Act (collectively, the “Anti-Money Laundering Laws”); each Seller Party has established an anti-money laundering compliance program as required by the Anti-Money Laundering Laws.

Section 3.27 Anti-Terrorism; OFAC.

(a) No Seller Party nor any Person controlling or controlled by a Seller Party nor any Person having a direct beneficial interest in a Seller Party nor any Person for whom it is acting as agent or nominee in connection with this transaction (1) is a Person whose property or interest in property is blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)) (the “Executive Order”), (2) engages in any dealings or transactions prohibited by Section 2 of the Executive Order, or is otherwise associated with any such Person in any manner violative of Section 2 of the Executive Order, or (3) is a Person on the list of Specially Designated Nationals and Blocked Persons or is in violation of the limitations or prohibitions under any other OFAC regulation or executive order.

(b) No part of the proceeds of the Purchase Price will be used, directly or to its knowledge indirectly, by any Person for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

(c) Each Seller Party acknowledges by executing this Agreement and the other Program Agreements to which such Seller Party is a party that Administrative Agent and each Buyer has notified it that, pursuant to the requirements of the Patriot Act, Administrative Agent and each Buyer is required to obtain, verify and record such information as may be necessary to identify such Seller Party, and confirm that the administrator of such Seller Party (or the administrator of the applicable direct or indirect owner of Equity Interests of it) has obtained, verified and recorded such information as may be necessary to identify any Person owning ten percent (10%) or more of the direct Equity Interests of it (including the name and address of such Person), in each case, in accordance with the Patriot Act.

(d) None of Seller Parties or any director, officer, agent or employee of any Seller Parties, has used or to its knowledge indirectly used any of the proceeds of any Transaction (i) for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity, (ii) to make any direct or indirect unlawful payment to any government official or employee from corporate funds, (iii) to violate any provision of the U.S. Foreign Corrupt Practices Act of 1977 or similar law of a jurisdiction in which any Seller Party conducts its business and to which they are lawfully subject or (iv) to make any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

Section 3.28 The Fannie Mae Lender Contract. PMC FMSR Parent has delivered to Administrative Agent a copy of the Fannie Mae Lender Contract which was executed on Fannie Mae’s standard forms, and PMC FMSR Parent hereby represents and warrants that there has been no amendment to such Fannie Mae Lender Contract (other than as effected by the Acknowledgment Agreement) that would grant to Fannie Mae additional or more favorable rights than those specified in the Fannie Mae Guide, and copies delivered to Administrative Agent by PMC FMSR Parent are true, correct and complete. Each such document to which PMC FMSR Parent is a party has been duly executed and delivered by PMC FMSR Parent and is in full force

and effect, and no default or event of default (howsoever defined) has occurred and is continuing thereunder, except where the occurrence and continuance of such default or event of default would not reasonably be expected to result in a Material Adverse Effect. The Fannie Mae Lender Contract is in full force and effect, and PMC FMSR Parent has not been terminated as the servicer under the Fannie Mae Lender Contract.

Section 3.29 Fannie Mae Approvals. PMC FMSR Parent is approved by Fannie Mae as an approved lender. PMC FMSR Parent is in good standing, with no event having occurred, including a change in insurance coverage which would either make PMC FMSR Parent unable to comply with the eligibility requirements for maintaining all such applicable approvals or require notification to Fannie Mae.

Section 3.30 No Adverse Actions. To the extent approved by a Specified Entity, PMC FMSR Parent has not received from any Specified Entity a notice of extinguishment or a notice indicating material breach, default or material non-compliance which could be reasonably likely to cause such Specified Entity to terminate, suspend, sanction or levy penalties against it, or a notice from any Specified Entity indicating any adverse fact or circumstance in respect of it which could be reasonably likely to cause such Specified Entity, to revoke any of its approvals or otherwise terminate, suspend it as an approved issuer, seller or servicer, as applicable, or with respect to which such adverse fact or circumstance has caused any Specified Entity to terminate it.

Section 3.31 Compliance with Laws. No Seller Party is in violation of any of its Organizational Documents, of any provision of any applicable Law, or of any judgment, award, rule, regulation, order, decree, writ or injunction of any court or public regulatory body or authority that could reasonably be expected to result in a Material Adverse Effect.

Section 3.32 Use of Proceeds. Seller Parties will only use the proceeds of the Purchase Price as permitted under Section 2.08. No part of the proceeds of the Purchase Price will be used directly or indirectly to purchase or carry Margin Stock, or to extend credit to others for the purpose of purchasing or carrying any Margin Stock, in violation of any of the provisions of Regulations T, U or X of the Board of Governors of the Federal Reserve System. Seller Parties are not engaged in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. At no time would more than 25% of the value of the assets of any Seller Party that are subject to any “arrangement” (as such term is used in Section 221.2(g) of such Regulation U) hereunder be represented by Margin Stock. Seller Parties shall not use the proceeds of any Transaction to purchase any asset or securities from, or otherwise transfer the proceeds of the Purchase Price to, an “affiliate” of Administrative Agent or any Buyer, as such term is defined in 12 C.F.R. Part 223.

Section 3.33 Separateness. Each Seller is in compliance with the requirements of Section 6.35 hereof.

## ARTICLE IV

### CONVEYANCE; REPURCHASE ASSETS; SECURITY INTEREST

Section 4.01 Ownership. Upon payment of the Purchase Price and delivery of the Note to Administrative Agent on behalf of Buyers, Buyers shall become the sole owners of the Purchased Assets, free and clear of all liens and encumbrances.

Section 4.02 Security Interest.

(a) Although the parties intend (other than for U.S. federal tax purposes) that all Transactions hereunder be sales and purchases and not loans, in the event any such Transactions are deemed to be loans, and in any event, each Seller hereby pledges to Administrative Agent, for the benefit of the Administrative Agent and Buyers as security for the performance by such Seller of its Obligations and hereby grants, assigns and pledges to Administrative Agent, for the benefit of Buyers, a fully perfected first priority security interest in all of such Seller's right, title and interest in, to and under all of its personal property and other assets, whether now owned or hereafter acquired, now existing or hereafter created and wherever located (collectively, the "Primary Repurchase Assets"), including the following:

(i) the Note identified on the Asset Schedule;

(ii) all rights to reimbursement or payment of the Note and/or amounts due in respect thereof under the Note identified on the Asset Schedule;

(iii) all records, instruments or other documentation evidencing any of the foregoing;

(iv) all "general intangibles", "accounts", "chattel paper", "contracts", "documents", "goods", "instruments", "deposit accounts", "letter of credit rights", "equipment", "securities accounts", "investment property", "deposit accounts" and "money", in each case as defined in the Uniform Commercial Code, including to the extent relating to or constituting any and all of the foregoing (including all of each Seller's rights, title and interest in and under the Base Indenture and the Series 2024-VF1 Indenture Supplement); and

(v) any and all replacements, substitutions, distributions on or proceeds of any and all of the foregoing.

(b) Each Seller hereby assigns, pledges, conveys and grants a security interest in all of its right, title and interest in, to and under the related Repurchase Assets to Administrative Agent, for the benefit of Buyers, to secure the Obligations. Each Seller agrees to mark its computer records, tapes and other electronic medium to evidence the interests granted to Administrative Agent hereunder.

(c) Subject to the priority interest of the Indenture Trustee, Administrative Agent, Buyers and Sellers hereby agree that in order to further secure Sellers' Obligations hereunder, Sellers hereby grant to Administrative Agent, for the benefit of Administrative Agent and Buyers, a security interest (subject and subordinated to Fannie Mae's rights under the Acknowledgment Agreement and the Fannie Mae Requirements) in (i) as of the Closing Date, each Seller's rights (but not its obligations) under the Program Agreements including any rights to receive payments thereunder or any rights to collateral thereunder whether now owned or hereafter acquired, now existing or hereafter created (collectively, the "Repurchase Rights") and (ii) all collateral however defined or described under the Program Agreements to the extent not otherwise included under the definitions of Primary Repurchase Assets or Repurchase Rights (such collateral, "Additional Repurchase Assets," and collectively with the Primary Repurchase Assets and the Repurchase Rights, the "Repurchase Assets") to secure the Obligations.

(d) The foregoing provisions of this Section 4.02 are intended to constitute a security agreement or other arrangement or other credit enhancement related to this Agreement and the Transactions hereunder as defined under Sections 101(47)(A)(v) and 741(7)(A)(xi) of the Bankruptcy Code.

**Section 4.03 Further Documentation.** At any time and from time to time, upon the written request of Administrative Agent, and at the sole expense of the Sellers, the Sellers will promptly and duly execute and deliver, or will promptly cause to be executed and delivered, such further instruments and documents and take such further action as Administrative Agent may reasonably request (x) to obtain, preserve, perfect, protect or more fully evidence Administrative Agent's security interest in the Purchased Assets, (y) for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted or (z) to enable Administrative Agent to exercise or enforce any of its rights hereunder or under any other Program Agreement, including the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any applicable jurisdiction with respect to the Liens created hereby or amendments thereto or assignments thereof and such other instruments or notices, as Administrative Agent may reasonably require. Each of the Sellers also hereby authorizes Administrative Agent to file any such financing or continuation statement, and amendments thereto and assignments thereof to the extent permitted by applicable Law.

**Section 4.04 Changes in Locations, Name, etc.** Each Seller shall not (a) change the location of its chief executive office/chief place of business from that specified in Section 3.17 or (b) change its name or corporate structure (or the equivalent) or jurisdiction of organization from the jurisdiction referred to in Section 3.17, unless it shall have given Administrative Agent at least thirty (30) days' prior written notice thereof and shall have delivered to Administrative Agent all Uniform Commercial Code financing statements and amendments thereto as Administrative Agent shall request and taken all other actions deemed necessary by Administrative Agent to continue its perfected status in the Repurchase Assets with the same or better priority.

**Section 4.05 Performance by Administrative Agent of Sellers' Obligations.** If any Seller Party fails to perform or comply with any of its agreements contained in the Program Agreements and Administrative Agent may itself perform or comply, or otherwise cause performance or compliance, with such agreement, the reasonable (under the circumstances) out-of-pocket expenses of Administrative Agent actually incurred in connection with such

performance or compliance, together with interest thereon at a rate per annum equal to the Pricing Rate shall be payable by either Seller to Administrative Agent on demand and shall constitute Obligations. Such interest shall be computed on the basis of the actual number of days in each Price Differential Period and a 360-day year.

**Section 4.06 Proceeds.** If an Event of Default shall occur and be continuing, (a) all proceeds of Repurchase Assets received by any Seller consisting of cash, checks and other liquid assets readily convertible to cash items shall be held by such Seller in trust for Administrative Agent segregated from other funds of such Seller, and shall forthwith upon receipt by such Seller be turned over to Administrative Agent in the exact form received by such Seller (duly endorsed by such Seller to Administrative Agent, if required) and (b) any and all such proceeds received by Administrative Agent (whether from Sellers or otherwise) may, in the sole discretion of Administrative Agent, be held by Administrative Agent as collateral security for, and/or then or at any time thereafter may be applied by Administrative Agent against, the Obligations (whether matured or unmatured), such application to be in such order as Administrative Agent shall elect. Any balance of such proceeds remaining after the Obligations shall have been paid in full and this Agreement shall have been terminated shall be paid over to the applicable Seller or to whomsoever may be lawfully entitled to receive the same.

**Section 4.07 Remedies.** If an Event of Default shall occur and be continuing, Administrative Agent may exercise (and at the direction of the Required Buyers shall exercise), in addition to all other rights and remedies granted to it in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Uniform Commercial Code (including Administrative Agent's rights to a strict foreclosure under Section 9-620 of the Uniform Commercial Code). Without limiting the generality of the foregoing, Administrative Agent may seek (and at the direction of the Required Buyers shall seek) the appointment of a receiver, liquidator, conservator, trustee, or similar official in respect of the Sellers or any of the Sellers' property. Administrative Agent without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required under this Agreement or by law referred to below) to or upon the Sellers or any other Person (each and all of which demands, presentments, protests, advertisements and notices are hereby waived), may (and at the direction of the Required Buyers shall) in such circumstances forthwith collect, receive, appropriate and realize upon the Repurchase Assets, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Repurchase Assets or any part thereof (or contract to do any of the foregoing), in one or more parcels or as an entirety at public or private sale or sales, at any exchange, broker's board or office of Administrative Agent or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. Administrative Agent shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Repurchase Assets so sold, free of any right or equity of redemption in the Sellers, which right or equity is hereby waived or released. Each Seller further agrees, at Administrative Agent's request, to assemble the Repurchase Assets and make them available to Administrative Agent at places which Administrative Agent shall reasonably select, whether at either of the Seller's premises or elsewhere. Administrative Agent shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable (under the circumstances) out-of-pocket costs and expenses of

every kind actually incurred therein or incidental to the care or safekeeping of any of the Repurchase Assets or in any way relating to the Repurchase Assets or the rights of Administrative Agent hereunder, including reasonable attorneys' fees and disbursements of Administrative Agent or Buyers, to the payment in whole or in part of the Obligations, in such order as Administrative Agent may elect (or shall elect at the direction of the Required Buyers), and only after such application and after the payment by Administrative Agent of any other amount required or permitted by any provision of law, including Section 9-615 of the Uniform Commercial Code, need Administrative Agent account for the surplus, if any, to the related Seller. To the extent permitted by applicable Law, each Seller waives all claims, damages and demands it may acquire against Administrative Agent arising out of the exercise by Administrative Agent of any of its rights hereunder, other than those claims, damages and demands arising from the gross negligence or willful misconduct of Administrative Agent. If any notice of a proposed sale or other disposition of Repurchase Assets shall be required by law, such notice shall be deemed reasonable and proper if given at least ten (10) days before such sale or other disposition. Each Seller, jointly and severally, shall remain liable for any deficiency (plus accrued interest thereon as contemplated herein) if the proceeds of any sale or other disposition of the Repurchase Assets are insufficient to pay the Obligations and the fees and disbursements in amounts reasonable under the circumstances, of any attorneys employed by Administrative Agent to collect such deficiency. Notwithstanding anything to the contrary herein or in any of the other Program Agreements, the remedies set forth in this Section 4.07 concerning any actions with respect to the MSRs arising under or related to any Servicing Contract shall be subject to the Acknowledgment Agreement entered into with Fannie Mae.

Section 4.08 Limitation on Duties Regarding Preservation of Repurchase Assets. Administrative Agent's duty with respect to the custody, safekeeping and physical preservation of the Repurchase Assets in its possession, under Section 9-207 of the Uniform Commercial Code or otherwise, shall be to deal with it in the same manner as Administrative Agent deals with similar property for its own account. Neither Administrative Agent nor any of its directors, officers or employees shall be liable for failure to demand, collect or realize upon all or any part of the Repurchase Assets or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Repurchase Assets upon the request of any Seller or otherwise.

Section 4.09 Powers Coupled with an Interest. All authorizations and agencies herein contained with respect to the Repurchase Assets are irrevocable and powers coupled with an interest.

Section 4.10 Release of Security Interest. Upon the latest to occur of (a) the repayment to Administrative Agent and Buyers of all Obligations hereunder, and (b) the occurrence of the Termination Date, Administrative Agent shall release its security interest in any remaining Repurchase Assets hereunder and shall promptly execute and deliver to the related Seller such documents or instruments as such Seller shall reasonably request to evidence such release.

Section 4.11 Reinstatement. All security interests created by this Article IV shall continue to be effective, or be reinstated, as the case may be, if at any time any payment, or any part thereof, of any Obligation of the Sellers is rescinded or must otherwise be restored or returned by Administrative Agent or Buyers upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Sellers or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Sellers or any substantial part of their property, or otherwise, all as if such release had not been made.

Section 4.12 Subordination. Neither of the Sellers shall seek in any Act of Insolvency of the Issuer and Co-Issuer to be treated as part of the same class of creditors as Administrative Agent and Buyers and shall not oppose any pleading or motion by Administrative Agent and Buyers advocating that Administrative Agent and Buyers and such Seller should be treated as separate classes of creditors. Each Seller acknowledges and agrees that its rights with respect to the Repurchase Assets are and shall continue to be at all times while the obligations are outstanding junior and subordinate to the rights of Administrative Agent and Buyers under this Agreement.

## ARTICLE V

### CONDITIONS PRECEDENT

Section 5.01 Initial Transaction. The obligation of Administrative Agent and Buyers to enter into Transactions with the Sellers hereunder is subject to the satisfaction, immediately prior to or concurrently with the entering into such Transaction, of the condition precedent that Administrative Agent and Buyers shall have received all of the following items, each of which shall be satisfactory to Administrative Agent and its counsel in form and substance:

(a) Program Agreements and Note. The Program Agreements and Note, in all instances duly executed and delivered by the parties thereto and being in full force and effect, free of any modification, breach or waiver.

(b) Security Interest. Evidence that all other actions necessary or, in the opinion of Administrative Agent, desirable to perfect and protect Administrative Agent's interest in the Repurchase Assets have been taken, including duly authorized and filed Uniform Commercial Code financing statements on Form UCC-1.

(c) Organizational Documents. A certificate of the corporate secretary of each Seller Party and VFN Guarantor in form and substance acceptable to Administrative Agent, attaching certified copies of each Seller Party's and VFN Guarantor's certificate of formation, operating agreement and corporate resolutions approving the Program Agreements and transactions thereunder (either specifically or by general resolution) and all documents evidencing other necessary corporate action or governmental approvals as may be required in connection with the Program Agreements.

(d) Good Standing Certificate. A certified copy of a good standing certificate from the jurisdiction of organization of each Seller Party and VFN Guarantor, dated as of no earlier than the date ten (10) Business Days prior to the Closing Date.

(e) Incumbency Certificate. An incumbency certificate of the corporate secretary of each Seller Party and VFN Guarantor, certifying the names, true signatures and titles of the representatives duly authorized to request transactions hereunder and to execute the Program Agreements.

(f) Subservicer Side Letter. The Subservicer Side Letter, in all instances duly executed and delivered by the parties thereto and being in full force and effect, free of any modification, breach or waiver.

(g) Fees. Administrative Agent and Buyers shall have received payment in full of all Fees and Expenses which are payable hereunder to Administrative Agent and Buyers on or before such date.

Section 5.02 All Transactions. The obligation of Administrative Agent and Buyers to enter into each Transaction pursuant to this Agreement is subject to the following conditions precedent:

(a) Transaction Notice and Asset Schedule. In accordance with Section 2.02 hereof, Administrative Agent shall have received from the related Seller a Transaction Notice with an updated Asset Schedule which includes the Note and any Additional Balance, if applicable, related to a proposed Transaction hereunder on such Business Day.

(b) No Margin Deficit. After giving effect to each new Transaction, the aggregate outstanding amount of the Purchase Price shall not exceed the Margin Market Value of the Note then in effect.

(c) No Default. No Default or Event of Default exists or shall exist immediately after giving effect to such new Transaction.

(d) Requirements of Law. None of Administrative Agent or any Buyer shall have determined that the introduction of or change in any Requirement of Law or in the interpretation or administration of any Requirement of Law applicable to Administrative Agent or such Buyer has made it unlawful, and no Governmental Authority shall have asserted that it is unlawful, for Administrative Agent or such Buyer to enter into any Transaction.

(e) Representations and Warranties. Both immediately prior to the related Transaction and also after giving effect thereto and to the intended use thereof, the representations and warranties made by Seller Parties and VFN Guarantor in each Program Agreement shall be true, correct and complete on and as of such Purchase Date in all material respects with the same force and effect as if made on and as of such date (or, (i) if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date and (ii) if any such representation or warranty is already qualified by materiality or material adverse effect, such representation or warranty shall be true and correct in all respects, as written).

(f) Note. Administrative Agent shall have received the Note and evidence of the Additional Balances relating to any Purchased Assets, which is in form and substance satisfactory to Administrative Agent in its sole discretion.

(g) No Material Adverse Change. None of the following shall have occurred and/or be continuing:

(i) an event or events shall have occurred in the good faith determination of any Buyer resulting in the effective absence of a “lending market” for financing debt obligations secured by mortgage loans or servicing receivables or securities backed by mortgage loans or servicing receivables or an event or events shall have occurred resulting in Buyer not being able to finance the Note through the “lending market” with traditional counterparties at rates which would have been reasonable prior to the occurrence of such event or events; or

(ii) since the Closing Date, there shall have occurred a Material Adverse Change.

(h) Fees. Administrative Agent and Buyers shall have received payment in full of all Fees and Expenses which are payable hereunder to Administrative Agent and Buyers on or before such date.

Section 5.03 Closing Subject to Conditions Precedent. The obligation of Buyers to purchase the Note is subject to the satisfaction on or prior to the Closing Date of the following conditions (any or all of which may be waived by Administrative Agent and Buyers):

(a) Performance by the Issuer, Co-Issuer, PMC, PMH and Approved Subservicer. All the terms, covenants, agreements and conditions of the Transaction Documents and the Acknowledgment Agreement to be complied with, satisfied, observed and performed by the Issuer, Co-Issuer, PMH, PMC and Approved Subservicer on or before the Closing Date shall have been complied with, satisfied, observed and performed in all material respects.

(b) Representations and Warranties. Each of the representations and warranties of the Issuer, Co-Issuer and Seller Parties and VFN Guarantor made in the Transaction Documents and the Acknowledgment Agreement shall be true and correct in all material respects as of the Closing Date (or, (i) if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date and (ii) if any such representation or warranty is already qualified by materiality or material adverse effect, such representation or warranty shall be true and correct in all respects).

(c) Officer’s Certificate. Administrative Agent, Buyers and the Indenture Trustee shall have received in form and substance reasonably satisfactory to Administrative Agent an officer’s certificate from PMC, an officer’s certificate from PMH and a certificate of a Responsible Officer of the Issuer and the Co-Issuer, dated the Closing Date, each certifying to the satisfaction of the conditions set forth in the preceding paragraphs (a) and (b), in each case together with incumbency, by-laws, resolutions and good standing.

(d) Opinions of Counsel to the Issuer, Co-Issuer, Seller Parties and VFN Guarantor. Counsel to the Issuer, Co-Issuer, Seller Parties and VFN Guarantor shall have delivered to Administrative Agent, Buyers and the Indenture Trustee favorable opinions, dated the Closing Date and satisfactory in form and substance to Administrative Agent and its counsel, relating to corporate matters, enforceability, security interest, safe harbor and perfection and an opinion as to which state's law applies to security interest and perfection matters. In addition to the foregoing, PMC, as servicer, shall have caused its counsel to deliver to the Issuer, Co-Issuer, Buyers, as purchaser of the Note hereunder, Administrative Agent and the Indenture Trustee an opinion as to certain tax matters dated as of the Closing Date, satisfactory in form and substance to Administrative Agent, Buyers and their respective counsel.

(a) Officer's Certificate of Indenture Trustee. Administrative Agent and Buyers shall have received in form and substance reasonably satisfactory to Administrative Agent an Officer's Certificate from the Indenture Trustee, dated the Closing Date, with respect to the Base Indenture, together with incumbency and good standing.

(b) Opinions of Counsel to the Indenture Trustee. Counsel to the Indenture Trustee shall have delivered to Administrative Agent and Buyers a reliance letter dated the Closing Date allowing them to rely upon certain of their opinions related to the enforceability of the Base Indenture.

(c) Opinions of Counsel to the Owner Trustee. Delaware counsel to the Owner Trustee of the Issuer and Co-Issuer shall have delivered to Administrative Agent and Buyers a reliance letter dated the Closing Date allowing them to rely upon certain of their opinions related to the formation, existence and standing of the Issuer and Co-Issuer and of the Issuer's and Co-Issuer's execution, authorization and delivery of each of the Transaction Documents and the Acknowledgment Agreement to which it is a party and such other matters as Administrative Agent may reasonably request.

(d) Filings and Recordations. Administrative Agent, Buyers and the Indenture Trustee shall have received evidence reasonably satisfactory to Administrative Agent of (i) the completion of all recordings, registrations and filings as may be necessary or, in the reasonable opinion of Administrative Agent, desirable to perfect or evidence: (A) the assignment by PMC, as a seller, and PMH, as a seller, to the Issuer and Co-Issuer, respectively, of the ownership interest in the Repurchase Assets conveyed pursuant to the PC Repurchase Agreement and the proceeds thereof, (ii) the completion of all recordings, registrations, and filings as may be necessary or, in the reasonable opinion of Administrative Agent, desirable to perfect or evidence the grant of a first priority perfected security interest in the Issuer's and Co-Issuer's ownership interest in the Repurchase Assets in favor of the Indenture Trustee, subject to no Liens prior to the Lien created by the Base Indenture and (iii) the assignment by the Parents of the Note and related collateral to Sellers and the interests of Administrative Agent, for the benefit of Buyers, in the Repurchase Assets.

(e) Documents. Administrative Agent, Buyers and the Indenture Trustee shall have received a duly executed counterpart of each of the Transaction Documents (including the Pricing Side Letter related to the Note), in form acceptable to Administrative Agent, the Acknowledgment Agreement, the Note and each and every document or certification delivered by any party in connection with any such Transaction Documents or the Note, and each such document shall be in full force and effect.

(f) Actions or Proceedings. No action, suit, proceeding or investigation by or before any Governmental Authority shall have been instituted to restrain or prohibit the consummation of, or to invalidate, any of the transactions contemplated by the Transaction Documents, the Acknowledgment Agreement, the Note and the documents related thereto in any material respect.

(g) Approvals and Consents. All Governmental Actions of all Governmental Authorities required with respect to the transactions contemplated by the Transaction Documents, the Acknowledgment Agreement, the Note and the documents related thereto shall have been obtained or made.

(h) Fees, Costs and Expenses. Administrative Agent and Buyers shall have received payment in full of all Fees and Expenses which are payable hereunder to Administrative Agent and Buyers on or before the Closing Date, and the fees, costs and expenses payable by the Issuer, Co-Issuer, PMH and PMC on or prior to the Closing Date pursuant to this Agreement or any other Transaction Document shall have been paid in full.

(i) Other Documents. PMC and PMH shall have furnished to Administrative Agent, Buyers and the Indenture Trustee such other opinions, information, certificates and documents as Administrative Agent may reasonably request.

(j) MSR Valuation Agent. PMC shall have engaged the MSR Valuation Agent pursuant to an agreement reasonably satisfactory to Administrative Agent.

(k) Proceedings in Contemplation of Sale of the Note. All actions and proceedings undertaken by the Issuer, Co-Issuer and the Seller Parties in connection with the issuance and sale of the Note as herein contemplated shall be satisfactory in all respects to Administrative Agent, Buyers and their respective counsel.

(l) Advance Rate Trigger 1 Event, Servicer Termination Events, Events of Default and Funding Interruption Events. No Advance Rate Trigger 1 Event, Servicer Termination Event, Event of Default or Funding Interruption Event shall then be occurring.

(m) Satisfaction of Conditions. Each of the Funding Conditions shall have been satisfied.

If any condition specified in this Section 5.03 shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by Administrative Agent and Buyers by notice to PMC and to PMH at any time at or prior to the Closing Date, and neither Administrative Agent nor any Buyer shall incur any liability as a result of such termination.

## ARTICLE VI

### COVENANTS

Each Seller Party covenants and agrees that until the payment and satisfaction in full of all Obligations, whether now existing or arising hereafter, shall have occurred:

Section 6.01 Litigation. Each Seller Party will promptly, and in any event within three (3) Business Days after any Seller Party has actual knowledge, give to Administrative Agent and each Buyer notice of any action, suit or proceeding instituted by or against any Seller Party or any of its respective Subsidiaries in any federal or state court or before any commission or other regulatory body (federal, state or local, foreign or domestic), or any such action, suit or proceeding threatened against any Seller Party, in any case, if such action, suit or proceeding (x) involves a potential liability, on an individual or aggregate basis, with respect to which there is a reasonable likelihood that such action, suit or proceeding will result in a liability equal to or greater than 5% of VFN Guarantor's Adjusted Tangible Net Worth, (y) is reasonably likely to result in a Material Adverse Effect or (z) questions or challenges the validity or enforceability of any of the Program Agreements. Seller Parties will promptly provide notice of any judgment, which with the passage of time, could cause an Event of Default hereunder.

Section 6.02 Prohibition of Fundamental Changes. No Seller Party shall (a) enter into any transaction of merger or consolidation or amalgamation with any Person; (b) liquidate, wind up or dissolve itself (or suffer any liquidation, winding up or dissolution); (c) sell, lease or otherwise dispose of, or agree to do any of the foregoing at any future time, all or substantially all of its assets; (d) enter into any transaction or series of transactions to adopt, file, effect or consummate a Division, or otherwise permits any such Division to be adopted, filed, effected or consummated; or (e) form or enter into any partnership, joint venture, syndicate or other combination which could be reasonably likely to result in a Material Adverse Effect; provided, that Parent may merge or consolidate with any Person if Parent is the surviving entity if after giving effect thereto, no Default would exist hereunder.

Section 6.03 No Adverse Claims. Each Seller Party warrants and will defend the right, title and interest of Administrative Agent and Buyers in and to all Purchased Assets against all adverse claims and demands.

Section 6.04 Assignment. Except as permitted herein, no Seller Party shall sell, assign, transfer or otherwise dispose of, or grant any option with respect to, or pledge, hypothecate or grant a security interest in or lien on or otherwise encumber (except pursuant to the Program Agreements), any of the Purchased Assets or any interest therein, provided that this Section 6.06 shall not prevent any transfer of Purchased Assets in accordance with the Program Agreements.

Section 6.05 Security Interest. Seller Parties shall do all things necessary to preserve the Purchased Assets so that they remain subject to a first priority perfected security interest hereunder. Without limiting the foregoing, Seller Parties will comply with all rules, regulations and other laws of any Governmental Authority and cause the Purchased Assets to comply with all applicable rules, regulations and other laws. Seller Parties will not allow any default for which any Seller Party is responsible to occur under any Purchased Assets or any

Program Agreement and Seller Parties shall fully perform or cause to be performed when due all of its obligations under any Purchased Assets and any Program Agreement.

Section 6.06 Records.

(a) Seller Parties shall collect and maintain or cause to be collected and maintained all Records relating to the Purchased Assets in accordance with industry custom and practice for assets similar to the Purchased Assets, including those maintained pursuant to Section 6.07, and all such Records shall be in Parent's possession (or on the possession of an Approved Subservicer) unless Administrative Agent otherwise approves. Seller Parties will maintain all such Records in good and complete condition in accordance with industry practices for assets similar to the Purchased Assets and preserve them against loss.

(b) For so long as Administrative Agent and Buyers have an interest in or lien on any Purchased Assets, Seller Parties will hold or cause to be held all related Records in trust for Administrative Agent and Buyers. Seller Parties shall notify, or cause to be notified, every other party holding any such Records of the interests and liens in favor of Administrative Agent granted hereby.

(c) Upon reasonable advance notice from Administrative Agent or a Buyer, Seller Parties shall (x) or shall cause all Approved Subservicers or other third parties to make any and all such Records available to Administrative Agent and each Buyer to examine any such Records, either by its own officers or employees, or by agents or contractors, or both, and make copies of all or any portion thereof, and (y) permit Administrative Agent or any Buyer or its authorized agents to discuss the affairs, finances and accounts of Seller Parties with their respective chief operating officer and chief financial officer and to discuss the affairs, finances and accounts of any Seller Party with its independent certified public accountants.

Section 6.07 Books. Seller Parties shall keep or cause to be kept in reasonable detail books and records of account of its assets and business in which complete entries will be made in accordance with GAAP consistently applied, and shall clearly reflect therein the transfer of Purchased Assets to Buyers.

Section 6.08 Approvals. Seller Parties shall maintain all licenses, permits or other approvals necessary for each such Seller Party to conduct its business and to perform its obligations under the Program Agreements, and each Seller Party shall conduct its business strictly in accordance with applicable Law.

Section 6.09 Insurance. Seller Parties shall maintain or cause to be maintained, at its own expense, insurance coverage as is customary, reasonable and prudent in light of the size and nature of such Seller Party's business as of any date after the Closing Date. Seller Parties shall be deemed to have complied with this provision if one of its Affiliates has such policy coverage and, by the terms of any such policies, the coverage afforded thereunder extends to each such Seller Party. Upon the request of Administrative Agent at any time subsequent to the Closing Date and in no event more than once per calendar year unless an Event of Default shall have occurred and be continuing, Seller Parties shall cause to be delivered to Administrative Agent, a certification evidencing each Seller Party's coverage under any such policies.

Section 6.10 Distributions. If a Default has occurred and is continuing, Seller Parties shall not pay any dividends with respect to any capital stock or other equity interests in such entity, whether now or hereafter outstanding, or make any other distribution in respect thereof, or redeem, purchase, retire, or otherwise acquire any of its Equity Interests, or set apart any money for a sinking or other analogous fund for any dividend or other distribution on its Equity Interests or for any redemption, purchase, retirement, or other acquisition either directly or indirectly, whether in cash or property or in obligations of any Seller Party.

Section 6.11 Applicable Law. Each Seller Party shall comply with the requirements of all applicable Laws, rules, regulations and orders of any Governmental Authority.

Section 6.12 Existence; Fannie Mae Approvals.

(a) Each Seller Party shall preserve and maintain its legal existence and all of its governmental licenses, authorizations, consents and approvals necessary for each Seller Party to conduct its business and to perform its obligations under the Transaction Documents and, with respect to each Parent, the Acknowledgment Agreement.

(b) PMC FMSR Parent shall maintain adequate financial standing, procedures, and experienced personnel necessary for the sound servicing (or for the prudent oversight of subservicers to ensure the sound servicing) of mortgage loans of the same types as may from time to time constitute Mortgage Loans and in accordance, in all material respects, with Accepted Servicing Practices and the terms of the Fannie Mae Lender Contract.

(c) Each Seller Party shall comply in all material respects with the requirements of all applicable Laws, rules, regulations and orders of Governmental Authorities (including truth in lending, real estate settlement procedures and all environmental laws) if the failure to comply with such requirements would be reasonably likely (either individually or in the aggregate) to have a Material Adverse Effect.

(d) PMC FMSR Parent shall maintain its status with Fannie Mae as an approved lender and servicer in good standing in accordance with all applicable rules, policies, procedures of Fannie Mae (such approval and good standing, the "Fannie Mae Approvals").

(e) Seller Parties shall and shall cause any Approved Subservicer to comply with the Approved Subservicing Agreement in all material respects and to service all MSRs in accordance with the Fannie Mae Requirements.

(f) Should any Seller Party, (x) receive written notice of any material default or notice of termination of servicing for cause under the Fannie Mae Lender Contract, or (y) with respect to PMC FMSR Parent, for any reason, cease to possess all applicable Fannie Mae Approvals, or should notification from Fannie Mae as described in Section 3.31 be received, each such Seller Party shall so notify Administrative Agent in writing within three (3) Business Days. Notwithstanding the preceding sentence, PMC FMSR Parent shall take all necessary action to maintain all of its Fannie Mae Approvals at all times during the term of this Agreement.

Section 6.13     Change in Organizational Documents. Seller Parties shall not amend, modify or otherwise change any of its Organizational Documents in any material respect, or except any such amendments, modifications or changes or any such new agreements or arrangements that could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect; provided that Seller Parties shall deliver written notice to Administrative Agent within thirty (30) days of any material amendment to its Organizational Documents.

Section 6.14     Taxes. Each Seller Party shall timely file all tax returns that are required to be filed by it and shall timely pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained in accordance with GAAP.

Section 6.15     Transactions with Affiliates. Other than the purchase of the Note, Seller Parties will not, directly or indirectly, enter into any transaction, including any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate unless such transaction (a) does not result in a Default hereunder, (b) is in the ordinary course of such Seller Party's business and (c) is upon fair and reasonable terms no less favorable to such Seller Party than it would obtain in a comparable arm's length transaction with a Person which is not an Affiliate, or make a payment that is not otherwise permitted by this Section 6.15 to any Affiliate.

Section 6.16     True and Correct Information. All information, reports, exhibits, schedules, financial statements or certificates of Seller Parties, any Affiliate thereof or any of their officers furnished to Administrative Agent and Buyers hereunder and during Administrative Agent's and Buyers' diligence of Seller Parties are and will be true and complete in all material respects and do not omit to disclose any material facts necessary to make the statements herein or therein, in light of the circumstances in which they are made, not misleading. All required financial statements, information and reports delivered by any Seller Party to Administrative Agent and/or Buyers pursuant to this Agreement shall be prepared in accordance with U.S. GAAP, or, if applicable, to SEC filings, the appropriate SEC accounting regulations.

Section 6.17     No Pledge. Except as contemplated herein, no Seller Party shall pledge, grant a security interest or assign any existing or future rights to service any of the Repurchase Assets or pledge or grant to any other Person any security interest in the Note.

Section 6.18     Plan Assets. Seller Parties shall not act on behalf of an employee benefit plan as defined in Section 3 of Title I of ERISA, or a plan described in Section 4975(e)(1) of the Code and Seller Parties shall not use "plan assets" within the meaning of 29 CFR § 2510.3-101, as amended by Section 3(42) of ERISA to engage in this Agreement or any Transaction hereunder. Transactions to or with any Seller Party shall not be subject to any state or local statute regulating investments of or fiduciary obligations with respect to governmental plans within the meaning of Section 3(32) of ERISA.

Section 6.19 Sharing of Information. Each Seller Party shall allow Administrative Agent and Buyers to exchange information related to each of the Seller Parties and the Transactions hereunder with third party lenders and Seller Parties shall permit each third party lender to share such information with Administrative Agent and Buyers.

Section 6.20 Modification of the Base Indenture and Series 2024-VF1 Indenture Supplement. Neither Parent shall consent with respect to any of the Base Indenture and the Series 2024-VF1 Indenture Supplement related to the Purchased Assets, to (i) the modification, amendment or termination of such the Base Indenture and the Series 2024-VF1 Indenture Supplement, (ii) the waiver of any provision of the Base Indenture and the Series 2024-VF1 Indenture Supplement, or (iii) the resignation of PMC as servicer under the Base Indenture and the Series 2024-VF1 Indenture Supplement, or the assignment, transfer, or material delegation of any of its rights or obligations, under such the Base Indenture and the Series 2024-VF1 Indenture Supplement, without the prior written consent of Administrative Agent and the Required Buyers exercised in Administrative Agent and the Required Buyers sole discretion.

Section 6.21 Reporting Requirements.

(a) Seller Parties shall furnish to Administrative Agent and each Buyer (i) promptly (but in no event later than three (3) Business Days after any Seller Party has actual knowledge) copies of any material and adverse notices (including notices of defaults, breaches, potential defaults or potential breaches) and any material financial information that is not otherwise required to be provided by such Seller Party hereunder which is given to such Seller Party's lenders, (ii) immediately upon knowledge, notice of the occurrence of (1) any Default hereunder; (2) any default or material breach by any Seller Party of any obligation under any Program Agreement or any material contract or agreement of any Seller Party or (3) the occurrence of any event or circumstance that such party reasonably expects has resulted in, or will, with the passage of time, result in, a Material Adverse Effect or an Event of Default and (iii) the following:

(1) as soon as available and in any event within forty-five (45) calendar days after the end of each calendar month, the unaudited balance sheet of each Parent, as at the end of such period and the related unaudited consolidated statements of income for each Parent, including changes in shareholders' equity (or its equivalent), for such period and the portion of the fiscal year through the end of such period, accompanied by a certificate of a Responsible Officer of such Parent, which certificate shall state that said consolidated financial statements or financial statements, as applicable, fairly present in all material respects the consolidated financial condition or financial condition, as applicable, and results of operations of such Parent in accordance with GAAP, consistently applied, as at the end of, and for, such period (subject to normal year-end adjustments);

(2) as soon as available and in any event within forty-five (45) calendar days after the end of each calendar quarter, the unaudited cash flow statements of each Parent and VFN Guarantor, as at the end of such period and the portion of the fiscal year through the end of such period, accompanied by a certificate of a Responsible Officer of such Parent, which certificate shall state that said consolidated financial statements or financial statements, as applicable, fairly

present in all material respects the consolidated financial condition or financial condition, as applicable, and results of operations of such Parent or VFN Guarantor, as applicable, in accordance with GAAP, consistently applied, as at the end of, and for, such period (subject to normal year-end adjustments)

(3) as soon as available and in any event within ninety (90) days after the end of each fiscal year of each Parent and VFN Guarantor, the balance sheet of such Parent and VFN Guarantor, as at the end of such fiscal year and the related consolidated statements of income and retained earnings and of cash flows for such Parent and changes in shareholders' equity (or its equivalent) for such year, setting forth in comparative form the figures for the previous year, accompanied by an opinion thereon of independent certified public accountants of recognized national standing, which opinion and the scope of audit shall be acceptable to Administrative Agent and each Buyer, in its sole discretion, shall have no "going concern" qualification and shall state that said consolidated financial statements or financial statements, as applicable, fairly present the consolidated financial condition or financial condition, as applicable, and results of operations of Parent or VFN Guarantor, as applicable, as at the end of, and for, such fiscal year in accordance with GAAP;

(4) such other prepared statements that Administrative Agent or any Buyer may reasonably request;

(5) from time to time (x) such other information regarding the financial condition, operations, or business of Seller Parties as Administrative Agent or any Buyer may reasonably request and (y) information and documentation reasonably requested by Administrative Agent or any Buyer for purposes of compliance with applicable "know your customer" and anti-money laundering rules and regulations, including the USA PATRIOT Act;

(6) as soon as reasonably possible, and in any event within five (5) Business Days after any Seller Party has knowledge or has reason to believe that any of the events or conditions specified below with respect to any Plan or Multiemployer Plan has occurred or exists (each, an "ERISA Event"), a statement signed by a senior financial officer of such Seller Party setting forth details respecting such event or condition and the action, if any, that such Seller Party or any of its Subsidiaries or ERISA Affiliates, as applicable, propose to take with respect thereto (and a copy of any report or notice required to be filed with or given to PBGC by such Seller Party or any of its Subsidiaries or ERISA Affiliates with respect to such event or condition):

a. any Reportable Event or failure to meet minimum funding standards with respect to a Plan; provided that a failure to meet the minimum funding standard of Section 412 of the Code or Sections 302 or 303 of ERISA with respect to a Plan, including the failure to make on or before its due date a required installment under Section 430(j) of the Code or Section 303(j) of ERISA, shall be a reportable event regardless of the

issuance of any waivers in accordance with Section 412(c) of the Code or any request for a waiver under Section 412(c) of the Code for any Plan;

b. the distribution under Section 4041(c) of ERISA of a notice of intent to terminate any Plan or any action taken by any Seller Party or its respective Subsidiaries or ERISA Affiliates;

c. the institution by PBGC of proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by any Seller Party or its respective Subsidiaries or ERISA Affiliates of a notice from a Multiemployer Plan that such action has been taken by PBGC with respect to such Multiemployer Plan;

d. the complete or partial withdrawal from a Multiemployer Plan by any Seller Party or its respective Subsidiaries or ERISA Affiliates that results in liability under Section 4201 or 4204 of ERISA (including the obligation to satisfy secondary liability as a result of a purchaser default) or the receipt by any Seller Party or its respective Subsidiaries or ERISA Affiliates of notice from a Multiemployer Plan that it is in insolvency pursuant to Section 4245 of ERISA or that it intends to terminate or has terminated under Section 4041A of ERISA;

e. the institution of a proceeding by a fiduciary of any Multiemployer Plan against any Seller Party or its respective Subsidiaries or ERISA Affiliates to enforce Section 515 of ERISA, which proceeding is not dismissed within thirty (30) calendar days; and

f. the adoption of an amendment to any Plan that, pursuant to Section 401(a)(29) and Section 436 of the Code, would result in the loss of tax-exempt status of the trust of which such Plan is a part if any Seller Party or its respective Subsidiaries or ERISA Affiliates fails to timely make a contribution or provide security to such Plan in accordance with the provisions of said Sections;

(7) as soon as reasonably possible (but in no event later than three (3) Business Days after any Seller Party has actual knowledge), notice of any of the following events:

a. any material dispute, litigation, investigation, proceeding or suspension between any Seller Party on the one hand, and any Governmental Authority or any Person;

b. any material change in accounting policies or financial reporting practices of any Seller Party;

- c. any material issues raised upon examination of any Seller Party or any Seller Party's facilities by any Governmental Authority;
- d. promptly upon receipt of notice or knowledge of any lien or security interest (other than security interests created hereby or by the other Program Agreements) on, or claim asserted against, any of the Purchased Assets;
- e. the filing, recording or assessment of any federal, state or local tax lien against any Seller Party, or any Seller Party's assets, unless such filing, recording or assessment could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect with respect to any Seller Party;
- f. any condition or event that constitutes an "event of default" under any Indebtedness with an outstanding principal amount greater than \$25,000,000 or that notice has been given to any party thereunder with respect thereto or any fact that could reasonably be expected to have a Material Adverse Effect;
- g. any other action, event or condition of any nature that, with notice or lapse of time or both, would constitute a default under any agreement, instrument or indenture to which any Seller Party is a party or to which any Seller Party, its properties or assets may be subject that could reasonably be expected to lead to, or result in, a Material Adverse Effect;
- h. (x) any material penalties, sanctions or charges levied, or threatened to be levied, against any Seller Party or any adverse change or threatened change made in writing in Parent's Fannie Mae Approval status, (y) the commencement of any material non-routine investigation or the institution of any proceeding or the threat in writing of institution of any proceeding against any Seller Party by any Specified Entity or any supervisory or regulatory Governmental Authority supervising or regulating the origination or servicing of mortgage loans by, or the issuer, the co-issuer or seller status of each Parent or (z) the commencement of any material investigation, or the institution of any material proceeding or the threat in writing of institution of any material proceeding against any Seller Party by any city, county or municipal supervisory or regulatory Governmental Authority supervising or regulating the origination or servicing of mortgage loans by, or the issuer or seller status of any Seller Party;
- i. (x) any material settlement with, or issuance of a consent order by, any Governmental Authority and (y) any settlement with, or issuance of a consent order by, any Governmental Authority; and

j. the occurrence of any event or change that has results in or could reasonably be expected to result in a Material Adverse Effect.

(8) Promptly upon the creation, incurrence, assumption or existence of any of the following, notice thereof:

a. any Guarantees, except (x) to the extent reflected in a Seller Party's financial statements or notes thereto and (y) to the extent the aggregate Guarantees of Seller do not exceed \$250,000; and

b. additional material Indebtedness other than (w) the Existing Indebtedness specified on Exhibit B hereto; (x) Indebtedness incurred with Buyers or their Affiliates; (y) Indebtedness incurred in connection with new or existing secured lending facilities; and (z) usual and customary accounts payable for a mortgage company.

Documents required to be delivered pursuant to Sections 6.21(a)(iii)(2) and (3) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which such documents are filed for public availability on the SEC's Electronic Data Gathering and Retrieval System.

(b) Officer's Certificates. The Parents will furnish to Administrative Agent and each Buyer, at the time Seller Parties furnish each set of financial statements pursuant to Section 6.21(a)(iii)(1), (2) or (3) above, an Officer's Compliance Certificate.

(c) Monthly Reporting. Seller Parties shall at all times maintain a current list (which may be stored in electronic form) of the Note and Additional Balances. Seller Parties shall deliver to Administrative Agent and each Buyer on each Payment Date (the "Monthly Report Date") a cumulative Asset Schedule, each of which, when so delivered, shall replace the current Asset Schedule and which may be delivered in electronic form acceptable to Administrative Agent and each Buyer. Each such updated Asset Schedule shall indicate the outstanding VFN Principal Balance of the Note as of the close of the preceding week. As of each Monthly Report Date, Seller Parties hereby certify, represent and warrant to Administrative Agent and Buyers that each such updated Asset Schedule is true, complete and correct in all material respects.

(d) Hedging Reports. Seller Parties shall deliver to Administrative Agent and each Buyer a monthly summary hedge report (data elements to be agreed upon by Seller Parties and Administrative Agent). To the extent any Seller Party retains any Person(s) to perform hedging services on behalf of such Seller Party, such Seller Party hereby grants Administrative Agent and each Buyer authority to contact, request and receive hedging reports directly from such Person(s) at no cost to Administrative Agent or any Buyer. Further, such Seller Party shall instruct such Person(s), upon reasonable notice from Administrative Agent and during normal business hours, to answer candidly and fully, at no cost to Administrative Agent or any Buyer, any and all questions that Administrative Agent or any Buyer may address to them in reference to the hedging reports of such Seller Party.

(e) Other. Seller Parties shall deliver to Administrative Agent and each Buyer any other reports or information reasonably requested by Administrative Agent or any Buyer or as otherwise required pursuant to this Agreement and the Indenture (including all reports and information delivered by the Issuer, Co-Issuer, the Administrator or the Indenture Trustee relating to the Note). Each Seller Party understands and agrees that all reports and information provided to Administrative Agent or any Buyer by or relating to any Seller Party may be disclosed to Administrative Agent's and Buyers' Affiliates.

(f) Regulatory Reporting Compliance. The PMC FMSR Parent shall, on or before the last Business Day of the fifth (5<sup>th</sup>) month following the end of the PMC FMSR Parent's fiscal years (December 31), beginning with the fiscal year ending in 2023, deliver to Administrative Agent a copy of the results of any Uniform Single Attestation Program for Mortgage Bankers or an Officer's Certificate that satisfies the requirements of Item 1122(a) of Regulation AB, an independent public accountant's report that satisfies the requirements of Item 1123 of Regulation AB, or similar review conducted on the PMC FMSR Parent by its accountants, and such other reports as PMC FMSR Parent may prepare relating to its servicing functions as a PMC FMSR Parent.

Section 6.22 Liens on Substantially All Assets. No Seller Party shall grant a security interest to any Person other than Administrative Agent or an Affiliate of Administrative Agent in substantially all assets of any Seller Party unless such Seller Party has entered into an amendment to this Agreement that grants to Administrative Agent a pari passu security interest on such assets.

Section 6.23 Litigation Summary. On each date on which the Officer's Compliance Certificate is delivered, Seller Parties shall provide to Administrative Agent and each Buyer a true and correct summary of all material actions, notices, proceedings and investigations pending with respect to which any Seller Party has received service of process or other form of notice or, to the best of the related Seller Party's knowledge, threatened against it, before any court, administrative or governmental agency or other regulatory body or tribunal.

Section 6.24 Material Change in Business. No Seller Party shall make any material change in the nature of its business as carried on at the Closing Date other than lines of business typical for companies engaged in mortgage or consumer finance.

Section 6.25 Fannie Mae Lender Contract.

(a) Within five (5) Business Days after (x) a Responsible Officer of PMC FMSR Parent becomes aware of an amendment to the Fannie Mae Lender Contract or (y) a Responsible Officer of PMC FMSR Parent becomes aware of an amendment to the Acknowledgment Agreement that, in each case, could reasonably be expected to materially and adversely affect any Seller Party, the Purchased Assets or Administrative Agent's or any Buyer's interest therein or to result in a Material Adverse Effect, to the extent permitted by Fannie Mae, Seller Parties shall deliver to Administrative Agent and each Buyer copies of any such amendments; provided that PMC FMSR Parent shall cooperate with any requests by Administrative Agent or any Buyer to deliver copies of each amendment, restatement, supplement or other modification to the Fannie Mae Lender Contract or the Acknowledgment Agreement that Administrative Agent or any Buyer shall reasonably request, to the extent permitted by Fannie Mae.

(b) Neither Parent shall execute any amendments with respect to the Acknowledgment Agreement without the prior consent of Administrative Agent and each Buyer.

(c) Should PMC FMSR Parent for any reason cease to possess the Fannie Mae Approvals, or should notification to Fannie Mae be required, PMC FMSR Parent shall immediately notify Administrative Agent and each Buyer in writing.

(d) PMC FMSR Parent shall promptly, and in no event later than five (5) days after PMC FMSR Seller has knowledge thereof, notify Administrative Agent and each Buyer of any Servicer Termination Event or event of default under any Fannie Mae Lender Contract or its receipt of a notice of actual termination of PMC FMSR Parent's right to service under any Fannie Mae Lender Contract which evidences an intent to transfer such servicing to a third party.

Section 6.26 Trigger Event MSR Asset Sale. PMC FMSR Parent shall, within one (1) Business Day, notify Administrative Agent and each Buyer in the event that it has voluntarily relinquished or delivered notice of its intent to sell or transfer Fannie Mae Lender Contract rights constituting more than 50% of the aggregate Fannie Mae Lender Contract rights of Parent with respect to Fannie Mae, in any event without Administrative Agent's and each Buyer's prior express written consent.

Section 6.27 Termination of Servicing Notice. PMC FMSR Parent shall give notice to Administrative Agent and each Buyer promptly but not later than two (2) Business Days after receipt of notice or knowledge by a Responsible Officer of (i) any material default, notice of termination of servicing for cause or notice of any other matter materially and adversely affecting the Purchased Assets under the Fannie Mae Lender Contract or (ii) any resignation of servicing, termination of servicing or notice of resignation of or termination of servicing, under the Fannie Mae Lender Contract, outside the ordinary course of business.

Section 6.28 Quality Control. In addition to maintaining its own internal monitoring program for servicing oversight operations, PMC FMSR Parent shall and shall cause each Approved Subservicer to conduct quality control reviews of such Approved Subservicer's servicing operations in accordance with industry standards and Specified Entity requirements. PMC FMSR Parent shall provide oversight of its Approved Subservicer to ensure the sound subservicing of the Mortgage Loans, in all material respects in accordance with Accepted Servicing Practices, the applicable Approved Subservicing Agreement and the Fannie Mae Requirements.

Section 6.29 Fannie Mae Audit and Approval Maintenance. PMC FMSR Parent shall (i) at all times maintain copies of relevant portions of all Audits in which there are material adverse findings, including notices of defaults, notices of termination of approved status, notices of imposition of supervisory agreements or interim servicing agreements, and notices of probation, suspension, or non-renewal, (ii) to the extent not otherwise prohibited by reason of confidentiality or other non-disclosure restrictions, provide Administrative Agent and each Buyer with copies of such Audits promptly upon Administrative Agent or any Buyer's request, and (iii) take all actions necessary to maintain its Fannie Mae Approvals.

Section 6.30 Sale and Lease-Backs. No Seller Party shall enter into any arrangement, directly or indirectly, with any Person whereby any Seller Party shall sell or transfer any property used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property being sold or transferred if any Default exists or will exist after giving effect thereto.

Section 6.31 Fiscal Year. No Seller Party shall change its fiscal year-end from December 31 or change its method of determining fiscal quarters.

Section 6.32 Most Favored Status. Each Seller Party, Administrative Agent and Buyers agree that should any Seller Party or any Subsidiary or Affiliate thereof enter into a repurchase agreement, credit facility or other comparable agreement with any Person which by its terms provides any of the following (each, a "More Favorable Agreement"):

(a) more favorable terms with respect to any guaranties or financial covenants of either PMC or PMH, including covenants covering the same or similar subject matter set forth or referred to in Section 6.10 hereof and Section 2 of the Pricing Side Letter;

(b) a security interest to any Person other than Administrative Agent or an Affiliate of Administrative Agent in substantially all assets of any Seller Party or any Affiliate thereof; or

(c) a requirement that any Seller Party has added or will add any Person other than Administrative Agent or an Affiliate of Administrative Agent as a loss payee under any Seller Party's Fidelity Insurance,

the terms of this Agreement and/or the Pricing Side Letter shall be deemed automatically amended to include such more favorable terms contained in such More Favorable Agreement, such that such terms operate in favor of Administrative Agent and Buyers; provided, that in the event that such More Favorable Agreement is terminated, upon notice by such Seller Party to Administrative Agent of such termination, the original terms of this Agreement and/or Pricing Side Letter shall be deemed to be automatically reinstated. Seller Parties further agree to execute and deliver any new guaranties, agreements or amendments to this Agreement and/or Pricing Side letter evidencing such provisions, provided that the execution of such amendment shall not be a precondition to the effectiveness of such amendment but shall merely be for the convenience of the parties hereto. Upon any Seller Party or any Subsidiary or Affiliate thereof entering into any such repurchase agreement, credit facility or other comparable agreement with any Person other than Administrative Agent or an Affiliate of Administrative Agent, such Seller Party shall provide notice to Administrative Agent of such more favorable terms contained in such More Favorable Agreement (including a summary thereof) no later than the next date on which such Seller Party is required to deliver an Officer's Compliance Certificate; which notice requirement may be satisfied by the VFN Guarantor including such information such Officer's Compliance Certificate.

Section 6.33 Servicer Administration. If at any time PMC intends to service the Mortgage Loans directly without a subservicer, PMC shall not less than 120 days prior to the anticipated servicing transfer date, provide notice to Administrative Agent of such intention and solicit Administrative Agent's prior written consent, which Administrative Agent shall have sixty (60) days from the receipt of the notice to provide and which consent may not be unreasonably withheld. If Administrative Agent denies the request for consent in writing, then PMC shall repurchase the Note not later than the later of (x) the sixtieth (60th) day following receipt of Administrative Agent's denial letter or (y) such anticipated servicing transfer date.

Section 6.34 Subservicing. PMC shall (x) enforce each Approved Subservicing Agreement in accordance with the terms thereof and all applicable Fannie Mae Requirements and keep such Approved Subservicing Agreement in full force and effect and (y) perform its obligations under each Approved Subservicing Agreement and shall not default in any material respect under such Approved Subservicing Agreement.

(i) Subject to the terms set forth in the applicable Approved Subservicing Agreement, PMC shall promptly provide to Administrative Agent copies of any material notice delivered or received under any Eligible Approved Subservicing Agreement, including notice of the occurrence of any event of default under or breach of such Approved Subservicing Agreement. PMC will promptly deliver to Administrative Agent a copy of every supplement, amendment, restatement, modification or waiver of any Approved Subservicing Agreements promptly (and in no event later than five (5) Business Days) after the same shall become effective.

(ii) PMC shall not, without the prior written consent of Administrative Agent, which shall not be unreasonably withheld or delayed: (i) cancel or terminate any Approved Subservicing Agreement (other than as required by Fannie Mae); or (ii) supplement, amend, restate, modify or waive any term or condition any Approved Subservicing Agreement (other than as required by Fannie Mae) that would be adverse to the rights of Administrative Agent or any Buyer with respect to the Repurchase Assets. Notwithstanding the foregoing, PMC may terminate any Approved Subservicer with respect to any or all of the Mortgage Loans or transfer subservicing from any Approved Subservicer with respect to any or all of the Mortgage Loans subserviced by such Approved Subservicer without the consent of Administrative Agent provided that such subservicing is transferred to another Approved Subservicer under an Approved Subservicing Agreement.

(iii) PMC shall not waive any default under, or breach of, any Approved Subservicing Agreement in a manner that is materially adverse to the rights of Administrative Agent or any Buyer with respect to the Repurchase Assets. During the existence of an event of default or Subservicer Termination Event under any Approved Subservicing Agreement, PMC may, and at the direction of Administrative Agent, shall, subject to the Fannie Mae Requirements, transfer the servicing relating to the Mortgage Loans to another Approved Subservicer. PMC shall be responsible for any costs and expenses of such termination.

(iv) PMC shall not permit any of the MSRs to be subject to any servicing contract or subservicing arrangement, unless such contract or arrangement is with an Approved Subservicer pursuant to an Approved Subservicing Agreement.

Section 6.35 Special Purpose Entity Provisions. Each Seller shall (a) own no assets, and will not engage in any business, other than the assets and transactions specifically contemplated by the Program Agreements; (b) not incur any Indebtedness or obligation, secured or unsecured, direct or indirect, absolute or contingent, other than pursuant to the Program Agreements; (c) not make any loans or advances to any Affiliate or third party, and shall not acquire obligations or securities of its Affiliates other than the assets and transactions specifically contemplated by the Program Agreements; (d) pay its debts and liabilities (including, as applicable, shared personnel expenses and overhead expenses) only from its own assets; (e) comply with the provisions of its organizational documents; (f) do all things necessary to observe organizational formalities and to preserve its existence, and not amend, modify or otherwise change its governing documents, or suffer same to be amended, modified or otherwise changed, without Buyer's prior written consent which shall not be unreasonably withheld; (g) maintain all of its books, records and financial statements separate from those of its Affiliates (except that such financial statements may be consolidated to the extent consolidation is required under GAAP or as a matter of applicable Law); provided, that (i) appropriate notation shall be made on such financial statements if prepared to indicate the separateness of such Seller from such Affiliate and to indicate that such Seller's assets and credit are not available to satisfy the debts and other obligations of such Affiliate or any other Person and (ii) such assets shall also be listed on such Seller's own separate balance sheet (if prepared) and (iii) such Seller shall file its own tax returns if filed, except to the extent consolidation is required or permitted under applicable Law; (h) be, and at all times will hold itself out to the public as, a legal entity separate and distinct from any other entity (including any Affiliate), correct any known misunderstanding regarding its status as a separate entity, conduct business in its own name and not identify itself or any of its Affiliates as a division or part of the other; (i) not enter into any transactions with any Affiliates except on commercially reasonable terms similar to those available to unaffiliated parties in an arm's length transaction except as expressly permitted hereunder; (j) maintain adequate capital in light of its contemplated business purpose, transactions and liabilities; (k) not engage in or suffer any dissolution (to the fullest extent contemplated by applicable Law), winding up, liquidation, consolidation or merger or transfer all or substantially all of its properties and assets to any Person (except as contemplated herein); (l) not commingle its funds or other assets with those of any Affiliate or any other Person and maintain its properties and assets in such manner that it would not be costly or difficult to identify, segregate or ascertain its properties and assets from those of others; (m) not hold itself out to be responsible for the debts or obligations of any other Person; (n) not form, acquire or hold any Subsidiary or own any equity interest in any other entity; (o) use separate stationery, invoices and checks bearing its own name; (p) allocate fairly and reasonably any overhead for shared office space and services performed by an employee of an Affiliate; and (q) not pledge its assets to secure the obligations of any other Person except as contemplated by the Program Agreements. Each Seller shall (i) be a Delaware limited liability company, (ii) have an Independent Manager, and (iii) not take any action that results in an Act of Insolvency with respect to itself.

## ARTICLE VII

### DEFAULTS/RIGHTS AND REMEDIES OF BUYERS UPON DEFAULT

Section 7.01 Events of Default. Each of the following events or circumstances shall constitute an “Event of Default”:

(a) Payment Failure. Failure of any Seller to (i) make any payment of the Purchase Price beyond the applicable dates on which such payment is due, (ii) make any payment (which failure continues for a period of one (1) Business Day following the earlier of (x) written notice (which may be in electronic form) from Administrative Agent and (y) the date upon which any Seller Party obtained knowledge of such failure) of Price Differential, on a Price Differential Payment Date or a Repurchase Date, (iii) make any payment (which failure continues for a period of two (2) Business Days following the earlier of (x) written notice (which may be in electronic form) from Administrative Agent and (y) the date upon which any Seller Party knowledge of such failure) of any other sum which has become due otherwise, whether by acceleration or otherwise, under the terms of any Program Agreement or (iv) cure any Margin Deficit when due pursuant to Section 2.05 hereof.

(b) Cross Default. Any Seller Party or any of Affiliates thereof shall be in default under (i) any Buyer Indebtedness, (ii) any Transaction Document; provided that any such default under the Indenture shall constitute an “Event of Default” only if it continues unremedied for a period of two (2) Business Days after a Responsible Officer of any Seller Party obtains actual knowledge of such failure, or receives written notice from Administrative Agent of such default or (iii) any Indebtedness, in the aggregate, in excess of \$1,000,000 of each Seller, \$25,000,000 of each Parent or any other Affiliate thereof which default (1) involves the failure to pay a matured obligation, or (2) permits the acceleration of the maturity of obligations by any other party to or beneficiary with respect to such Indebtedness.

(c) Insolvency. An Act of Insolvency shall have occurred with respect to any Seller Party or any Affiliate thereof.

(d) Material Adverse Change. A Material Adverse Effect shall occur, and, if susceptible to cure, such Material Adverse Effect continues for a period of ten (10) Business Days.

(e) Immediate Breach of Representation or Covenant or Obligation. A breach by any Seller Party of any of the representations, warranties or covenants or obligations set forth in Sections 3.01 (Seller Existence), Section 3.07 (Solvency), Section 3.12 (Material Adverse Change), Section 3.22 (Other Indebtedness), Section 6.02 (Prohibition of Fundamental Changes), Section 6.12 (Existence), Section 6.18 (Plan Assets) or Section 6.35 (Special Purpose Entity Provisions) of this Agreement.

(f) Additional Breach of Covenant. Any Seller Party shall fail to perform or observe (i) the covenants set forth in Section 4.04 (Changes in Locations, Name, etc.), Section 6.03 (No Adverse Claims), Section 6.04 (Assignment), Section 6.10 (Distributions), Section 6.13 (Change in Organizational Documents), Section 6.17 (No Pledge), Section 6.21 (Reporting Requirements), Section 6.22 (Liens on Substantially All Assets), Section 6.30 (Sales and

Leaseback), Section 6.31 (Fiscal Year), Section 6.32 (Most Favored Status) or Section 2 of the Pricing Side Letter and such failure shall continue unremedied for five (5) Business Days after the earlier of (A) a written notice of such failure shall have been given to any Seller Party by Administrative Agent or (B) the date upon which any Seller Party obtained knowledge of such failure (and giving effect to any grace or other cure periods set forth therein), or (ii) except as set forth Section 7.01(e) or in clauses (i) hereof, any other term, covenant or agreement contained in this Agreement or in any other Transaction Document or the Acknowledgment Agreement, and, such failure shall continue unremedied for thirty (30) days after the earlier of (A) a written notice of such failure shall have been given to any Seller Party by Administrative Agent or (B) the date upon which any Seller Party obtained knowledge of such failures.

(g) Representations. Except as set forth in clause (h) below, any representation or warranty made or deemed made by any Seller Party herein or in any other Program Agreement (after giving effect to any qualification as to materiality set forth therein, if any) shall prove to have been false and misleading when made or any Asset Schedule or Officer's Compliance Certificate delivered hereunder shall prove to have been false and misleading in any material respect when made and such breach, if susceptible of cure, is not cured within ten (10) Business Days after the earlier of (i) written notice of such failure shall have been given to any Seller Party by Administrative Agent or (ii) the date upon which any Seller Party obtained knowledge of such failure.

(h) 1940 Act. The representation and warranty in Section 3.16 shall be false or misleading at any time.

(i) Change in Control. The occurrence of a Change in Control.

(j) Failure to Transfer. Either of the Sellers fails to transfer the Note or a material portion of the other Purchased Assets to Administrative Agent on the applicable Purchase Date (provided Administrative Agent has tendered the related Purchase Price on behalf of Buyers).

(k) Judgment. A final judgment or judgments for the payment of money in excess of the lesser of (x) 3.0% of VFN Guarantor's Adjusted Tangible Net Worth, (y) \$25,000,000 shall be rendered against either Parent or any of its Affiliates (other than Sellers) and \$1,000,000 in the case of the either Seller by one or more courts, administrative tribunals or other bodies having jurisdiction and the same shall not be satisfied, discharged (or provision shall not be made for such discharge) or bonded, or a stay of execution thereof shall not be procured, within forty-five (45) days from the date of entry thereof.

(l) Government Action. Any Governmental Authority or any person, agency or entity acting or purporting to act under governmental authority shall have taken any action to condemn, seize or appropriate, or to assume custody or control of, all or any substantial part of the Property of any Seller Party or any Affiliate thereof, or shall have taken any action to displace the management of any Seller Party or any Affiliate thereof or to curtail its authority in the conduct of the business of Seller or any Affiliate thereof, or takes any action in the nature of enforcement to remove, limit or restrict the approval of any Seller Party or Affiliate as an issuer, buyer or a seller/servicer of mortgage loans or securities backed thereby, and such action provided for in this subparagraph (l) shall not have been discontinued or stayed within sixty (60) days.

(m) Inability to Perform. A Responsible Officer of (a) any Seller Party shall admit its inability to, or its intention not to, perform any of its Obligations or (b) VFN Guarantor shall admit its inability to, or its intention not to, perform its Obligations hereunder or the VFN Repo Guaranty.

(n) Security Interest. This Agreement shall for any reason cease to create a valid, first priority security interest in any material portion of the Repurchase Assets purported to be covered hereby.

(o) Financial Statements. Any Guarantor's audited annual financial statements or the notes thereto or other opinions or conclusions stated therein shall be qualified or limited by reference to the status of any Guarantor as a "going concern" or a reference of similar import.

(p) Validity of Agreement. For any reason, this Agreement at any time shall not be in full force and effect in all material respects or shall not be enforceable in all material respects in accordance with its terms, or any Lien granted pursuant thereto shall fail to be perfected and of first priority, or any Seller Party or any Affiliate of any Seller Party shall seek to disaffirm, terminate, limit or reduce its obligations hereunder or any Guarantor's obligations under the VFN Repo Guaranty.

(q) Guarantor Breach. A breach by any Guarantor of any material representation, warranty or covenant set forth in the VFN Repo Guaranty or any other Program Agreement, any "event of default" by any Guarantor under the VFN Repo Guaranty, any repudiation of the VFN Repo Guaranty by any Guarantor, or if the VFN Repo Guaranty is not enforceable against any Guarantor.

(r) Approved Lender.

(i) PMC ceases to be a Fannie Mae approved lender;

(ii) Fannie Mae suspends, rescinds, halts, eliminates, withdraws, annuls, repeals, voids or terminates the status of PMC as a Fannie Mae approved lender.

(iii) As distinct from and in addition to any loss of approval or actions taken by Fannie Mae, as applicable, described in (i)-(ii), a Servicer Termination Event shall occur with respect to PMC or any Approved Subservicer.

(s) ERISA Related Events.

(i) An ERISA Event occurs that, alone or together with all other ERISA Events that have occurred could reasonably be expected to result in a Material Adverse Effect, or

(ii) the assets of any Seller Party or VFN Guarantor become “plan assets” within the meaning of 29 C.F.R. Sections 25103-101, as modified by Section 3(42) of ERISA.

(t) Servicing. Greater than 25% of Parent’s servicing portfolio consisting of Fannie Mae loans is seized or terminated in any single event or series of events arising from the same or substantially similar circumstances or occurrences.

Section 7.02 No Waiver. An Event of Default shall be deemed to be continuing unless expressly waived in accordance with Section 8.02.

Section 7.03 Due and Payable. Upon the occurrence of any Event of Default which has not been waived in accordance with Section 8.02, Administrative Agent may (and at the direction of Required Buyers shall), by notice to each Seller, declare all Obligations to be immediately due and payable, and any obligation of Buyers to enter into Transactions with such Seller shall thereupon immediately terminate. Upon such declaration, the Obligations shall become immediately due and payable, both as to Purchase Price outstanding and Price Differential, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, anything contained herein or other evidence of such Obligations to the contrary notwithstanding, except with respect to any Event of Default set forth in Section 7.01(c), in which case all Obligations shall automatically become immediately due and payable without the necessity of any notice or other demand, and any obligation of Buyers to enter into Transactions with such Seller shall immediately terminate. Administrative Agent may (or at the direction of the Required Buyers shall) enforce payment of the same and exercise any or all of the rights, powers and remedies possessed by Administrative Agent or Buyers, whether under this Agreement or any other Program Agreement or afforded by applicable Law.

Section 7.04 Fees. The remedies provided for herein are cumulative and are not exclusive of any other remedies provided by law. Each Seller Party, jointly and severally, agrees to pay to Administrative Agent and Buyers reasonable attorneys’ fees and reasonable legal expenses incurred in enforcing Administrative Agent’s and Buyers’ rights, powers and remedies under this Agreement and each other Program Agreement.

Section 7.05 Default Rate. Without regard to whether Administrative Agent has exercised any other rights or remedies hereunder, if an Event of Default shall have occurred and be continuing, the applicable Margin in respect of the Pricing Rate shall be increased, to the extent permitted by law, as set forth in clause (ii) of the definition of “Margin”.

## ARTICLE VIII

### ENTIRE AGREEMENT; AMENDMENTS AND WAIVERS; SEPARATE ACTIONS BY BUYERS

Section 8.01 Entire Agreement. This Agreement (including the Schedules and Exhibits hereto) constitutes the entire agreement of the parties hereto and supersedes any and all prior or contemporaneous agreements, written or oral, as to the matters contained herein, and no modification or waiver of any provision hereof or any of the Program Agreements, nor consent to the departure by any Seller Party therefrom, shall be effective unless the same is in writing, and then such waiver or consent shall be effective only in the specific instance, and for the purpose, for which it is given.

Section 8.02 Amendments.

(a) Neither this Agreement nor any other Program Agreement nor any provision hereof or thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by Administrative Agent, Seller Parties and other parties thereto, with the consent of the Required Buyers; provided that no such waiver, amendment or modification shall (A) increase the Commitment Amount of any Buyer without the written consent of such Buyer (including any such Buyer that is a Defaulting Buyer), (B) reduce or forgive any portion of the Repurchase Price or reduce the rate of interest thereon, or reduce or forgive any interest or fees payable to such Buyer hereunder, without the written consent of each Buyer (including any such Buyer that is a Defaulting Buyer) affected thereby, (C) (i) postpone any scheduled date of payment of the Repurchase Price, or any date for the payment of any interest, fees or other obligations payable to such Buyer hereunder, or reduce the amount of, waive or excuse any such payment, without the written consent of each Buyer (including any such Buyer that is a Defaulting Buyer) affected thereby or (ii) waive any breach of Section 2 of the Pricing Side Letter without consent of each Buyer (other than any Defaulting Buyer), (D) change any of the provisions of an amendment section including this Section 8.2) or the definition of "Required Buyers" or any other provision of any Program Agreement specifying the number or percentage of Buyers required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Buyer directly (other than any Defaulting Buyer) directly affected thereby, (E) change Section 2.07 without consent of each Buyer or (F) release the VFN Guarantor without the written consent of each Buyer (other than any Defaulting Buyer); provided, further, that no such agreement shall amend or modify the definition of "Margin Market Value" or "Asset Value" or any constituent term thereof in a manner that is adverse to Buyers without the written consent of each Buyer (other than any Defaulting Buyer); provided, further that no such agreement shall amend, modify or otherwise affect the rights or duties of Administrative Agent hereunder without the prior written consent of Administrative Agent.

(b) Buyers hereby irrevocably authorize Administrative Agent, at its option and in its sole discretion, to release any Liens granted to Administrative Agent by Seller Parties on any Repurchase Assets (i) upon the termination of the obligations set forth in Section 2.01 with respect to the Committed Amount and the repayment, satisfaction or discharge of all Obligations under the Program Agreements and other applicable Transaction Documents, (ii) constituting property

being sold or disposed of if the sale or disposition is made in compliance with the terms of this Agreement, or (iii) as required to effect any sale or other disposition of such Repurchase Assets in connection with any exercise of remedies of Administrative Agent and Buyers pursuant to Article VII. Any such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of any Seller Party in respect of) all interests retained by Seller Parties, including the proceeds of any sale, all of which shall continue to constitute part of the Repurchase Assets. Any execution and delivery by Administrative Agent of documents in connection with any such release shall be without recourse to or warranty by Administrative Agent.

(c) Waivers, Separate Actions by Buyers. Any amendment or waiver effected in accordance with this Article VIII shall be binding upon Administrative Agent, Buyers and Seller Parties; and Administrative Agent or a Buyer's failure to insist upon the strict performance of any term, condition or other provision of this Agreement or any of the Program Agreements, or of any Buyer or Administrative Agent to exercise any right or remedy hereunder or thereunder, shall not constitute a waiver by any Buyer or Administrative Agent of any such term, condition or other provision or Default or Event of Default in connection therewith, nor shall a single or partial exercise of any such right or remedy preclude any other or future exercise, or the exercise of any other right or remedy; and any waiver of any such term, condition or other provision or of any such Default or Event of Default shall not affect or alter this Agreement or any of the Program Agreements, and each and every term, condition and other provision of this Agreement and the Program Agreements shall, in such event, continue in full force and effect and shall be operative with respect to any other then existing or subsequent Default or Event of Default in connection therewith.

## ARTICLE IX

### SUCCESSORS AND ASSIGNS

Section 9.01 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, any portion thereof, or any interest therein. Seller Parties shall not have the right to assign all or any part of this Agreement or any interest herein without the prior written consent of Administrative Agent and Buyers.

#### Section 9.02 Participations and Transfers.

(a) A Buyer may in accordance with applicable Law and with the consent of Administrative Agent (not to be unreasonably withheld, conditioned or delayed) at any time sell to one or more banks or other entities ("Participants") participating interests in all or a portion of such Buyer's rights and obligations under this Agreement and the other Program Agreements; provided, that (i) each Parent has consented to such sale (such consent not to be unreasonably withheld, conditioned, or delayed), provided that each Parent shall be deemed to have consented to any such sale unless it shall object thereto by written notice to such Buyer within 10 days after having received notice thereof; provided, however, each Parent's consent shall not be required in the event that (A) such Participant is an Affiliate of such Buyer or (B) an Event of Default has occurred; (ii) each such sale shall represent an interest in a Transaction in a Purchase Price of

\$1,000,000 or more and (iii) other than with respect to a participating interest consisting of a pro rata interest in all payments due to such Buyer under this Agreement and prior to an Event of Default such Buyer receives an opinion of a nationally recognized tax counsel experienced in such matters that such sale will not result in the Issuer or Co-Issuer being subject to tax on its net income as an association (or publicly traded partnership) taxable as a corporation or a taxable mortgage pool taxable as a corporation, each for U.S. federal income tax purposes. In the event of any such sale by such Buyer of participating interests to a Participant, such Buyer shall remain a party to the Transaction for all purposes under this Agreement and the Program Agreements and Seller Parties shall continue to deal solely and directly with such Buyer in connection with such Buyer's rights and obligations under this Agreement and the Program Agreements.

(b) A Buyer may in accordance with applicable Law and with the consent of Administrative Agent (not to be unreasonably withheld, conditioned or delayed) at any time assign, pledge, hypothecate, or otherwise transfer to one or more banks, financial institutions, investment companies, investment funds or any other Person (each, a "Transferee") all or a portion of such Buyer's rights and obligations under this Agreement and the other Program Agreements; provided, that (i) each Parent has consented to such assignment, pledge, hypothecation, or other transfer (such consent not to be unreasonably withheld, conditioned, or delayed); provided, however, each Parent's consent shall not be required in the event that (A) such Transferee is an Affiliate of such Buyer or (B) an Event of Default has occurred; (ii) absent an Event of Default, such Buyer shall give at least ten days' prior notice thereof to each Parent and each Parent shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to Administrative Agent within 10 days after having received notice thereof; and (iii) that each such sale shall represent an interest in the Transactions in an aggregate Purchase Price of \$1,000,000 or more and (iv) other than with respect to an assignment, pledge, hypothecation or transfer consisting of a pro rata interest in all payments due to such Buyer under this Agreement and prior to an Event of Default such Buyer received an opinion of a nationally recognized tax counsel experienced in such matters that such assignment, pledge, hypothecation or transfer will not result in the Issuer or Co-Issuer being subject to tax on its net income as an association (or publicly traded partnership) taxable as a corporation or a taxable mortgage pool taxable as a corporation, each for U.S. federal income tax purposes. Administrative Agent (acting as agent for Sellers) shall maintain at its address referred to in Section a register (the "Register") for the recordation of the names and addresses of Transferees, and the Purchase Price outstanding and Price Differential in the Transactions held by each thereof. The entries in the Register shall be *prima facie* conclusive and binding, and Sellers may treat each Person whose name is recorded in the Register as the owner of the Transactions recorded therein for all purposes of this Agreement. No assignment shall be effective until it is recorded in the Register.

(c) All actions taken by a Buyer pursuant to this Section 9.02 shall be at the expense of such Buyer. A Buyer may distribute to any prospective assignee any document or other information delivered to such Buyer by any Seller Party.

(d) Notwithstanding any other provision of this Agreement to the contrary, any Buyer may pledge as collateral, or grant a security interest in, all or any portion of its rights in, to and under this Agreement to a Federal Reserve Bank to secure obligations to such Federal Reserve Bank, in each case without the consent of any Seller Party; provided that no such pledge or grant shall release such Buyer from its obligations under this Agreement; provided, further, that no such pledge or grant shall be to a competitor of Parent.

Section 9.03 Buyer and Participant Register.

(a) Subject to acceptance and recording thereof pursuant to paragraph (b) of this Section 9.03, from and after the effective date specified in each assignment and acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such assignment and acceptance, have the rights and obligations of a Buyer under this Agreement. Any assignment or transfer by a Buyer of rights or obligations under this Agreement that does not comply with this Section 9.03 shall be treated for purposes of this Agreement as a sale by such Buyer of a participation in such rights and obligations in accordance with Section 9.02.

(b) The Sellers or an agent of the Sellers shall maintain a register (the “Transaction Register”) on which it will record the Transactions entered into hereunder, and each assignment and acceptance and participation. The Transaction Register shall include the names and addresses of Buyers (including all assignees, successors and Participants), and the Purchase Price of the Transactions entered into by each Buyer. Failure to make any such recordation, or any error in such recordation shall not affect any Seller Party’s obligations in respect of such Transactions. If a Buyer sells a participation in any Transaction, it shall provide the Sellers, or maintain as agent of the Sellers, the information described in this paragraph and permit the Sellers to review such information as reasonably needed for Sellers to comply with its obligations under this Agreement or under any applicable Law or governmental regulation or procedure. The entries in the Transaction Register shall be *prima facie* conclusive and binding, and Sellers may treat each Person whose name is recorded in the Transaction Register as the owner of the Transactions recorded therein for all purposes of this Agreement. No assignment shall be effective until it is recorded in the Transaction Register.

## ARTICLE X

### AGENT PROVISIONS

Section 10.01 Appointment of Administrative Agent.

(a) Each Buyer hereby irrevocably appoints Goldman Sachs Bank USA, as Administrative Agent hereunder and under the other Program Agreements, and each Buyer hereby authorizes Goldman Sachs Bank USA, in such capacity, to act as its agent in accordance with the terms hereof. The provisions of this Article X are solely for the benefit of Administrative Agent and Buyers, and Seller Parties shall not have any rights as a third party beneficiary of any of the provisions thereof. In performing its functions and duties hereunder, Administrative Agent shall act solely as an agent of Buyers and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for any Seller Party.

(b) The Required Buyers may, to the extent permitted by applicable Law, and with the consent of each Parent (such consent not to be required if an Event of Default has occurred and is continuing and not to be unreasonably withheld), by notice in writing to such Person remove for cause such Person as Administrative Agent and, with the consent of each Parent (such consent not to be required if an Event of Default has occurred and is continuing and not to be unreasonably withheld), appoint a successor Administrative Agent. If no such successor Administrative Agent shall have been so appointed by the Required Buyers and shall have accepted such appointment within thirty (30) days (or such earlier day as shall be agreed by the Required Buyers and Parents), then such removal shall nonetheless become effective in accordance with such notice on the date thirty (30) days (or such earlier day as shall be agreed by the Required Buyers and Parents) after Administrative Agent's receipt of such notice of removal.

**Section 10.02 Powers and Duties.** Each Buyer irrevocably authorizes Administrative Agent to take such action on such Buyer's behalf and to exercise such powers, rights and remedies hereunder and under the other Program Agreements as are specifically delegated or granted to Administrative Agent by the terms hereof and thereof, together with such powers, rights and remedies as are reasonably incidental thereto. Administrative Agent shall have only those duties and responsibilities that are expressly specified herein and the other Program Agreements. Administrative Agent may exercise such powers, rights and remedies and perform such duties by or through its agents or employees. Administrative Agent shall not have, by reason hereof or any of the other Program Agreements, a fiduciary relationship in respect of any Buyer; and nothing herein or any of the other Program Agreements, expressed or implied, is intended to or shall be so construed as to impose upon Administrative Agent any obligations in respect hereof or any of the other Program Agreements except as expressly set forth herein or therein.

**Section 10.03 General Immunity.**

(a) **No Responsibility for Certain Matters.** Except for Administrative Agent's failure to perform a specifically required task set forth herein (and which failure constitutes gross negligence, bad faith or willful misconduct, as determined by a court of competent jurisdiction in a final, non-appealable order), Administrative Agent shall not be responsible for the execution, effectiveness, genuineness, validity, enforceability, collectability or sufficiency hereof or any other Program Agreement or with respect to any other party for any representations, warranties, recitals or statements made herein or therein or made in any written or oral statements or in any financial or other statements, instruments, reports or certificates or any other documents furnished or made by or on behalf of Buyers or any other party in connection with the Program Agreements and the transactions contemplated thereby or for the financial condition or business affairs of any Seller Party or any other Person liable for the payment of any Obligations, nor shall Administrative Agent be required (except as set forth herein or in the Program Agreements) to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained in any of the Program Agreements or as to the use of the proceeds of the Transactions or as to the existence or possible existence of any Event of Default or Default.

(b) Exculpatory Provisions. Neither Administrative Agent nor any of its officers, partners, directors, employees or agents shall be liable for any action taken or omitted by Administrative Agent under or in connection with any of the Program Agreements except to the extent caused by Administrative Agent's gross negligence, bad faith or willful misconduct, as determined by a court of competent jurisdiction in a final, non-appealable order. Administrative Agent shall be entitled to refrain from any act or the taking of any action (including the failure to take an action) in connection herewith or any of the other Program Agreements or from the exercise of any power, discretion or authority vested in it hereunder or thereunder unless and until Administrative Agent shall have received instructions in respect thereof from the Required Buyers and, upon receipt of such instructions from the Required Buyers, Administrative Agent shall be entitled to act or (where so instructed) refrain from acting, or to exercise such power, discretion or authority, in accordance with such instructions. Without prejudice to the generality of the foregoing, (i) Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any communication, instrument or document believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons, and shall be entitled to rely and shall be protected in relying on opinions and judgments of attorneys (who may be attorneys for Sellers), accountants, experts and other professional advisors selected by it; (ii) no Buyer shall have any right of action whatsoever against Administrative Agent as a result of Administrative Agent acting or (where so instructed) refraining from acting hereunder or any of the other Program Agreements in accordance with the instructions of the Required Buyers; and (iii) no action taken or omitted by Administrative Agent shall be considered to have resulted from Administrative Agent's gross negligence, bad faith or willful misconduct if such action or omission was done at the direction of the Required Buyers.

Section 10.04 Administrative Agent to Act as Buyer. The agency hereby created shall in no way impair or affect any of the rights and powers of, or impose any duties or obligations upon, Administrative Agent in its individual capacity as a Buyer. Administrative Agent shall have the same rights and powers as any other Buyer and may exercise the same as if it were not performing the duties and functions delegated to it hereunder, and the term "Buyer" shall, unless the context clearly otherwise indicates, include Administrative Agent in its individual capacity. Administrative Agent and its Affiliates may accept deposits from, lend money to, own securities of, and generally engage in any kind of banking, trust, financial advisory or other business with Seller Parties or any of their Affiliates as if it were not performing the duties specified herein, and may accept fees and other consideration from Seller Parties for services in connection herewith and otherwise without having to account for the same to Buyers.

Section 10.05 Buyer's Representations, Warranties and Acknowledgment.

(a) Each Buyer represents and warrants that it has made its own independent investigation of the financial condition and affairs of Seller Parties in connection with the Transactions hereunder and that it has made and shall continue to make its own appraisal of the creditworthiness of Seller Parties. Administrative Agent shall not have any duty or responsibility, either initially or on a continuing basis, to make any such investigation or any such appraisal on behalf of Buyers or to provide any Buyer with any credit or other information with respect thereto, whether coming into its possession before the making of the Transactions or at any time or times thereafter, and Administrative Agent shall not have any responsibility with respect to the accuracy of or the completeness of any information provided to any Buyer.

(b) Unless otherwise agreed to by Buyers and Seller Parties, each Buyer, by delivering its signature page to this Agreement and entering into Transactions with Seller hereunder shall be deemed to have acknowledged receipt of, and consented to and approved, each Program Agreement and each other document required to be approved by Administrative Agent or Buyers, as applicable on the Closing Date or such other funding date. Each Buyer acknowledges that by agreeing to remit its Pro Rata Share of the Purchase Price on any Purchase Date, such Buyer agrees that all conditions precedent to entering into such Transaction have been met on such Purchase Date.

Section 10.06 Right to Indemnity.

(a) Each Buyer, in accordance with its Pro Rata Share, severally, but not jointly, shall, and hereby agrees to indemnify Administrative Agent, any Affiliate of Administrative Agent, and their respective directors, officers, agents and employees (each, an "Indemnitee Agent Party"), and hold such Indemnitee Agent Party harmless to the extent that such Indemnitee Agent Party shall not have been reimbursed by any Seller Party, from and against any and all losses, claims, damages, liabilities, deficiencies, judgments or expenses incurred by any of them (except to the extent that it has resulted from the gross negligence or willful misconduct of such Indemnitee Agent Party) which may be imposed on, incurred by or asserted against such Indemnitee Agent Party in exercising its powers, rights and remedies or performing its duties hereunder or under the other Program Agreements or otherwise in its capacity as an Indemnitee Agent Party in any way relating to or arising out of this Agreement or the other Program Agreements, including amounts paid in settlement, court costs and reasonable fees and disbursements of counsel incurred in connection with any such litigation, investigation, claim or proceeding or any advice rendered in connection with any of the foregoing. If any indemnity furnished to any Indemnitee Agent Party for any purpose shall, in the opinion of such Indemnitee Agent Party, be insufficient or become impaired, such Indemnitee Agent Party may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished.

(b) Promptly after receipt by the Indemnitee Agent Party of notice of the commencement of any action regarding which a claim in respect thereof is to be made against Buyers, the Indemnitee Agent Party shall notify Buyers in writing of the commencement thereof, but the omission to so notify will not relieve Buyers from any liability which they may have under this Agreement or from any other liability which they may have, except to the extent that they have been prejudiced in any material respect by the failure by the Indemnitee Agent Party to provide prompt notice. Upon receipt of notice by Buyers, Buyers will be entitled to participate in the related action, and they may elect by written notice delivered to the Indemnitee Agent Party to assume the defense thereof. Upon receipt of notice by the Indemnitee Agent Party of Buyers' election to assume the defense of such action, Buyers shall not be liable to the Indemnitee Agent Party for legal expenses incurred by such party in connection with the defense thereof unless (i) Buyers shall not have employed counsel to represent the Indemnitee Agent Party within a reasonable time after receipt of notice of commencement of the action, (ii) Buyers have authorized in writing the employment of separate counsel for the Indemnitee Agent Party, or (iii) the Indemnitee Agent Party has previously engaged counsel and reasonable legal expenses are necessary (a) to transfer the file to Buyers' designated counsel, or (b) to pursue immediate legal action necessary to preserve the legal rights or defenses of the Indemnitee Agent Party as against a third party claimant, and such legal action must occur prior to said transfer. Buyers shall not

settle any suit or claim without the Indemnitee Agent Party's written consent unless such settlement solely involves the payment of money by parties other than the Indemnitee Agent Party and includes unconditional release of the Indemnitee Agent Party from all liability on all matters that are the subject of such proceeding or claim.

Section 10.07 Successor Administrative Agent.

(a) Administrative Agent may resign at any time by giving sixty (60) days' prior written notice thereof to Buyers. Upon any such notice of resignation, Buyers shall have the right to appoint a successor administrative agent; provided, that the retiring Administrative Agent shall continue to hold the Repurchase Assets and all liens and security interest therein for the benefit of Buyers until a successor administrative agent is appointed.

(b) Upon the acceptance of any appointment as Administrative Agent hereunder by a successor administrative agent, that successor administrative agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall promptly (i) transfer to such successor administrative agent all sums and items of Repurchase Assets held under the Program Agreements, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor administrative agent under the Program Agreements, and (ii) execute and deliver to such successor administrative agent such amendments to financing statements, and take such other actions, as may be necessary or appropriate in connection with the assignment to such successor administrative agent of the security interests created under the Program Agreements, whereupon such retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article X and Section 11.02 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent hereunder.

(c) Notwithstanding anything herein to the contrary, Administrative Agent may assign its rights and duties as Administrative Agent hereunder to an Affiliate without written notice to, Buyers; provided, that Seller Parties and Buyers may deem and treat such assigning Administrative Agent as Administrative Agent for all purposes hereof, unless and until such assigning Administrative Agent provides written notice to each Seller and Buyers of such assignment. Upon such assignment such Affiliate shall succeed to and become vested with all rights, powers, privileges and duties as Administrative Agent hereunder and under the other Program Agreements.

Section 10.08 Delegation of Duties. Administrative Agent may perform any of its duties and exercise its rights and powers hereunder or under any other Program Agreement by or through (i) any one or more of its Affiliates or (ii) any one or more sub agents appointed by Administrative Agent with the prior consent of the Required Buyers. Administrative Agent and any such sub agent may perform any and all of its duties and exercise its rights and powers by or through their respective Affiliates and their respective officers, partners, directors, trustees, employees and agents. The exculpatory provisions of this Article X shall apply to any such Affiliate or sub agent and to such other parties as are listed above provided that notwithstanding

this Section 10.08, no such delegation relieves Administrative Agent of its duties or obligations under this Agreement.

Section 10.09 Right to Realize on Repurchase Assets. Anything contained in any of the Program Agreements to the contrary notwithstanding, Seller Parties, Administrative Agent and each Buyer hereby agree that (i) no Buyer shall have any right individually to realize upon any of the Repurchase Assets, it being understood and agreed that all powers, rights and remedies hereunder may be exercised solely by Administrative Agent, on behalf of Buyers in accordance with the terms hereof and all powers, rights and remedies under the Program Agreements may be exercised solely by Administrative Agent, and (ii) in the event of a foreclosure by Administrative Agent on any of the Repurchase Assets pursuant to a public or private sale, Administrative Agent or any Buyer may be the purchaser of any or all of such Repurchase Assets at any such sale and Administrative Agent, as agent for and representative of Buyers (but not any Buyer or Buyers in its or their respective individual capacities unless Buyers shall otherwise agree in writing) shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Repurchase Assets sold at any such public sale, to use and apply any of the Obligations as a credit on account of the purchase price for any collateral payable by Administrative Agent at such sale.

Section 10.10 Erroneous Payments.

(a) Each Buyer hereby agrees that if Administrative Agent notifies such Buyer or any Person who has received funds on behalf of such Buyer (any such Buyer or other recipient, a “Payment Recipient”) that Administrative Agent has determined in its sole discretion that any funds received by such Payment Recipient from Administrative Agent or any of its Affiliates were erroneously transmitted to, or otherwise erroneously or mistakenly received by, such Payment Recipient (whether or not known to such Buyer or other Payment Recipient on its behalf) (any such funds, whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise, individually and collectively, an “Erroneous Payment”) and demands the return of such Erroneous Payment (or a portion thereof), such Erroneous Payment shall at all times remain the property of Administrative Agent and shall be segregated by the Payment Recipient and held in trust for the benefit of Administrative Agent, and such Buyer shall (or, with respect to any Payment Recipient who received such funds on its behalf, shall cause such Payment Recipient to) promptly, but in no event later than two (2) Business Days thereafter, return to Administrative Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made, in same day funds (in the currency so received), together with interest thereon in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Payment Recipient to the date such amount is repaid to Administrative Agent in same day funds at the greater of the overnight federal funds rate and a rate determined by Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect. A notice of Administrative Agent to any Payment Recipient under this clause (a) shall be conclusive, absent manifest error. If a Payment Recipient receives any payment, prepayment or repayment of principal, interest, fees, distribution or otherwise and does not receive a corresponding payment notice or payment advice, such payment, prepayment or repayment shall be presumed to be in error absent written confirmation from Administrative Agent to the contrary.

(b) Each Buyer hereby authorizes Administrative Agent to set off, net and apply any and all amounts at any time owing to such Buyer under any Transaction Document, or otherwise payable or distributable by Administrative Agent to such Buyer from any source, against any amount due to Administrative Agent under immediately preceding clause (a) or under the indemnification provisions of this Agreement.

(c) Each Buyer and each Seller Party hereby agree or so long as an Erroneous Payment (or portion thereof) has not been returned by any Payment Recipient who received such Erroneous Payment (or portion thereof) (such unrecovered amount, an "Erroneous Payment Return Deficiency") to Administrative Agent after demand therefor in accordance with immediately preceding clause (a), (i) Administrative Agent may elect, in its sole discretion on written notice to such Buyer, that all rights and claims of such Buyer with respect to the Repurchase Price or other Obligations owed to such Person up to the amount of the corresponding Erroneous Payment Return Deficiency in respect of such Erroneous Payment (the "Corresponding Repurchase Price") shall immediately vest in Administrative Agent upon such election; after such election, Administrative Agent (x) may reflect its ownership interest in the related Repurchase Price in a principal amount equal to the Corresponding Repurchase Price on the Asset Schedule, and (y) upon five business days' written notice to such Buyer, may sell such Repurchase Price (or portion thereof) in respect of the Corresponding Repurchase Price, and upon receipt of the proceeds of such sale, the Erroneous Payment Return Deficiency owing by such Buyer shall be reduced by the net proceeds of the sale of such Repurchase Price (or portion thereof), and Administrative Agent shall retain all other rights, remedies and claims against such Buyer (and/or against any Payment Recipient that receives funds on its behalf), and (ii) each party hereto agrees that, except to the extent that Administrative Agent has sold such Repurchase Price, and irrespective of whether Administrative Agent may be equitably subrogated, Administrative Agent shall be contractually subrogated to all the rights and interests of such Buyer with respect to the Erroneous Payment Return Deficiency. For the avoidance of doubt, no vesting or sale pursuant to the foregoing clause (i) will reduce the Committed Amount of any Buyer and such Committed Amount shall remain available in accordance with the terms of this Agreement.

(d) The parties hereto agree that an Erroneous Payment shall not pay, prepay, repay, discharge or otherwise satisfy any Obligations owed by any Seller Party, except, in each case, to the extent such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by Administrative Agent from a Seller Party for the purpose of making such Erroneous Payment.

(e) No Payment Recipient shall assert any right or claim to an Erroneous Payment, and hereby waives, and is deemed to waive, any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by Administrative Agent for the return of any Erroneous Payment received, including waiver of any defense based on "discharge for value" or any similar doctrine.

(f) Each party's obligations, agreements and waivers under this Section 10.10 shall survive the resignation or replacement of Administrative Agent, any transfer of rights or obligations by, or the replacement of, Administrative Agent, the termination of the obligations set forth in Section 2.01 with respect to the Committed Amount and/or the repayment, satisfaction or discharge of all Obligations (or any portion thereof) under any Transaction Document.

## ARTICLE XI

### MISCELLANEOUS

Section 11.01 Survival. This Agreement and the other Program Agreements and all covenants, agreements, representations and warranties herein and therein and in the certificates delivered pursuant hereto and thereto, shall survive the entering into of the Transaction and shall continue in full force and effect so long as any Obligations are outstanding and unpaid.

Section 11.02 Indemnification. Seller Parties shall, jointly and severally, and hereby agree to, indemnify, defend and hold harmless Administrative Agent, each Buyer, any Affiliate of Administrative Agent or any Buyer and their respective directors, officers, agents, employees and counsel from and against any and all losses, claims, damages, liabilities, deficiencies, judgments or expenses incurred by any of them (except to the extent that it is finally judicially determined to have resulted from their own gross negligence or willful misconduct) as a consequence of, or arising out of or by reason of any litigation, investigations, claims or proceedings which arise out of or are in any way related to, (i) this Agreement or any other Program Agreement or the transactions contemplated hereby or thereby, (ii) the PMC FMSR Parent's servicing practices or procedures; (iii) any actual or proposed use by any Seller Party of the proceeds of the Purchase Price, and (iv) any Default, Event of Default or any other breach by any Seller Party of any of the provisions of this Agreement or any other Program Agreement, including amounts paid in settlement, court costs and reasonable fees and disbursements of counsel incurred in connection with any such litigation, investigation, claim or proceeding or any advice rendered in connection with any of the foregoing. If and to the extent that any Obligations are unenforceable for any reason, each Seller Party hereby agrees to make the maximum contribution to the payment and satisfaction of such Obligations which is permissible under applicable Law. Seller Parties' obligations set forth in this Section 11.02 shall survive any termination of this Agreement and each other Program Agreement and the payment in full of the Obligations, and are in addition to, and not in substitution of, any other of its obligations set forth in this Agreement or otherwise. In addition, Seller Parties shall, upon demand, pay to Buyers or Administrative Agent, as applicable, all costs and Expenses (including the reasonable fees and disbursements of counsel) paid or incurred by Buyers or Administrative Agent in (i) enforcing or defending its rights under or in respect of this Agreement or any other Program Agreement, (ii) collecting the Purchase Price outstanding, (iii) foreclosing or otherwise collecting upon any Repurchase Assets and (iv) obtaining any legal, accounting or other advice in connection with any of the foregoing.

Section 11.03 Nonliability of Buyers. The parties hereto agree that, notwithstanding any affiliation that may exist between any Seller Party and Buyers, the relationship between and among Administrative Agent, Seller Parties and Buyers shall be solely that of arms-length participants. Neither Administrative Agent nor any Buyer shall have any fiduciary responsibilities to any Seller Party. Each Seller Party (i) agrees that neither Administrative Agent nor any Buyer shall have any liability to any Seller Party (whether sounding in tort, contract or otherwise) for losses suffered by any Seller Party in connection with, arising out of, or in any way related to, the transactions contemplated and the relationship established by this agreement, the other loan documents or any other agreement entered into in connection herewith or any act, omission or event occurring in connection therewith, unless it is determined by a judgment of a court that is binding on Administrative Agent and Buyers (which judgment shall be final and not subject to review on appeal), that such losses were the result of acts or omissions on the part of Administrative Agent or Buyers constituting gross negligence or willful misconduct and (ii) waives, releases and agrees not to sue upon any claim against Administrative Agent or any Buyer (whether sounding in tort, contract or otherwise), except a claim based upon gross negligence or willful misconduct. Whether or not such damages are related to a claim that is subject to such waiver and whether or not such waiver is effective, neither any Buyer nor Administrative Agent shall have any liability with respect to, and each Seller Party hereby waives, releases and agrees not to sue upon any claim for, any special, indirect, consequential or punitive damages suffered by any Seller Party in connection with, arising out of, or in any way related to the transactions contemplated or the relationship established by this Agreement, the other loan documents or any other agreement entered into in connection herewith or therewith or any act, omission or event occurring in connection herewith or therewith, unless it is determined by a judgment of a court that is binding on Administrative Agent and Buyers (which judgment shall be final and not subject to review on appeal), that such damages were the result of acts or omissions on the part of Administrative Agent or Buyers, as applicable, constituting willful misconduct or gross negligence.

Section 11.04 Governing Law; Submission to Jurisdiction; Waivers.

(a) This Agreement shall be binding and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Seller Parties acknowledge that the obligations of Administrative Agent and Buyers hereunder or otherwise are not the subject of any VFN Repo Guaranty by, or recourse to, any direct or indirect parent or other Affiliate of Buyers. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO OR IN CONNECTION WITH THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES HERETO, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES HERETO WILL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (WITHOUT REFERENCE TO THE CONFLICT OF LAW PRINCIPLES THEREOF OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW) AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

(b) EACH OF THE PARTIES HERETO AND THE BUYERS, BY THEIR ACCEPTANCE OF THE NOTE, HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(i) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN, THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(ii) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND, TO THE EXTENT PERMITTED BY LAW, WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(iii) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO ITS ADDRESS SET FORTH HEREIN OR AT SUCH OTHER ADDRESS OF WHICH EACH OTHER PARTY HERETO SHALL HAVE BEEN NOTIFIED IN WRITING; PROVIDED THAT, AT THE TIME OF SUCH MAILING AN ELECTRONIC COPY OF SUCH SERVICE OF PROCESS IS ALSO SENT BY ELECTRONIC MAIL TO THE PERSONS SPECIFIED IN THE ADDRESS FOR NOTICE FOR SUCH PARTY ON THE SIGNATURE PAGE HERETO (OR SUCH OTHER PERSONS OF WHICH THE OTHER PARTIES HERETO SHALL HAVE BEEN NOTIFIED);

(iv) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION; AND

(v) WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE INDENTURE OR THE TRANSACTIONS CONTEMPLATED THEREBY AND HEREBY.

Section 11.05 Notices. Any and all notices (with the exception of Transaction Notices, which shall be delivered via facsimile only), statements, demands or other communications hereunder may be given by a party to the other by mail, email, facsimile, messenger or otherwise to the address specified below, or so sent to such party at any other place specified in a notice of change of address hereafter received by the other. All notices, demands

and requests hereunder may be made orally, to be confirmed promptly in writing, or by other communication as specified in the preceding sentence.

If to Sellers:

PMC FMSR VFN FUNDING, LLC  
c/o PennyMac Corp.  
3043 Townsgate Road, Suite 300  
Westlake Village, CA 91361  
Attention: Pamela Marsh/Josh Smith/Ryan Huddleston  
Phone Number: (805) 330-6059/ (818) 746-2877  
E-mail: [pamela.marsh@pennymac.com](mailto:pamela.marsh@pennymac.com); [josh.smith@pennymac.com](mailto:josh.smith@pennymac.com);  
[ryan.huddleston@pennymac.com](mailto:ryan.huddleston@pennymac.com)

PMH FMSR VFN FUNDING, LLC  
c/o PennyMac Holdings, LLC  
3043 Townsgate Road, Suite 310  
Westlake Village, CA 91361  
Attention: Pamela Marsh/Josh Smith/Ryan Huddleston  
Phone Number: (805) 330-6059/ (818) 746-2877

E-mail: [pamela.marsh@pennymac.com](mailto:pamela.marsh@pennymac.com); [josh.smith@pennymac.com](mailto:josh.smith@pennymac.com);  
[ryan.huddleston@pennymac.com](mailto:ryan.huddleston@pennymac.com)

If to PMC FMSR Parent:

PennyMac Corp.  
3043 Townsgate Road, Suite 300  
Westlake Village, CA 91361  
Attention: Pamela Marsh/Josh Smith/Ryan Huddleston  
Phone Number: (805) 330-6059/ (818) 746-2877  
E-mail: [pamela.marsh@pennymac.com](mailto:pamela.marsh@pennymac.com); [josh.smith@pennymac.com](mailto:josh.smith@pennymac.com);  
[ryan.huddleston@pennymac.com](mailto:ryan.huddleston@pennymac.com)

with a copy to:

PennyMac Corp.  
3043 Townsgate Road, Suite 300  
Westlake Village, CA 91361  
Attention: Derek Stark  
Phone Number: (818) 746-2289  
E-mail: [derek.stark@pennymac.com](mailto:derek.stark@pennymac.com)

If to PMH FMSR Parent:

PennyMac Holdings, LLC  
3043 Townsgate Road, Suite 310  
Westlake Village, CA 91361  
Attention: Pamela Marsh/Josh Smith/Ryan Huddleston  
Phone Number: (805) 330-6059/ (818) 746-2877  
E-mail: [pamela.marsh@pennymac.com](mailto:pamela.marsh@pennymac.com); [josh.smith@pennymac.com](mailto:josh.smith@pennymac.com);  
[ryan.huddleston@pennymac.com](mailto:ryan.huddleston@pennymac.com)

with a copy to:

PennyMac Corp.  
3043 Townsgate Road, Suite 300  
Westlake Village, CA 91361  
Attention: Derek Stark  
Phone Number: (818) 746-2289  
E-mail: [derek.stark@pennymac.com](mailto:derek.stark@pennymac.com)

If to Administrative Agent:

Goldman Sachs Bank USA  
2001 Ross Avenue, Suite 2800  
Dallas, TX 75201  
Attention: Warehouse Lending  
E-mail: [gs-warehouse-am@gc.com](mailto:gs-warehouse-am@gc.com); [gs-warehouselending@gc.com](mailto:gs-warehouselending@gc.com)

If to a Buyer:

at the address specified on the related signature page

Section 11.06 Severability. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement. In case any provision in or obligation under this Agreement or any other Program Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

Section 11.07 Section Headings. The Article and Section headings in this Agreement are inserted for convenience of reference only and shall not in any way affect the meaning or construction of any provision of this Agreement.

Section 11.08 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or other electronic means shall be effective as delivery of a manually executed

counterpart of this Agreement. The parties agree that this Agreement, any addendum or amendment hereto or any other document necessary for the consummation of the transactions contemplated by this Agreement may be accepted, executed or agreed to through the use of an electronic signature in accordance with the Electronic Signatures in Global and National Commerce Act, 15 U.S.C. § 7001 *et seq*, Official Text of the Uniform Electronic Transactions Act as approved by the National Conference of Commissioners on Uniform State Laws at its Annual Conference on July 29, 1999 and any applicable state law. Any document accepted, executed or agreed to in conformity with such laws will be binding on all parties hereto to the same extent as if it were physically executed and each party hereby consents to the use of any secure third party electronic signature capture service providers with appropriate document access tracking, electronic signature tracking and document retention as may be approved by Administrative Agent in its sole discretion.

**Section 11.09 Periodic Due Diligence Review.** Each Seller Party acknowledges that Administrative Agent and Buyers have the right to perform continuing due diligence reviews with respect to Seller Parties and the MSRs and Purchased Assets, for purposes of verifying compliance with the representations, warranties and specifications made hereunder, or otherwise, and Seller Parties agree that upon reasonable (but no less than five (5) Business Days') prior written notice unless an Event of Default shall have occurred, in which case no notice is required, to Seller Parties, Administrative Agent or its authorized representatives will be permitted during normal business hours, and in a manner that does not unreasonably interfere with the ordinary conduct of any Seller Party's business, to examine, inspect, and make copies and extracts of, any and all documents, records, agreements, instruments or information relating to such MSR and Purchased Assets in the possession or under the control of any Seller Party. Each Seller Party also shall make available to Administrative Agent and Buyers a knowledgeable financial or accounting officer for the purpose of answering questions respecting the MSRs and Purchased Assets. Without limiting the generality of the foregoing, each Seller Party acknowledges that Buyers may enter into a Transaction related to any Purchased Assets from Sellers based solely upon the information provided by Sellers to Buyers in the Asset Schedule and the representations, warranties and covenants contained herein, and that Administrative Agent, at its option, has the right at any time to conduct a partial or complete due diligence review on some or all of the Purchased Assets related to a Transaction. Each Seller Party agrees to cooperate with Administrative Agent and Buyers and any third party underwriter in connection with such underwriting, including, but not limited to, providing Administrative Agent and Buyers and any third party underwriter with access to any and all documents, records, agreements, instruments or information relating to such MSRs and Purchased Assets in the possession, or under the control, of any Seller Party.

**Section 11.10 Hypothecation or Pledge of Repurchase Assets.** Buyers shall have free and unrestricted use of all Repurchase Assets and nothing in this Agreement shall preclude Buyers from engaging in repurchase transactions with all or a portion of the Repurchase Assets or otherwise pledging, repledging, transferring, hypothecating, or rehypothecating all or a portion of the Repurchase Assets; provided that prior to an Event of Default, such pledge, repledge, transfer, hypothecation or rehypothecation is treated as a financing or hedging transaction for U.S. federal income tax purposes or a pro rata interest in all payments due to Buyers under this Agreement; provided, further that other than with respect to a pro rata interest in all payments due to Buyers under this Agreement and prior to an Event of Default Buyers receive an opinion of a nationally

recognized tax counsel experienced in such matters that such repurchase transaction, pledge, repledge, transfer, hypothecation or rehypothecation will not result in the Issuer or Co-Issuer being subject to tax on its net income as an association (or publicly traded partnership) taxable as a corporation or a taxable mortgage pool taxable as a corporation, each for U.S. federal income tax purposes.

Section 11.11 Non-Confidentiality of Tax Treatment.

(a) This Agreement and its terms, provisions, supplements and amendments, and notices hereunder, are proprietary to Administrative Agent, Buyers or Seller Parties, as applicable and shall be held by each party hereto, as applicable in strict confidence and shall not be disclosed to any third party without the written consent of Administrative Agent, Buyers and PMC, except for (i) disclosure to Administrative Agent's, Buyer's or any Seller Party's direct and indirect Affiliates and Subsidiaries, attorneys or accountants, but only to the extent such disclosure is necessary and such parties agree to hold all information in strict confidence, or (ii) disclosure required by law, rule, regulation or order of a court or other regulatory body. Notwithstanding the foregoing or anything to the contrary contained herein or in any other Program Agreements, the parties hereto may disclose to any and all Persons of any kind, the federal, state and local tax treatment of the Transactions, any fact relevant to understanding the federal, state and local tax treatment of the Transactions, and all materials of any kind (including opinions or other tax analyses) relating to such federal, state and local tax treatment and that may be relevant to understanding such tax treatment; provided that Seller Parties may not disclose the name of or identifying information with respect to Buyers or any pricing terms (including the Pricing Rate, Purchase Price Percentage, Purchase Price) or other nonpublic business or financial information (including any sublimits) that is unrelated to the federal, state and local tax treatment of the Transactions and is not relevant to understanding the federal, state and local tax treatment of the Transactions, without the prior written consent of Administrative Agent and Buyers.

(b) Notwithstanding anything in this Agreement to the contrary, each Seller Party shall comply with all applicable local, state and federal laws, including all privacy and data protection law, rules and regulations that are applicable to the Repurchase Assets and/or any applicable terms of this Agreement (the "Confidential Information"). Seller Parties understand that the Confidential Information may contain "nonpublic personal information", as that term is defined in Section 509(4) of the Gramm-Leach-Bliley Act (the "GLB Act"), and each Seller Party agrees to maintain such nonpublic personal information that it receives hereunder in accordance with the GLB Act and other applicable federal and state privacy laws. Each Seller Party shall implement such physical and other security measures as shall be necessary to (a) ensure the security and confidentiality of the "nonpublic personal information" of the "customers" and "consumers" (as those terms are defined in the GLB Act) of Administrative Agent, Buyers or any Affiliate of Administrative Agent or Buyers which any Seller Party holds, (b) protect against any threats or hazards to the security and integrity of such nonpublic personal information, and (c) protect against any unauthorized access to or use of such nonpublic personal information. Each Seller Party represents and warrants that it has implemented appropriate measures to meet the objectives of Section 501(b) of the GLB Act and of the applicable standards adopted pursuant thereto, as now or hereafter in effect. Upon request, Seller Parties will provide evidence reasonably satisfactory to allow Administrative Agent to confirm that the providing party has satisfied its obligations as required under this Section 11.11. Without limitation, this may include

Administrative Agent's review of audits, summaries of test results, and other equivalent evaluations of Seller Parties. Seller Parties shall notify Administrative Agent and Buyers immediately following discovery of any breach or compromise of the security, confidentiality, or integrity of nonpublic personal information of the customers and consumers of Administrative Agent or any Buyer or any Affiliate of Administrative Agent or any Buyer provided directly to any Seller Party by Administrative Agent or such Buyer or such Affiliate. Seller Parties shall provide such notice to Administrative Agent or such Buyer by personal delivery, by facsimile with confirmation of receipt, or by overnight courier with confirmation of receipt to the applicable requesting individual.

**Section 11.12 Set-off.** In addition to any rights and remedies of Buyers hereunder and by law, Administrative Agent and Buyers shall have the right, without prior notice to any Seller Party, any such notice being expressly waived by Seller Parties to the extent permitted by applicable Law to set-off and appropriate and apply against any Obligation from Seller Parties or any Affiliate thereof to Administrative Agent, Buyers or any of their respective Affiliates any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other obligation (including to return funds to Seller Parties), credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by or due from Administrative Agent, Buyers or any Affiliate thereof to or for the credit or the account of Seller Parties or any Affiliate thereof. Administrative Agent agrees promptly to notify Seller Parties after any such set off and application made by a Buyer; provided that the failure to give such notice shall not affect the validity of such set off and application.

**Section 11.13 Intent.**

(a) The parties recognize that each Transaction is a "master netting agreement" as that term is defined in Section 101 of Title 11 of the United States Code, as amended and a "securities contract" as that term is defined in Section 741 of Title 11 of the United States Code, as amended and that all payments hereunder are deemed "margin payments" or "settlement payments" as defined in Title 11 of the United States Code.

(b) It is understood that either party's right to liquidate Purchased Assets delivered to it in connection with Transactions hereunder or to exercise any other remedies pursuant to Section 4.07, 7.03 or 11.12 hereof is a contractual right to liquidate such Transaction as described in Sections 555 and Section 561 of Title 11 of the United States Code, as amended.

(c) The parties agree and acknowledge that if a party hereto is an "insured depository institution," as such term is defined in the Federal Deposit Insurance Act, as amended ("FDIA"), then each Transaction hereunder is a "qualified financial contract," as that term is defined in FDIA and any rules, orders or policy statements thereunder (except insofar as the type of assets subject to such Transaction would render such definition inapplicable).

(d) It is understood that this Agreement constitutes a "netting contract" as defined in and subject to Title IV of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") and each payment entitlement and payment obligation under any Transaction hereunder shall constitute a "covered contractual payment entitlement" or "covered contractual

payment obligation”, respectively, as defined in and subject to FDICIA (except insofar as one or both of the parties is not a “financial institution” as that term is defined in FDICIA).

(e) This Agreement is intended to be a “securities contract,” within the meaning of Section 555 under the Bankruptcy Code, and a “master netting agreement,” within the meaning of Section 561 under the Bankruptcy Code.

(f) It is the intention of the parties that, for U.S. federal income tax purposes and for accounting purposes, each Transaction constitute a financing, and that Sellers be (except to the extent that Administrative Agent shall have exercised its remedies following an Event of Default) the owner of the Purchased Assets for such purposes. Unless prohibited by applicable Law, Administrative Agent, Seller Parties and Buyers shall treat the Transactions as described in the preceding sentence (including on any and all filings with any U.S. federal, state, or local taxing authority and agree not to take any action inconsistent with such treatment).

Section 11.14 Acknowledgement Regarding Any Supported QFCs. To the extent that the Program Agreements provide support, through a guarantee or otherwise, for derivative contracts or any other agreement or instrument that is a QFC (such support “QFC Credit Support” and each such QFC a “Supported QFC”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Act (together with the regulations promulgated thereunder, the “U.S. Special Resolution Regime”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Transaction Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Program Agreements that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Program Agreements were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Buyer shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

[Signature Pages Follow]

IN WITNESS WHEREOF, Administrative Agent, Seller Parties and Buyers have caused this Master Repurchase Agreement to be executed and delivered by their duly authorized officers or trustees as of the date first above written.

**GOLDMAN SACHS BANK USA, as  
Administrative Agent**

By: \_\_\_\_\_

Name:

Title:

**GOLDMAN SACHS BANK USA, as a Buyer**

By: \_\_\_\_\_

Name:

Title:

Notice address:

Goldman Sachs Bank USA  
2001 Ross Avenue, Suite 2800  
Dallas, TX 75201  
Attention: Warehouse Lending  
E-mail: [gs-warehouse-am@gs.com](mailto:gs-warehouse-am@gs.com); [gs-warehouselending@gs.com](mailto:gs-warehouselending@gs.com)

*[Signature Page to VF1 Master Repurchase Agreement]*

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**PMC FMSR VFN FUNDING, LLC,**  
as a Seller

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**PMH FMSR VFN FUNDING, LLC,**  
as a Seller

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**PENNMAC HOLDINGS, LLC,**  
as a Parent

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**PENNMAC CORP.,**  
as a Parent

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**PENNMAC MORTGAGE INVESTMENT TRUST**, solely  
with respect to Section 11.13, as VFN Guarantor

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

*[Signature Page to VFI Master Repurchase Agreement]*

SCHEDULE 1  
RESPONSIBLE OFFICERS – SELLER PARTIES

SELLER AUTHORIZATIONS

Any of the persons whose signatures and titles appear below are authorized, acting singly, to act for Sellers under this Agreement:

Responsible Officers for execution of Program Agreements and amendments:

Name	Title	Signature
Pamela Marsh	Senior Managing Director and Treasurer	_____

Responsible Officers for execution of Transaction Notices and day-to-day operational functions:

Name	Title	Signature
Pamela Marsh	Senior Managing Director and Treasurer	_____
Maurice Watkins	Senior Managing Director, Capital Markets Operations	_____
Thomas Rettinger	Senior Managing Director, Head of Secondary Marketing	_____
Kevin Chamberlain	Executive Vice President, Investor Relations	_____
Richard Hetzel	Senior Vice President, Treasury	_____
Adriana Villalobos	First Vice President, Secondary Marketing Operations	_____
Angela Everest	Authorized Representative	_____
Ryan Huddleston	Authorized Representative	_____
Adeshola Makinde	Authorized Representative	_____

Name	Title	Signature
Virginia Movsessian	Authorized Representative	_____
Pamela Marsh	Senior Managing Director and Treasurer	_____
Maurice Watkins	Senior Managing Director, Capital Markets	_____
Thomas Rettinger	Managing Director, Portfolio Risk Management	_____
Richard Hetzel	Authorized Representative	_____
Ryan Huddleston	Authorized Representative	_____
Adeshola Makinde	Authorized Representative	_____

#### PMC FMSR PARENT AUTHORIZATIONS

Any of the persons whose signatures and titles appear below are authorized, acting singly, to act for Parent under this Agreement:

Responsible Officers for execution of Program Agreements and amendments:

Name	Title	Signature
Pamela Marsh	Senior Managing Director and Treasurer	_____

#### PMH FMSR PARENT AUTHORIZATIONS

Any of the persons whose signatures and titles appear below are authorized, acting singly, to act for Parent under this Agreement:

Responsible Officers for execution of Program Agreements and amendments:

Name	Title	Signature
Pamela Marsh	Senior Managing Director and Treasurer	_____

SCHEDULE 2  
ASSET SCHEDULE

<b>Note</b>	<b>Initial Note Balance</b>	<b>Additional Balance(s)</b>	<b>Outstanding VFN Principal Balance</b>	<b>Maximum VFN Principal Balance</b>
PMT ISSUER TRUST – FMSR and PMT CO-ISSUER TRUST I - FMSR,  Class A 2024-VF1 Variable Funding Note	\$86,991,258.21	\$0.00	\$86,991,258.21	\$2,000,000,000.00

Schedule 2-1

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SCHEDULE 3  
ADMINISTRATIVE AGENT ACCOUNT

Bank Name: CITIBANK N.A.  
ABA #: [\*\*\*\*\*]  
Acct. Name: GOLDMAN SACHS BANK USA  
Account #: [\*\*\*\*\*]  
Reference: Warehouse Lending

Schedule 3-1

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EXHIBIT A

FORM OF TRANSACTION NOTICE

Dated: [\_\_\_\_\_]

Attention: [\_\_]  
Email: [\_\_]

TRANSACTION NOTICE

Ladies and Gentlemen:

We refer to the Master Repurchase Agreement, dated as of March 15, 2024 (the “Agreement”), among PMC FMSR VFN Funding, LLC (the “PMC Seller”), PMH FMSR VFN Funding, LLC (the “PMH Seller”), together with the PMC Seller, the “Sellers” PennyMac Corp. (the “PMC Parent”), PennyMac Holdings, LLC (the “PMH Parent”, together with the PMC Parent, the “Parents”), Buyers party thereto (“Buyers”) and Goldman Sachs Bank USA (“Administrative Agent”). Each capitalized term used but not defined herein shall have the meaning specified in the Agreement. This notice is being delivered by the Sellers pursuant to Section 2.02 of the Agreement.

Please be notified that Sellers hereby irrevocably request that Buyer enter into the following Transaction(s) with Sellers as follows:

1. Maximum VFN Principal Balance: [\$\_\_\_\_\_]
2. Initial Note Balance/Purchase Price requested: [\$\_\_\_\_\_]
3. Additional Balance/Purchase Price requested: [\$\_\_\_\_\_]
4. Purchase Date: [\_\_\_\_\_]
5. Repurchase Date: [\_\_\_\_\_]
6. Pricing Rate / Repurchase Price: [\$\_\_\_\_\_]

Sellers request that the proceeds of the Purchase Price be deposited in [Sellers’] account at \_\_\_\_\_, ABA Number \_\_\_\_\_, account number \_\_\_\_, References: \_\_\_\_, Attn: \_\_\_\_\_.

Sellers hereby represent and warrant that each of the representations and warranties made by Seller Parties in each of the Program Agreements to which it is a party is true and correct in all material respects, in each case, on and as of the date hereof, except to the extent such representations and warranties expressly relate to an earlier date. Attached hereto is a true and complete updated copy of the Asset Schedule.

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Exhibit A-1

PMC FMSR VFN FUNDING LLC, as Seller

By: \_\_\_\_\_

PMH FMSR VFN FUNDING LLC, as Seller

By: \_\_\_\_\_

Exhibit A-2

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Asset Schedule

<b>Note</b>	<b>Initial Note Balance</b>	<b>Additional Balance(s)</b>	<b>Outstanding VFN Principal Balance</b>	<b>Maximum VFN Principal Balance</b>
PMT ISSUER TRUST – FMSR and PMT CO- ISSUER TRUST I - FMSR, Class A-VF1 Variable Funding Note	\$[_____]	\$[_____]	\$[_____]	\$[_____]

Exhibit A-3

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EXHIBIT B

EXISTING INDEBTEDNESS OF SELLER PARTIES

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## CERTIFICATION

I, David A. Spector, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PennyMac Mortgage Investment Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Trustees (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2024

/s/ David A. Spector

David A. Spector

*Chairman and Chief Executive Officer*

A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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## CERTIFICATION

I, Daniel S. Perotti, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PennyMac Mortgage Investment Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Trustees (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2024

/s/ Daniel S. Perotti

\_\_\_\_\_  
Daniel S. Perotti

*Senior Managing Director and Chief Financial Officer*

A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of PennyMac Mortgage Investment Trust (the "Company") for the quarter ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Spector, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David A. Spector

David A. Spector

*Chairman and Chief Executive Officer*

October 30, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to PennyMac Mortgage Investment Trust and will be retained by PennyMac Mortgage Investment Trust and furnished to the Securities and Exchange Commission or its staff upon request.

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of PennyMac Mortgage Investment Trust (the "Company") for the quarter ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel S. Perotti, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel S. Perotti

Daniel S. Perotti

*Senior Managing Director and Chief Financial Officer*

October 30, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to PennyMac Mortgage Investment Trust and will be retained by PennyMac Mortgage Investment Trust and furnished to the Securities and Exchange Commission or its staff upon request.

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