

**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 June 30, 2025

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:

Title of Each Class	Trading Symbol (s)	Name of Each Exchange on Which Registered
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 September 2028	PMTU	New York Stock Exchange
9.00% Senior Notes Due February 2030	PMTV	New York Stock Exchange
9.00% Senior Notes Due June 2030	PMTW	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.

Class
Common Shares of Beneficial Interest, \$0.01 par value

Outstanding at July 28, 2025
87,016,604

PENNYMAC MORTGAGE INVESTMENT TRUST
FORM 10-Q
June 30, 2025
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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, describe 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, 2024, filed with the Securities and Exchange Commission (“SEC”) on February 20, 2025.

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 we are 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 we retain 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 we make about uncertainties, contingencies and asset and liability valuations;
- 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 real estate investment trust (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

**PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	<u>June 30, 2025</u>	<u>December 31, 2024</u>
	(in thousands, except share information)	
ASSETS		
Cash	\$ 362,900	\$ 337,694
Short-term investments at fair value	108,586	103,198
Mortgage-backed securities at fair value pledged to creditors	3,967,045	4,063,706
Loans acquired for sale at fair value (\$2,584,143 and \$2,087,615 pledged to creditors, respectively)	2,616,251	2,116,318
Loans held for investment at fair value (\$4,564,678 and \$2,191,869 pledged to creditors, respectively)	4,566,532	2,193,575
Derivative assets (\$31,147 and \$29,377 pledged to creditors, respectively)	51,926	56,840
Derivative assets with PennyMac Financial Services, Inc.	1,038	—
Deposits securing credit risk transfer arrangements pledged to creditors	1,064,719	1,110,708
Mortgage servicing rights at fair value (\$3,677,782 and \$3,807,065 pledged to creditors, respectively)	3,739,106	3,867,394
Servicing advances (\$56,804 and \$89,396 pledged to creditors, respectively)	70,480	105,037
Due from PennyMac Financial Services, Inc.	14,894	16,015
Other (\$527 pledged to creditors as of December 31, 2024)	237,642	438,221
Total assets	<u>\$ 16,801,119</u>	<u>\$ 14,408,706</u>
LIABILITIES		
Assets sold under agreements to repurchase	\$ 6,826,855	\$ 6,500,938
Mortgage loan participation purchase and sale agreements	8,413	11,593
Notes payable secured by credit risk transfer and mortgage servicing assets	2,666,133	2,929,790
Unsecured senior notes	875,225	605,860
Interest-only security payable at fair value	36,553	34,222
Asset-backed financings of variable interest entities at fair value	4,176,128	2,040,375
Derivative and credit risk transfer strip liabilities at fair value	13,474	7,351
Accounts payable and accrued liabilities	141,699	139,124
Due to PennyMac Financial Services, Inc.	30,604	30,206
Income taxes payable	155,326	163,861
Liability for losses under representations and warranties	5,064	6,886
Total liabilities	<u>14,935,474</u>	<u>12,470,206</u>
Commitments and contingencies – Note 17		
SHAREHOLDERS' EQUITY		
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, \$0.01 par value—authorized, 500,000,000 issued and outstanding, 87,016,604 and 86,860,960 shares, respectively	870	869
Additional paid-in capital	1,925,740	1,925,067
Accumulated deficit	(602,447)	(528,918)
Total shareholders' equity	<u>1,865,645</u>	<u>1,938,500</u>
Total liabilities and shareholders' equity	<u>\$ 16,801,119</u>	<u>\$ 14,408,706</u>

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:

	June 30, 2025	December 31, 2024
(in thousands)		
ASSETS		
Loans held for investment at fair value	\$ 4,564,678	\$ 2,191,709
Derivative assets	31,147	29,377
Deposits securing credit risk transfer arrangements	1,064,719	1,110,708
Other—interest receivable	17,568	6,382
	\$ 5,678,112	\$ 3,338,176
LIABILITIES		
Asset-backed financings of the variable interest entities at fair value	\$ 4,176,128	\$ 2,040,375
Derivative and credit risk transfer strip liabilities at fair value	10,479	4,060
Interest-only security payable at fair value	36,553	34,222
Accounts payable and accrued liabilities—interest payable	17,568	6,382
	\$ 4,240,728	\$ 2,085,039

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

PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands, except (loss) earnings per common share)			
Net investment income				
Net gains (losses) on investments and financings	\$ 33,680	\$ (19,743)	\$ 95,993	\$ 20,010
Net gains on loans acquired for sale:				
From nonaffiliates	15,148	10,110	25,477	23,023
From PennyMac Financial Services, Inc.	2,658	2,050	4,673	3,655
	17,806	12,160	30,150	26,678
Loan origination fees	3,385	2,451	6,537	4,459
Net loan servicing fees:				
From nonaffiliates				
Contractually specified	153,111	162,127	305,310	322,484
Other	5,127	2,815	9,044	5,826
	158,238	164,942	314,354	328,310
Change in fair value of mortgage servicing rights	(75,128)	(50,556)	(219,718)	(78,758)
Mortgage servicing rights hedging results	(60,637)	(18,365)	(100,581)	(108,179)
	22,473	96,021	(5,945)	141,373
From PennyMac Financial Services, Inc.	1,474	473	2,682	826
	23,947	96,494	(3,263)	142,199
Net interest expense:				
Interest income	196,481	151,835	372,572	295,394
Interest expense	205,149	171,841	387,286	343,368
	(8,668)	(20,006)	(14,714)	(47,974)
Results of real estate acquired in settlement of loans				
Other	51	66	105	121
Net investment income	70,201	71,198	114,666	145,403
Expenses				
Earned by PennyMac Financial Services, Inc.:				
Loan servicing fees	21,645	20,264	43,374	40,526
Management fees	6,869	7,133	13,881	14,321
Loan fulfillment fees	5,814	4,427	11,104	8,443
Professional services	8,362	2,366	15,344	4,124
Compensation	2,836	1,369	5,806	3,285
Loan collection and liquidation	2,385	671	4,354	2,040
Safekeeping	1,228	961	2,338	1,893
Loan origination	666	533	1,352	1,006
Other	3,390	4,865	6,406	8,775
Total expenses	53,195	42,589	103,959	84,413
Income before provision for (benefit from) income taxes	17,006	28,609	10,707	60,990
Provision for (benefit from) income taxes	9,472	3,175	(6,507)	(12,052)
Net income	7,534	25,434	17,214	73,042
Dividends on preferred shares of beneficial interest	10,455	10,454	20,910	20,909
Net (loss) income attributable to common shareholders	\$ (2,921)	\$ 14,980	\$ (3,696)	\$ 52,133
(Loss) earnings per common share				
Basic	\$ (0.04)	\$ 0.17	\$ (0.05)	\$ 0.60
Diluted	\$ (0.04)	\$ 0.17	\$ (0.05)	\$ 0.60
Weighted average common shares outstanding				
Basic	87,012	86,849	86,960	86,769
Diluted	87,012	86,849	86,960	86,769

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 June 30, 2025						
	Preferred shares		Common shares			Accumula ted deficit	Total
	Number	Amount	Number	Par value	Additional paid-in capital		
	of shares		of shares	(in thousands, except per share amounts)	(in thousands, except per share amounts)		
Balance at March 31, 2025	22,400	\$ 541,482	87,011	\$ 870	\$ 1,924,902	\$ (564,536)	\$ 1,902,718
Net income	—	—	—	—	—	7,534	7,534
Share-based compensation	—	—	6	—	838	—	838
Dividends:							
Preferred shares	—	—	—	—	—	(10,455)	(10,455)
Common shares (\$0.40 per share)	—	—	—	—	—	(34,990)	(34,990)
Balance at June 30, 2025	22,400	\$ 541,482	87,017	\$ 870	\$ 1,925,740	\$ (602,447)	\$ 1,865,645

	Quarter ended June 30, 2024						
	Preferred shares		Common shares			Accumula ted deficit	Total
	Number	Amount	Number	Par value	Additional paid-in capital		
	of shares		of shares	(in thousands, except per share amounts)	(in thousands, except per share amounts)		
Balance at March 31, 2024	22,400	\$ 541,482	86,845	\$ 868	\$ 1,922,954	\$ (506,391)	\$ 1,958,913
Net income	—	—	—	—	—	25,434	25,434
Share-based compensation	—	—	16	1	826	—	827
Dividends:							
Preferred shares	—	—	—	—	—	(10,455)	(10,455)
Common shares (\$0.40 per share)	—	—	—	—	—	(34,850)	(34,850)
Balance at June 30, 2024	22,400	\$ 541,482	86,861	\$ 869	\$ 1,923,780	\$ (526,262)	\$ 1,939,869

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

	Six months ended June 30, 2025						
	Preferred shares		Common shares			Accumulate d deficit	Total
	Number	Amount	Number	Par value	Additional paid-in capital		
	of shares		of shares	(in thousands, except per share amounts)			
Balance at December 31, 2024	22,400	\$ 541,482	86,861	\$ 869	\$ 7	\$ (528,918)	\$ 0
Net income	—	—	—	—	—	17,214	17,214
Share-based compensation	—	—	156	1	673	—	674
Dividends:							
Preferred shares	—	—	—	—	—	(20,910)	(20,910)
Common shares (\$0.80 per share)	—	—	—	—	—	(69,833)	(69,833)
Balance at June 30, 2025	<u>22,400</u>	<u>\$ 541,482</u>	<u>87,017</u>	<u>\$ 870</u>	<u>\$ 0</u>	<u>\$ (602,447)</u>	<u>\$ 5</u>

	Six months ended June 30, 2024						
	Preferred shares		Common shares			Accumulate d deficit	Total
	Number	Amount	Number	Par value	Additional paid-in capital		
	of shares		of shares	(in thousands, except per share amounts)			
Balance at December 31, 2023	22,400	\$ 541,482	86,624	\$ 866	\$ 7	\$ (508,695)	\$ 0
Net income	—	—	—	—	—	73,042	73,042
Share-based compensation	—	—	237	3	343	—	346
Dividends:							
Preferred shares	—	—	—	—	—	(20,910)	(20,910)
Common shares (\$0.80 per share)	—	—	—	—	—	(69,699)	(69,699)
Balance at June 30, 2024	<u>22,400</u>	<u>\$ 541,482</u>	<u>86,861</u>	<u>\$ 869</u>	<u>\$ 0</u>	<u>\$ (526,262)</u>	<u>\$ 9</u>

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

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

	Six months ended June 30,	
	2025	2024
	(in thousands)	
Cash flows from operating activities		
Net income	\$ 17,214	\$ 73,042
Adjustments to reconcile net income to net cash used in operating activities:		
Net gains on investments and financings	(95,993)	(20,010)
Net gains on loans acquired for sale	(30,150)	(26,678)
Change in fair value of mortgage servicing rights	219,718	78,758
Mortgage servicing rights hedging results	100,581	108,179
Accrual of unearned discounts and amortization of purchase premiums on mortgage-backed securities, loans held for investment, and asset-backed financings	(15,350)	(7,049)
Amortization of debt issuance costs	8,212	9,106
Results of real estate acquired in settlement of loans	142	90
Share-based compensation expense	1,801	2,192
Purchase of loans acquired for sale from nonaffiliates	(53,673,734)	(41,331,303)
Purchase of loans acquired for sale from PennyMac Financial Services, Inc.	(1,689,692)	—
Sale to nonaffiliates and repayment of loans acquired for sale	4,983,696	4,168,594
Sale of loans acquired for sale to PennyMac Financial Services, Inc.	47,382,225	37,161,319
Repurchase of loans subject to representations and warranties	(13,097)	(17,706)
Decrease in servicing advances	34,464	107,074
Decrease in due from PennyMac Financial Services, Inc.	1,121	55
Decrease (increase) in other assets	164,693	(153,564)
Increase (decrease) in accounts payable and accrued liabilities	2,423	(231,719)
Increase in due to PennyMac Financial Services, Inc.	398	151
Decrease in income taxes payable	(8,535)	(19,102)
Net cash used in operating activities	<u>(2,609,863)</u>	<u>(98,571)</u>
Cash flows from investing activities		
Net increase in short-term investments	(5,388)	(207,958)
Purchase of mortgage-backed securities	(37,082)	(399,460)
Sale and repayment of mortgage-backed securities	230,814	1,103,969
Repayment of loans held for investment at fair value	145,907	49,223
Net settlement of derivative financial instruments	2,581	(6,005)
Distribution from credit risk transfer arrangements	71,269	76,583
Purchase of mortgage servicing rights	—	(26,484)
Transfer of mortgage servicing rights relating to delinquent loans to Agency	(391)	(216)
Sale of real estate acquired in settlement of loans	686	647
(Increase) decrease in margin deposits	(95,252)	173,182
Net cash provided by investing activities	<u>313,144</u>	<u>763,481</u>

Statements continued on the next page

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

	Six months ended June 30,	
	2025	2024
	(in thousands)	
Cash flows from financing activities		
Sale of assets under agreements to repurchase	71,996,262	54,582,250
Repurchase of assets sold under agreements to repurchase	(71,672,592)	(55,506,481)
Issuance of mortgage loan participation purchase and sale agreements	608,627	692,186
Repayment of mortgage loan participation purchase and sale agreements	(611,745)	(678,604)
Issuance of notes payable secured by credit risk transfer and mortgage servicing assets	50,000	908,000
Repayment of notes payable secured by credit risk transfer and mortgage servicing assets	(316,594)	(882,425)
Issuance of unsecured senior notes	277,500	216,500
Issuance of asset-backed financings of variable interest entities	2,236,766	8,137
Repayment of asset-backed financings of variable interest entities	(143,356)	(47,806)
Payment of debt issuance costs	(11,225)	(14,663)
Payment of dividends to preferred shareholders	(20,910)	(20,910)
Payment of dividends to common shareholders	(69,681)	(69,599)
Payment of vested share-based compensation tax withholdings	(1,127)	(1,846)
Net cash provided by (used in) financing activities	<u>2,321,925</u>	<u>(815,261)</u>
Net increase (decrease) in cash	25,206	(150,351)
Cash at beginning of period	337,694	281,085
Cash at end of period	<u>\$ 362,900</u>	<u>\$ 130,734</u>
Supplemental cash flow information		
Payments, net:		
Income taxes	\$ 2,028	\$ 7,051
Interest	\$ 398,397	\$ 383,862
Non cash investing activities:		
Recognition of loans held for investment resulting from initial consolidation of variable interest entities	\$ 2,480,700	\$ —
Receipt of mortgage servicing rights as proceeds from sales of loans	\$ 91,039	\$ 71,868
Unsettled purchase of mortgage servicing rights	\$ —	\$ 2,944
Non-cash financing activities:		
Dividends declared, not paid	\$ 34,990	\$ 34,850

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 invests in residential mortgage-related assets. The Company operates in three reportable segments: credit sensitive strategies, interest rate sensitive strategies and correspondent production. All other activities are included in 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 enterprises (“GSEs”) such as the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”) or to PLS primarily 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 Company may also securitize loans directly and retain senior and subordinate MBS created in the securitizations.

- Corporate activities include management fees, corporate expense amounts and certain interest income and expense. None of the corporate activities qualify as reportable segments.

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 Pronouncement

Basis of Presentation

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, 2024.

These unaudited consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, and cash flows for the interim periods presented, but are not necessarily indicative of the results of operations that may be expected 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 during the periods presented. Therefore, the consolidated statements of cash flows do not include references to restricted cash.

Recently Issued Accounting Pronouncement

During 2023 the FASB issued Accounting Standards Update 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 does not require any changes to the Company’s accounting for income taxes. 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 ended December 31, 2025, with early adoption permitted.

Note 3—Concentration of Risks

As discussed in Note 1 – *Organization* above, PMT’s operating and investing activities are centered in residential mortgage-related assets, including CRT arrangements, subordinate MBS, Agency and senior Non-Agency MBS and MSRs.

The Company is exposed to fair value risk and credit risk 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 as well as credit losses arising from its investments in CRT arrangements.

Fair Value Risk

The Company carries its non-cash financial assets and MSRs at fair value with changes in fair value included in its results of operations:

- The fair value of MSRs is sensitive to changes in prepayment speed expectation and experience, the returns demanded by market participants and estimates of cost to service the underlying loans;
- The fair values of Agency and senior non-Agency MBS are sensitive to changes in market interest rates; and
- 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 the returns required by market participants to hold such investments.

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 interest-only (“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 loans to the Agencies without the retention of 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.

The Company maintains cash and short-term investment balances at financial institutions in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Should one or more of the financial institutions at which the Company’s deposits are

maintained fail, there is no guarantee as to the extent that the Company would recover the funds deposited, whether through FDIC coverage or otherwise, or the timing of any recovery.

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

Servicing Agreement

The Company has a loan servicing agreement with PLS (the “Servicing Agreement”) pursuant to which PLS provides subservicing for the Company’s portfolio of MSR’s, loans held for sale, loans held in VIEs (prime servicing), and its portfolio of residential loans purchased with credit deterioration (special servicing or distressed loans).

Under the Servicing Agreement, as amended, servicing fees for all subserviced MSR’s and loans 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”) as shown below:

- The per-loan base servicing fees for 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 became delinquent, PLS is entitled to an additional servicing fee per loan ranging from \$18 to \$80 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, pass through of Agency incentive fees to PLS for loss mitigation activities and a fee for processing insurance and guarantee claims on defaulted loans.

Through December 31, 2024, servicing fees were based on the schedule below:

Prime Servicing

- The per-loan base servicing fees for prime loans subserviced by PLS on the Company’s behalf were \$7.50 per month for fixed-rate loans and \$8.50 per month for adjustable-rate loans.
- To the extent that prime loans become delinquent, PLS was 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 became REO.
- PLS was also entitled to customary ancillary income and certain market-based fees and charges, including boarding and deboarding fees, liquidation and disposition fees, assumption and modification and origination fees and certain fees for forbearance and modification activities.

Special Servicing

- The per-loan base servicing fee rates for distressed loans ranged from \$30 per month for current loans up to \$95 per month for loans in foreclosure proceedings. The base servicing fee rate for REO was \$75 per month. PLS also received a supplemental servicing fee of \$25 per month for each special servicing loan.
- PLS received activity-based fees for modifications, foreclosures and liquidations that it facilitated with respect to special servicing, as well as other market-based refinancing and loan disposition fees.

The Servicing Agreement expires on December 31, 2029, subject to automatic renewal for an additional 18-month period unless terminated in accordance with the terms of the agreement.

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 MSR’s, PLS is generally required to transfer and convey to the Company cash in an amount equal to:

- 70% of the fair market value of the MSR’s relating to the recaptured loans subject to the first 30% of the “recapture rate”;

- 50% of the fair market value of the MSR's relating to the recaptured loans subject to the "recapture rate" in excess of 30% and up to 50%;
- 40% of the fair market value of the MSR's relating to the recaptured loans subject to the "recapture rate" in excess of 50%; and
- a recapture fee of \$900 per loan if PLS originates a mortgage loan for the purpose of purchasing a property where the customer has or had a mortgage loan for which PMT holds or held the MSR.

The "recapture rate" means, during each month, the ratio of (i) the aggregate unpaid principal balance ("UPB") of all refinance mortgage loans originated in such month, plus the aggregate UPB of all "preserved mortgage loans" relating to closed end second loans originated in such month, to (ii) the aggregate UPB of all mortgage loans from the portfolio that PLS has determined in good faith were refinanced in such month, plus the aggregate UPB of all "preserved mortgage loans" relating to closed end second lien loans originated in such month. For purposes of such calculation, "preserved mortgage loan" means a mortgage loan in PMT's portfolio as to which PLS or its affiliates originated a new closed end second lien loan in a subordinate position to such mortgage loan. PFSI has further agreed to allocate sufficient resources to target a recapture rate of at least 30%.

Through December 2024, the MSR recapture agreement provided for the fee to be determined as follows:

- 40% of the fair market value of the MSR's relating to the recaptured loans subject to the first 15% of the "recapture rate";
- 35% of the fair market value of the MSR's 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 MSR's relating to the recaptured loans subject to the "recapture rate" in excess of 30%.

Through December 31, 2024, the "recapture rate" meant, during each month, the ratio of (i) the aggregate UPB of all recaptured loans, to (ii) the aggregate UPB of all mortgage loans for which the Company held the MSR's and that were refinanced or otherwise paid off in such month.

The MSR recapture agreement expires on December 31, 2029, subject to automatic renewal for an additional 18-month period unless terminated in accordance with the terms of the agreement.

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

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Loan servicing fees:				
Loans acquired for sale	\$ 285	\$ 94	\$ 508	\$ 184
Loans held for investment	226	63	394	125
Mortgage servicing rights	21,134	20,107	42,472	40,217
	<u>\$ 21,645</u>	<u>\$ 20,264</u>	<u>\$ 43,374</u>	<u>\$ 40,526</u>
Average investment in loans:				
Acquired for sale	\$ 2,204,825	\$ 854,406	\$ 2,101,729	\$ 779,997
Held for investment	\$ 3,766,027	\$ 1,380,857	\$ 3,199,308	\$ 1,403,094
Average MSR portfolio unpaid principal balance	\$ 222,991,951	\$ 229,124,554	\$ 224,208,538	\$ 229,767,433
Mortgage servicing rights recapture fees	\$ 1,474	\$ 473	\$ 2,682	\$ 826
Unpaid principal balance of loans recaptured	\$ 183,050	\$ 74,208	\$ 342,522	\$ 136,281

Correspondent Production Activities

Mortgage Banking Servicing Agreement

The Company is provided fulfillment and other services for the operation of its correspondent production 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 MSR's; 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 changes in fair value resulting from 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.

Effective January 1, 2025, fulfillment fees in any quarter shall not exceed the following:

- the number of non-Ginnie Mae loan commitments issued during the quarter after applying 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, and then multiplied by a ratio of (i) the number of loan commitments relating to loans intended to be purchased by PMT during the quarter and thereafter retained by PMT prior to sale or securitization, to (ii) the total number of non-Ginnie Mae loan commitments issued during the quarter (as determined after applying the applicable pull-through factor to each such non-Ginnie Mae loan commitment), plus

- \$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, multiplied by a ratio of (i) the number of loans purchased by the Company during the quarter and thereafter retained by PMT prior to sale or securitization to (ii) the total number of non-Ginnie Mae loans purchased during the quarter, plus
- \$500 multiplied by the number of all purchased loans that are sold or securitized to parties other than Fannie Mae or Freddie Mac; provided however, that no fulfillment fee shall be due or payable to PLS with respect to any Ginnie Mae mortgage loans, any Fannie Mae mortgage loan or Freddie Mac mortgage loan acquired by PLS from the Company on a discretionary basis, or any mortgage loan acquired by the Company from PLS on or before June 30, 2025, provided that supplemental fees may still be charged in connection with the securitization or sale of any such mortgage loans.

Through December 2024, the mortgage banking services agreement provided for a quarterly fulfillment fee not to exceed the following:

- 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
- \$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
- \$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 designated Fannie Mae or Freddie Mac loans acquired by PLS.

The Company does not hold the Ginnie Mae approval required to issue Ginnie Mae MBS and/or to act as a servicer for loans in Ginnie Mae MBS. Accordingly, under the mortgage banking services agreement, PLS purchases mortgage loans underwritten in accordance with the Ginnie Mae MBS Guide “as is” and without recourse of any kind from the Company at its cost less an administrative fee plus accrued interest and a sourcing fee ranging from one to two basis points of the UPB of the loan, generally based on the average number of calendar days the loans are held by the Company before purchase by PLS. PLS may also acquire conventional loans from the Company on the same terms upon mutual agreement between the Company and PLS.

While PLS purchases these mortgage loans “as is” and without recourse of any kind from the Company, where PLS has a claim for repurchase, indemnity or otherwise against a correspondent seller, it is entitled, at its sole expense, to pursue any such claim through or in the name of the Company. As part of the amendment of the mortgage banking services agreement, PLS will assume the role of initial correspondent loan purchaser instead of the Company effective July 1, 2025. Under this agreement, the Company retains the right to purchase up to 100% of the non-government insured or guaranteed loans purchased by PLS at its cost plus accrued interest, less any loan administrative fee paid to PLS by the correspondent seller, and subject to quarterly fulfillment fees as described above. PLS may hold or otherwise sell correspondent loans to other investors if the Company chooses not to purchase such loans. Accordingly, the sourcing fee arrangement will no longer have any effect for correspondent loans locked on July 1, 2025 and after.

The mortgage banking services agreement expires on December 31, 2029, subject to automatic renewal for an additional 18-month period unless terminated in accordance with the terms of the agreement.

The Company may also 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 June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Loan fulfillment fees earned by PLS	\$ 5,814	\$ 4,427	\$ 11,104	\$ 8,443
Unpaid principal balance of loans fulfilled by PLS	\$ 3,085,840	\$ 2,229,397	\$ 5,867,562	\$ 4,001,078
Sourcing fees received from PLS included in <i>Net gains on loans acquired for sale</i>	\$ 2,658	\$ 2,050	\$ 4,673	\$ 3,655
Unpaid principal balance of loans sold to PLS:				
Government guaranteed or insured	\$ 12,966,563	\$ 10,500,415	\$ 24,158,443	\$ 18,357,340
Conventional conforming	13,520,693	10,006,706	22,481,489	18,196,636
	<u>\$ 26,487,256</u>	<u>\$ 20,507,121</u>	<u>\$ 46,639,932</u>	<u>\$ 36,553,976</u>
Purchases of loans acquired for sale from PLS	\$ 1,034,884	\$ —	\$ 1,689,692	\$ —
Tax service fees paid to PLS	\$ 502	\$ 431	\$ 979	\$ 790

	June 30, 2025	December 31, 2024
	(in thousands)	
Loans included in <i>Loans acquired for sale at fair value</i> pending sale to PLS	\$ 1,584,212	\$ 602,108

Management Agreement

PMT has a management agreement with PCM, pursuant to which the Company 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. "Shareholders' equity" is defined as the sum of net proceeds from issuance and repurchases of equity securities since inception, plus retained earnings or reduced by accumulated deficit.
- A performance incentive fee that is calculated annually at a defined annualized percentage of the amount by which "net income," over a fiscal year 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 year exceeds (i) an 8% return on the average "common shareholders' equity" plus the "high watermark", up to (ii) a 12% return on "common shareholders' equity" during the period; plus
- 15% of the amount by which "net income" for the year exceeds (i) a 12% return on the average "common shareholders' equity" plus the "high watermark", up to (ii) a 16% return on "common shareholders' equity" during the period; plus
- 20% of the amount by which "net income" for the year exceeds a 16% return on the average "common shareholders' equity" during the period 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.

"Common shareholders' equity" is defined as average "shareholder's equity" less the average GAAP carrying value of the Company's preferred equity.

"High watermark" is the annual adjustment that reflects the amount by which the "net income" (stated as a percentage of return on "equity") in that year exceeds or falls short of the lesser of 8% and the average Fannie Mae 30-year MBS Yield (the "Target Yield") for the year then ended. 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 is reset to zero. As a result, the threshold amount required for the Company to earn a performance incentive fee is adjusted cumulatively based on the performance of the Company'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, and a performance incentive fee is earned. The high watermark is calculated based on the two years preceding the fiscal year for which the incentive fee is calculated, and will never be less than zero after including all high watermark increases and high watermark decreases over any such rolling two fiscal year period.

The base management fee is paid quarterly in arrears and the performance incentive fee is paid annually 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 June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Base management fee	\$ 6,869	\$ 7,133	\$ 13,881	\$ 14,321
Performance incentive fee	—	—	—	—
	<u>\$ 6,869</u>	<u>\$ 7,133</u>	<u>\$ 13,881</u>	<u>\$ 14,321</u>
Average shareholders' equity amounts used to calculate base management fee expense	\$ 1,836,690	\$ 1,912,522	\$ 1,866,238	\$ 1,919,962

The management agreement expires on December 31, 2029, subject to automatic renewal for an additional 18-month period unless terminated in accordance with the terms of the agreement.

Through 2024, under the Management Agreement, both base management and performance incentive fees were paid quarterly and the high watermark was assessed and calculated on a cumulative basis since inception.

Expense Reimbursement

Under the Management Agreement, the Company reimburses PCM for 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, accounting, internal audit and investor relations services for the direct benefit of the Company. The Company is also required to pay its pro rata portion of the rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses (common overhead) of PCM and its affiliates required for the Company's and its subsidiaries' operations. These expenses are based on the resources PCM and its affiliates dedicate to investment management activities for the Company, as determined by PCM in its sole discretion.

Through 2024, the Company reimbursed PCM for its organizational and operating expenses, including third-party expenses, incurred on the Company's behalf, it being understood that PCM and its affiliates would allocate a portion of their personnel's time to provide certain legal, tax and investor relations services for the direct benefit of the Company. With respect to the allocation of PCM's and its affiliates' personnel compensation, PCM was reimbursed \$165,000 per fiscal quarter. Overhead expenses were previously allocated based on the ratio of the Company's proportion of gross assets compared to all remaining gross assets owned or managed PCM and 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 June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Reimbursement of:				
Expenses incurred on the Company's behalf, net	\$ 4,963	\$ 2,779	\$ 9,564	\$ 9,193
Compensation	1,628	165	3,257	330
Common overhead	982	2,000	1,963	3,944
	<u>\$ 7,573</u>	<u>\$ 4,944</u>	<u>\$ 14,784</u>	<u>\$ 13,467</u>
Payments and settlements during the period (1)	\$ 32,628	\$ 29,263	\$ 60,676	\$ 59,348

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

Financing Activities

PFSI Investment in the Company

PFSI held 75,000 of the Company's Common Shares at both June 30, 2025 and December 31, 2024.

Amounts Receivable from and Payable to PFSI

Amounts receivable from and payable to PFSI are summarized below:

	June 30, 2025	December 31, 2024
	(in thousands)	
Due from PFSI-Miscellaneous receivables	\$ 14,894	\$ 16,015
Due to PFSI:		
Correspondent production fees	\$ 10,528	\$ 11,122
Loan servicing fees	7,213	6,822
Management fees	6,869	7,149
Allocated expenses and expenses and costs	5,994	3,508
Fulfillment fees	—	1,605
	<u>\$ 30,604</u>	<u>\$ 30,206</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 of the Company's balance sheet items as summarized below:

Balance sheet line including advance amount	June 30, 2025	December 31, 2024
	(in thousands)	
Servicing advances	\$ 70,480	\$ 105,037
Other assets-Real estate acquired in settlement of loans	800	1,265
	<u>\$ 71,280</u>	<u>\$ 106,302</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 June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Cash flows:				
Proceeds from sales	\$ 2,369,738	\$ 2,240,258	\$ 4,983,696	\$ 4,168,594
Loan servicing fees received	\$ 153,111	\$ 162,127	\$ 305,310	\$ 322,484

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

	June 30, 2025		December 31, 2024	
	(in thousands)			
Unpaid principal balance of loans outstanding	\$	218,298,658	\$	222,761,227
Collection status (Unpaid principal balance)				
Delinquency:				
30-89 days delinquent	\$	2,644,806	\$	2,618,767
90 or more days delinquent:				
Not in foreclosure	\$	996,274	\$	1,078,362
In foreclosure	\$	129,773	\$	105,810
Bankruptcy	\$	318,897	\$	281,821
Custodial funds managed by the Company (1)	\$	3,028,831	\$	2,385,602

(1) Custodial funds represent 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 operations.

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 Mortgage 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 credit risk transfer arrangements* into subsidiary trust entities to secure its recourse obligations. The *Deposits securing credit risk transfer 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' results of operations. 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, strips and 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 operations.

Following is a summary of the CRT arrangements:

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Net investment income:				
<i>Net gains (losses) on investments and financings</i>				
Credit risk transfer derivatives and strips:				
Credit risk transfer derivatives				
Realized	\$ 2,632	\$ 3,564	\$ 5,435	\$ 6,973
Valuation changes	2,743	1,475	1,920	8,256
	5,375	5,039	7,355	15,229
Credit risk transfer strips				
Realized	9,950	11,693	19,727	23,378
Valuation changes	5,524	378	(6,301)	29,718
	15,474	12,071	13,426	53,096
<i>Interest-only security payable at fair value — valuation changes</i>	(599)	(481)	(2,331)	(41)
	20,250	16,629	18,450	68,284
<i>Interest income — Deposits securing credit risk transfer arrangements</i>	11,401	15,383	23,076	31,079
	\$ 31,651	\$ 32,012	\$ 41,526	\$ 99,363
Net payments made to settle losses on credit risk transfer arrangements	\$ 1,225	\$ 128	\$ 2,468	\$ 313

	June 30, 2025	December 31, 2024
		(in thousands)
Carrying value of credit risk transfer arrangements:		
<i>Derivative assets - credit risk transfer derivatives</i>	\$ 31,147	\$ 29,377
<i>Derivative and credit risk transfer liabilities — credit risk transfer strip liabilities</i>	(10,479)	(4,060)
<i>Deposits securing credit risk transfer arrangements</i>	1,064,719	1,110,708
<i>Interest-only security payable at fair value</i>	(36,553)	(34,222)
	\$ 1,048,834	\$ 1,101,803
Credit risk transfer arrangement assets pledged to secure borrowings:		
<i>Derivative assets</i>	\$ 31,147	\$ 29,377
<i>Deposits securing credit risk transfer arrangements (1)</i>	\$ 1,064,719	\$ 1,110,708
Unpaid principal balance of loans underlying credit risk transfer arrangements	\$ 20,356,165	\$ 21,249,304
Collection status (unpaid principal balance):		
Delinquency		
Current	\$ 19,791,362	\$ 20,628,148
30-89 days delinquent	\$ 386,978	\$ 414,605
90-179 days delinquent	\$ 106,898	\$ 131,191
180 or more days delinquent	\$ 46,254	\$ 51,343
Foreclosure	\$ 24,673	\$ 24,017
Bankruptcy	\$ 65,532	\$ 63,697

(1) *Deposits securing credit risk transfer arrangements* also secure \$10.5 million and \$4.1 million in CRT strip liabilities at June 30, 2025 and December 31, 2024, respectively.

Subordinate and Senior Non-Agency Mortgage-Backed Securities

The Company retains or purchases subordinate and senior non-agency 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 subordinate MBS 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 earned on the loans owned by the VIEs as *Interest income* and the interest attributable to the asset-backed securities issued to nonaffiliates by the VIEs as *Interest expense* on its consolidated statements of operations.

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

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Net investment income:				
<i>Net gains (losses) on investments and financings:</i>				
<i>Loans held for investment at fair value</i>	\$ 13,600	\$ (2,739)	\$ 42,312	\$ (3,979)
<i>Asset-backed financings at fair value</i>	(14,793)	1,295	(44,216)	8,771
<i>Interest income</i>	50,687	13,449	84,360	25,557
<i>Interest expense</i>	46,449	11,402	75,164	24,080
	<u>\$ 3,045</u>	<u>\$ 603</u>	<u>\$ 7,292</u>	<u>\$ 6,269</u>

	June 30, 2025	December 31, 2024
	(in thousands)	
Loans held for investment at fair value	\$ 4,564,678	\$ 2,191,709
Asset-backed financings at fair value	\$ 4,176,128	\$ 2,040,375
Retained mortgage-backed securities at fair value pledged to secure <i>Assets sold under agreements to repurchase</i>	\$ 340,285	\$ 130,839

Financing of Mortgage Servicing Assets

The Company entered into financing transactions in which it pledged participation interests in its MSR to VIEs which issued variable funding notes, term notes and term loans backed by beneficial interests in Fannie Mae MSR. The Company holds and 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. These financings are 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 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 significant 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 significant 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 results of operations 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 this method debt issuance costs are amortized over the term of the debt facility, thereby matching the debt issuance cost 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:

	June 30, 2025			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets:				
Short-term investments	\$ 108,586	\$ —	\$ —	\$ 108,586
Mortgage-backed securities	—	3,887,993	79,052	3,967,045
Loans acquired for sale	—	2,609,086	7,165	2,616,251
Loans held for investment	—	4,564,678	1,854	4,566,532
Derivative assets:				
Call options on interest rate futures purchase contracts	8,638	—	—	8,638
Put options on interest rate futures purchase contracts	59	—	—	59
Forward purchase contracts	—	21,510	—	21,510
Forward sale contracts	—	227	—	227
Credit risk transfer derivatives	—	—	31,147	31,147
Interest rate lock commitments	—	—	6,666	6,666
Total derivative assets before netting	8,697	21,737	37,813	68,247
Netting	—	—	—	(16,321)
Total derivative assets after netting	8,697	21,737	37,813	51,926
Derivative assets with PennyMac Financial Services, Inc	—	1,038	—	1,038
Mortgage servicing rights	—	—	3,739,106	3,739,106
	<u>\$ 117,283</u>	<u>\$ 11,084,532</u>	<u>\$ 3,864,990</u>	<u>\$ 15,050,484</u>
Liabilities:				
Interest-only security payable	\$ —	\$ —	\$ 36,553	\$ 36,553
Asset-backed financings of the variable interest entities	—	4,176,128	—	4,176,128
Derivative and credit risk transfer strip liabilities:				
Forward purchase contracts	—	16	—	16
Forward sales contracts	—	75,443	—	75,443
Interest rate lock commitments	—	—	181	181
Total derivative liabilities before netting	—	75,459	181	75,640
Netting	—	—	—	(72,645)
Total derivative liabilities after netting	—	75,459	181	2,995
Credit risk transfer strips	—	—	10,479	10,479
Total derivative and credit risk transfer strip liabilities	—	75,459	10,660	13,474
	<u>\$ —</u>	<u>\$ 4,251,587</u>	<u>\$ 47,213</u>	<u>\$ 4,226,155</u>

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets:				
Short-term investments	\$ 103,198	\$ —	\$ —	\$ 103,198
Mortgage-backed securities	—	3,977,446	86,260	4,063,706
Loans acquired for sale	—	2,108,347	7,971	2,116,318
Loans held for investment	—	2,191,709	1,866	2,193,575
Derivative assets:				
Call options on interest rate futures purchase contracts	156	—	—	156
Put options on interest rate futures purchase contracts	6,372	—	—	6,372
Forward purchase contracts	—	614	—	614
Forward sale contracts	—	54,056	—	54,056
MBS put options	—	2,114	—	2,114
CRT derivatives	—	—	29,377	29,377
Interest rate lock commitments	—	—	3,562	3,562
Total derivative assets before netting	6,528	56,784	32,939	96,251
Netting	—	—	—	(39,411)
Total derivative assets after netting	6,528	56,784	32,939	56,840
Mortgage servicing rights	—	—	3,867,394	3,867,394
	<u>\$ 109,726</u>	<u>\$ 8,334,286</u>	<u>\$ 3,996,430</u>	<u>\$ 12,401,031</u>
Liabilities:				
Interest-only security payable	\$ —	\$ —	\$ 34,222	\$ 34,222
Asset-backed financings of the variable interest entities	—	2,040,375	—	2,040,375
Derivative liabilities and credit risk transfer strips:				
Forward purchase contracts	—	6,336	—	6,336
Forward sales contracts	—	1,753	—	1,753
Interest rate lock commitments	—	—	3,118	3,118
Total derivative liabilities before netting	—	8,089	3,118	11,207
Netting	—	—	—	(7,916)
Total derivative liabilities after netting	—	8,089	3,118	3,291
Credit risk transfer strips	—	—	4,060	4,060
Total derivative and credit risk transfer strip liabilities	—	8,089	7,178	7,351
	<u>\$ —</u>	<u>\$ 2,048,464</u>	<u>\$ 41,400</u>	<u>\$ 2,081,948</u>

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:

Quarter ended June 30, 2025								
Assets (1)	Interest-only stripped mortgage-backed securities	Loans acquired for sale	Loans held for investment	CRT derivatives	Interest rate lock commitments	CRT strips	Mortgage servicing rights	Total
(in thousands)								
Balance, March 31, 2025	\$ 81,043	\$ 5,451	\$ 1,815	\$ 28,474	\$ 4,619	\$ (15,885)	\$ 3,770,034	\$ 3,875,551
Purchases and issuances	—	3,103	—	—	3,553	—	—	6,656
Repayments and sales	(4,524)	(1,540)	(20)	(2,702)	—	(10,068)	—	(18,854)
Accrual of unearned discounts	2,165	—	—	—	—	—	—	2,165
Amounts received pursuant to sales of loans	—	—	—	—	—	—	44,030	44,030
Changes in fair value included in results of operations arising from:								
Changes in instrument - specific credit risk	—	—	—	—	—	—	—	—
Other factors	368	151	59	5,375	4,529	15,474	(75,128)	(49,172)
	<u>368</u>	<u>151</u>	<u>59</u>	<u>5,375</u>	<u>4,529</u>	<u>15,474</u>	<u>(75,128)</u>	<u>(49,172)</u>
Transfers of:								
Interest rate lock commitments to loans acquired for sale (2)	—	—	—	—	(6,216)	—	—	(6,216)
Mortgage servicing rights relating to delinquent loans to Agency	—	—	—	—	—	—	170	170
Balance, June 30, 2025	<u>\$ 79,052</u>	<u>\$ 7,165</u>	<u>\$ 1,854</u>	<u>\$ 31,147</u>	<u>\$ 6,485</u>	<u>\$ (10,479)</u>	<u>\$ 3,739,106</u>	<u>\$ 3,854,330</u>
Changes in fair value recognized during the quarter relating to assets still held at June 30, 2025	<u>\$ 368</u>	<u>\$ (96)</u>	<u>\$ 58</u>	<u>\$ 2,743</u>	<u>\$ 6,485</u>	<u>\$ 5,524</u>	<u>\$ (75,128)</u>	<u>\$ (60,046)</u>

- (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 upon purchase of the respective loans.

Liabilities	Quarter ended June 30, 2025 (in thousands)
Interest-only security payable:	
Balance, March 31, 2025	\$ 35,954
Changes in fair value included in results of operations arising from:	
Changes in instrument - specific credit risk	—
Other factors	599
	<u>599</u>
Balance, June 30, 2025	<u>\$ 36,553</u>
Changes in fair value recognized during the quarter relating to liability outstanding at June 30, 2025	<u>\$ 599</u>

Quarter ended June 30, 2024

Assets (1)	Interest- only stripped mortgage- backed securities	Loans acquired for sale	Loans held for investment	CRT derivatives	Interest rate lock commitme nts	CRT strips	Mortgage servicing rights	Total
(in thousands)								
Balance, March 31, 2024	\$ 94,667	\$ 5,096	\$ 2,034	\$ 22,899	\$ 4,845	\$ (17,352)	\$ 3,951,737	\$ 4,063,926
Purchases and issuances (purchase adjustment)	—	4,013	—	—	4,760	—	(13)	8,760
Repayments and sales	(4,984)	(1,018)	(32)	(3,633)	—	(11,693)	—	(21,360)
Accrual of unearned discount	2,390	—	—	—	—	—	—	2,390
Amounts received pursuant to sales of loans	—	—	—	—	—	—	40,619	40,619
Changes in fair value included in results of operations arising from:								
Changes in instrument - specific credit risk	—	—	—	—	—	—	—	—
Other factors	(4,232)	(97)	(4)	5,039	(4,147)	12,071	(50,556)	(41,926)
	<u>(4,232)</u>	<u>(97)</u>	<u>(4)</u>	<u>5,039</u>	<u>(4,147)</u>	<u>12,071</u>	<u>(50,556)</u>	<u>(41,926)</u>
Transfers of:								
Interest rate lock commitments to loans acquired for sale (2)	—	—	—	—	(3,906)	—	—	(3,906)
Mortgage servicing rights relating to delinquent loans to Agency	—	—	—	—	—	—	74	74
Balance, June 30, 2024	<u>\$ 87,841</u>	<u>\$ 7,994</u>	<u>\$ 1,998</u>	<u>\$ 24,305</u>	<u>\$ 1,552</u>	<u>\$ (16,974)</u>	<u>\$ 3,941,861</u>	<u>\$ 4,048,577</u>
Changes in fair value recognized during the quarter relating to assets still held at June 30, 2024	<u>\$ (4,232)</u>	<u>\$ (112)</u>	<u>\$ (11)</u>	<u>\$ 5,039</u>	<u>\$ 1,552</u>	<u>\$ 378</u>	<u>\$ (50,556)</u>	<u>\$ (47,942)</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 upon purchase of the respective loans.

Liabilities	Quarter ended June 30, 2024 (in thousands)
Interest-only security payable:	
Balance, March 31, 2024	\$ 32,227
Changes in fair value included in income arising from:	
Changes in instrument - specific credit risk	—
Other factors	481
	<u>481</u>
Balance, June 30, 2024	<u>\$ 32,708</u>
Changes in fair value recognized during the quarter relating to liability outstanding at June 30, 2024	<u>\$ 481</u>

Six months ended June 30, 2025

Assets (1)	Interest-only stripped mortgage- backed securities	Loans acquired for sale	Loans held for investment	CRT derivatives	Interest rate lock commitment s	CRT strips	Mortgage servicing rights	Total
	(in thousands)							
Balance, December 31, 2024	\$ 86,260	\$ 7,971	\$ 1,866	\$ 29,377	\$ 444	\$ (4,060)	\$ 3,867,394	\$ 3,989,252
Purchases and issuances	—	3,131	—	—	8,152	—	—	11,283
Repayments and sales	(9,160)	(4,218)	(40)	(5,585)	—	(19,845)	—	(38,848)
Accrual of unearned discounts	4,450	—	—	—	—	—	—	4,450
Amounts received pursuant to sales of loans	—	—	—	—	—	—	91,039	91,039
Changes in fair value included in results of operations arising from:								
Changes in instrument - specific credit risk	—	—	—	—	—	—	—	—
Other factors	(2,498)	281	28	7,355	11,920	13,426	(219,718)	(189,206)
	(2,498)	281	28	7,355	11,920	13,426	(219,718)	(189,206)
Transfers of:								
Interest rate lock commitments to loans acquired for sale (2)	—	—	—	—	(14,031)	—	—	(14,031)
Mortgage servicing rights relating to delinquent loans to Agency	—	—	—	—	—	—	391	391
Balance, June 30, 2025	<u>\$ 79,052</u>	<u>\$ 7,165</u>	<u>\$ 1,854</u>	<u>\$ 31,147</u>	<u>\$ 6,485</u>	<u>\$ (10,479)</u>	<u>\$ 3,739,106</u>	<u>\$ 3,854,330</u>
Changes in fair value recognized during the period relating to assets still held at June 30, 2025	<u>\$ (2,498)</u>	<u>\$ (56)</u>	<u>\$ 27</u>	<u>\$ 1,920</u>	<u>\$ 6,485</u>	<u>\$ (6,301)</u>	<u>\$ (219,718)</u>	<u>\$ (220,141)</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 upon purchase of the respective loans.

Liabilities	Six months ended June 30, 2025
	(in thousands)
Interest-only security payable:	
Balance, December 31, 2024	\$ 34,222
Changes in fair value included in results of operations arising from:	
Changes in instrument - specific credit risk	—
Other factors	2,331
	2,331
Balance, June 30, 2025	<u>\$ 36,553</u>
Changes in fair value recognized during the period relating to liability outstanding at June 30, 2025	<u>\$ 2,331</u>

	Six months ended June 30, 2024							
Assets (1)	Interest-only stripped mortgage-backed securities	Loans acquired for sale	Loans held for investment	CRT derivatives	Interest rate lock commitments	CRT strips	Mortgage servicing rights	Total
	(in thousands)							
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	—	5,497	—	—	7,871	—	29,428	42,796
Repayments and sales	(10,054)	(3,676)	(91)	(7,084)	—	(23,378)	—	(44,283)
Accrual of unearned discount	4,606	—	—	—	—	—	—	4,606
Amounts received pursuant to sales of loans	—	—	—	—	—	—	71,868	71,868
Changes in fair value included in results of operations arising from:								
Changes in instrument - specific credit risk	—	—	—	—	—	—	—	—
Other factors	(942)	(145)	(42)	15,229	(5,002)	53,096	(78,758)	(16,564)
	(942)	(145)	(42)	15,229	(5,002)	53,096	(78,758)	(16,564)
Transfers of:								
Interest rate lock commitments to loans acquired for sale (2)	—	—	—	—	(8,849)	—	—	(8,849)
Mortgage servicing rights relating to delinquent loans to Agency	—	—	—	—	—	—	216	216
Balance, June 30, 2024	<u>\$ 87,841</u>	<u>\$ 7,994</u>	<u>\$ 1,998</u>	<u>\$ 24,305</u>	<u>\$ 1,552</u>	<u>\$ (16,974)</u>	<u>\$ 3,941,861</u>	<u>\$ 4,048,577</u>
Changes in fair value recognized during the period relating to assets still held at June 30, 2024	<u>\$ (942)</u>	<u>\$ (199)</u>	<u>\$ (52)</u>	<u>\$ 8,256</u>	<u>\$ 1,552</u>	<u>\$ 29,718</u>	<u>\$ (78,758)</u>	<u>\$ (40,425)</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 upon purchase of the respective loans.

Liabilities	Six months ended June 30, 2024
	(in thousands)
Interest-only security payable:	
Balance, December 31, 2023	\$ 32,667
Changes in fair value included in income arising from:	
Changes in instrument - specific credit risk	—
Other factors	41
	41
Balance, June 30, 2024	<u>\$ 32,708</u>
Changes in fair value recognized during the period relating to liability outstanding at June 30, 2024	<u>\$ 41</u>

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):

	June 30, 2025			December 31, 2024		
	Fair value	Principal amount due upon maturity	Difference (in thousands)	Fair value	Principal amount due upon maturity	Difference
Loans acquired for sale:						
Current through 89 days delinquent	\$ 2,614,499	\$ 2,550,108	\$ 64,391	\$ 2,114,556	\$ 2,092,030	\$ 22,526
90 or more days delinquent:						
Not in foreclosure	910	941	(31)	1,687	2,114	(427)
In foreclosure	842	1,002	(160)	75	96	(21)
	1,752	1,943	(191)	1,762	2,210	(448)
	<u>\$ 2,616,251</u>	<u>\$ 2,552,051</u>	<u>\$ 64,200</u>	<u>\$ 2,116,318</u>	<u>\$ 2,094,240</u>	<u>\$ 22,078</u>
Loans held for investment:						
Held in consolidated VIEs:						
Current through 89 days delinquent	\$ 4,563,339	\$ 4,646,273	\$ (82,934)	\$ 2,190,432	\$ 2,413,214	\$ (222,782)
90 or more days delinquent:						
Not in foreclosure	1,339	1,635	(296)	1,277	1,658	(381)
In foreclosure	—	—	—	—	—	—
	1,339	1,635	(296)	1,277	1,658	(381)
	<u>4,564,678</u>	<u>4,647,908</u>	<u>(83,230)</u>	<u>2,191,709</u>	<u>2,414,872</u>	<u>(223,163)</u>
Distressed:						
Current through 89 days delinquent	423	567	(144)	445	595	(150)
90 or more days delinquent:						
Not in foreclosure	1,242	3,245	(2,003)	1,421	3,796	(2,375)
In foreclosure	189	539	(350)	—	—	—
	<u>1,431</u>	<u>3,784</u>	<u>(2,353)</u>	<u>1,421</u>	<u>3,796</u>	<u>(2,375)</u>
	<u>1,854</u>	<u>4,351</u>	<u>(2,497)</u>	<u>1,866</u>	<u>4,391</u>	<u>(2,525)</u>
	<u>\$ 4,566,532</u>	<u>\$ 4,652,259</u>	<u>\$ (85,727)</u>	<u>\$ 2,193,575</u>	<u>\$ 2,419,263</u>	<u>\$ (225,688)</u>

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

	Quarter ended June 30, 2025				
	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	\$ 14,564	\$ —	\$ —	\$ 7,582	\$ 22,146
Loans acquired for sale	—	34,080	—	—	34,080
Loans held for investment	13,659	—	—	(3,488)	10,171
Credit risk transfer strips	15,474	—	—	—	15,474
Mortgage servicing rights	—	—	(75,128)	—	(75,128)
	<u>\$ 43,697</u>	<u>\$ 34,080</u>	<u>\$ (75,128)</u>	<u>\$ 4,094</u>	<u>\$ 6,743</u>
Liabilities:					
Interest-only security payable	\$ (599)	\$ —	\$ —	\$ —	\$ (599)
Asset-backed financings of VIEs	(14,793)	—	—	505	(14,288)
	<u>\$ (15,392)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 505</u>	<u>\$ (14,887)</u>

	Quarter ended June 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
Assets:					
Mortgage-backed securities	\$ (34,925)	\$ —	\$ —	\$ 6,586	\$ (28,339)
Loans acquired for sale	—	1,969	—	—	1,969
Loans held for investment	(2,742)	—	—	(605)	(3,347)
Credit risk transfer strips	12,071	—	—	—	12,071
Mortgage servicing rights	—	—	(50,556)	—	(50,556)
	<u>\$ (25,596)</u>	<u>\$ 1,969</u>	<u>\$ (50,556)</u>	<u>\$ 5,981</u>	<u>\$ (68,202)</u>
Liabilities:					
Interest-only security payable	\$ (481)	\$ —	\$ —	\$ —	\$ (481)
Asset-backed financings of VIEs	1,295	—	—	(604)	691
	<u>\$ 814</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (604)</u>	<u>\$ 210</u>

	Six months ended June 30, 2025				
	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	\$ 79,419	\$ —	\$ —	\$ 17,652	\$ 97,071
Loans acquired for sale	—	80,591	—	—	80,591
Loans held for investment	42,340	—	—	(4,175)	38,165
Credit risk transfer strips	13,426	—	—	—	13,426
Mortgage servicing rights	—	—	(219,718)	—	(219,718)
	<u>\$ 135,185</u>	<u>\$ 80,591</u>	<u>\$ (219,718)</u>	<u>\$ 13,477</u>	<u>\$ 9,535</u>
Liabilities:					
Interest-only security payable	\$ (2,331)	\$ —	\$ —	\$ —	\$ (2,331)
Asset-backed financings of VIEs	(44,216)	—	—	1,873	(42,343)
	<u>\$ (46,547)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,873</u>	<u>\$ (44,674)</u>

	Six months ended June 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
Assets:					
Mortgage-backed securities	\$ (73,123)	\$ —	\$ —	\$ 9,677	\$ (63,446)
Loans acquired for sale	—	1,632	—	—	1,632
Loans held for investment	(4,020)	—	—	(2,740)	(6,760)
Credit risk transfer strips	53,096	—	—	—	53,096
Mortgage servicing rights	—	—	(78,758)	—	(78,758)
	<u>\$ (24,047)</u>	<u>\$ 1,632</u>	<u>\$ (78,758)</u>	<u>\$ 6,937</u>	<u>\$ (94,236)</u>
Liabilities:					
Interest-only security payable	\$ (41)	\$ —	\$ —	\$ —	\$ (41)
Asset-backed financings of VIEs	8,771	—	—	(112)	8,659
	<u>\$ 8,730</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (112)</u>	<u>\$ 8,618</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)			
June 30, 2025	\$ —	\$ —	\$ 271	\$ 271
December 31, 2024	\$ —	\$ —	\$ 532	\$ 532

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

Real estate acquired in settlement of loans	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Real estate acquired in settlement of loans	\$ (14)	\$ (246)	\$ (50)	\$ (150)

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 operations.

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 its *Unsecured senior notes*, as detailed 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	June 30, 2025		December 31, 2024	
	Carrying value	Fair value	Carrying value	Fair value
	(in thousands)			
Notes payable secured by credit risk transfer and mortgage servicing assets	\$ 2,666,133	\$ 2,685,857	\$ 2,929,790	\$ 2,944,956
Unsecured senior notes	\$ 875,225	\$ 894,341	\$ 605,860	\$ 606,185

Valuation Governance

Most of the Company's assets, its *Asset-backed financings of variable interest entities at fair value, Interest-only security payable at fair value* and the CRT strips included in *Derivative and credit risk transfer strip liabilities at fair value* are carried at fair value with changes in fair value recognized in current period results of operations. 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 subcommittee, 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 subcommittee. PFSI’s senior management valuation subcommittee 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 subcommittee 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 stripped MBS:

- The Company categorizes its current holdings of MBS other than IO stripped MBS 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 stripped MBS as “Level 3” fair value assets. The Company uses a discounted cash flow approach to estimate the fair values of its IO stripped MBS.

The key inputs used in the estimation of the fair value of IO stripped MBS include pricing spread (a component of discount rate) and prepayment speed. Significant changes to those inputs in isolation may result in significant changes in the IO stripped MBS’ 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 stripped MBS:

	June 30, 2025	December 31, 2024
Fair value (in thousands)	\$ 79,052	\$ 86,260
Key inputs (1)		
Pricing spread (2)		
Range	5.9% – 6.5%	5.9% – 6.5%
Weighted average	6.5%	6.5%
Annual total prepayment speed (3)		
Range	10.6% – 11.9%	9.4% – 10.2%
Weighted average	10.6%	9.4%
Equivalent life (in years)		
Range	4.3 – 7.5	4.6 – 8.0
Weighted average	7.5	7.9

(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 stripped MBS.

(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 operations.

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 and all of the loans held for investment held in VIEs, are categorized as "Level 2" fair value assets:
 - Fair values of loans acquired for sale are established using the loans' contracted selling prices, quoted market prices or market price equivalents.
 - Fair values of loans held for investment held in VIEs are developed using the quoted indications of fair value of all of the individual securities issued by the securitization trusts. The Company obtains indications of fair value from nonaffiliate brokers based on comparable securities and/or pricing services and validates the brokers' or pricing services' 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 of loans acquired for sale categorized as "Level 3" assets (home equity lines of credit and previously sold loans repurchased pursuant to representation and warrants) 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.
 - Fair values of distressed loans are estimated based on the fair values of the real estate collateralizing the loans.

Changes in fair values of loans acquired for sale are included in *Net gains on loans acquired for sale* in the consolidated statements of operations.

Changes in fair values of loans held for investment are included in *Net gains (losses) on investments and financings* in the consolidated statements of operations.

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 operations.

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:

	June 30, 2025	December 31, 2024
	(dollars in thousands)	
Fair value	\$ 31,147	\$ 29,377
UPB of loans in reference pools	\$ 4,731,905	\$ 4,961,644
Key inputs (1)		
Discount rate		
Range	8.7% – 18.7%	9.0% – 11.4%
Weighted average	8.9%	9.3%
Voluntary prepayment speed (2)		
Range	6.8% – 8.3%	7.0% – 7.6%
Weighted average	7.2%	7.3%
Involuntary prepayment speed (3)		
Range	0.1% – 0.3%	0.1% – 0.2%
Weighted average	0.1%	0.1%
Remaining loss expectation		
Range	0.0% – 0.1%	0.0% – 0.2%
Weighted average	0.1%	0.1%

- (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 operations.

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

	June 30, 2025	December 31, 2024
Fair value (in thousands) (1)	\$ 6,485	\$ 444
Committed amount (in thousands)	\$ 936,725	\$ 1,166,566
Key inputs (2)		
Pull-through rate		
Range	56.7% – 100%	51.0% – 98.0%
Weighted average	88.6%	86.3%
MSR fair value expressed as		
Servicing fee multiple		
Range	1.5 – 8.2	2.6 – 7.8
Weighted average	5.6	5.7
Percentage of unpaid principal balance		
Range	0.4% – 2.7%	0.6% – 2.7%
Weighted average	1.7%	1.9%

- (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 value of hedging derivatives are included in *Net gains (losses) on investments and financings, Net gains on loans acquired for sale or Net loan servicing fees – from nonaffiliates – Mortgage servicing rights hedging results* as applicable, in the consolidated statements of operations.

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 operations.

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

	June 30, 2025	(dollars in thousands)	December 31, 2024
Fair value	\$	10,479	\$ 4,060
Unpaid principal balance of loans in the reference pools	\$	15,624,260	\$ 16,287,660
Key inputs (1)			
Discount rate			
Range	6.1% – 8.8%		7.1% – 9.1%
Weighted average	8.4%		8.8%
Voluntary prepayment speed (2)			
Range	6.9% – 7.5%		6.9% – 7.5%
Weighted average	7.0%		7.0%
Involuntary prepayment speed (3)			
Range	0.1% – 0.3%		0.1% – 0.3%
Weighted average	0.1%		0.1%
Remaining loss expectation			
Range	0.4% – 1.5%		0.4% – 1.5%
Weighted average	0.5%		0.5%

(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 fair values of MSRs are derived from the net positive cash flows associated with the servicing agreements. The Company uses a discounted cash flow approach to estimate the fair values of MSRs. 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 mortgage-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 mortgage principal, interest, tax and insurance payments.

The key inputs used in the estimation of the fair value of MSRs include the prepayment speeds of the underlying loans, the applicable pricing spreads (a component of the discount rate) 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 operations.

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 cost of servicing increases. 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 June 30,		Six months ended June 30,	
	2025	2024	2025	2024
MSRs recognized (in thousands)	\$ 44,030	\$ 40,619	\$ 91,039	\$ 71,868
Unpaid principal balance of underlying loans (in thousands)	\$ 2,350,978	\$ 2,242,511	\$ 4,945,616	\$ 4,073,529
Weighted average annual servicing fee rate (in basis points)	32	35	32	35
Key inputs (1)				
Prepayment speed (2)				
Range	9.4% – 15.5%	10.8% – 17.8%	9.4% – 15.5%	10.8% – 17.8%
Weighted average	9.6%	11.5%	9.7%	12.4%
Equivalent average life (in years)				
Range	3.8 – 8.2	3.4 – 7.2	3.7 – 8.2	3.4 – 7.2
Weighted average	8.1	7.1	8.0	6.8
Pricing spread (3)				
Range	5.2% – 7.3%	5.9% – 8.1%	5.2% – 7.3%	5.5% – 8.5%
Weighted average	5.3%	6.0%	5.4%	5.8%
Annual per-loan cost of servicing				
Range	\$69 – \$87	\$69 – \$87	\$68 – \$87	\$69 – \$87
Weighted average	\$69	\$69	\$69	\$70

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

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

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

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:

	June 30, 2025	December 31, 2024
Fair value (in thousands)	\$ 3,739,106	\$ 3,867,394
Unpaid principal balance of underlying loans (in thousands)	\$ 221,632,326	\$ 226,237,613
Weighted average annual servicing fee rate (in basis points)	27	27
Weighted average note interest rate	3.9%	3.8%
Key inputs (1)		
Prepayment speed (2)		
Range	7.1% – 18.5%	6.5% – 17.7%
Weighted average	7.3%	6.7%
Equivalent average life (in years)		
Range	2.3 – 8.7	2.4 – 8.9
Weighted average	8.3	8.6
Effect on fair value (in thousands) of (3):		
5% adverse change	\$(54,493)	\$(51,798)
10% adverse change	\$(107,260)	\$(102,010)
20% adverse change	\$(207,940)	\$(197,970)
Pricing spread (4)		
Range	5.4% – 8.1%	5.4% – 8.1%
Weighted average	5.4%	5.4%
Effect on fair value (in thousands) of (3):		
5% adverse change	\$(46,780)	\$(47,568)
10% adverse change	\$(92,450)	\$(94,018)
20% adverse change	\$(180,597)	\$(183,710)
Annual per-loan cost of servicing		
Range	\$69 – \$89	\$69 – \$89
Weighted average	\$69	\$69
Effect on fair value (in thousands) of (3):		
5% adverse change	\$(16,355)	\$(16,645)
10% adverse change	\$(32,710)	\$(33,291)
20% adverse change	\$(65,421)	\$(66,582)

- (1) Weighted-average inputs are based on the UPB of the underlying loans.
- (2) Prepayment speed is measured using life total CPR, which includes both voluntary and involuntary prepayments. Equivalent average life is provided as supplementary information.
- (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) The Company uses a pricing spread over a derived Treasury yield curve for the purpose of discounting cash flows relating to MSRs.

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 operations.

Note 8— Mortgage-Backed Securities

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

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Balance at beginning of period	\$ 4,035,862	\$ 3,949,678	\$ 4,063,706	\$ 4,836,292
Purchases	37,082	239,875	37,082	399,460
Sales	—	—	—	(941,340)
Repayments	(128,045)	(92,877)	(230,814)	(162,629)
Changes in fair value included in income arising from:				
Accrual of net purchase premiums and discounts	7,582	6,586	17,652	9,677
Valuation adjustments, net	14,564	(34,925)	79,419	(73,123)
	22,146	(28,339)	97,071	(63,446)
Balance at end of period	\$ 3,967,045	\$ 4,068,337	\$ 3,967,045	\$ 4,068,337

	June 30, 2025	December 31, 2024
	(in thousands)	
Fair value of mortgage-backed securities pledged to secure		
<i>Assets sold under agreements to repurchase</i>	\$ 3,967,045	\$ 4,063,706

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

Security type	June 30, 2025			Fair value
	Principal balance or notional amount	Unearned purchase discounts, net	Cumulative valuation changes	
	(in thousands)			
Agency fixed-rate pass-through securities	\$ 2,981,885	\$ (1,988)	\$ (1,950)	\$ 2,977,947
Principal-only stripped securities	712,819	(146,307)	12,000	578,512
Subordinate credit-linked securities	174,813	(4,858)	25,446	195,401
Senior non-Agency securities	140,794	(3,198)	(1,463)	136,133
	<u>\$ 4,010,311</u>	<u>\$ (156,351)</u>	<u>\$ 34,033</u>	<u>3,887,993</u>
Interest-only stripped securities	\$ 366,767			79,052
				<u>\$ 3,967,045</u>

Security type	December 31, 2024			Fair value
	Principal balance or notional amount	Unearned purchase discounts, net	Cumulative valuation changes	
	(in thousands)			
Agency fixed-rate pass-through securities	\$ 3,132,005	\$ (901)	\$ (51,612)	\$ 3,079,492
Principal-only stripped securities	776,455	(160,960)	(19,195)	596,300
Subordinate credit-linked securities	174,813	(4,292)	25,951	196,472
Senior non-Agency securities	111,479	(3,269)	(3,028)	105,182
	<u>\$ 4,194,752</u>	<u>\$ (169,422)</u>	<u>\$ (47,884)</u>	<u>3,977,446</u>
Interest-only stripped securities	\$ 386,040			86,260
				<u>\$ 4,063,706</u>

Maturities of Mortgage-Backed Securities

MBS maturities (based on final maturity dates) are as follows:

Security type	Total	June 30, 2025	
		Maturing after five years through ten years	Maturing after ten years
	(in thousands)		
Agency fixed-rate pass-through securities	\$ 2,977,947	\$ —	\$ 2,977,947
Principal-only stripped securities	578,512	—	578,512
Subordinate credit-linked securities	195,401	41,106	154,295
Senior non-Agency securities	136,133	—	136,133
Interest-only stripped securities	79,052	—	79,052
	<u>\$ 3,967,045</u>	<u>\$ 41,106</u>	<u>\$ 3,925,939</u>

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	June 30, 2025	December 31, 2024
	(in thousands)	
Held for sale to PLS		
GSE eligible (1)	\$ 1,079,994	\$ 175,145
Government insured or guaranteed	504,218	426,963
	1,584,212	602,108
Held for sale to nonaffiliates—GSE eligible	819,578	1,311,754
Jumbo	205,296	194,485
Home equity lines of credit	1,048	1,368
Repurchased pursuant to representations and warranties	6,117	6,603
	\$ 2,616,251	\$ 2,116,318
Loans pledged to secure:		
<i>Assets sold under agreements to repurchase</i>	\$ 2,575,290	\$ 2,075,473
<i>Mortgage loan participation purchase and sale agreements</i>	8,853	12,142
	\$ 2,584,143	\$ 2,087,615

(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.

Note 10—Loans Held for Investment at Fair Value

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

Following is a summary of the distribution of the Company's loans held for investment:

Loan type	June 30, 2025	December 31, 2024
	(in thousands)	
Loans in variable interest entities:		
Agency-conforming loans secured by non-owner occupied properties	\$ 4,173,204	\$ 2,146,328
Fixed interest rate jumbo loans	391,474	45,381
	4,564,678	2,191,709
Distressed loans	1,854	1,866
	\$ 4,566,532	\$ 2,193,575
Loans held for investment pledged to secure:		
<i>Asset-backed financings at fair value (1)</i>	\$ 4,564,678	\$ 2,191,709
<i>Assets sold under agreements to repurchase</i>	—	160
	\$ 4,564,678	\$ 2,191,869

(1) As discussed in Note 6 – *Variable Interest Entities – Subordinate and Senior Non-Agency Mortgage-Backed Securities*, the Company holds a portion of the securities issued by the VIEs. At June 30, 2025 and December 31, 2024, \$340.3 million and \$130.8 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:

	June 30, 2025	December 31, 2024
	(in thousands)	
Derivative assets	\$ 51,926	\$ 56,840
Derivative assets with PennyMac Financial Services, Inc.	1,038	—
	2,995	3,291
Derivative liabilities	\$ 2,995	\$ 3,291
Credit risk transfer strip liabilities	10,479	4,060
	\$ 13,474	\$ 7,351

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

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 certain 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
- CRT Agreements whereby the Company retained recourse obligations relating to loans 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	June 30, 2025			December 31, 2024		
	Notional amount (1)	Fair value		Notional amount (1)	Fair value	
		Derivative assets	Derivative liabilities		Derivative assets	Derivative liabilities
	(in thousands)					
Hedging derivatives subject to master netting arrangements (2):						
Call options on interest rate futures purchase contracts	2,395,000	\$ 8,638	\$ —	500,000	\$ 156	\$ —
Put options on interest rate futures purchase contracts	775,000	59	—	1,690,000	6,372	—
Forward purchase contracts	2,977,196	21,510	16	1,154,515	614	6,336
Forward sale contracts	6,799,629	227	75,443	7,080,982	54,056	1,753
MBS put options	—	—	—	450,000	2,114	—
Bond futures	1,962,000	—	—	1,713,000	—	—
Swap futures	951,200	—	—	951,200	—	—
Other derivatives not subject to master netting arrangements:						
CRT derivatives	4,731,905	31,147	—	4,961,644	29,377	—
Interest rate lock commitments	936,725	6,666	181	1,166,566	3,562	3,118
Total derivative instruments before netting		68,247	75,640		96,251	11,207
Netting		(16,321)	(72,645)		(39,411)	(7,916)
		\$ 51,926	\$ 2,995		\$ 56,840	\$ 3,291
Forward purchase contract with PennyMac Financial Services, Inc.	84,070	\$ 1,038	\$ —	—	\$ —	\$ —
Margin deposits placed with (received from) derivative counterparties included in derivative balances above, net		\$ 56,325			\$ (31,497)	
Derivative assets pledged to secure:						
<i>Assets Sold Under Agreements to Repurchase and Notes payable secured by credit risk transfer and mortgage servicing assets</i>		\$ 31,147			\$ 29,377	

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

(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 June 30, 2025 and December 31, 2024, 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	June 30, 2025				December 31, 2024			
	Net amount of assets presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet		Net amount	Net amount of assets presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet		Net amount
		Financial instruments	Cash collateral received			Financial instruments	Cash collateral received	
				(in thousands)				
CRT derivatives				31,14				29,37
	\$ 31,147	\$ —	\$ —	\$ 7	\$ 29,377	\$ —	\$ —	\$ 7
Interest rate lock commitments	6,666	—	—	6,666	3,562	—	—	3,562
RJ O'Brien & Associates, LLC	8,696	—	—	8,696	6,528	—	—	6,528
Mizuho Financial Group	1,819	—	—	1,819	—	—	—	—
Bank of America, N.A.	1,352	—	—	1,352	3,150	—	—	3,150
PennyMac Financial Services, Inc.	1,038	—	—	1,038	—	—	—	—
J.P. Morgan Securities LLC	565	—	—	565	1,237	—	—	1,237
Morgan Stanley & Co. LLC	486	—	—	486	9,303	—	—	9,303
Citigroup Global Markets Inc.	277	—	—	277	712	—	—	712
Wells Fargo Securities, LLC	246	—	—	246	895	—	—	895
Goldman Sachs & Co. LLC	159	—	—	159	251	—	—	251
Other	513	—	—	513	1,825	—	—	1,825
				52,96				56,84
	<u>\$ 52,964</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4</u>	<u>\$ 56,840</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0</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 are secured by sufficient collateral with fair values that exceed the liability amounts recorded on the consolidated balance sheets.

Counterparty	June 30, 2025				December 31, 2024			
	Net amount of liabilities presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet		Net amount	Net amount of liabilities presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet		Net amount
		Financial instruments (1)	Cash collateral pledged			Financial instruments (1)	Cash collateral pledged	
Interest rate lock commitments	\$ 181	\$ —	\$ —	\$ 181	\$ 3,118	\$ —	\$ —	\$ 3,118
J.P. Morgan Securities LLC	1,523,520	(1,523,520)	—	—	1,695,007	(1,695,007)	—	—
Bank of America, N.A.	791,070	(791,070)	—	—	787,883	(787,883)	—	—
Wells Fargo Securities, LLC	702,271	(702,271)	—	—	670,605	(670,605)	—	—
Barclays Capital Inc.	691,210	(690,578)	—	632	545,678	(545,678)	—	—
Goldman Sachs & Co. LLC	605,240	(605,240)	—	—	311,997	(311,997)	—	—
Atlas Securitized Products, L.P.	592,090	(592,090)	—	—	609,780	(609,780)	—	—
Citigroup Global Markets Inc.	454,057	(454,057)	—	—	431,201	(431,201)	—	—
RBC Capital Markets, L.P.	362,033	(362,033)	—	—	353,765	(353,765)	—	—
Santander US Capital	356,698	(356,698)	—	—	362,196	(362,196)	—	—
Morgan Stanley & Co. LLC	244,469	(244,469)	—	—	280,561	(280,561)	—	—
Daiwa Capital Markets	206,910	(206,910)	—	—	230,033	(230,033)	—	—
BNP Paribas	113,354	(112,939)	—	415	59,729	(59,729)	—	—
Mizuho Financial Group	87,675	(87,675)	—	—	98,196	(98,121)	—	75
Bank of Montreal	67,368	(67,187)	—	181	72,859	(72,859)	—	—
Nomura Holdings America, Inc	36,349	(36,349)	—	—	36	—	—	36
Other	1,586	—	—	1,586	62	—	—	62
	6,836,081	(6,833,086)	—	2,995	6,512,706	(6,509,415)	—	3,291

(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 operations line items where such gains and losses are included:

Derivative activity	Consolidated statements of operations line	Quarter ended June 30,		Six months ended June 30,	
		2025	2024	2025	2024
Interest rate lock commitments	Net gains on loans acquired for sale (1)	\$ 2,904	\$ (3,292)	\$ 7,078	\$ (5,980)
CRT derivatives	Net gains (losses) on investments and financings	\$ 5,375	\$ 5,039	\$ 7,355	\$ 15,229
Hedged item:					
Interest rate lock commitments and loans acquired for sale	Net gains on loans acquired for sale	\$ (12,338)	\$ 7,163	\$ (38,697)	\$ 9,773
Mortgage servicing rights	Net loan servicing fees	\$ (60,637)	\$ (18,365)	\$ (100,581)	\$ (108,179)
Assets sold under agreements to repurchase	Net gains (losses) on investments and financings	\$ —	\$ —	\$ —	\$ 20,098

(1) Represents net change in fair value of IRLCs from the beginning to the end of the 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 MSR:

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Balance at beginning of period	\$ 3,770,034	\$ 3,951,737	\$ 3,867,394	\$ 3,919,107
(Price adjustment) purchases	—	(13)	—	29,428
MSRs resulting from loan sales	44,030	40,619	91,039	71,868
Transfers to Agency of mortgage servicing rights relating to delinquent loans	170	74	391	216
Changes in fair value:				
Due to changes in inputs used in valuation model (1)	22,713	46,039	(33,118)	117,609
Other changes in fair value (2)	(97,841)	(96,595)	(186,600)	(196,367)
	(75,128)	(50,556)	(219,718)	(78,758)
Balance at end of period	\$ 3,739,106	\$ 3,941,861	\$ 3,739,106	\$ 3,941,861

	June 30, 2025	December 31, 2024
	(in thousands)	
Fair value of mortgage servicing rights pledged to secure <i>Assets sold under agreements to repurchase</i> and <i>Notes payable secured by credit risk transfer and mortgage servicing assets</i>	\$ 3,677,782	\$ 3,807,065

- (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 operations and are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Contractually specified servicing fees	\$ 153,111	\$ 162,127	\$ 305,310	\$ 322,484
Ancillary and other fees:				
Late charges	1,036	982	2,063	1,975
Other	4,091	1,833	6,981	3,851
	5,127	2,815	9,044	5,826
	\$ 158,238	\$ 164,942	\$ 314,354	\$ 328,310
Average UPB of underlying loans	\$ 222,991,951	\$ 229,124,554	\$ 224,208,538	\$ 229,767,433

Note 13— Other Assets

Other assets are summarized below:

	June 30, 2025	December 31, 2024
	(dollars in thousands)	
Margin deposits	\$ 137,835	\$ 346,241
Interest receivable	52,800	38,661
Servicing fees receivable	11,671	10,820
Correspondent lending receivables	3,181	3,930
Other receivables	16,939	16,706
Real estate acquired in settlement of loans	1,729	2,464
Other	13,487	19,399
	\$ 237,642	\$ 438,221
Real estate acquired in settlement of loans pledged to secure <i>Assets sold under agreements to repurchase</i>	\$ —	\$ 527

Note 14— Short-Term Debt

The borrowing facilities described throughout these Notes 14 and 15 contain various covenants, including financial covenants governing the Company and its subsidiaries' net worth, debt-to-equity ratio, and liquidity. Management believes that the Company was in compliance with these covenants as of June 30, 2025.

Assets Sold Under Agreements to Repurchase

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

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(dollars in thousands)			
Weighted average interest rate (1)	5.19%	6.09%	5.20%	6.13%
Average balance	\$ 6,382,670	\$ 5,016,206	\$ 6,282,348	\$ 5,080,520
Total interest expense	\$ 84,336	\$ 77,364	\$ 165,484	\$ 157,921
Maximum daily amount outstanding	\$ 7,603,144	\$ 5,525,266	\$ 7,799,203	\$ 6,562,795

- (1) Excludes the effect of amortization of debt issuance costs of \$1.8 million and \$3.6 million for the quarter and six months ended June 30, 2025, respectively, and \$1.4 million and \$3.0 million for the quarter and six months ended June 30, 2024, respectively.

	June 30, 2025	December 31, 2024
	(dollars in thousands)	
Carrying value:		
Unpaid principal balance	\$ 6,833,086	\$ 6,509,415
Unamortized debt issuance costs	(6,231)	(8,477)
	<u>\$ 6,826,855</u>	<u>\$ 6,500,938</u>
Weighted average interest rate	5.15%	5.37%
Available borrowing capacity (1):		
Committed	\$ 351,946	\$ 565,488
Uncommitted	4,847,534	4,559,239
	<u>\$ 5,199,480</u>	<u>\$ 5,124,727</u>
Margin deposits placed with counterparties included in <i>Other</i> assets, net	\$ 91,162	\$ 296,922
Assets securing agreements to repurchase:		
<i>Mortgage-backed securities at fair value</i>	\$ 3,967,045	\$ 4,063,706
<i>Loans acquired for sale at fair value</i>	\$ 2,575,290	\$ 2,075,473
<i>Loans held for investment at fair value:</i>		
Securities retained in asset-backed financings	\$ 340,285	\$ 130,839
Distressed	\$ —	\$ 160
Credit risk transfer arrangements:		
<i>Deposits securing credit risk transfer arrangements</i>	\$ 191,306	\$ 199,965
<i>Derivative assets</i>	\$ 23,040	\$ —
<i>Mortgage servicing rights at fair value (2)</i>	\$ 1,821,272	\$ 1,906,043
<i>Servicing advances</i>	\$ 34,684	\$ 50,333
Real estate acquired in settlement of loans	\$ —	\$ 527

- (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*.

Maturities

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

Remaining maturity at June 30, 2025 (1)	Unpaid principal balance
	(in thousands)
Within 30 days	\$ 2,936,449
Over 30 to 90 days	3,685,772
Over 90 days to 180 days	—
Over 180 days to 1 year	210,865
	\$ 6,833,086
Weighted average maturity (in months)	1.5

- (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.

Amounts at Risk

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 June 30, 2025:

Loans and MSRs

Counterparty	Amounts at risk	Weighted-average maturity	
		Advances	Facility
	(in thousands)		
Goldman Sachs & Co. LLC	\$ 113,370	July 25, 2025	November 4, 2026
Atlas Securitized Products, L.P.	\$ 118,955	September 5, 2025	June 26, 2026
Citibank, N.A.	\$ 65,203	September 5, 2025	April 16, 2026
Bank of America, N.A.	\$ 46,472	July 19, 2025	August 28, 2026
JPMorgan Chase & Co.	\$ 9,110	September 9, 2025	June 28, 2026
Barclays Capital Inc.	\$ 28,604	September 10, 2025	March 6, 2026
Morgan Stanley & Co. LLC	\$ 15,075	August 15, 2025	May 6, 2026
Wells Fargo Securities, LLC	\$ 5,579	September 24, 2025	June 11, 2027
RBC Capital Markets, L.P.	\$ 20,575	September 28, 2025	May 8, 2026
Nomura Holdings America, Inc.	\$ 8,606	August 20, 2025	August 20, 2025
BNP Paribas	\$ 3,875	September 19, 2025	September 30, 2026
Santander US Capital	\$ 1,598	July 9, 2025	July 9, 2025

Securities

Counterparty	Amounts at risk (in thousands)	Weighted-average maturity
Goldman Sachs & Co. LLC	\$ 10,441	July 14, 2025
Citibank, N.A.	\$ 45,127	July 23, 2025
Bank of America, N.A.	\$ 20,698	July 13, 2025
JPMorgan Chase & Co.	\$ 51,437	July 31, 2025
Barclays Capital Inc.	\$ 31,810	July 21, 2025
Wells Fargo Securities, LLC	\$ 19,534	July 21, 2025
Nomura Holdings America, Inc.	\$ 160	August 20, 2025
Bank of Montreal	\$ 6,785	August 12, 2025
Daiwa Capital Markets America Inc.	\$ 5,803	August 5, 2025
Mizuho Financial Group	\$ 5,158	July 23, 2025
Santander US Capital	\$ 15,788	July 13, 2025

CRT arrangements

Counterparty	Amounts at risk (in thousands)	Weighted-average maturity
Goldman Sachs & Co. LLC	\$ 43,041	July 8, 2025
Morgan Stanley & Co. LLC	\$ 18,299	July 28, 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 June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(dollars in thousands)			
Average balance	\$ 9,666	\$ 11,255	\$ 9,162	\$ 11,993
Weighted average interest rate (1)	5.66%	6.72%	5.67%	6.75%
Total interest expense	\$ 168	\$ 219	\$ 320	\$ 465
Maximum daily amount outstanding	\$ 25,809	\$ 56,423	\$ 49,266	\$ 56,423

(1) Excludes the effect of amortization of debt issuance costs of \$31,000 and \$63,000 for the quarter and six months ended June 30, 2025 and 2024, respectively.

	June 30, 2025	December 31, 2024
	(dollars in thousands)	
Carrying value:		
Amount outstanding	\$ 8,533	\$ 11,650
Unamortized debt issuance costs	(120)	(57)
	\$ 8,413	\$ 11,593
Weighted average interest rate	5.57%	5.58%
Loans acquired for sale pledged to secure mortgage loan participation purchase and sale agreement	\$ 8,853	\$ 12,142

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	Unpaid principal balance	Annual interest rate spread (1)	Maturity date
2024 3R	August 28, 2024	\$ 158,500	\$ 144,451	3.10%	September 27, 2028
2024 2R	April 4, 2024	\$ 247,000	221,477	3.35%	March 29, 2027
2024 1R	March 6, 2024	\$ 306,000	272,807	3.50%	March 1, 2027
			<u>\$ 638,735</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 agreement financings for Fannie Mae MSRs and ESS are effected through the issuance of variable funding notes (a Series 2017-VF1 Note, a Series 2024-VF1 Note, and a Series 2024-VF2 Note, together the "FMSR VFNs") by the Issuer Trusts to PMC and PMH in exchange for participation certificates for MSRs and ESS. The FMSR VFNs are then sold by PMC and PMH 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 \$1.1 billion under two-year repurchase agreement facilities.

The term financing for Fannie Mae MSRs is effected through the issuance of term notes (the "FT-1 Term Notes") by the Issuer Trusts 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, FTL-1 Term Loans and the FMSR VFNs are secured by 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	Annual interest rate spread (1)	Maturity date	
				Stated	Optional extension (2)
		(in thousands)			
Term Loans					
2023	May 25, 2023	\$ 370,000	3.00%	May 25, 2028	May 25, 2029
Term Notes					
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 certain of the FT-1 Term Notes and FTL-1 Term Loans under the conditions specified in the respective agreements.

Freddie Mac MSR and Servicing Advance Receivables Financing

The Company, through PMC and PMH, finances certain MSRs (including any related ESS) 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 maturities on various

dates through August 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 MSR's relating to loans serviced for Freddie Mac guaranteed securities.

The Company, through its indirect, wholly owned subsidiaries, PMT ISSUER TRUST - FHLMC SAF, PMT SAF Funding, LLC, and PMC, entered into a structured finance transaction that PMC may use 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 March 6, 2026 and has a maximum principal amount of \$175 million.

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

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(dollars in thousands)			
Average balance	\$ 2,714,608	\$ 2,894,850	\$ 2,772,009	\$ 2,880,677
Weighted average interest rate (1)	7.63%	9.09%	7.61%	8.96%
Total interest expense	\$ 53,804	\$ 67,466	\$ 109,059	\$ 132,455

(1) Excludes the effect of amortization of debt issuance costs of \$2.2 million and \$4.4 million for the quarter and six months ended June 30, 2025, respectively, and \$2.0 million and \$4.1 million for the quarter and six months ended June 30, 2024, respectively.

	June 30, 2025	December 31, 2024
	(dollars in thousands)	
Carrying value:		
Unpaid principal balance:		
Credit risk transfer arrangement financing	\$ 638,735	\$ 710,329
Fannie Mae mortgage servicing rights financing	1,075,000	1,075,000
Freddie Mac mortgage servicing rights and servicing advance receivable financing	958,485	1,153,486
	2,672,220	2,938,815
Unamortized debt issuance costs	(6,087)	(9,025)
	\$ 2,666,133	\$ 2,929,790
Weighted average interest rate	7.52%	7.60%
Assets securing notes payable:		
Mortgage servicing rights at fair value (1)	\$ 3,677,782	\$ 3,807,065
Servicing advances (1)	\$ 22,120	\$ 39,063
Credit risk transfer arrangements:		
Deposits securing credit risk transfer arrangements	\$ 873,413	\$ 910,743
Derivative assets	\$ 8,107	\$ 29,377

(1) Beneficial interests in Freddie Mac MSR's are pledged as collateral for the Notes payable secured by credit risk transfer and mortgage servicing assets. Beneficial interests in Fannie Mae MSR's 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

The exchangeable senior notes are summarized below:

Initial issuance date	Unpaid principal balance (in thousands)	Annual interest rate	Conversion rates (1)	Maturity date (2)
May 24, 2024 (3)	\$ 216,500	8.50%	63.3332	June 1, 2029
March 5, 2021	345,000	5.50%	46.1063	March 15, 2026
	<u>\$ 561,500</u>			

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

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

(3) Balance includes \$16.5 million issued on June 4, 2024.

The exchangeable senior 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 senior notes are fully and unconditionally guaranteed by the Company.

Senior Notes

The senior notes are summarized below:

Issuance date	Unpaid principal balance (in thousands)	Annual interest rate spread	Maturity date	Redemption date
June 2025	\$ 105,000	9.00%	June 15, 2030	June 15, 2027
February 2025	172,500	9.00%	February 15, 2030	February 15, 2027
September 2023	53,500	8.50%	September 30, 2028	September 30, 2025
	<u>\$ 331,000</u>			

Interest on the senior notes is payable quarterly. PMT may redeem for cash all or any portion of the 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 applicable redemption date.

The 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 June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Average balance	\$ 811,731	\$ 696,731	\$ 760,608	\$ 652,615
Weighted average interest rate (1)	7.34%	6.13%	7.29%	5.97%
Interest expense	\$ 15,987	\$ 11,629	\$ 29,600	\$ 21,313

(1) Excludes the effect of amortization of debt issuance costs of \$1.1 million and \$2.1 million for the quarter and six months ended June 30, 2025, respectively, and \$1.0 million and \$1.9 million for the quarter and six months ended June 30, 2024, respectively.

	June 30, 2025	December 31, 2024
	(in thousands)	
Carrying value:		
Unpaid principal balance	\$ 892,500	\$ 615,000
Unamortized debt issuance costs	(17,275)	(9,140)
	<u>\$ 875,225</u>	<u>\$ 605,860</u>

Asset-Backed Financing 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 June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(dollars in thousands)			
Average balance	\$ 3,636,038	\$ 1,561,068	\$ 3,137,311	\$ 1,571,443
Weighted average interest rate (1)	5.18%	3.09%	4.95%	3.10%
Total interest expense	\$ 46,449	\$ 11,402	\$ 75,164	\$ 24,080

(1) Excludes the effect of amortization of issuance premiums of \$506,000 and \$1.8 million for the quarter and six months ended June 30, 2025, respectively, and \$604,000 and \$112,000 for the quarter and six months ended June 30, 2024, respectively.

	June 30, 2025	December 31, 2024
		(dollars in thousands)
Fair value	\$ 4,176,128	\$ 2,040,375
Unpaid principal balance	\$ 4,311,059	\$ 2,269,742
Weighted average interest rate	5.68%	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 ending June 30,					Thereafter
		2026	2027	2028	2029	2030	
		(in thousands)					
Notes payable secured by credit risk transfer and mortgage servicing assets (1)	2,672,220	\$ 868,486	\$ 934,283	\$ 725,000	\$ 144,451	\$ —	\$ —
Unsecured senior notes	892,500	345,000	—	—	270,000	277,500	—
Interest-only security payable at fair value (2)	36,553	—	—	—	—	—	36,553
Asset-backed financings at fair value (2)	4,311,059	—	—	—	—	—	4,311,059
Total	7,912,333	1,213,486	934,283	725,000	414,451	277,500	4,347,612

(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 June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Balance, beginning of period	\$ 5,955	\$ 19,519	\$ 6,886	\$ 26,143
Provision for losses:				
Pursuant to loan sales	227	204	531	458
Reduction in liability due to change in estimate	(912)	(6,540)	(2,080)	(13,418)
Losses incurred	(206)	—	(273)	—
Balance, end of period	\$ 5,064	\$ 13,183	\$ 5,064	\$ 13,183
UPB of loans subject to representations and warranties at end of period			\$ 218,738,822	\$ 222,907,138

Note 17—Commitments and Contingencies

Commitments

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

	<u>June 30, 2025</u> <u>(in thousands)</u>
Commitments to purchase loans acquired for sale	\$ 936,725

Legal Proceedings

From time to time, the Company may be involved in various legal and regulatory proceedings, lawsuits and claims 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 (the "District Court"), 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.

On August 20, 2024, the Company filed a Motion to Dismiss that was denied by the District Court in an order dated February 26, 2025. The Company responded by filing a motion to certify the order denying the motion for interlocutory appeal, and on May 5, 2025, the District Court issued an Order Granting Certification for Interlocutory Appeal and Staying Action. The Company subsequently petitioned the United States Court of Appeals for the Ninth Circuit (the "Ninth Circuit") for permission to appeal, and that petition was granted by the Ninth Circuit in an order dated July 17, 2025. The matter remains pending.

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.

Note 18—Shareholders' Equity

Preferred Shares of Beneficial Interest

Preferred shares of beneficial interest are summarized below:

Series	Description (1)	Number of shares	Liquidation preference	Issuance discount	Carrying value	Dividends per share, period ended June 30,			
						Quarter		Six months	
						2025	2024	2025	2024
A	8.125% Issued March 2017	4,600	\$ 115,000	\$ 3,828	\$ 111,172	\$ 0.51	\$ 0.51	\$ 1.02	\$ 1.02
B	8.00% Issued July 2017	7,800	195,000	6,465	188,535	\$ 0.50	\$ 0.50	\$ 1.00	\$ 1.00
C	6.75% Issued August 2021	10,000	250,000	8,225	241,775	\$ 0.42	\$ 0.42	\$ 0.84	\$ 0.84
		<u>22,400</u>	<u>\$ 560,000</u>	<u>\$ 18,518</u>	<u>\$ 541,482</u>				

(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 and will continue being calculated at the dividend rate in effect for the immediately preceding dividend period 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 six months ended June 30, 2025.

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 June 30, 2025, 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:

	Six months ended June 30,		Cumulative total (1)
	2025	2024	
	(in thousands)		
Common Shares repurchased	—	—	29,102
Cost of Common Shares repurchased (2)	\$ —	\$ —	\$ 427,229

(1) Amounts represent the Common Share repurchase program total from its inception in August 2015 through June 30, 2025.

(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 June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Mortgage-backed securities	\$ 14,564	\$ (34,925)	\$ 79,419	\$ (73,123)
Loans held for investment	13,659	(2,742)	42,340	(4,020)
CRT arrangements	20,250	16,629	18,450	68,284
Asset-backed financings	(14,793)	1,295	(44,216)	8,771
Hedging derivatives	—	—	—	20,098
	\$ 33,680	\$ (19,743)	\$ 95,993	\$ 20,010

Note 20— Net Gains on Loans Acquired for Sale

Net gains on loans acquired for sale are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
From nonaffiliates:				
Cash losses:				
Sales of loans	\$ (11,618)	\$ (40,228)	\$ (13,533)	\$ (71,405)
Hedging activities	(21,055)	26,027	(79,117)	(43,929)
	(32,673)	(14,201)	(92,650)	(115,334)
Non-cash gains:				
Receipt of MSR in mortgage loan sale transactions	44,030	40,619	91,039	71,868
Provision for losses relating to representations and warranties provided in loan sales:				
Pursuant to loans sales	(227)	(204)	(531)	(458)
Reduction of liability due to change in estimate	912	6,540	2,080	13,418
	685	6,336	1,549	12,960
Changes in fair value of loans and derivatives				
Interest rate lock commitments	2,904	(3,292)	7,078	(5,980)
Loans	(8,515)	(488)	(21,959)	5,807
Hedging derivatives	8,717	(18,864)	40,420	53,702
	3,106	(22,644)	25,539	53,529
	47,821	24,311	118,127	138,357
Total from nonaffiliates	15,148	10,110	25,477	23,023
From PFSI – cash gains	2,658	2,050	4,673	3,655
	\$ 17,806	\$ 12,160	\$ 30,150	\$ 26,678

Note 21—Net Interest Expense

Net interest expense is summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Interest income:				
Cash and short-term investments	\$ 5,575	\$ 7,085	\$ 11,261	\$ 15,277
Mortgage-backed securities	54,761	58,418	112,995	118,189
Loans acquired for sale	35,917	14,958	69,152	26,904
Loans held for investment	50,694	13,457	84,373	25,573
Deposits securing CRT arrangements	11,401	15,383	23,076	31,079
Placement fees relating to custodial funds	37,736	41,530	69,765	76,970
Other	397	1,004	1,950	1,402
	<u>196,481</u>	<u>151,835</u>	<u>372,572</u>	<u>295,394</u>
Interest expense:				
Assets sold under agreements to repurchase	84,336	77,364	165,484	157,921
Mortgage loan participation purchase and sale agreements	168	219	320	465
Notes payable secured by credit risk transfer and mortgage servicing assets	53,804	67,466	109,059	132,455
Unsecured senior notes	15,987	11,629	29,600	21,313
Asset-backed financings	46,449	11,402	75,164	24,080
Interest shortfall on repayments of loans serviced for Agency securitizations	2,455	1,805	3,884	3,098
Interest on loan impound deposits	1,460	1,652	2,914	2,999
Other	490	304	861	1,037
	<u>205,149</u>	<u>171,841</u>	<u>387,286</u>	<u>343,368</u>
	<u>\$ (8,668)</u>	<u>\$ (20,006)</u>	<u>\$ (14,714)</u>	<u>\$ (47,974)</u>

Note 22—Share-Based Compensation

The Company has an equity incentive plan 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 June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Grants:				
Restricted share units	—	6	199	182
Performance share units	—	—	168	140
	—	6	367	322
Grant date fair value:				
Restricted share units	\$ —	\$ 83	\$ 2,815	\$ 2,605
Performance share units	—	—	2,365	2,007
	\$ —	\$ 83	\$ 5,180	\$ 4,612
Vestings:				
Restricted share units	6	15	144	164
Performance share units (1)	—	—	91	203
	6	15	235	367
Forfeitures:				
Restricted share units	—	3	—	3
Performance share units	—	4	—	4
	—	7	—	7
Compensation expense relating to share-based grants	\$ 838	\$ 827	\$ 1,801	\$ 2,192

(1) The actual number of performance-based restricted share units (“RSUs”) that vested during the six months ended June 30, 2025 was approximately 89% of the 103,081 originally granted performance-based RSUs.

	June 30, 2025	
	Restricted share units	Performance share units
Shares expected to vest:		
Number of restricted shares units (in thousands)	291	279
Grant date average fair value per unit	\$ 14.06	\$ 14.05

Note 23—Income Taxes

The Company's effective tax rate was 55.7% and (60.8)% with consolidated pretax income of \$17.0 million and \$10.7 million for the quarter and six months ended June 30, 2025. The Company's taxable REIT subsidiary (“TRS”) recognized a tax expense of \$9.7 million on a pretax loss of \$11.9 million and a tax benefit of \$7.5 million on a pretax loss of \$87.2 million for the quarter and six months ended June 30, 2025. For the same periods in 2024, the TRS recognized a tax expense of \$3.0 million on pretax income of \$9.9 million and a tax benefit of \$12.0 million on a pretax loss of \$51.0 million. 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 June 30, 2025 quarterly and six months results were impacted by the enactment of California Senate Bill 132, signed into law on June 27, 2025 and effective January 1, 2025. The law requires financial institutions to apportion their California income using a single sales factor instead of a factor equally weighted with property, payroll and sales. The change in apportionment method resulted in a higher tax provision rate and a repricing of the TRS's net deferred tax liability, and resulted in additional tax provision expense of \$14.0 million in the quarter ended June 30, 2025.

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 June 30, 2025, the valuation allowance remains zero. The conclusion was primarily based on the fact that the TRS has reported cumulative GAAP income over the three-year period ended June 30, 2025. The amount of deferred tax assets considered realizable may 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. For tax years beginning after December 31, 2017, the 2017 Tax Cuts and Jobs Act (subject to certain limitations) provides a 20% deduction from taxable income for ordinary REIT dividends.

Note 24—(Loss) Earnings Per Common Share

The Company determines (loss) 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 (loss) 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 (loss) 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 senior notes described in Note 15—*Long-Term Debt*. The number of dilutive securities included in diluted earnings per share is calculated using either the treasury stock or if-converted method (whichever is most dilutive) for share-based compensation awards and the if-converted method for the exchangeable senior notes.

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

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands except per share amounts)			
Net income	\$ 7,534	\$ 25,434	\$ 17,214	\$ 73,042
Dividends on preferred shares	(10,455)	(10,455)	(20,910)	(20,909)
Effect of participating securities—share-based compensation awards	(183)	(106)	(222)	(217)
Net (loss) income attributable to common shareholders	\$ (3,104)	\$ 14,873	\$ (3,918)	\$ 51,916
Weighted average basic and diluted shares outstanding	87,012	86,849	86,960	86,769
Basic (loss) earnings per share	\$ (0.04)	\$ 0.17	\$ (0.05)	\$ 0.60
Diluted (loss) earnings per share	\$ (0.04)	\$ 0.17	\$ (0.05)	\$ 0.60

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 June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Shares issuable under share-based compensation plan	162	128	306	322

Note 25—Segments

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

The Company's reportable segments are identified based on PMT's investment strategies. 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. The reportable segments are evaluated based on income or loss before benefit from income taxes. The chief operating decision maker uses pre-tax segment results to assess segment performance and allocate operating and capital resources among the segments. The Company's chief operating decision maker is its chief executive officer.

During the year ended December 31, 2024, the Company adopted the FASB's Accounting Standards Update 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure*. Prior year amounts have been recast to conform those years' presentations to current year presentation.

Financial highlights by segment are summarized below:

Quarter ended June 30, 2025	Credit sensitive strategies	Interest rate sensitive strategies	Corresponde nt production	Reportable segment total	Corporate	Consolidated total
(in thousands)						
Net investment income (1):						
Net gains (losses) on investments and financings						
Mortgage-backed securities	\$ 506	\$ 14,058	\$ —	\$ 14,564	\$ —	\$ 14,564
Loans held for investment	(958)	(176)	—	(1,134)	—	(1,134)
Credit risk transfer arrangements	20,250	—	—	20,250	—	20,250
	19,798	13,882	—	33,680	—	33,680
Net gains on loans acquired for sale	—	—	17,806	17,806	—	17,806
Net loan servicing fees	—	23,947	—	23,947	—	23,947
Net interest expense:						
Interest income	20,971	137,493	35,886	194,350	2,131	196,481
Interest expense	18,824	154,614	30,273	203,711	1,438	205,149
	2,147	(17,121)	5,613	(9,361)	693	(8,668)
Other	—	—	3,436	3,436	—	3,436
	21,945	20,708	26,855	69,508	693	70,201
Expenses:						
Earned by PennyMac Financial Services, Inc.:						
Loan servicing fees	2	21,643	—	21,645	—	21,645
Management fees	—	—	—	—	6,869	6,869
Loan fulfillment fees	—	—	5,814	5,814	—	5,814
Professional services	—	—	6,381	6,381	1,981	8,362
Compensation	—	—	—	—	2,836	2,836
Loan collection and liquidation	20	2,365	—	2,385	—	2,385
Safekeeping	—	1,144	84	1,228	—	1,228
Loan origination	—	—	666	666	—	666
Other (2)	89	444	189	722	2,668	3,390
	111	25,596	13,134	38,841	14,354	53,195
Pretax income (loss)	21,834	(4,888)	13,721	30,667	(13,661)	17,006
Total assets at end of quarter	\$ 1,581,220	\$ 12,082,858	\$ 2,665,396	\$ 16,329,474	\$ 471,645	\$ 16,801,119

(1) All investment income is from external customers. The segments do not recognize intersegment income.

(2) Other expense includes smaller balance expense categories not separately provided to the chief operating decision maker such as insurance and technology.

Quarter ended June 30, 2024	Credit sensitive strategies	Interest rate sensitive strategies	Corresponde nt production	Reportable segment total	Corporate	Consolidated total
	(in thousands)					
Net investment income (1):						
Net gains (losses) on investments and financings						
Mortgage-backed securities	\$ 2,252	\$ (37,177)	\$ —	\$ (34,925)	\$ —	\$ (34,925)
Loans held for investment	(1,471)	24	—	(1,447)	—	(1,447)
Credit risk transfer arrangements	16,629	—	—	16,629	—	16,629
	17,410	(37,153)	—	(19,743)	—	(19,743)
Net gains on loans acquired for sale	—	—	12,160	12,160	—	12,160
Net loan servicing fees	—	96,494	—	96,494	—	96,494
Net interest expense:						
Interest income	22,923	111,316	14,907	149,146	2,689	151,835
Interest expense	24,272	131,566	15,006	170,844	997	171,841
	(1,349)	(20,250)	(99)	(21,698)	1,692	(20,006)
Other	(224)	—	2,517	2,293	—	2,293
	15,837	39,091	14,578	69,506	1,692	71,198
Expenses:						
Earned by PennyMac Financial Services, Inc.:						
Loan servicing fees	21	20,243	—	20,264	—	20,264
Management fees	—	—	—	—	7,133	7,133
Loan fulfillment fees	—	—	4,427	4,427	—	4,427
Professional services	—	—	—	—	2,366	2,366
Compensation	—	—	—	—	1,369	1,369
Loan collection and liquidation	(1)	672	—	671	—	671
Safekeeping	—	894	67	961	—	961
Loan origination	—	—	533	533	—	533
Other (2)	79	407	—	486	4,379	4,865
	99	22,216	5,027	27,342	15,247	42,589
Pretax income (loss)	\$ 15,738	\$ 16,875	\$ 9,551	\$ 42,164	\$ (13,555)	\$ 28,609
Total assets at end of quarter	\$ 1,471,470	\$ 9,421,790	\$ 719,756	\$ 11,613,016	\$ 467,934	\$ 12,080,950

- (1) All investment income is from external customers. The segments do not recognize intersegment income.
- (2) Other expense includes smaller balance expense categories not separately provided to the chief operating decision maker such as insurance and technology.

<u>Six months ended June 30, 2025</u>	<u>Credit</u> <u>sensitive</u> <u>strategies</u>	<u>Interest rate</u> <u>sensitive</u> <u>strategies</u>	<u>Corresponde</u> <u>nt</u> <u>production</u>	<u>Reportable</u> <u>segment</u> <u>total</u>	<u>Corporate</u>	<u>Consolidated</u> <u>total</u>	
			(in thousands)				
Net investment income (1):							
Net gains (losses) on investments and financings							
Mortgage-backed securities	\$ (504)	\$ 79,923	\$ —	\$ 79,419	\$ —	\$ 79,419	
Loans held for investment	1,809	(3,685)	—	(1,876)	—	(1,876)	
Credit risk transfer arrangements	18,450	—	—	18,450	—	18,450	
	<u>19,755</u>	<u>76,238</u>	<u>—</u>	<u>95,993</u>	<u>—</u>	<u>95,993</u>	
Net gains on loans acquired for sale	—	—	30,150	30,150	—	30,150	
Net loan servicing fees	—	(3,263)	—	(3,263)	—	(3,263)	
Net interest expense:							
Interest income	40,520	257,389	69,084	366,993	5,579	372,572	
Interest expense	36,942	289,945	57,795	384,682	2,604	387,286	
	<u>3,578</u>	<u>(32,556)</u>	<u>11,289</u>	<u>(17,689)</u>	<u>2,975</u>	<u>(14,714)</u>	
Other	(142)	—	6,642	6,500	—	6,500	
	<u>23,191</u>	<u>40,419</u>	<u>48,081</u>	<u>111,691</u>	<u>2,975</u>	<u>114,666</u>	
Expenses:							
Earned by PennyMac Financial Services, Inc.:							
Loan servicing fees	4	43,370	—	43,374	—	43,374	
Management fees	—	—	—	—	13,881	13,881	
Loan fulfillment fees	—	—	11,104	11,104	—	11,104	
Professional services	—	—	11,261	11,261	4,083	15,344	
Compensation	—	—	—	—	5,806	5,806	
Loan collection and liquidation	63	4,291	—	4,354	—	4,354	
Safekeeping	—	2,178	160	2,338	—	2,338	
Loan origination	—	—	1,352	1,352	—	1,352	
Other (2)	182	943	354	1,479	4,927	6,406	
	<u>249</u>	<u>50,782</u>	<u>24,231</u>	<u>75,262</u>	<u>28,697</u>	<u>103,959</u>	
Pretax income (loss)	<u>\$ 22,942</u>	<u>\$ (10,363)</u>	<u>\$ 23,850</u>	<u>\$ 36,429</u>	<u>\$ (25,722)</u>	<u>\$ 10,707</u>	
Total assets at end of period	<u>\$ 1,581,220</u>	<u>\$ 12,082,858</u>	<u>\$ 2,665,396</u>	<u>\$ 16,329,474</u>	<u>\$ 471,645</u>	<u>\$ 16,801,119</u>	

(1) All investment income is from external customers. The segments do not recognize intersegment income.

(2) Other expense includes smaller balance expense categories not separately provided to the chief operating decision maker such as insurance and technology.

Six months ended June 30, 2024	Credit	Interest rate	Correspondent production	Reportable	Corporate	Consolidated total
	sensitive strategies	sensitive strategies		segment total		
(in thousands)						
Net investment income (1):						
Net gains (losses) on investments and financings						
Mortgage-backed securities	\$ 6,697	\$ (59,722)	\$ —	\$ (53,025)	\$ —	\$ (53,025)
Loans held for investment	2,020	2,731	—	4,751	—	4,751
Credit risk transfer arrangements	68,284	—	—	68,284	—	68,284
	77,001	(56,991)	—	20,010	—	20,010
Net gains on loans acquired for sale	—	—	26,678	26,678	—	26,678
Net loan servicing fees	—	142,199	—	142,199	—	142,199
Net interest expense:						
Interest income	47,132	215,495	26,798	289,425	5,969	295,394
Interest expense	47,282	266,391	27,267	340,940	2,428	343,368
	(150)	(50,896)	(469)	(51,515)	3,541	(47,974)
Other	(90)	—	4,580	4,490	—	4,490
	76,761	34,312	30,789	141,862	3,541	145,403
Expenses:						
Earned by PennyMac Financial Services, Inc.:						
Loan servicing fees	41	40,485	—	40,526	—	40,526
Management fees	—	—	—	—	14,321	14,321
Loan fulfillment fees	—	—	8,443	8,443	—	8,443
Professional services	—	—	—	—	4,124	4,124
Compensation	—	—	—	—	3,285	3,285
Loan collection and liquidation	54	1,986	—	2,040	—	2,040
Safekeeping	—	1,771	122	1,893	—	1,893
Loan origination	—	—	1,006	1,006	—	1,006
Other (2)	102	439	—	541	8,234	8,775
	197	44,681	9,571	54,449	29,964	84,413
Pretax income (loss)	\$ 76,564	\$ (10,369)	\$ 21,218	\$ 87,413	\$ (26,423)	\$ 60,990
Total assets at end of period	\$ 1,471,470	\$ 9,421,790	\$ 719,756	\$ 11,613,016	\$ 467,934	\$ 12,080,950

- (1) All investment income is from external customers. The segments do not recognize intersegment income.
- (2) Other expense includes smaller balance expense categories not separately provided to the chief operating decision maker such as insurance and technology.

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:

	Net worth (1)		Tangible net worth / total assets ratio (1)		Liquidity (1)	
	Actual	Required	Actual	Required	Actual	Required
(dollars in thousands)						
June 30, 2025	\$ 800,725	\$ 574,596	11%	6%	\$ 587,998	\$ 214,041
December 31, 2024	\$ 876,324	\$ 579,383	12%	6%	\$ 564,311	\$ 215,801

- (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 results of operations 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”), senior and 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 are externally managed by PNMAC Capital Management, LLC (“PCM”), an investment adviser that specializes in and focuses on U.S. mortgage assets. Our loans and MSRs are serviced by PennyMac Loan Services, LLC (“PLS”). PCM and PLS are both indirect controlled 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 three segments: credit sensitive strategies, interest rate sensitive strategies and correspondent production. Non-segment activities are included in our corporate operations. Our segment and corporate activities are 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 enterprises (“GSEs”) such as the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”), or the GSEs, or to PLS for sale into securitizations guaranteed by the Government National Mortgage Association (“Ginnie Mae”). Fannie Mae, Freddie Mac and Ginnie Mae are each referred to as an “Agency” and, collectively, as the “Agencies.” We also securitize certain of our loans directly and may retain interests, such as senior and subordinate MBS, from these securitizations.

- Our corporate operations include management fees, compensation, professional services, and other amounts attributable to the Company’s corporate operations 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 IO security payable) totaling approximately \$1.0 billion at June 30, 2025.

Subordinate Credit-Linked Mortgage-Backed Securities

Subordinate credit-linked MBS provide us with a higher yield than senior MBS. 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. During the six months ended June 30, 2025, we invested approximately \$152.6 million in subordinate bonds from our securitizations of loans secured by investment properties and jumbo loans. As the result of the Company's consolidation of the variable interest entities that issued the subordinate MBS as described in Note 6 – *Variable Interest Entities – Subordinate and Senior Non-Agency Mortgage-Backed Securities* to the consolidated financial statements included in this Report, we reflect our investments in these securities as loans held for investment and reflect the securities we sold to nonaffiliates as asset-backed financings.

At June 30, 2025, we held subordinate credit-linked MBS issued by nonaffiliates with fair values totaling approximately \$195.4 million from our securitization of loans secured by investment properties.

Interest Rate Sensitive Investments

Our interest rate sensitive investments include:

- Mortgage servicing rights. During the six months ended June 30, 2025, we received approximately \$91.0 million of MSRs as proceeds from sales of loans acquired for sale. We held approximately \$3.7 billion of MSRs at fair value at June 30, 2025.
- REIT-eligible Agency, senior non-Agency, and Agency IO and PO stripped MBS. We purchased approximately \$37.1 million of senior non-Agency fixed-rate MBS issued by nonaffiliates during the quarter ended June 30, 2025, and we held Agency fixed-rate pass-through, senior non-Agency, IO and PO stripped MBS with fair values totaling approximately \$3.8 billion at June 30, 2025. During the six months ended June 30, 2025, we invested approximately \$56.0 million in senior non-Agency bonds from our securitizations of loans secured by investment properties and jumbo loans. Consistent with our treatment of subordinate credit-linked MBS from these securitizations, we account for these investments as loans and reflect the securities we sold to nonaffiliates as asset-backed financings.

At June 30, 2025, we held senior non-Agency securities with fair values totaling approximately \$136.1 million from our securitization of loans secured by investment properties.

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 June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Sales of loans acquired for sale:				
To nonaffiliates	\$ 2,369,738	\$ 2,240,258	\$ 4,983,696	\$ 4,168,594
To PennyMac Financial Services, Inc.	26,944,559	20,859,260	47,382,225	37,161,319
	<u>\$ 29,314,297</u>	<u>\$ 23,099,518</u>	<u>\$ 52,365,921</u>	<u>\$ 41,329,913</u>
Net gains on loans acquired for sale	\$ 17,806	\$ 12,160	\$ 30,150	\$ 26,678
Investment activities resulting from correspondent production:				
Retention of interests in securitizations of loans secured by investment properties and jumbo loans, net of associated asset-backed financings (1)	114,564	—	208,585	—
Receipt of MSRs as proceeds from sales of loans	44,030	40,619	91,039	71,868
Total investments resulting from correspondent activities	<u>\$ 158,594</u>	<u>\$ 40,619</u>	<u>\$ 299,624</u>	<u>\$ 71,868</u>

- (1) The trusts issuing the securities are consolidated on our consolidated balance sheets. Therefore, our investments in these securities are shown as their underlying assets, *Loans held for investment at fair value*, with the securities held by non-affiliates being shown as *Asset-backed financings of variable interest entities at fair value*.

During the six months ended June 30, 2025, we purchased newly originated prime credit quality residential loans with fair values totaling \$55.4 billion, including \$1.7 billion from PLS, as compared to \$41.3 billion for the six months ended June 30, 2024, in our correspondent production business. Our loan sales included \$47.4 billion and \$37.2 billion of loans we sold to PLS during the six

months ended June 30, 2025 and June 30, 2024, respectively. We receive a sourcing fee based on the unpaid principal balance (“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. During the six months ended June 30, 2025 and June 30, 2024, we received sourcing fees totaling \$4.7 million and \$3.7 million, respectively.

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 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 six months ended June 30, 2025, we sold \$22.5 billion in UPB of conventional loans to PLS in order to optimize our use and allocation of capital.

Beginning in July 2025, PLS will become the initial purchaser of loans from correspondent sellers and begin transferring agreed-upon volumes of such loans to us. Accordingly, we will no longer purchase government loans and we retain the right to purchase up to 100% of PLS's non-government correspondent production.

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 and loans held for investment at fair value), our derivatives and CRT strips, 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:

	<u>Quarter ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	(dollars in thousands)			
Net gains (losses) on investments and financings:				
Mortgage-backed securities	\$ 14,564	\$ (34,925)	\$ 79,419	\$ (73,123)
Loans held for investment	13,659	(2,742)	42,340	(4,020)
CRT arrangements	8,267	1,853	(4,381)	37,974
Interest-only security payable	(599)	(481)	(2,331)	(41)
Asset-backed financings	(14,793)	1,295	(44,216)	8,771
	21,098	(35,000)	70,831	(30,439)
Net gains on loans acquired for sale (1)	47,821	24,311	118,127	138,357
Net loan servicing fees–MSR valuation adjustments (2)	(23,666)	57,361	(104,745)	201,283
	<u>\$ 45,253</u>	<u>\$ 46,672</u>	<u>\$ 84,213</u>	<u>\$ 309,201</u>
Net investment income	\$ 70,201	\$ 71,198	\$ 114,666	\$ 145,403
Non-cash items as a percentage of net investment income	64%	66%	73%	213%

- (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 period.
- (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:

- MBS through monthly principal and interest payments from the issuer of such securities or from the sale of the investments;
- 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;
- MSRs in the form of loan servicing fees (including both base servicing and excess servicing spread) and placement fees on the deposits we manage on behalf of the borrowers and investors in the loans we service;
- 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; and
- Our liability for representations and warranties when we repurchase loans or settle loss claims from investors.

Business Trends

Recent actions by the U.S. government administration with respect to trade, tariffs and government cost reduction initiatives have led to significant volatility in financial markets and uncertainty regarding the economic outlook, including inflation and interest rates. Elevated interest rates in recent years have constrained growth in the size of the mortgage origination market, which is currently projected to rise from \$1.7 trillion in 2024 to \$2.0 trillion in 2025, according to mortgage industry economists.

Opportunity for refinancing has increased in recent periods, driven by interest rate volatility and a greater proportion of outstanding mortgage loans with note rates near current market rates. If such interest rate volatility continues, it may drive greater mortgage production activity and higher prepayment speeds than we have experienced in recent years. Additionally, reductions in the Federal Reserve's federal funds rate have reduced the costs of floating rate and placement fees we receive in relation to custodial funds that we manage as compared to the same period in the prior year.

The current period of economic uncertainty and market volatility 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 MBS 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 moderate the negative effects of credit performance in an economic downturn.

We expect to acquire a portion of the conventional loans and all of the jumbo loans produced in the correspondent channel from PFSI in the third quarter of 2025.

We expect to continue investing in subordinate MBS generated from the private label securitization of Agency eligible non-owner occupied and jumbo loans, which is also expected to increase our asset-back financing of variable interest entities.

Results of Operations

The following is a summary of our key performance measures:

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(dollar amounts in thousands, except per common share amounts)			
Net gains (losses) on investments and financings	\$ 33,680	\$ (19,743)	\$ 95,993	\$ 20,010
Loan production income (1)	21,191	14,611	36,687	31,137
Net loan servicing fees	23,947	96,494	(3,263)	142,199
Net interest expense	(8,668)	(20,006)	(14,714)	(47,974)
Other	51	(158)	(37)	31
Net investment income	70,201	71,198	114,666	145,403
Expenses	53,195	42,589	103,959	84,413
Pretax income	17,006	28,609	10,707	60,990
Provision for (benefit from) income taxes	9,472	3,175	(6,507)	(12,052)
Net income	7,534	25,434	17,214	73,042
Dividends on preferred shares	10,455	10,454	20,910	20,909
Net (loss) income attributable to common shareholders	\$ (2,921)	\$ 14,980	\$ (3,696)	\$ 52,133
Pretax income by segment and corporate:				
Credit sensitive strategies	\$ 21,834	\$ 15,738	\$ 22,942	\$ 76,564
Interest rate sensitive strategies	(4,888)	16,875	(10,363)	(10,369)
Correspondent production	13,721	9,551	23,850	21,218
Corporate operations	(13,661)	(13,555)	(25,722)	(26,423)
	\$ 17,006	\$ 28,609	\$ 10,707	\$ 60,990
Annualized return on average common shareholders' equity	(0.9)%	4.2%	(0.5)%	7.3%
(Loss) earnings per common share				
Basic	\$ (0.04)	\$ 0.17	\$ (0.05)	\$ 0.60
Diluted	\$ (0.04)	\$ 0.17	\$ (0.05)	\$ 0.60
Dividends per common share	\$ 0.40	\$ 0.40	\$ 0.80	\$ 0.80
			June 30, 2025	December 31, 2024
Total assets			\$ 16,801,119	\$ 14,408,706
Book value per common share			\$ 15.00	\$ 15.87
Closing price per common share			\$ 12.86	\$ 12.59

(1) Includes net gains on loans held for sale and loan origination fees.

Our results of operations decreased by \$17.9 million during the quarter ended June 30, 2025, as compared to the quarter ended June 30, 2024, reflecting the effect of the increased fair value losses from our MSRs partially offset by increased gains on MBS and CRT investments.

The decrease in the quarterly pretax results is summarized below:

- Our credit sensitive strategies segment recognized a \$3.6 million increase in net gains on our CRT arrangements as market credit spreads tightened (a decrease in the interest rate premium demanded by investors for instruments over those that are considered “risk free”) during the quarter ended June 30, 2025 as compared to minimal credit spread changes during the quarter ended June 30, 2024.
- Our interest rate sensitive strategies segment recognized a \$72.5 million decrease in net servicing fees resulting from increased net MSR valuation losses compared to the quarter ended June 30, 2024 caused by significant volatility in market interest rates and spreads during the quarter compared to an increase in interest rates in the same period in 2024. These decreases were partially offset by a \$51.2 million increase in valuation gains on MBS as well as a \$3.1 million decrease in net interest expense.
- Our correspondent production segment recognized a \$5.6 million increase in our gain on sale during the quarter ended June 30, 2025, as compared to the same period in 2024, reflecting an increase in loan production and in our gain on sale margins.

- We recorded an additional provision for income taxes of \$14.0 million due to state apportionment changes resulting from legislation passed during the quarter ended June 30, 2025.

Our results of operations decreased by \$55.8 million during the six months ended June 30, 2025, as compared to the six months ended June 30, 2024, reflecting the effect of the increased fair value losses from our MSRs partially offset by increased gains on MBS and CRT investments.

The decrease in the six months pretax results is summarized below:

- Our credit sensitive strategies segment recognized a \$49.8 million decrease in net gains on our CRT arrangements as market credit spreads widened reflecting the economic uncertainty experienced during the six months ended June 30, 2025, as compared the six months ended June 30, 2024.
- Our interest rate sensitive strategies segment recognized a \$145.5 million decrease in net servicing fees resulting from increased net MSR valuation losses caused by interest rate volatility during the six months ended June 30, 2025, compared to the same period in 2024. These decreases were partially offset by a \$139.6 million increase in valuation gains on MBS as well as an \$18.3 million decrease in net interest expense.
- Our correspondent production segment recognized a \$3.5 million increase in our gain on sale during the six months ended June 30, 2025, as compared to the same period in 2024, reflecting an increase in our loan production.
- We recorded an additional provision for income taxes of \$14.0 million due to state apportionment changes resulting from legislation passed during the period ended June 30, 2025.

Net Investment Income

Our net investment income is summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Net gains (losses) on investments and financings	\$ 33,680	\$ (19,743)	\$ 95,993	\$ 20,010
Net gains on loans acquired for sale	17,806	12,160	30,150	26,678
Loan origination fees	3,385	2,451	6,537	4,459
Net loan servicing fees	23,947	96,494	(3,263)	142,199
Net interest expense	(8,668)	(20,006)	(14,714)	(47,974)
Other	51	(158)	(37)	31
	<u>\$ 70,201</u>	<u>\$ 71,198</u>	<u>\$ 114,666</u>	<u>\$ 145,403</u>

Net Gains (Losses) on Investments and Financings

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

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Mortgage-backed securities	\$ 14,564	\$ (34,925)	\$ 79,419	\$ (73,123)
Loans held for investment	13,659	(2,742)	42,340	(4,020)
CRT arrangements	20,250	16,629	18,450	68,284
Asset-backed financings	(14,793)	1,295	(44,216)	8,771
Hedging derivatives	—	—	—	20,098
	<u>\$ 33,680</u>	<u>\$ (19,743)</u>	<u>\$ 95,993</u>	<u>\$ 20,010</u>

The increase in net gains on investments for the quarter and six months ended June 30, 2025, as compared to the same periods in 2024, was primarily due to gains from our investments in MBS as interest rates were stable or decreased in 2025 and increased in the same periods in 2024.

Mortgage-Backed Securities

During the quarter and six months ended June 30, 2025, we recognized net valuation gain of \$14.6 million and \$79.4 million, respectively, as compared to valuation losses of \$34.9 million and \$73.1 million for the same periods in 2024. The gain recognized reflects stable or decreasing interest rates during the quarter and six months ended June 30, 2025, as compared to increasing interest rates during the quarter and six months ended June 30, 2024.

Loans Held for Investment – Held in VIEs and Asset-backed Financings at Fair Value

Loans held for investment in VIEs and *Asset-backed financings at fair value* recorded a combined net valuation loss of \$1.1 million and \$1.9 million during the quarter and six months ended June 30, 2025, respectively, as compared to a valuation loss of \$1.4 million and a valuation gain of \$4.8 million during the quarter and six months ended June 30, 2024, respectively. The net loss during the quarter and six months ended June 30, 2025 reflects the losses on the asset-backed financing exceeding the gains on the underlying assets as the result of credit spread widening on our net investments secured by jumbo loans and investment properties, partially offset by the positive effect on fair value of decreasing interest rates. The net gain during the six months ended June 30, 2024 reflect the gains on the asset-backed financing exceeding the losses on the underlying assets as the result of credit spreads tightening on our net investments secured by jumbo loans and investment properties.

CRT Arrangements

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

	<u>Quarter ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	(in thousands)			
Net investment income:				
<i>Net gains (losses) on investments and financings</i>				
Credit risk transfer derivatives and strips:				
<i>Credit risk transfer derivatives</i>				
Realized	\$ 2,632	\$ 3,564	\$ 5,435	\$ 6,973
Valuation changes	2,743	1,475	1,920	8,256
	<u>5,375</u>	<u>5,039</u>	<u>7,355</u>	<u>15,229</u>
<i>Credit risk transfer strips</i>				
Realized	9,950	11,693	19,727	23,378
Valuation changes	5,524	378	(6,301)	29,718
	<u>15,474</u>	<u>12,071</u>	<u>13,426</u>	<u>53,096</u>
<i>Interest-only security payable at fair value — valuation changes</i>	(599)	(481)	(2,331)	(41)
	<u>20,250</u>	<u>16,629</u>	<u>18,450</u>	<u>68,284</u>
<i>Interest income — Deposits securing credit risk transfer arrangements</i>	11,401	15,383	23,076	31,079
	<u>\$ 31,651</u>	<u>\$ 32,012</u>	<u>\$ 41,526</u>	<u>\$ 99,363</u>
Net payments made to settle losses on credit risk transfer arrangements	\$ 1,225	\$ 128	\$ 2,468	\$ 313

	<u>June 30, 2025</u>	<u>December 31, 2024</u>
	(in thousands)	
Carrying value of credit risk transfer arrangements:		
<i>Derivative assets - credit risk transfer derivatives</i>	\$ 31,147	\$ 29,377
<i>Derivative and credit risk transfer liabilities — credit risk transfer strip liabilities</i>	(10,479)	(4,060)
<i>Deposits securing credit risk transfer arrangements</i>	1,064,719	1,110,708
<i>Interest-only security payable at fair value</i>	(36,553)	(34,222)
	<u>\$ 1,048,834</u>	<u>\$ 1,101,803</u>
Credit risk transfer arrangement assets pledged to secure borrowings:		
<i>Derivative assets</i>	\$ 31,147	\$ 29,377
<i>Deposits securing credit risk transfer arrangements (1)</i>	\$ 1,064,719	\$ 1,110,708
Unpaid principal balance of loans underlying credit risk transfer arrangements	\$ 20,356,165	\$ 21,249,304
Collection status (unpaid principal balance):		
Delinquency		
Current	\$ 19,791,362	\$ 20,628,148
30-89 days delinquent	\$ 386,978	\$ 414,605
90-179 days delinquent	\$ 106,898	\$ 131,191
180 or more days delinquent	\$ 46,254	\$ 51,343
Foreclosure	\$ 24,673	\$ 24,017
Bankruptcy	\$ 65,532	\$ 63,697

(1) *Deposits securing credit risk transfer arrangements* also secure \$10.5 million and \$4.1 million in CRT strip and CRT derivative liabilities at June 30, 2025 and December 31, 2024, respectively.

The performance of our investments in CRT arrangements during the six months ended June 30, 2025 reflects credit spread widening, as compared to the six months ended June 30, 2024, which reflected credit spread tightening.

Net Gains on Loans Acquired for Sale

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

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
From non-affiliates:				
Cash losses:				
Sales of loans	\$ (11,618)	\$ (40,228)	\$ (13,533)	\$ (71,405)
Hedging activities	(21,055)	26,027	(79,117)	(43,929)
	<u>(32,673)</u>	<u>(14,201)</u>	<u>(92,650)</u>	<u>(115,334)</u>
Non-cash gains:				
Receipt of MSR in loan sale transactions	44,030	40,619	91,039	71,868
Provision for losses relating to representations and warranties provided in loan sales:				
Pursuant to loan sales	(227)	(204)	(531)	(458)
Reduction in liability due to change in estimate	912	6,540	2,080	13,418
	<u>685</u>	<u>6,336</u>	<u>1,549</u>	<u>12,960</u>
Changes in fair value of financial instruments held at end of period:				
Interest rate lock commitments	2,904	(3,292)	7,078	(5,980)
Loans	(8,515)	(488)	(21,959)	5,807
Hedging derivatives	8,717	(18,864)	40,420	53,702
	<u>3,106</u>	<u>(22,644)</u>	<u>25,539</u>	<u>53,529</u>
	<u>47,821</u>	<u>24,311</u>	<u>118,127</u>	<u>138,357</u>
Total from nonaffiliates	15,148	10,110	25,477	23,023
From PFSI—cash	2,658	2,050	4,673	3,655
	<u>\$ 17,806</u>	<u>\$ 12,160</u>	<u>\$ 30,150</u>	<u>\$ 26,678</u>
Interest rate lock commitments issued on loans acquired for sale:				
To nonaffiliates	\$ 3,538,623	\$ 2,602,246	\$ 6,273,979	\$ 5,074,106
To PFSI	28,657,935	9,913,553	50,753,290	18,527,843
	<u>\$ 32,196,558</u>	<u>\$ 12,515,799</u>	<u>\$ 57,027,269</u>	<u>\$ 23,601,949</u>
Acquisition of loans for sale (unpaid principal balance):				
To nonaffiliates	\$ 3,085,840	\$ 2,229,397	\$ 5,867,562	\$ 4,001,078
To PFSI	26,755,571	20,307,301	46,979,204	36,663,845
	<u>\$ 29,841,411</u>	<u>\$ 22,536,698</u>	<u>\$ 52,846,766</u>	<u>\$ 40,664,923</u>

The changes in gain on loans acquired for sale during the quarter and six months ended June 30, 2025, as compared to the same periods in 2024, reflect the effect of increased loan production supplemented by increased gain on sale margins.

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 become 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 MSR 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 results of operations in subsequent periods. Subsequent changes in the fair value of our MSR's significantly affect our results of operations.

Mortgage Servicing Rights

The methods we use to measure and update the measurements of our MSR's 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, reimburse the investor for its loss 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 current period loan sales of \$227,000 and \$531,000 for the quarter and six months ended June 30, 2025, respectively, and \$204,000 and \$458,000 for the quarter and six months ended June 30, 2024, respectively.

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

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Indemnification activity (unpaid principal balance):				
Loans indemnified at beginning of period	\$ 15,782	\$ 13,881	\$ 15,289	\$ 12,124
New indemnifications	—	1,297	493	3,054
Less: indemnified loans sold, repaid or refinanced	195	—	195	—
Loans indemnified at end of period	<u>\$ 15,587</u>	<u>\$ 15,178</u>	<u>\$ 15,587</u>	<u>\$ 15,178</u>
Indemnified loans indemnified by correspondent lenders at end of period			\$ 6,045	\$ 5,969
UPB of loans with deposits received from correspondent sellers collateralizing prospective indemnification losses at end of period			\$ 5,488	\$ 5,488
Repurchase activity (unpaid principal balance):				
Loans repurchased	\$ 8,251	\$ 10,256	\$ 13,097	\$ 17,771
Less:				
Loans repurchased by correspondent sellers	5,149	6,022	9,932	12,001
Loans resold or repaid by borrowers	—	669	2,703	3,457
Net loans repurchased with losses chargeable to liability to representations and warranties	<u>\$ 3,102</u>	<u>\$ 3,565</u>	<u>\$ 462</u>	<u>\$ 2,313</u>
Losses charged to liability for representations and warranties	\$ 206	\$ —	\$ 273	\$ —
At end of period:				
Loans subject to representations and warranties			\$ 218,738,822	\$ 222,907,138
Liability for representations and warranties			\$ 5,064	\$ 13,183

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 the adequacy of our recorded liability on a periodic basis.

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 results of operations 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 a \$912,000 and \$2.1 million reduction in liability for representations and warranties during the quarter and six months ended June 30, 2025, respectively, compared to \$6.5 million and \$13.4 million for the quarter and six months ended June 30, 2024, 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 and six months ended June 30, 2025, as we purchased more loans for sale to nonaffiliates compared to the same periods in 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 June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Loan servicing fees	\$ 158,238	\$ 164,942	\$ 314,354	\$ 328,310
Effect of mortgage servicing rights and hedging results	(134,291)	(68,448)	(317,617)	(186,111)
Net loan servicing fees	<u>\$ 23,947</u>	<u>\$ 96,494</u>	<u>\$ (3,263)</u>	<u>\$ 142,199</u>

Loan Servicing Fees

Following is a summary of our loan servicing fees:

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Contractually specified servicing fees	\$ 153,111	\$ 162,127	\$ 305,310	\$ 322,484
Ancillary and other fees:				
Late charges	1,036	982	2,063	1,975
Other	4,091	1,833	6,981	3,851
	<u>5,127</u>	<u>2,815</u>	<u>9,044</u>	<u>5,826</u>
	<u>\$ 158,238</u>	<u>\$ 164,942</u>	<u>\$ 314,354</u>	<u>\$ 328,310</u>
Average UPB of underlying loans	\$ 222,991,951	\$ 229,124,554	\$ 224,208,538	\$ 229,767,433

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, as well as incentive fees we receive from the Agencies for loss mitigation activities and 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 six months ended June 30, 2025 is due primarily to the slight reduction in our MSR servicing portfolio, reflecting the shift of a portion of our loan sales from sales to nonaffiliates with servicing rights retained to sales to PLS that include the transfer of servicing rights to PLS.

Mortgage Servicing Rights and Hedging

We have elected to carry our MSRs at fair value. Changes in fair value have two components: changes due to realization of the expected servicing cash flows and changes due to changes in the 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 derivative transactions.

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

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Change in fair value of MSRs				
Changes in valuation inputs used in valuation model	\$ 22,713	\$ 46,039	\$ (33,118)	\$ 117,609
Recapture income from PFSI	1,474	473	2,682	826
Hedging results	(60,637)	(18,365)	(100,581)	(108,179)
	(36,450)	28,147	(131,017)	10,256
Realization of expected cash flows	(97,841)	(96,595)	(186,600)	(196,367)
	\$ (134,291)	\$ (68,448)	\$ (317,617)	\$ (186,111)
Average balance of mortgage servicing rights	\$ 3,766,521	\$ 3,980,010	\$ 3,794,673	\$ 3,969,941

Changes in fair value due to changes in valuation inputs used in our valuation model during the six months ended June 30, 2025 reflect the effects of expectations for faster future prepayments of the underlying loans due to decreases in interest rates during the six months ended June 30, 2025, compared to increasing interest rates during the same period in 2024.

The increase in loan recapture income from PFSI reflects the increase in refinancing activity in our MSR portfolio during the quarter and six months ended June 30, 2025, as compared to the same period in 2024. We have an agreement with PFSI that requires that when PFSI refinances a loan for which we held the MSRs, we receive a recapture fee. 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 during the quarter and six months ended June 30, 2025 were primarily attributable to the impact of volatile interest rates and resulting elevated hedging costs, which were partially offset by fair value gains in Agency MBS.

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.

Following is a summary of our loan servicing portfolio by collection status:

	June 30, 2025		December 31, 2024	
	(in thousands)			
UPB of loans outstanding	\$	221,632,326	\$	226,237,613
Collection status (unpaid principal balance)				
Delinquency:				
30-89 days delinquent	\$	2,668,527	\$	2,645,952
90 or more days delinquent:				
Not in foreclosure	\$	1,005,862	\$	1,084,587
In foreclosure	\$	131,194	\$	106,092
Bankruptcy	\$	322,815	\$	285,163

Following is a summary of characteristics of the loans comprising our MSR servicing portfolio as of June 30, 2025:

Loan type	Unpaid principal balance	Loan count	Average							
			Note rate	Seasoning (months)	Remaining maturity (months)	Loan size	FICO credit score at origination	Original LTV (1)	Current LTV (1)	60+ Delinquency (by UPB)
(Dollars and loan count in thousands)										
Agency:										
Fannie Mac	\$ 108,331,655	422	3.8%	55	295	\$ 257	757	75%	51%	0.9%
Freddie Mac	108,903,280	390	3.9%	45	303	\$ 279	761	75%	55%	0.6%
Other (2)	4,397,391	15	5.1%	39	318	\$ 283	762	72%	57%	0.6%
	221,632,326	827	3.9%	49	299	\$ 268	759	75%	53%	0.8%

(1) Loan-to-value.

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

Net Interest Expense

Net interest expense is summarized below:

	Quarter ended June 30, 2025			Quarter ended June 30, 2024		
	Interest income/ expense	Average balance	Interest yield/ cost %	Interest income/ expense	Average balance	Interest yield/ cost %
(dollars in thousands)						
Assets:						
Cash and short-term investments	\$ 5,575	\$ 477,506	4.70%	\$ 7,085	\$ 489,139	5.83%
Mortgage-backed securities	54,761	3,984,945	5.53%	58,418	3,975,643	5.91%
Loans acquired for sale	35,917	2,204,825	6.55%	14,958	854,406	7.04%
Loans held for investment	50,694	3,766,027	5.41%	13,457	1,380,857	3.92%
Deposits securing CRT arrangements	11,401	1,079,300	4.25%	15,383	1,178,441	5.25%
	<u>158,348</u>	<u>11,512,603</u>	<u>5.53%</u>	<u>109,301</u>	<u>7,878,486</u>	<u>5.58%</u>
Placement fees relating to custodial funds	37,736			41,530		
Other	397			1,004		
	<u>\$ 196,481</u>	<u>\$ 11,512,603</u>	<u>6.86%</u>	<u>\$ 151,835</u>	<u>\$ 7,878,486</u>	<u>7.75%</u>
Liabilities:						
Assets sold under agreements to repurchase	\$ 84,336	\$ 6,382,670	5.31%	\$ 77,364	\$ 5,016,206	6.20%
Mortgage loan participation purchase and sale agreements	168	9,666	6.99%	219	11,255	7.83%
Notes payable secured by credit risk transfer and mortgage servicing assets	53,804	2,714,608	7.97%	67,466	2,894,850	9.37%
Unsecured senior notes	15,987	811,731	7.92%	11,629	696,731	6.71%
Asset-backed financings	46,449	3,636,038	5.14%	11,402	1,561,068	2.94%
	<u>200,744</u>	<u>13,554,713</u>	<u>5.96%</u>	<u>168,080</u>	<u>10,180,110</u>	<u>6.64%</u>
Interest shortfall on repayments of loans serviced for Agency securitizations	2,455			1,805		
Interest on loan impound deposits	1,460			1,652		
Other	490			304		
	<u>205,149</u>	<u>\$ 13,554,713</u>	<u>6.09%</u>	<u>171,841</u>	<u>\$ 10,180,110</u>	<u>6.79%</u>
	<u>\$ (8,668)</u>			<u>\$ (20,006)</u>		

	Six months ended June 30, 2025			Six months ended June 30, 2024		
	Interest income/ expense	Average balance	Interest yield/ cost %	Interest income/ expense	Average balance	Interest yield/ cost %
(dollars in thousands)						
Assets:						
Cash and short-term investments	\$ 11,261	\$ 497,438	4.58%	\$ 15,277	\$ 534,614	5.75%
Mortgage-backed securities	112,995	4,021,995	5.68%	118,189	4,059,328	5.86%
Loans acquired for sale	69,152	2,101,729	6.65%	26,904	779,997	6.94%
Loans held for investment	84,373	3,199,308	5.33%	25,573	1,403,094	3.67%
Deposits securing CRT arrangements	23,076	1,090,340	4.28%	31,079	1,189,311	5.26%
	<u>300,857</u>	<u>10,910,810</u>	5.58%	<u>217,022</u>	<u>7,966,344</u>	5.48%
Placement fees relating to custodial funds	69,765			76,970		
Other	1,950			1,402		
	<u>\$ 372,572</u>	<u>\$ 10,910,810</u>	6.90%	<u>\$ 295,394</u>	<u>\$ 7,966,344</u>	7.46%
Liabilities:						
Assets sold under agreements to repurchase	\$ 165,484	\$ 6,282,348	5.33%	\$ 157,921	\$ 5,080,520	6.25%
Mortgage loan participation purchase and sale agreements	320	9,162	7.06%	465	11,993	7.80%
Notes payable secured by credit risk transfer and mortgage servicing assets	109,059	2,772,009	7.96%	132,455	2,880,677	9.25%
Unsecured senior notes	29,600	760,608	7.87%	21,313	652,615	6.57%
Asset-backed financings	75,164	3,137,311	4.84%	24,080	1,571,443	3.08%
	<u>379,627</u>	<u>12,961,438</u>	5.92%	<u>336,234</u>	<u>10,197,248</u>	6.63%
Interest shortfall on repayments of loans serviced for						
Agency securitizations	3,884			3,098		
Interest on loan impound deposits	2,914			2,999		
Other	861			1,037		
	<u>387,286</u>	<u>\$ 12,961,438</u>	6.04%	<u>343,368</u>	<u>\$ 10,197,248</u>	6.77%
	<u>\$ (14,714)</u>			<u>\$ (47,974)</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 June 30, 2025			Six months ended June 30, 2025		
	vs.			vs.		
	Quarter ended June 30, 2024			Six months ended June 30, 2024		
	Increase (decrease)			Increase (decrease)		
	due to changes in			due to changes in		
	Rate	Volume	Total	Rate	Volume	Total
	(in thousands)					
Assets:						
Cash and short-term investments	\$ (1,345)	\$ (165)	\$ (1,510)	\$ (2,993)	\$ (1,023)	\$ (4,016)
Mortgage-backed securities	(3,793)	136	(3,657)	(3,967)	(1,227)	(5,194)
Loans acquired for sale	(1,109)	22,068	20,959	(1,139)	43,387	42,248
Loans held for investment	6,733	30,504	37,237	15,417	43,383	58,800
Deposits securing CRT arrangements	(2,763)	(1,219)	(3,982)	(5,526)	(2,477)	(8,003)
	(2,277)	51,324	49,047	1,792	82,043	83,835
Placement fees relating to custodial funds			(3,794)			(7,205)
Other			(607)			548
	\$ (2,277)	\$ 51,324	\$ 44,646	\$ 1,792	\$ 82,043	\$ 77,178
Liabilities:						
Assets sold under agreements to repurchase	\$ (12,124)	\$ 19,096	\$ 6,972	\$ (25,674)	\$ 33,237	\$ 7,563
Mortgage loan participation purchase and sale agreements	(22)	(29)	(51)	(41)	(104)	(145)
Notes payable secured by credit risk transfer and mortgage servicing assets	(9,646)	(4,016)	(13,662)	(18,420)	(4,976)	(23,396)
Unsecured senior notes	2,273	2,085	4,358	4,517	3,770	8,287
Asset-backed financings	12,631	22,416	35,047	18,632	32,452	51,084
	(6,888)	39,552	32,664	(20,986)	64,379	43,393
Interest shortfall on repayments of loans serviced for Agency securitizations			650			786
Interest on loan impound deposits			(192)			(85)
Other			186			(176)
	(6,888)	39,552	33,308	(20,986)	64,379	43,918
	\$ 4,611	\$ 11,772	\$ 11,338	\$ 22,778	\$ 17,664	\$ 33,260

The decrease in net interest expense during the quarter and six months ended June 30, 2025, as compared to the same periods in 2024, is due to greater investment in interest earning assets net of financing supplemented by a reduction in cost of floating rate financing, partially offset by a decrease in earnings from placement fees relating to custodial funds managed for borrowers and investors.

Expenses

Our expenses are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Earned by PennyMac Financial Services, Inc.:				
Loan servicing fees	\$ 21,645	\$ 20,264	\$ 43,374	\$ 40,526
Management fees	6,869	7,133	13,881	14,321
Loan fulfillment fees	5,814	4,427	11,104	8,443
Professional services	8,362	2,366	15,344	4,124
Compensation	2,836	1,369	5,806	3,285
Loan collection and liquidation	2,385	671	4,354	2,040
Safekeeping	1,228	961	2,338	1,893
Loan origination	666	533	1,352	1,006
Other	3,390	4,865	6,406	8,775
	<u>\$ 53,195</u>	<u>\$ 42,589</u>	<u>\$ 103,959</u>	<u>\$ 84,413</u>

Expenses increased \$10.6 million and \$19.5 million, or 25% and 23%, during the quarter and six months ended June 30, 2025, respectively, as compared to the same periods in 2024, as discussed below.

Loan Servicing Fees

Loan servicing fees payable to PLS are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Loan servicing fees:				
Loans acquired for sale	\$ 285	\$ 94	\$ 508	\$ 184
Loans held for investment	226	63	394	125
Mortgage servicing rights	21,134	20,107	42,472	40,217
	<u>\$ 21,645</u>	<u>\$ 20,264</u>	<u>\$ 43,374</u>	<u>\$ 40,526</u>
Average investment in loans:				
Acquired for sale	\$ 2,204,825	\$ 854,406	\$ 2,101,729	\$ 779,997
Held for investment	\$ 3,766,027	\$ 1,380,857	\$ 3,199,308	\$ 1,403,094
Average MSR portfolio unpaid principal balance	\$ 222,991,951	\$ 229,124,554	\$ 224,208,538	\$ 229,767,433
Mortgage servicing rights recapture fees				
	\$ 1,474	\$ 473	\$ 2,682	\$ 826
Unpaid principal balance of loans recaptured	\$ 183,050	\$ 74,208	\$ 342,522	\$ 136,281

Loan servicing fees increased by \$1.4 million and \$2.8 million during the quarter and six months ended June 30, 2025, respectively, as compared to the same periods in 2024, due to an increase in supplemental fees relating to loan modifications and servicing of delinquent loans in our MSR portfolio.

Management Fees

Management fees payable to PCM are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Base fee	\$ 6,869	\$ 7,133	\$ 13,881	\$ 14,321
Average shareholders' equity amounts used to calculate base management fee expense	\$ 1,836,690	\$ 1,912,522	\$ 1,866,238	\$ 1,919,962

Management fees decreased by \$264,000 and \$440,000 during the quarter and six months ended June 30, 2025, respectively, as compared to the same periods in 2024. This decrease reflects lower average shareholders' equity during the quarter and six months ended June 30, 2025, as compared to the same periods in 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. Fulfillment fees increased \$1.4 million and \$2.7 million during the quarter and six months ended June 30, 2025, respectively, as compared to the same periods in 2024. The increase was due to an increase in the volume of loans purchased for sale to nonaffiliates. Our loan fulfillment fee structure is described in Note 4 – *Transactions with Related Parties* to the consolidated financial statements included in this Report.

Professional services

Professional services expense increased by \$6.0 million and \$11.2 million during the quarter and six months ended June 30, 2025, respectively, as compared to the same periods in 2024, due to increased legal and consulting fees as a result of our securitization activities during the quarter and six months ended June 30, 2025.

Compensation

Compensation expense increased \$1.5 million and \$2.5 million during the quarter and six months ended June 30, 2025, respectively, as compared to the same periods in 2024, primarily due to an increased allocation of compensation relating to support staff based on the updated terms of the management agreement as described in Note 4 – *Transactions with Related Parties* to the consolidated financial statements included in this Report. This increase was partially offset by a \$1.0 million and \$2.0 million decrease in common overhead allocation from PFSI during the quarter and six months ended June 30, 2025, respectively, which is included in *Other* expense.

Loan collection and liquidation

Loan collection and liquidation expenses increased by \$1.7 million and \$2.3 million during the quarter and six months ended June 30, 2025, respectively, as compared to the same periods in 2024, due to increased servicing costs related to delinquent loans serviced for the Agencies' foreclosure avoidance programs.

Other Expenses

Other expenses are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Common overhead allocation from PFSI	\$ 982	\$ 2,000	\$ 1,963	\$ 3,944
Bank service charges	788	548	1,485	1,040
Technology	545	496	960	938
Insurance	251	478	701	954
Other	824	1,343	1,297	1,899
	\$ 3,390	\$ 4,865	\$ 6,406	\$ 8,775

Common overhead allocation from PFSI decreased by \$1.0 million and \$2.0 million during the quarter and six months ended June 30, 2025, respectively, as compared to the same periods in 2024, due to changes to the allocation method included in the management agreement, described in Note 4 – *Transactions with Related Parties* to the consolidated financial statements included in this Report.

Income Taxes

We have elected to treat PennyMac Corp. ("PMC"), as a 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 55.7% and (60.8)% with consolidated pretax income of \$17.0 million and \$10.7 million for the quarter and six months ended June 30, 2025. The Company's TRS recognized a tax expense of \$9.7 million on a pretax loss of \$11.9 million and a tax benefit of \$7.5 million on a pretax loss of \$87.2 million for the quarter and six months ended June 30, 2025. For the same periods in 2024, the TRS recognized a tax expense of \$3.0 million on pretax income of \$9.9 million and a tax benefit of \$12.0 million on a pretax loss of \$51.0 million. 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 June 30, 2025 quarterly and six month results were impacted by the enactment of California Senate Bill 132, signed into law on June 27, 2025 and effective January 1,

2025. The law requires financial institutions to apportion their California income using a single sales factor instead of a factor equally weighted with property, payroll and sales. The change in apportionment method resulted in a higher provision tax rate and a repricing of the TRS's net deferred tax liability.

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 June 30, 2025, the valuation allowance remains zero as a result of cumulative GAAP income at the TRS for the three-year period ended June 30, 2025. 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. For tax years beginning after December 31, 2017, the 2017 Tax Cuts and Jobs Act (subject to certain limitations) provides a 20% deduction from taxable income for ordinary REIT dividends. One Big Beautiful Bill Act, signed into law on July 4, 2025, permanently extends the 20% deduction. The remainder of the Act's provisions are not expected to have a material impact on the Company.

Balance Sheet Analysis

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

	June 30, 2025	December 31, 2024
	(in thousands)	
Assets		
Cash and short-term investments	\$ 471,486	\$ 440,892
Mortgage-backed securities at fair value	3,967,045	4,063,706
Loans acquired for sale	2,616,251	2,116,318
Loans held for investment	4,566,532	2,193,575
Derivative assets	52,964	56,840
Deposits securing credit risk transfer arrangements	1,064,719	1,110,708
Mortgage servicing rights and servicing advances	3,809,586	3,972,431
	16,548,583	13,954,470
Other	252,536	454,236
Total assets	\$ 16,801,119	\$ 14,408,706
Liabilities		
Debt:		
Short-term	\$ 6,835,268	\$ 6,512,531
Long-term:		
Recourse	3,541,358	3,535,650
Non-recourse	4,212,681	2,074,597
	7,754,039	5,610,247
	14,589,307	12,122,778
Other	346,167	347,428
Total liabilities	14,935,474	12,470,206
Shareholders' equity	1,865,645	1,938,500
Total liabilities and shareholders' equity	\$ 16,801,119	\$ 14,408,706

Total assets increased by approximately \$2.4 billion, or 17%, from December 31, 2024 to June 30, 2025, primarily due to an increase of \$2.4 billion in *Loans held for investment at fair value* and \$499.9 million in *Loans acquired for sale at fair value*, offset by a decrease of \$162.8 million in mortgage servicing rights and servicing advances.

Asset Acquisitions

Our asset acquisitions are summarized below:

Correspondent Production

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

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Correspondent loan purchases:				
GSE-Eligible Loans (1)	\$ 17,537,832	\$ 12,369,791	\$ 29,731,942	\$ 22,449,911
Government insured or guaranteed (2)	13,483,971	10,516,470	24,933,006	18,844,488
Jumbo loans	349,738	34,315	698,478	36,904
	<u>\$ 31,371,541</u>	<u>\$ 22,920,628</u>	<u>\$ 55,363,426</u>	<u>\$ 41,331,303</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.
- (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 six months ended June 30, 2025, we purchased for sale \$31.4 billion and \$55.4 billion, respectively, in fair value of correspondent production loans as compared to \$22.9 and \$41.3 billion during the same periods in 2024.

Other Investment Activities

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

	Quarter ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Credit sensitive assets:				
Subordinate credit-linked securities	\$ —	\$ —	\$ —	\$ (111,044)
Loans secured by non-owner occupied properties and jumbo loans, net of associated asset-backed financing	87,074	—	152,609	—
	<u>87,074</u>	<u>—</u>	<u>152,609</u>	<u>(111,044)</u>
Interest rate sensitive assets:				
Agency fixed-rate pass-through securities	—	—	—	(830,296)
Principal-only stripped mortgage-backed securities	—	239,875	—	399,460
Senior non-Agency securities	37,082	—	37,082	—
Loans secured by non-owner occupied properties and jumbo loans, net of associated asset-backed financing	27,490	—	55,976	—
Mortgage servicing rights:				
Purchases (price adjustment)	—	(13)	—	29,428
Received in loan sales	44,030	40,619	91,039	71,868
	<u>108,602</u>	<u>280,481</u>	<u>184,097</u>	<u>(329,540)</u>
	<u>\$ 195,676</u>	<u>\$ 280,481</u>	<u>\$ 336,706</u>	<u>\$ (440,584)</u>

Our acquisitions during the quarter and six months ended June 30, 2025 and 2024 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:

	June 30, 2025				December 31, 2024			
	Fair value	Principal/notional	Average Life (in years)	Average Coupon	Fair value	Principal/notional	Average Life (in years)	Average Coupon
	(dollars in thousands)							
Agency pass-through securities	\$ 2,977,947	\$ 2,981,885	8.2	5.4%	\$ 3,079,492	\$ 3,132,005	8.7	5.4%
Principal-only stripped securities	578,512	712,819	5.9	0.1%	596,300	776,455	6.7	0.1%
Subordinate credit-linked securities	195,401	174,813	3.1	12.1%	196,472	174,813	3.6	12.4%
Senior non-Agency securities	136,133	140,794	11.6	5.3%	105,182	111,479	9.2	5.1%
Interest-only stripped securities	79,052	366,767	7.6	4.8%	86,260	386,040	8.0	4.8%
		4,377,078				4,580,792		
	<u>\$ 3,967,045</u>	<u>\$ 8</u>			<u>\$ 4,063,706</u>	<u>\$ 2</u>		

Our *Mortgage-backed securities at fair value* does not include any mortgage-backed securities held from variable interest entities that we consolidate.

Credit Risk Transfer Arrangements

Following is a summary of our investment in CRT arrangements:

	June 30, 2025	December 31, 2024
	(in thousands)	
Carrying value of CRT arrangements:		
<i>Derivative assets - CRT derivatives</i>	\$ 31,147	\$ 29,377
<i>Derivative and credit risk transfer strip liabilities- CRT strips</i>	(10,479)	(4,060)
<i>Deposits securing CRT arrangements</i>	1,064,719	1,110,708
<i>Interest-only security payable at fair value</i>	(36,553)	(34,222)
	<u>\$ 1,048,834</u>	<u>\$ 1,101,803</u>
UPB of loans subject to credit guarantee obligations	\$ 20,356,165	\$ 21,249,304

Following is a summary of the composition of the loans underlying our investment in CRT arrangements as of June 30, 2025:

	Year of origination						
	2020	2019	2018	2017	2016	2015	Total
	(in millions)						
UPB:							
Outstanding	\$ 4,194	\$ 9,480	\$ 2,427	\$ 2,044	\$ 1,685	\$ 526	\$ 20,356
Liquidations:							
Balances	\$ 1.7	\$ 11.1	\$ 63.2	\$ 170.3	\$ 126.5	\$ 62.6	\$ 435.4
Losses	\$ —	\$ 1.3	\$ 6.4	\$ 21.4	\$ 13.6	\$ 7.7	\$ 50.4
Modifications (1):							
Balances	\$ 69.6	\$ 560.8	\$ 310.7	\$ —	\$ —	\$ —	\$ 941.1
Losses	\$ 2.3	\$ 24.5	\$ 18.6	\$ —	\$ —	\$ —	\$ 45.4
Weighted average:							
Original debt-to-income ratio	33.5%	35.9%	39.1%	36.6%	35.1%	35.7%	35.8%
Origination FICO credit score	765	754	736	745	751	743	753
Origination loan-to-value ratio	80.6%	83.3%	83.5%	82.5%	80.6%	80.9%	82.4%
Current loan-to-value ratio (2)	48.7%	48.6%	46.5%	41.4%	37.4%	35.0%	46.4%

(1) Includes only modifications that generate losses according to the terms of the CRT arrangements.

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

Distribution by state	Year of origination						
	2020	2019	2018	2017	2016	2015	Total
	(in millions)						
California	\$ 450	\$ 949	\$ 307	\$ 220	\$ 333	\$ 101	\$ 2,360
Florida	457	903	310	214	176	46	2,106
Texas	492	815	193	173	203	77	1,953
Virginia	226	422	89	94	118	51	1,000
Maryland	166	408	112	119	112	29	946
Other	2,403	5,983	1,416	1,224	743	222	11,991
	<u>\$ 4,194</u>	<u>\$ 9,480</u>	<u>\$ 2,427</u>	<u>\$ 2,044</u>	<u>\$ 1,685</u>	<u>\$ 526</u>	<u>\$ 20,356</u>

Regional geographic distribution (1)	Year of origination						
	2020	2019	2018	2017	2016	2015	Total
	(in millions)						
Southeast	\$ 1,422	\$ 3,233	\$ 865	\$ 702	\$ 526	\$ 159	\$ 6,907
Southwest	1,083	2,078	454	399	305	108	4,427
West	906	1,976	614	451	482	142	4,571
Northeast	395	1,199	288	297	219	80	2,478
Midwest	388	994	206	195	153	37	1,973
	<u>\$ 4,194</u>	<u>\$ 9,480</u>	<u>\$ 2,427</u>	<u>\$ 2,044</u>	<u>\$ 1,685</u>	<u>\$ 526</u>	<u>\$ 20,356</u>

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

Collection status	Year of origination						
	2020	2019	2018	2017	2016	2015	Total
	(in millions)						
Delinquency							
Current - 89 Days	\$ 4,176	\$ 9,385	\$ 2,377	\$ 2,034	\$ 1,682	\$ 524	\$ 20,178
90 - 179 Days	10	57	27	8	3	2	107
180+ Days	5	26	14	1	—	—	46
Foreclosure	3	12	9	1	—	—	25
	<u>\$ 4,194</u>	<u>\$ 9,480</u>	<u>\$ 2,427</u>	<u>\$ 2,044</u>	<u>\$ 1,685</u>	<u>\$ 526</u>	<u>\$ 20,356</u>
Bankruptcy	\$ 6	\$ 35	\$ 15	\$ 5	\$ 4	\$ 1	\$ 66

Cash Flows

Our cash flows for the quarters ended June 30, 2025 and 2024 are summarized below:

	Six months ended June 30,	
	2025	2024
	(in thousands)	
Operating activities	\$ (2,609,863)	\$ (98,571)
Investing activities	313,144	763,481
Financing activities	2,321,925	(815,261)
Net cash flows	<u>\$ 25,206</u>	<u>\$ (150,351)</u>

Our cash flows resulted in a net increase in cash of \$25.2 million during the six months ended June 30, 2025, as discussed below.

Operating activities

Cash used in operating activities totaled \$2.6 billion for the six months ended June 30, 2025, as compared to cash used in our operating activities of \$98.6 million during the six months ended June 30, 2024. Cash flows from operating activities are influenced by cash flows from loans acquired for sale as shown below:

	<u>Six months ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
	(in thousands)	
Operating cash flows from:		
Loans acquired for sale	\$ (3,010,602)	\$ (19,096)
Other	400,739	(79,475)
	<u>\$ (2,609,863)</u>	<u>\$ (98,571)</u>

Cash flows from loans acquired for sale primarily reflect changes in the level of production inventory as well as cash flows relating to associated hedging activities from the beginning to end of the period presented. Our inventory of loans held for sale increased during six months ended June 30, 2025, as compared to the same period in 2024, offset by other operating cash flows during the six months ended June 30, 2025.

Investing activities

Net cash provided by our investing activities was \$313.1 million for the six months ended June 30, 2025, as compared to net cash provided by our investing activities of \$763.5 million during the six months ended June 30, 2024, which included significant sales of MBS.

Financing activities

Net cash provided by our financing activities was \$2.3 billion for the six months ended June 30, 2025, as compared to net cash used in our financing activities of \$815.3 million during the six months ended June 30, 2024. This change primarily reflects the increase in borrowings required to finance the increase in inventory of loans held for sale during the quarter ended June 30, 2025.

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 of 1986. 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 MSR 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, 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 2029 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 MSR’s 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.

On December 20, 2024, the Company, the Issuer Trusts, PMC and PMH entered into a secured term note (the “Series 2024-VF2 Note”) with Citibank, N.A., 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 term of the Series 2024-VF2 Note is set to expire on June 26, 2026 and the maximum principal balance of the Series 2024-VF2 Note is \$1 billion and the aggregate committed amount is \$500 million.

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 MSR’s 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 is summarized below:

	June 30, 2025						
	Assets (1)			Financing			
	Consolidated	Adjustments for VIE Financing (2)	Excluding VIE Financing	Assets sold under agreements to repurchase	Mortgage loan participation purchase and sale agreements	Notes payable secured by CRT arrangements and MSR’s	Total
(in thousands except for debt-to equity amounts)							
Assets							
Cash and short-term investments	\$ 471,486	\$ —	\$ 471,486	\$ —	\$ —	\$ —	\$ —
Mortgage-backed securities at fair value							
Agency-backed securities	3,635,511	—	3,635,511	3,541,994	—	—	3,541,994
Non-consolidated subordinate credit-linked securities	195,401	—	195,401	137,987	—	—	137,987
Senior non-Agency securities	136,133	—	136,133	126,837	—	—	126,837
Credit risk transfer securities relating to consolidated variable interest entities	—	1,048,834	1,048,834	130,139	—	636,579	766,718
Subordinate credit-linked and senior non-agency securities relating to consolidated VIEs	—	340,285	340,285	275,608	—	—	275,608
	3,967,045	1,389,119	5,356,164	4,212,565	—	636,579	4,849,144
Loans acquired for sale at fair value	2,616,251	—	2,616,251	2,408,949	8,413	—	2,417,362
Loans held for investment at fair value	4,566,532	(4,564,678)	1,854	—	—	—	—
Derivative assets	52,964	(31,147)	21,817	—	—	—	—
Deposits securing credit risk transfer arrangements	1,064,719	(1,064,719)	—	—	—	—	—
Mortgage servicing rights and servicing advances	3,809,586	48,265	3,857,851	205,341	—	2,029,554	2,234,895
	16,548,583	(4,223,160)	12,325,423	6,826,855	8,413	2,666,133	9,501,401
Other	252,536	—	252,536	—	—	—	—
Total assets and secured financing	\$ 16,801,119	\$ (4,223,160)	\$ 12,577,959	\$ 6,826,855	\$ 8,413	\$ 2,666,133	9,501,401
Unsecured debt							875,225
Debt excluding non-recourse							10,376,626
Debt in consolidated variable interest entities (2)							4,212,681
Total debt							\$ 14,589,307
Equity							\$ 1,865,645
Debt-to equity ratio:							
Excluding non-recourse debt (3)							5.6:1
Total (4)							7.8:1

(1) The balance sheet information depicted under the column captioned “Consolidated” represents GAAP information and the subsequent columns reflect adjustments to deconsolidate the loan and CRT VIEs to provide investors with a more creditor-aligned view of how our debt relates to the assets we finance. After adjustment, the assets are shown in the securitized form in which they

are financed which excludes non-recourse VIE financing. The adjusted balance sheet information should not be considered in isolation or as a substitute for an analysis of our results as calculated based upon GAAP.

- (2) Does not include adjustments for credit risk transfer strip liabilities of \$10.5 million.
- (3) Total borrowings reduced by asset-backed financings and interest-only security payable, divided by shareholders' equity.
- (4) Total borrowings divided by shareholders' equity.

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:

<u>Assets sold under agreements to repurchase</u>	<u>Quarter ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	(in thousands)			
Average balance outstanding	\$ 6,382,670	\$ 5,016,206	\$ 6,282,348	\$ 5,080,520
Maximum daily balance outstanding	\$ 7,603,144	\$ 5,525,266	\$ 7,799,203	\$ 6,562,795
Ending balance (UPB)			\$ 6,833,086	\$ 4,703,577

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 \$12.0 billion at June 30, 2025.

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 real estate acquired in settlement of loans 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 June 30, 2025 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 June 30, 2025:

<u>Counterparty</u>	<u>Amount at risk</u>	
	(in thousands)	
Goldman Sachs & Co. LLC	\$	166,852
Atlas Securitized Products, L.P.		118,955
Citibank, N.A.		110,330
Bank of America, N.A.		67,170
JPMorgan Chase & Co.		60,547
Barclays Capital Inc.		60,414
Morgan Stanley & Co. LLC		33,374
Wells Fargo Securities, LLC		25,113
RBC Capital Markets, L.P.		20,575
Santander US Capital		17,386
Nomura Holdings America, Inc.		8,766
Bank of Montreal		6,785
Daiwa Capital Markets America Inc.		5,803
Mizuho Financial Group		5,158
BNP Paribas		3,875
	\$	<u>711,103</u>

Senior Notes

In June 2025, the Company issued \$105 million principal amount of unsecured 9.00% senior notes due June 15, 2030 (the “June 2030 Senior Notes”) and in February 2025, the Company issued \$172.5 million principal amount of unsecured 9.00% senior notes due February 15, 2030, together (the “February 2030 Senior Notes” and, collectively with the June 2030 Senior Notes, the “2030 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”). The 2030 Senior Notes and the 2028 Senior Notes are referred to collectively as the “Senior Notes”.

We may redeem for cash all or any portion of the 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 applicable redemption date. No “sinking fund” will be provided for the Senior Notes. The 2028 Senior Notes may be redeemed on or after September 30, 2025, the June 2030 Senior Notes may be redeemed on or after June 15, 2027 and the February 2030 Senior Notes may be redeemed on or after February 15, 2027.

The 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 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 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:

	<u>June 30, 2025</u>
	<u>(in thousands)</u>
Loans acquired for sale at fair value	\$ 2,616,251
Mortgage servicing rights at fair value	3,787,371
Other assets	
From nonaffiliates	656,841
From PFSI	14,862
From non-issuer or non-guarantor subsidiaries (1)	356,480
Total assets	<u>\$ 7,431,805</u>
Total liabilities	
Payable to nonaffiliates	\$ 1,948,217
Payable to PFSI	21,523
Payable to non-issuer or non-guarantor subsidiaries	5,236,114
	<u>\$ 7,205,854</u>

	<u>Six months ended June 30, 2025</u>	
	(in thousands)	
Net investment income		
From nonaffiliates	\$	99,551
From PFSI		7,355
From non-issuer or non-guarantor subsidiaries (1)		(127,520)
Expenses		
From nonaffiliates		25,159
From PFSI		63,464
Pre-tax loss		(109,237)
Benefit from income taxes		(27,965)
Net loss	\$	(81,272)

(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.

Mortgage Servicing Rights

The following tables summarize the estimated change in fair value of MSR as of June 30, 2025, 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	\$ 198,997	\$ 97,044	\$ 47,928	\$ (46,780)	\$ (92,450)	\$ (180,597)
Prepayment speed	\$ 237,102	\$ 114,525	\$ 56,308	\$ (54,493)	\$ (107,260)	\$ (207,940)
Annual per-loan cost of servicing	\$ 65,421	\$ 32,710	\$ 16,355	\$ (16,355)	\$ (32,710)	\$ (65,421)

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	\$ 36,657	\$ 18,069	\$ 8,970	\$ (8,847)	\$ (17,569)	\$ (34,654)

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	\$ (9,707)	\$ (5,858)	\$ (2,671)	\$ 2,252	\$ 4,132	\$ 5,702

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 June 30, 2025 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 business. See Note 17 — *Commitments and Contingencies*, to the consolidated financial statements included in this Report for a discussion of legal actions, claims and proceedings that are incorporated by reference into this Item 1.

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, 2024, filed with the SEC on February 20, 2025.

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

There were no sales of unregistered equity securities during the quarter and six months ended June 30, 2025.

The following table provides information about our repurchases of common shares of beneficial interest (“Common Shares”) during the quarter ended June 30, 2025:

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)			
April 1, 2025 – April 30, 2025	—	\$ —	—	\$ 73,353
May 1, 2025 – May 31, 2025	—	\$ —	—	\$ 73,353
June 1, 2025 – June 30, 2025	—	\$ —	—	\$ 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 June 30, 2025, 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	Declaration of Trust of PennyMac Mortgage Investment Trust, as amended and restated.	10-Q	November 6, 2009
3.2	Second Amended and Restated Bylaws of PennyMac Mortgage Investment Trust	8-K	March 16, 2018
3.3	Articles Supplementary classifying and designating the 8.125% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Shares of Beneficial Interest.	8-A	March 7, 2017
3.4	Articles Supplementary classifying and designating the 8.00% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Shares of Beneficial Interest.	8-A	June 30, 2017
3.5	Articles Supplementary classifying and designating the 6.75% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest.	8-A	August 20, 2021
4.1	Indenture, dated as of June 10, 2025, among PennyMac Mortgage Investment Trust, as issuer, PennyMac Corp., as guarantor, and U.S. Bank Trust Company, National Association, as trustee.	8-K	June 10, 2025
4.2	First Supplemental Indenture, dated as of June 10, 2025, among PennyMac Mortgage Investment Trust, as issuer, PennyMac Corp., as guarantor, and U.S. Bank Trust Company, National Association, as trustee.	8-K	June 10, 2025
4.3	Form of 9.00% Senior Notes due 2030 (included in Exhibit 4.2 hereto).	8-K	June 10, 2025
10.1	Amendment No. 1 to Fourth Amended and Restated Management Agreement, by and among PennyMac Mortgage Investment Trust, PennyMac Operating Partnership, L.P. and PNMAC Capital Management, LLC, dated as of June 23, 2025.	*	
10.2	Amendment No. 1 to Third Amended and Restated Mortgage Banking Services Agreement, between PennyMac Loan Services, LLC and PennyMac Corp., dated as of June 23, 2025.	*	
31.1	Certification of David A. Spector pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*	
31.2	Certification of Daniel S. Perotti pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*	
32.1**	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.	**	
32.2**	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.	**	
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of June 30, 2025 and December 31, 2024 (ii) the Consolidated Statements of Operations for the quarter ended June 30, 2025 and June 30, 2024, (iii) the Consolidated Statements of Changes in Shareholders' Equity for the quarter ended June 30, 2025 and June 30, 2024, (iv) the Consolidated Statements of Cash Flows for the quarter ended June 30, 2025 and June 30, 2024 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

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** 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: July 30, 2025

By: /s/ David A. Spector

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

Dated: July 30, 2025

By: /s/ Daniel S. Perotti

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

AMENDMENT NO. 1

FOURTH AMENDED AND RESTATED
MANAGEMENT AGREEMENT

Amendment No. 1 to Fourth Amended and Restated Management Agreement, dated as of June 23, 2025 (the “*Amendment*”), by and among PennyMac Mortgage Investment Trust, a Maryland real estate investment trust (the “*Trust*”), PennyMac Operating Partnership, L.P., a Delaware limited partnership (the “*Operating Partnership*”), and PNMAC Capital Management, LLC, a Delaware limited liability company (the “*Manager*”).

RECITALS

WHEREAS, the Trust, the Operating Partnership and the Manager are parties to that certain Second Amended and Restated Management Agreement, dated as of December 16, 2024 (the “*Existing Management Agreement*” and, as amended by the Amendment, the “*Management Agreement*”). Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Existing Management Agreement.

WHEREAS, the Trust, the Operating Partnership and the Manager have agreed, subject to the terms and conditions of this Amendment, that the Existing Management Agreement be amended to incorporate certain agreed upon revisions that reflect the original intent of the Existing Management Agreement.

NOW, THEREFORE, in consideration of the mutual premises and mutual obligations set forth herein, the Trust, the Operating Partnership and the Manager hereby agree that the Existing Management Agreement is hereby amended as follows:

SECTION 1. Definitions. Section 2 of the Existing Management Agreement is hereby amended by deleting the definitions of “*Incentive Fee*” and “*Shareholders’ Equity*” in their entirety and replacing them with the following:

“*Incentive Fee*” means an incentive management fee calculated and payable (in cash or Common Shares (subject to reasonable restrictions on sale and transfer, *provided* that (i) the Trust shall use commercially reasonable efforts to cause, at its sole expense, any Common Shares issued in payment of the Incentive Fee to be registered for sale under the Securities Act, (ii) the Manager may sell or distribute such Common Shares in the manner that it determines, consistent with the Trust’s Policy Against Insider Trading and any applicable securities laws, including pursuant to Rule 10b5-1 under the Exchange Act, and (iii) the amount of the Incentive Fee payable in any particular year that may be paid in Common Shares shall be limited to 50% of the Incentive Fee payable for such year), as determined by a majority of the Independent Trustees) each fiscal year in arrears in an amount equal to the sum of:

(a) 10% per annum of the dollar amount by which the Return exceeds the High Watermark plus the product of:

- (1) the average Common Shareholder's Equity during the period; and
- (2) 8.0%,

but is less than or equal to the High Watermark plus the product of (i) the average Common Shareholder's Equity during the period and (ii) 12%; plus

(b) 15% per annum of the dollar amount by which the Return equals or exceeds the High Watermark plus the product of:

- (1) the average Common Shareholder's Equity during the period; and
- (2) 12%,

but is less than the High Watermark plus the product of (i) the average Common Shareholder's Equity during the period and (ii) 16%; plus

(c) 20% per annum of the dollar amount by which the Return exceeds the High Watermark plus the product of:

- (1) the average Common Shareholder's Equity during the period; and
- (2) 16%.

For purposes of calculating the Incentive Fee, outstanding limited partnership interests in the Operating Partnership (other than limited partnership interests held by the Trust) shall be treated as outstanding Common Shares.

"Shareholders' Equity" means:

(B) the sum of the net proceeds from any issuances of the Trust's equity securities since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance); plus

(C) the Trust's retained earnings at the end of the second month of such quarter; less

(D) any amount that the Trust pays for repurchases or redemptions of its equity securities (allocated on a pro rata daily basis for such repurchases or redemptions during the fiscal quarter of any such repurchases or redemptions); excluding

(E) one-time events pursuant to changes in GAAP and certain other non-cash charges after discussions between the

Manager and the Independent Trustees and after approval by a majority of the Independent Trustees.

For purposes of calculating the Base Management Fee, outstanding limited partnership interests in the Operating Partnership (other than limited partnership interests held by the Trust) shall be treated as outstanding Common Shares.

SECTION 2.Conditions Precedent. This Amendment shall become effective on as of the date first set forth above (the “*Amendment Effective Date*”) subject to the satisfaction of the following conditions precedent:

2.1 Delivered Documents. On the Amendment Effective Date, each party shall have received the following documents, each of which shall be satisfactory to such party in form and substance:

- (a) this Amendment, executed and delivered by duly authorized officers of the Trust, the Operating Partnership and the Manager; and
- (b) such other documents as such party or counsel to such party may reasonably request.

SECTION 3.Representations and Warranties. Each party represents that it is in compliance in all material respects with all the terms and provisions set forth in the Existing Management Agreement on its part to be observed or performed.

SECTION 4.Limited Effect. Except as expressly amended and modified by this Amendment, the Existing Management Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms.

SECTION 5.GOVERNING LAW. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 6.Counterparts. This Amendment may be executed in one or more counterparts and by different parties hereto on separate counterparts, each of which, when so executed, shall constitute one and the same agreement.

SECTION 7.Conflicts. The parties hereto agree that in the event there is any conflict between the terms of this Amendment, and the terms of the Existing Management Agreement, the provisions of this Amendment shall control.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

The Trust: **PENNYMAC MORTGAGE INVESTMENT TRUST**

By: /s/ Daniel S. Perotti
Name: Daniel S. Perotti
Title: Senior Managing Director and
Chief Financial Officer

The Operating Partnership: **PENNYMAC OPERATING PARTNERSHIP, L.P**

**By: PennyMac GP OP, Inc.,
its General Partner**

By: /s/ Daniel S. Perotti
Name: Daniel S. Perotti
Title: Senior Managing Director and
Chief Financial Officer

The Manager: **PNMAC CAPITAL MANAGEMENT, LLC**

By: /s/ David A. Spector
Name: David A. Spector
Title: Chairman and Chief Executive Officer

AMENDMENT NO. 1

THIRD AMENDED AND RESTATED
MORTGAGE BANKING SERVICES AGREEMENT

Amendment No. 1 to Third Amended and Restated Mortgage Banking Services Agreement, dated and effective as of June 23, 2025 (the “*Amendment*”), by and between PennyMac Loan Services, LLC, a Delaware limited liability company (the “*Service Provider*”), and PennyMac Corp., a Delaware corporation (the “*Company*”).

RECITALS

WHEREAS, the Service Provider and the Company are parties to that certain Third Amended and Restated Mortgage Banking Services Agreement, dated as of December 16, 2025 (the “*Existing MBS Agreement*” and, as amended by this Amendment, the “*MBS Agreement*”). Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Existing MBS Agreement.

WHEREAS, the Service Provider and the Company have agreed, subject to the terms and conditions of this Amendment, that the Existing MBS Agreement be amended to reflect certain agreed upon revisions to the terms of the Existing MBS Agreement.

NOW, THEREFORE, in consideration of the mutual premises and mutual obligations set forth herein, the Service Provider and the Company hereby agree that the Existing MBS Agreement is hereby amended as follows:

SECTION 1. Amendments to Article 1.

1.1 Section 1.01 of the Existing MBS Agreement is hereby amended by inserting the following definition in the appropriate alphabetical order:

“Factor” means either .99 or .80 (representing the estimated pull through rate), the amount of which shall be multiplied by each Loan Commitment relating to a Mortgage Loan other than a Ginnie Mae Mortgage Loan depending on whether it is subject to a “mandatory trade confirmation” or a “best efforts lock confirmation,” respectively.

1.2 Section 1.01 of the Existing MBS Agreement is hereby amended by deleting the definitions of “Company Loan Commitment”, “Company Purchased Loan”, “Correspondent Lending Program”, “Tier 1 Loan Commitment” and “Tier 2 Loan Commitment” in their entirety and replacing them with the following:

“Company Loan Commitment” means, through June 30, 2025, the number of Loan Commitments relating to Mortgage Loans intended to be purchased by the Company from a Correspondent and thereafter retained by the Company prior to sale or securitization,

and from and after July 1, 2025, the number of Loan Commitments relating to Mortgage Loans intended to be purchased by the Company from the Service Provider, in either case through the Correspondent Lending Program (and after applying the applicable Factor to each such Loan Commitment).

“Company Purchased Loan” means, through June 30, 2025, the Mortgage Loans that are purchased by the Company from an approved Correspondent and thereafter retained by the Company prior to sale or securitization and, from and after July 1, 2025, the Mortgage Loans that are purchased by the Company from the Service Provider, in either case after the issuance of a related Company Loan Commitment and through the Correspondent Lending Program.

“Correspondent Lending Program” means that certain delegated correspondent lending program established by the Service Provider and pursuant to which either the Company or, from and after July 1, 2025, the Service Provider acquires Mortgage Loans that satisfy the terms of the related loan purchase agreement, including the requirements set forth in the applicable Guide(s), and any additional terms or conditions identified in acquisition policies and procedures adopted by the Service Provider from time to time.

“Tier 1 Loan Commitment” means each of the first 16,500 non-Ginnie Mae Loan Commitments (as determined after applying the applicable Factor to each non-Ginnie Mae Loan Commitment) issued by the Company or, as applicable, the Service Provider, to an approved Correspondent during any fiscal quarter.

“Tier 2 Loan Commitment” means each non-Ginnie Mae Loan Commitment in excess of 16,500 (as determined after applying the applicable Factor to each non-Ginnie Mae Loan Commitment) issued by the Company or, as applicable, the Service Provider, to an approved Correspondent during any fiscal quarter.

SECTION 2. Amendments to Exhibit A. Exhibit A of the Existing MBS Agreement is hereby amended by deleting it in its entirety and replacing it with the form attached hereto as Exhibit A.

SECTION 3. Conditions Precedent. This Amendment shall become effective as of the date first set forth above (the “*Amendment Effective Date*”), subject to the satisfaction of the following conditions precedent:

3.1 Delivered Documents. On the Amendment Effective Date, each party shall have received the following documents, each of which shall be satisfactory to such party in form and substance:

(a) this Amendment, executed and delivered by duly authorized officers of the Service Provider and the Company; and

(b) such other documents as such party or counsel to such party may reasonably request.

SECTION 4.Representations and Warranties. Each party represents that it is in compliance in all material respects with all the terms and provisions set forth in the Existing MBS Agreement on its part to be observed or performed.

SECTION 5.Limited Effect. Except as expressly amended and modified by this Amendment, the Existing MBS Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms.

SECTION 6.GOVERNING LAW. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 7.Counterparts. This Amendment may be executed in one or more counterparts and by different parties hereto on separate counterparts, each of which, when so executed, shall constitute one and the same agreement.

SECTION 8.Conflicts. The parties hereto agree that in the event there is any conflict between the terms of this Amendment, and the terms of the Existing MBS Agreement, the provisions of this Amendment shall control.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

The Service Provider: **PENNYMAC LOAN SERVICES, LLC**

By: /s/ Douglas E. Jones
Name: Douglas E. Jones
Title: President and Chief Mortgage
Banking Officer

The Company: **PENNYMAC CORP.**

By: /s/ Daniel S. Perotti
Name: Daniel S. Perotti
Title: Senior Managing Director and
Chief Financial Officer

EXHIBIT A
(Compensation)

Fulfillment Fees

The aggregate Fulfillment Fees for Mortgage Loans during any fiscal quarter shall not exceed:

- (a) the product of (i) the sum of \$585.00 for each Tier 1 Loan Commitment and \$355.00 for each Tier 2 Loan Commitment, and (ii) the number of Company Loan Commitments divided by the aggregate number of both Tier 1 Loan Commitments and Tier 2 Loan Commitments, the payment of which shall be made no later than the end of the calendar month following the calendar month in which such Company Loan Commitments were issued, plus
- (b) the product of (i) the number of Company Purchased Loans divided by the aggregate number of both Tier 1 Purchased Loans and Tier 2 Purchased Loans, and (ii) the sum of \$315.00 for each Tier 1 Purchased Loan and \$195.00 for each Tier 2 Purchased Loan, the payment of which shall be made no later than the end of the calendar month following the calendar month in which such Company Purchased Loans were purchased by the Company; plus
- (c) in the case of all Mortgage Loans other than Fannie Mae Mortgage Loans and Freddie Mac Mortgage Loans that are purchased by the Company from an approved Correspondent or the Service Provider during such quarter, in either case through the Correspondent Lending Program, supplemental fees in an amount no greater than the product of (i) \$500.00, and (ii) the number of such Mortgage Loans sold and securitized (the “Supplemental Fees”), the payment of which shall be made no later than the end of the calendar month following the calendar month in which such Mortgage Loan was sold or securitized.

No Fulfillment Fee shall be due or payable to the Service Provider with respect to the following: (i) any Ginnie Mae Mortgage Loan; (ii) any Fannie Mae Mortgage Loan or Freddie Mac Mortgage Loan acquired from the Company by the Service Provider pursuant to Section 3.03(b)(xxvi); or (iii) any Mortgage Loan acquired by the Company from the Service Provider on or before June 30, 2025, provided that Supplemental Fees may still be charged in connection with the securitization or sale of any such Mortgage Loans.

For the purposes of this Exhibit A, “mandatory trade confirmation” and “best efforts lock confirmation” shall have the meanings ascribed to them in the PennyMac Guide, and to the extent the Service Provider purchases any Mortgage Loans from the Company during the quarters ending March 31, 2025 or June 30, 2025, or the Company purchases any Mortgage Loans from the Service Provider during any quarter commencing on and after July 1, 2025, such Mortgage Loans shall reflect a representative mix of “mandatory trade confirmations” and “best efforts lock confirmations,” as well as a representative mix of underlying characteristics, by

reference to all of the Mortgage Loans within the related Loan Category(ies) acquired from Correspondents by the Company or the Service Provider, as applicable, during such quarter.

Early Purchase Program Fees

With respect to each Early Purchase Program, through June 30, 2025, the Service Provider shall be entitled to fees that accrue (a) at a rate equal to \$1,500 per annum, and (b) in the amount of \$35 with respect to each Mortgage Loan purchased by the Company thereunder. The fee described in clause (a) shall accrue and be payable monthly not later than the last Business Day of each month from and after the execution of the Early Purchase Program documentation. The fee described in clause (b) shall accrue and be payable monthly not later than the fifth (5th) Business Day following the month during which the related Mortgage Loan first becomes subject to a transaction thereunder.

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: July 30, 2025

/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.

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: July 30, 2025

/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 June 30, 2025 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

July 30, 2025

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.

**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 June 30, 2025 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

July 30, 2025

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.
