

PennyMac Financial Services, Inc.

Second Quarter 2020 Earnings Transcript

August 6, 2020

Introduction

Good afternoon, and welcome to the second quarter 2020 earnings discussion for PennyMac Financial Services, Inc. The slides that accompany this discussion are available on PennyMac Financial's website at ir.pennymacfinancial.com. Before we begin, let me remind you that our discussion contains forward-looking statements that are subject to risks identified on Slide 2 that could cause our actual results to differ materially. Thank you.

Now I'd like to begin by introducing David Spector, PennyMac Financial's President and Chief Executive Officer who will review the Company's second quarter 2020 results.

Speaker:

David Spector – President and Chief Executive Officer

Thank you Isaac.

Slide 3

PennyMac Financial reported record earnings in the second quarter, driven by core production and servicing results partially offset by fair value losses on mortgage servicing rights and associated hedging and other losses.

Net income was 352.7 million dollars or diluted earnings per share of 4 dollars and 39 cents.

Book value per share increased 15 percent to 34 dollars and 26 cents, from 29 dollars and 85 cents at the end of the prior quarter.

In June, we repurchased from The BlackRock Foundation approximately 7 million shares of PFSI's common stock, or approximately 9% of our total shares outstanding. The shares were purchased at a price of 34 dollars per share. Finally, I'm pleased to note that PFSI's Board of Directors increased the quarterly cash dividend to 15 cents per share, a 25 percent increase from the prior quarter.

Production segment pretax income was a record 538.1 million dollars, up 124 percent from the prior quarter and up 448 percent from the second quarter of 2019, driven by record volumes in the direct lending channels and record margins across all of our channels. Direct lending locks were a record 13 billion dollars in unpaid principal balance, up 31 percent from the prior quarter and 177 percent from the second quarter of 2019. Of these, 8.9 billion dollars were in the consumer direct channel, while 4.1 billion dollars were in the broker direct channel. Government correspondent lock volume was 12.9 billion dollars in UPB, down 13 percent from the prior quarter reflecting a temporary slowdown in the origination market for government loans early in the quarter from the impact of COVID-19. Government correspondent lock volume was up 7 percent from the second quarter of 2019.

Total production volume for the quarter was 37.6 billion dollars in UPB, up 6 percent from the prior quarter and up 56 percent from the second

quarter of 2019. And finally, correspondent acquisitions of conventional loans fulfilled for PMT totaled 18.9 billion dollars in UPB, up 17 percent from the prior quarter and up 76 percent from the second quarter of 2019.

Slide 4

Continuing onto slide 4, the Servicing segment recorded a pretax loss of 62.4 million dollars, versus pretax income of 170.8 million dollars in the prior quarter and a pretax loss of 2.7 million dollars in the second quarter of 2019. The segment results this quarter were primarily driven by valuation-related items. Valuation-related items included 108.4 million dollars in MSR fair value losses, and 15.1 million dollars in hedging and other losses driven by elevated hedge costs and fair value losses on options due to a decrease in volatility. The net impact of these items was a pretax loss of 123.5 million dollars and a 1 dollar and 13 cent decrease in diluted earnings per share.

Pretax income excluding valuation-related changes for the servicing segment was a record 86.9 million dollars, up 105 percent from the prior quarter and 84 percent from the second quarter of 2019, primarily driven by a large contribution from early buyout activities and lower realization of MSR cash flows.

As of June 30th, our servicing portfolio totaled 388.3 billion dollars in UPB, an increase of 1 percent from the end of the prior quarter and 16 percent from June 30th, 2019.

Our Investment Management segment delivered pretax income of 4.7 million dollars, up from 3.8 million dollars in the prior quarter and up from 4 million dollars in the second quarter of 2019. Segment revenue was 10.5 million dollars, up 7 percent from the prior quarter and 2 percent from the second quarter of 2019. Net assets under management totaled 2.2 billion dollars as of June 30th, up 23 percent from March 31st, driven by an increase in PMT's book value.

Now let's turn to slide 5 and discuss PFSI's unique business model.

Slide 5

The success we enjoy today is a direct result of the unique business model we organically built, our unwavering focus on risk management and a track record of successful capital management.

PennyMac Financial is recognized as an established leader in the mortgage industry with scale in both loan production and servicing, which continues to drive profitability across different market environments. Additionally, 42 percent of our production year-to-date has been purchase-money loans, significantly higher than the industry average.

Our expertise in managing risk since the Company's founding in 2008 has enabled PennyMac Financial to remain a consistent and constructive source of new capital for consumers seeking to purchase a home or refinance their existing home. This commitment is

demonstrated by our strong balance sheet with low levels of leverage versus competitors, and the well-developed and sophisticated enterprise risk management systems and infrastructure that we have built. Further, PennyMac Financial continues to be recognized as a leader in capital markets operations and interest rate risk management, which includes our successful history of hedging mortgage servicing rights.

These foundational disciplines have been critical to our success including during the COVID-19 crisis and in the current market environment.

Finally, this management team has a track record of successful capital management with retained earnings driving book value growth. In fact, since our initial public offering more than seven years ago, we have grown book value at a compounded annual growth rate of 25 percent. Additionally, we have repurchased over 8 million common shares since 2017, and introduced a quarterly dividend last year as an important

component in the structure of providing long-term, sustainable stockholder returns.

Now let's turn to slide 6 and review PFSI's earnings growth.

Slide 6

The faster growth of our consumer and broker direct lending channels is a significant contributor to PFSI's increased earnings power. As you can see in the upper left chart on this page, the growth in production pretax income has been driven by the profitable growth of the direct lending channels. PFSI is capturing this growth as a result of the significant investments we have made in technology and infrastructure to further scale our end-to-end mortgage fulfillment process, coupled with increased hiring to grow the operating platform and growth of our servicing portfolio. Notably, Production segment pretax income for the first half of 2020 was 778.2 million dollars, up significantly from 527.8 million dollars for the full year of 2019. As Doug will review later,

PennyMac Financial represents under 2 percent market share in its direct lending channels, with substantial opportunity for continued growth in the future.

As you can see on the chart on the upper right, operating earnings for the servicing segment provide a core earnings contribution driven by the growth of our servicing portfolio and increased scale. Our operational results in 2020 are tracking towards a record year, with pretax income excluding valuation related changes of 129.2 million dollars for the first half of 2020, compared to 146.8 million dollars for the full year 2019.

Investment Management is the smallest contributor to our pretax income but has grown in recent years with the growth in PMT's equity.

So while prospects for the U.S. economy remain uncertain, given the present market environment, we expect PFSI's exceptional financial performance to persist into 2021.

Now let's turn to slide 7 to discuss economic developments affecting our businesses.

Slide 7

Challenges in the U.S. economy reflect the impact of COVID-19 as a recent resurgence of the virus weighs on states' plans to re-open. Reopening plans, including a return to physical work locations, are now on pause in over 80 percent of the country and the economic recovery is expected to be more gradual than previously forecasted. According to the Bureau of Labor Statistics, the unemployment rate reached a recent high of 14.7 percent at April 30th, while leading economists forecast a gradual recovery to 6.9 percent by the end of 2021. New requests for mortgage forbearance have decreased substantially since March and April and borrowers are beginning to exit forbearance plans as they continue or resume making payments or obtain assistance through government supported loan modification programs. And recently, despite relatively tight levels of supply, economists have

begun to forecast home price decreases in metropolitan areas with heavily affected economies.

Fiscal stimulus benefits from the federal government have begun to roll off, with an extension or further stimulus remaining uncertain as Congress has yet to resolve differences on several issues including the jobless benefit, liability protections for business, aid to state and local governments and direct payments to Americans.

Liquidity in the financial markets has largely rebounded since March and April; however markets continue to reflect uncertainty related to the long-term impacts of COVID-19. The improved liquidity during May and June resulted in a significant recovery in the fair value of credit related assets and in particular, government-sponsored enterprise credit risk transfer investments that gained in value.

Now let's turn to slide 8 to discuss PennyMac's opportunity in the mortgage origination market.

Slide 8

Economic forecasts for total originations in 2020 have increased to nearly 3 trillion dollars, the highest level since 2003, and forecasts for total originations in 2021 have recently increased to 2.3 trillion dollars, similar to the strong market we saw in 2019. These forecasts are supported by all-time low mortgage rates, which continue to drive robust refinance and purchase mortgage demand. Forecasts for purchase mortgage originations have also increased recently as a result of higher demand, including in suburban areas. Additionally, sales of previously owned homes posted their largest ever monthly increase in June and sales of new homes have been above consensus expectations.

Gain on sale margins remain elevated, more specifically in the direct lending channels driven by capacity constraints, while correspondent gain on sale margins have decreased from record levels seen early in the quarter as other market participants have returned. As I mentioned earlier, as a result of our capital structure, risk management

disciplines and significant technology and infrastructure investments made in recent years, PennyMac was able to successfully capitalize on the market opportunity and continued to originate, fund and settle loans throughout the crisis.

On the next slide we will discuss some of the investments we have made to drive our continued growth, including a new milestone in production technology.

Slide 9

I am excited to announce the completion of the development of P3, a new portal facing our correspondent sellers that leverages PennyMac's proprietary technology and Ellie Mae's next generation Encompass Digital Lending Platform for a best-in-class experience. Importantly, P3 seamlessly integrates with PennyMac's proprietary loan bidding system that instantly prices loans for unique characteristics and required returns. We believe that this new system will improve the overall experience for our customers while also increasing the speed at which

we can deploy updates or system enhancements in a rapidly changing mortgage market environment.

Through July 31st, approximately 80 percent of our correspondent clients have been migrated onto P3 and almost 9 billion dollars in lock volume has been processed.

MAC, our consumer direct portal, is a state-of-the-art system that takes the old mortgage process and makes it something more efficient, customer centric and transparent. Borrowers are able to interact with their loan application online from end-to-end via a portal backed by superior service. MAC's efficiencies have enabled PennyMac's loan officers to assist a growing number of customers each day and have allowed for incremental productivity, which is especially important in a time when managing capacity to consumer demand is critical.

POWER, our broker direct portal provides our increasing base of brokers with an efficient and secure self-service delivery platform

enabling the exchange of data and information for loan originations with a focus on zero-defects. POWER creates a seamless experience for brokers and ultimately, the consumer.

Our investment in production technology and process efficiencies will continue across all channels as we further scale our business, with plans to eventually consolidate all of our channels onto a single, cloud-based system.

As you are aware, in servicing technology, last year we announced the completion of SSE, our proprietary, workflow-driven servicing system. SSE has been instrumental to our performance during this COVID crisis, providing automated solutions for forbearance management while enabling our servicing associates to service customers with COVID-related hardships in an effort to find them the solution best-fitted for their specific needs.

Now I'd like to turn it over to Doug Jones, PennyMac Financial's Chief

Mortgage Banking Officer, to discuss PFSI's market share trends.

Slide 10

Thank you, David.

Our correspondent acquisition volumes increased slightly during the quarter and we estimate our market share in the channel was 16.7 percent, essentially unchanged from 16.6 percent in the prior quarter and up from 13.2 percent a year ago.

We also estimate that this quarter, PennyMac's market share in consumer direct was 1 percent, essentially unchanged from the prior quarter and up from 0.6 percent a year ago. The year-over-year increase reflects our success in growing the consumer direct channel, and we are confident in our ability to continue growing this channel.

Our broker direct channel market position grew quarter-over-quarter reaching an estimated 1.8 percent market share, up from 1.5 percent in the first quarter, and 1 percent in the second quarter of 2019.

PennyMac entered the broker channel early in 2018 and I am happy to announce that we are already among the top ten in the channel.

As David mentioned, our servicing portfolio grew slightly in the second quarter, and we estimate that we service over 3.4 percent of all mortgage debt outstanding in the U.S., unchanged from March 31st, and up from 3.1 percent at June 30th, 2019.

Now let's turn to Slide 11 and discuss correspondent production highlights.

Slide 11

Correspondent acquisitions by PMT totaled 29.9 billion dollars in UPB in the second quarter, up slightly from the prior quarter and up 40 percent from the second quarter of 2019. 37 percent of PMT's acquisitions were government loans and 63 percent were conventional loans.

Government loan acquisitions in the quarter totaled 11 billion dollars in UPB, down 19 percent from the prior quarter as a result of a temporary slowdown in the origination market for government loans, which has since recovered.

Conventional correspondent acquisitions, for which PFSI earns a fulfillment fee, totaled 18.9 billion dollars in UPB, up 17 percent from the prior quarter and 76 percent from the second quarter of 2019. Fulfillment fees paid by PMT for its loan production increased as a result of PMT's strong conventional loan acquisition volumes and a slightly higher fulfillment fee. As a percentage of conventional correspondent UPB, the weighted average fulfillment fee was 28 basis points, up from 26 basis points in the prior quarter.

Government correspondent locks were 12.9 billion dollars in UPB, down 13 percent from the prior quarter and up 7 percent from the second quarter of 2019.

Higher-margin, best efforts commitments increased to 38 percent of lock volume in the second quarter, up from 23 percent in the prior quarter, enabled by PennyMac's capital and expertise to efficiently hedge production pipelines across different market environments.

Revenue per fallout-adjusted government lock in the second quarter was 163 basis points, up significantly from 76 basis points in the first quarter. Government correspondent margins were at all-time highs in April and while they have since decreased, they remain above pre-COVID levels.

Purchase-money loans in our correspondent channel accounted for 40 percent of total acquisition volume, down from 58 percent in the prior quarter.

Looking at July 2020, volumes remain elevated with total correspondent loan acquisitions of 12.7 billion dollars in UPB. Interest rate lock commitments for the month were a record 16 billion dollars in

UPB.

Now let's turn to Slide 12 to review consumer direct channel highlights.

Slide 12

We originated 5.1 billion dollars in UPB of loans in our consumer direct channel, up 27 percent from the prior quarter and up 161 percent from the second quarter of 2019. Interest rate lock commitments for the second quarter totaled 8.9 billion dollars in UPB, up 25 percent from the prior quarter, and 167 percent from the second quarter of 2019. The strong growth in volumes year-over-year can be attributed to the investments we have made to scale the platform, our efficient and low cost structure in the channel, and successful implementation of PennyMac's work-from-home plan, which allows us to continue hiring loan officers. We expect these loan officers to contribute additional revenue in future periods as they complete training and their tenure increases.

Non-portfolio interest rate lock commitments totaled 568 million dollars, up 120 percent quarter-over-quarter as we implement strategic initiatives to focus on increasing the share of originations sourced outside of our loan servicing portfolio.

Revenue per fallout-adjusted consumer direct lock was 575 basis points, up from 464 basis points in the prior quarter.

Strong performance in our consumer direct channel continued in July, with 2 billion dollars in UPB of originations, 3.5 billion dollars of locks and a committed pipeline of 5.1 billion dollars at month-end.

Now let's turn to Slide 13 and discuss broker direct production highlights.

Slide 13

Broker direct originations totaled 2.6 billion dollars in UPB in the second quarter, up 67 percent from the prior quarter, and 210 percent from the second quarter of 2019. Interest rate lock volume was 4.1

billion dollars in UPB, up 48 percent from the first quarter, and 204 percent from the second quarter of 2019.

The competitive landscape in this channel has been fundamentally altered as a result of challenges faced by other market participants related to the COVID-19 crisis, which has resulted in an increase in margins and PennyMac's market share, which I reviewed earlier.

PennyMac's consistent operational performance through the highest levels of market volatility attracted new brokers to our platform and established a greater level of brand loyalty. The number of brokers approved to offer our products increased to 1,255 at June 30th, up 17 percent from March 31st.

Our brokers can expect the highest levels of service from PennyMac as we continue to invest in fulfillment capacity and technology to address the competitive opportunity, increased demand and market share growth.

In July, our broker direct originations totaled 1.1 billion dollars in UPB, and locks totaled 1.6 billion dollars. The committed pipeline at July 31st was 1.9 billion dollars.

Now let's turn to slide 14 and I will highlight results in our servicing segment.

Slide 14

Our servicing portfolio grew to 388.3 billion dollars in UPB at the end of the second quarter, up 1 percent from March 31st and 16 percent from June 30th, 2019, despite elevated prepayment speeds and a disruption in the correspondent origination market. PennyMac Financial's owned portfolio reported a prepayment speed of 24.4 percent in the second quarter, up from 19.2 percent in the prior quarter. Similarly, the prepayment speeds of PennyMac Financial's sub-serviced portfolio – which includes mostly Fannie Mae and Freddie Mac mortgage servicing rights owned by PMT – increased to 34.8 percent from 20.6 percent in the prior quarter.

The loans in our total servicing portfolio that are more than 60 days delinquent increased significantly from March 31st due to COVID-19 hardships and forbearance. Our owned portfolio had a 60 plus day delinquency rate of 11.7 percent, up from 3.3 percent at the end of the prior quarter, while our subserviced portfolio reported a 60 plus day delinquency rate of 5.1 percent, up from 0.4 percent at March 31st.

The UPB of EBO loan volume totaled 293 million dollars in the second quarter, a significant reduction from 1.6 billion dollars in the first quarter and is related to a temporary pause in EBO activities driven by market and regulatory uncertainties in the second quarter. Andy will discuss our expectations for higher income related to EBO activities in the future in more detail later in the presentation.

Now let's turn to slide 15 to discuss servicing trends in our owned portfolio as they relate to COVID-19 forbearances and EBO opportunities.

Slide 15

69 percent of forbearance plans in effect as of April 30th have been extended.

As you can see on the slide, the percentage of loans in forbearance within PFSI's MSR portfolio decreased to 11.7 percent at July 31st from 13.2 percent at April 30th. A 21 percent increase in new forbearance plans added since April 30th was more than offset by 31 percent of borrowers in forbearance plans as of April 30th who have exited.

The 31 percent of borrowers who exited forbearance were comprised of 18 percent that remained current or went delinquent and subsequently re-performed; 11 percent that are transitioning to active loss mitigation to complete partial claims and streamline modifications; and 2 percent that repaid their mortgage.

EBOs that are modified with the Ginnie Mae partial claim program that remain current for six months and streamline modifications may be redelivered under Ginnie Mae guidelines.

As of July 31st, 10.1 percent of the borrowers in PFSI's predominately government MSR portfolio were in forbearance plans and delinquent which provides PFSI with a significant EBO opportunity in the second half of 2020 and into 2021. We are expanding our financing facilities and expect to deploy a portion of excess liquidity to support the expected EBO opportunities.

Now I'd like to turn it over to Andy Chang, PennyMac Financial's Chief Financial Officer, to discuss the results of our investment management segment.

Slide 16

Thank you, Doug.

I will discuss our Investment Management segment, then highlight some of the key trends and factors in PFSI's financial results. We encourage you to read our press release for more detailed information. Net assets under management totaled 2.2 billion dollars at June 30th, up 23 percent from March 31st, due to the increase in PMT's book value. PMT's earnings in the second quarter were primarily driven by record results in its Correspondent Production segment and a significant recovery in the fair value of its CRT investments from March 31st.

Investment management revenues were 10.5 million dollars, up 7 percent from the prior quarter, and 2 percent from the second quarter of 2019. PFSI did not recognize incentive fees in the second quarter and does not expect to for some time.

PMT's current investment focus is conventional correspondent production and the resulting MSRs.

Slide 17

Slide 17 summarizes the impact of our hedging results on earnings for the second quarter. Our comprehensive hedging strategy is designed to moderate the impact of interest rate changes on the fair value of our MSR asset and also considers production-related income, which totaled 538.1 million dollars in the second quarter.

In the second quarter, the fair value of our MSR decreased resulting from expectations for increased prepayment activity in the future related to lower interest rates, and higher-than-modeled actual prepayments.

We maintained our hedge discipline throughout the market turmoil, however elevated volatility early in the second quarter drove option costs to near record highs. The subsequent decrease in volatility by June 30th resulted in fair value losses on the options.

Year-to-date through June 30th, our MSR fair value losses have totaled 1.03 billion dollars, offset by hedging and other gains totaling 1.04 billion dollars. This is a reflection of PennyMac's disciplined focus on capital preservation and risk management to protect the value of the MSR asset across varying interest rate environments.

Let's turn to slide 18 to look at the drivers of profitability in PFSI's Production segment.

Slide 18

This slide breaks down the revenue contribution from each of PFSI's loan production channels, net of loan origination expenses, including the fulfillment fees received from PMT for conventional correspondent loans.

As you can see, the direct lending channels have an outsized impact on production earnings. Consumer and broker direct represented 20

percent of fallout adjusted lock volume in the second quarter, but accounted for more than 60 percent of segment pretax income.

PennyMac Financial's production revenue margin has increased significantly, due to record high margins across all channels as well as a change in mix due to the growth in volume of the higher-margin consumer and broker direct channels.

As Doug discussed, currently we have less than 2 percent market share in both consumer and broker direct lending, with substantial potential for growth ahead.

PMT's position as the largest correspondent aggregator in the U.S. drives servicing portfolio growth and, in turn, opportunities in our consumer direct lending channel.

And finally, despite a proportional shift toward the direct channels which have higher costs to originate, production expenses remained contained quarter-over-quarter as the channels benefitted from

increased economies of scale driven by our centralized end-to-end fulfillment process.

Now let's turn to slide 19 to discuss the profitability of our servicing segment.

Slide 19

Pretax income for the servicing segment excluding valuation-related changes was a record 86.9 million dollars, up from 42.3 million dollars in the prior quarter and 47.1 million dollars in the second quarter of 2019.

Operating revenue decreased 9.3 million dollars quarter-over-quarter, driven by decreased income from custodial deposits due to lower earnings rates. Operating expenses as a percentage of the total servicing portfolio UPB was unchanged.

Early buyout loan revenue increased 28.1 million dollars quarter-over quarter while related expenses decreased by 12.4 million dollars due to lower impacts from reduced buyout volumes and hedging.

Interest shortfall expense from prepayments remains elevated and increased by 4.1 million dollars quarter-over-quarter.

And finally, valuation-related changes included 25.8 million dollars in provisions for credit losses on active loans as a result of higher delinquencies related to COVID-19.

Now let's turn to Slide 20 and discuss servicing trends for PFSI's MSR portfolio.

Slide 20

The percentage of loans in PFSI's MSR portfolio that were 30 days or more delinquent was 14.6 percent at July 31st, down from 15.1 percent at June 30th and up from 13 percent at April 30th.

Servicing advances outstanding were approximately 285 million dollars at July 31st, versus 260 million dollars at April 30th.

Ginnie Mae requires a servicer to continue advancing principal and interest payments for delinquent loans until the servicer buys such loans out of the mortgage-backed securities.

PFSI has not paid any advances related to principal and interest and currently has no principal and interest advances outstanding, as prepayment activity continues to sufficiently cover Ginnie Mae's requirement.

The majority of advances related to PFSI's MSR portfolio are expected to be related to property taxes and insurance to protect investors' interest in the properties securing the underlying loans.

Historically, PFSI has funded servicing advances with corporate cash.

PFSI has approximately 1.5 billion dollars in available liquidity, less 220 million dollars in minimum liquidity required by Ginnie Mae, as of July 31st.

And as previously disclosed, PFSI is currently able to borrow up to 600 million dollars against Ginnie Mae MSRs and servicing advances from Credit Suisse. Importantly, PFSI's financing structure for servicing advances allows for expansion via the addition of other lenders or the issuance of term notes, if needed.

And with that, I would like to turn it back over to David for some closing remarks.

Speaker:

David Spector – President and Chief Executive Officer

Thank you, Andy.

During this period of historically low interest rates and disruption in the economy, PennyMac Financial was, and remains, a consistent and

constructive source of new capital for consumers seeking to purchase a home or refinance their existing home throughout the COVID-19 crisis. I am very proud of the hard work and investments we have made in our platform leading up to this period which have established PennyMac as an industry leader with strong capabilities to best serve our customers while delivering record financial performance to our shareholders. We reported record Production segment results and strong operating earnings in our loan servicing segment, which drove 15 percent book value growth from the prior quarter. We continue to invest in our platform and are pleased to note a new milestone in the development of our production technology with the launch of P3 for our correspondent customers as part of our vision to have a single, cloud-based platform for all production channels. The new portal is designed to drive operational efficiencies and an improved customer experience across all channels while increasing the speed of system enhancements. Additionally, we continue to be a positive force in the economy as we

hired over one thousand new PennyMac'ers in the quarter to enable us to address the planned growth in our direct lending platforms and assist our borrowers with hardships. PennyMac's substantial investments in people, systems and infrastructure throughout its history have positioned us uniquely to address the very large opportunity in the mortgage markets. I am proud of the role this Company continues to play in the economic recovery and while prospects for the U.S. economy remain uncertain, given the present market environment, we expect PFSI's exceptional financial performance to persist into 2021.

Lastly, we encourage investors with any questions to reach out to our Investor Relations team by email or phone. If any such questions are received, we will post a Q&A to our website.

Thank you.

Operator:

This concludes PennyMac Financial Services, Inc.'s second quarter earnings discussion. For any questions, please visit our website at ir.pennymacfinancial.com, or call our Investor Relations department at 818-264-4907. Thank you.