

PennyMac Financial Services, Inc.

Third Quarter 2020 Earnings Transcript

November 5, 2020

Introduction

Good afternoon, and welcome to the third 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, as well as certain non-GAAP measures. 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 third quarter 2020 results.

Speaker:

David Spector – President and Chief Executive Officer

Thank you Isaac.

Slide 3

PennyMac Financial reported an increase in earnings from a record second quarter, driven by higher income in both production and servicing.

Net income was 535.2 million dollars or diluted earnings per share of 7 dollars and 3 cents.

During the quarter we issued 500 million dollars of 5.375 percent Senior Unsecured Notes, followed by an additional 150 million dollars after quarter end, which I will expand upon later in my presentation.

We also repurchased approximately 118 thousand shares of PFSI's common stock, for an approximate cost of 6.9 million dollars.

Book value per share increased 22 percent to 41 dollars and 67 cents, from 34 dollars and 26 cents at the end of the prior quarter.

I'm pleased to note that PFSI's Board of Directors declared a third quarter cash dividend of 15 cents per share.

Production segment pretax income was 613.3 million dollars, up 14 percent from the prior quarter and up 242 percent from the third quarter of 2019, driven by continued growth in direct lending and strong performance across all channels. Direct lending locks were 16.4 billion dollars in unpaid principal balance, up 26 percent from the prior quarter and up 153 percent from the third quarter of 2019. Of these, 10.9 billion dollars were in the consumer direct channel, while 5.5 billion dollars were in the broker direct channel. Government correspondent lock volume was 20.2 billion dollars in UPB, up 56 percent from the prior quarter and up 27 percent from the third quarter of 2019.

Total production volume for the quarter was 54.2 billion dollars in UPB, up 44 percent from the prior quarter and up 55 percent from the third quarter of 2019. And finally, correspondent acquisitions of conventional loans fulfilled for PMT totaled 27.4 billion dollars in UPB, up 45 percent from the prior quarter and up 64 percent from the third quarter of 2019.

Slide 4

Moving onto slide 4, the Servicing segment recorded pretax income of 111.7 million dollars, up from a pretax loss of 62.4 million dollars in the prior quarter and a pretax loss of 18.1 million dollars in the third quarter of 2019. Pretax income excluding valuation-related items for the servicing segment was 179.5 million dollars, up 107 percent from the prior quarter and 612 percent from the third quarter of 2019. These increases were primarily driven by loss mitigation activities related to COVID-19.

Valuation-related items included 37 million dollars in MSR fair value losses, partially offset by 9.7 million dollars in hedging and other gains. The net impact of these items was a pretax loss of 27.4 million dollars and a 26 cent decrease in diluted earnings per share.

As of September 30th, our servicing portfolio totaled almost 402 billion dollars in UPB, an increase of 4 percent from the end of the prior quarter and 15 percent from September 30th, 2019. This increase was

driven by large production volumes offsetting elevated prepayment activity.

Our Investment Management segment delivered pretax income of 3.3 million dollars, down from 4.7 million dollars in the prior quarter and down from 5 million dollars in the third quarter of 2019. Net assets under management totaled 2.3 billion dollars as of September 30th, up 2 percent from June 30th. Segment revenue was 9.8 million dollars, down from 10.5 million dollars in the prior quarter which included gains related to PMT shares owned by PFSI.

Now let's turn to slide 5 and discuss why PennyMac Financial is unique among mortgage specialists.

Slide 5

PFSI's industry-leading platform was built organically and not through acquisitions with a disciplined approach to growth over its more than

12-year history. This development includes scalable processes and systems built for sustainable, long-term growth.

We have maintained a strong governance and compliance culture, led by a highly-qualified and distinguished Board that includes eight independent directors. Our governance structure includes 9 committees that oversee key risks and controls. Additionally, we have external oversight from regulators, business partners and other third parties.

Our synergistic relationship with PMT, the REIT that we manage, has proven to be a competitive advantage for PFSI, with tax efficient access to long-term permanent capital.

The distinctive expertise we have today, with a full range of capabilities across mortgage banking and investment management is core to the success and growth we have achieved. I am proud to tell you that we now have over 6,000 dedicated PennyMac'ers led by a deep and highly

experienced management team. In fact, the 156 senior-most executives at PennyMac have, on average, 25 years of relevant industry experience.

Now let's turn to slide 6 and talk about the platform we have built.

Slide 6

PFSI's industry-leading, mortgage banking franchise has substantial long-term value.

According to Inside Mortgage Finance, over the last twelve months we were the third largest producer of mortgage loans in the country, with approximately 170 billion dollars in UPB of production. We are one of the of the largest producers of loans delivered into Fannie Mae, Freddie Mac and Ginnie Mae-guaranteed securitizations and we have a diversified model with production sourced from all three channels – correspondent, consumer direct, and broker direct. As I will detail later on in the presentation, our leadership position in correspondent

lending and our rapidly growing broker direct business position us well for growth in the more sustainable and growing purchase market. Importantly, PFSI retains the mortgage servicing rights on all of its high-quality loan production, which in turn creates servicing portfolio growth and a "flywheel" effect.

Our servicing portfolio growth has been primarily driven by the growth in our production volumes and has been supplemented with opportunistic bulk MSR acquisitions from time to time. As I mentioned earlier, our servicing portfolio is now over 400 billion dollars in UPB and at June 30th we were the 8th largest servicer of residential mortgages in the U.S., according to Inside Mortgage Finance.

Our servicing business provides recurring fee revenue captured over the life of the loans we service and in the event of higher interest rates, the expected life of the loan would increase, which would result in a more valuable MSR asset. These dynamics create a natural hedge to production income.

Importantly, our servicing portfolio drives leads for new originations in consumer direct, our higher-margin channel.

Mortgage banking requires both scale and efficiency for continued success and we have built an industry leading platform with a presence nationwide. Our servicing portfolio has almost 1.9 million valuable, ongoing consumer relationships and the proprietary technology we have built across our mortgage banking platform is world-class, with systems and capabilities well-beyond leading industry vendors.

Now let's turn to slide 7 and discuss PFSI's consistent track record of profitability and value creation.

Slide 7

As you can see from the charts on the slide, over our more than 7 years as a public company, PFSI has delivered strong results and returns to shareholders through varying mortgage market cycles, with an average return on equity of 24 percent. This consistent performance is

attributed to the disciplined management we have maintained since our founding, combined with our diversified business model including industry leading businesses in loan production and servicing. The substantial increase in earnings this year is due to not only COVID-related tailwinds, but also significant advances in PFSI's business.

In contrast to our record financial results this year, in 2018, when mortgage rates increased and many lenders became unprofitable, PFSI reported net income of 244 million dollars or a 13 percent return on average common stockholders' equity. The investments we have made over the years in our people, infrastructure and technology to drive operational scale and excellence, have positioned us to perform well through the COVID crisis and the current historic low rate environment. This is evidenced by PFSI's net income of 1.2 billion dollars through the first nine months of 2020, or an annualized return on average common stockholders' equity of 64 percent.

Net income and retained earnings have now driven our equity base to over 3 billion dollars and since our IPO in 2013, we have grown our book value per share at a compounded annual growth rate of 27 percent.

Now let's turn to slide 8 and discuss PennyMac Financial's earnings growth.

Slide 8

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 to scale our end-to-end mortgage fulfillment process. In addition, we continue to hire at a meaningful pace as a result of current refinance demand as well as our

planned growth in these channels. Production segment pretax income for the first nine months of 2020 was nearly 1.4 billion dollars, up significantly from 528 million dollars for the full year 2019.

In addition to providing PFSI with a recurring earnings contribution, the servicing segment earnings have been increasingly driven by the growth of our servicing portfolio and increased scale, along with loss mitigation activities. As you can see on the chart on the upper right, our operational results thus far in 2020 have more than doubled from full year 2019 results, with pretax income excluding valuation related changes of 309 million dollars.

And finally, Investment Management has grown in recent years along with the growth in PMT's equity.

So while the macro economic outlook remains uncertain, we expect PFSI's exceptional financial performance to persist through 2021.

Now let's turn to slide 9 to discuss PFSI's orientation towards purchase money mortgages.

Slide 9

PFSI's most developed production business is our correspondent channel which we entered into at a time when large banks, which had historically dominated this channel, reduced their participation. As we grew this business, we focused our customer growth on those correspondents with a strong orientation toward the more sustainable purchase market. As a result, our purchase mix has consistently exceeded the industry average, and we were the second largest purchase money lender in the country over the last twelve months, according to Inside Mortgage Finance. As we expand in our broker direct channel, we expect this strong orientation towards purchase money loans to continue.

Our purchase money lending orientation has enabled PFSI to gain market share during years of declining mortgage origination markets, as evidenced by our production volumes in 2017 and 2018, which remained essentially unchanged from 2016 despite higher rates and a smaller origination market.

The U.S. origination market for purchase loans has grown every single year since 2009 and as I will talk about on the next slide, it is expected to grow further in 2021, positioning PFSI for continued strong performance.

Now let's turn to slide 10 to discuss PennyMac's opportunity in the mortgage origination market.

Slide 10

Economic forecasts for 2020 total originations have now increased to over 3.6 trillion dollars, and forecasts for 2021 total originations range from 2.5 to 2.7 trillion dollars. These forecasts indicate a continuation

of the robust market, supported by all-time low mortgage rates and expectations that the Federal Reserve will hold interest rates near zero through 2023. Purchase originations in 2021 are forecasted to increase 5 percent year-over-year while refinance originations are expected to return to 2019 levels.

PennyMac is well-positioned to successfully grow all three channels, driving an increase in its overall market position.

We have been able to capitalize on this current market environment as a result of our capital structure, risk management disciplines, and significant infrastructure and technology investments.

Now let's turn to slide 11 to discuss market share across PennyMac's businesses.

Slide 11

As can be seen on this slide, PennyMac has a strong track record of market share growth across its mortgage production channels and servicing over the last several years.

With over 125 billion dollars in UPB of correspondent production for the first nine months of the year, we estimate our market share in this channel is 16.9 percent, up from 15.5 percent in 2019.

We also estimate that year-to-date, PennyMac's market share in consumer direct is nearly 1 percent, up from 0.7 percent last year. The nearly 25 percent increase reflects our success growing the consumer direct channel, and with a servicing portfolio of over 400 billion dollars in UPB and initiatives in place to grow non-portfolio originations, we are confident in the continued growth of this channel.

Our broker direct channel market position has grown substantially as well, as we have been able to apply our business-to-business expertise

in the correspondent channel to our broker relationships. Currently, we estimate PennyMac represents a channel market share of 2 percent, nearly doubled from 1.1 percent in 2019.

Finally, our servicing portfolio has continued to grow this year, and we estimate that we now service approximately 3.6 percent of all mortgage debt outstanding in the United States, up from 3.3 percent at December 31st, 2019.

Next, let's turn to slide 12 and discuss the infrastructure we have built to enable PFSI's rapid growth in mortgage banking.

Slide 12

Crucial to the scalable architecture we have built is our centralized mortgage fulfillment organization, which performs loan processing and underwriting for all production channels. We have developed an end-to-end fulfillment process for our direct lending channels which enables our Mortgage Fulfillment Division to remain flexible when market

conditions change, and allows for greater scalability than a traditional processing and underwriting model. Our loan origination process is broken down into over 30 specific functions, which are then assigned to task specialists with a focus and expertise on that specific process. Furthermore, we have a growing platform with operations distributed in significant locations across the country and offshore, allowing us to operate more efficiently, drive down costs and attract talent from more labor markets.

Looking at the chart on the right, we have increased our employee base by over 1,800 PennyMac'ers for the nine months ended September 30th, primarily to address the increased demand for mortgage production and servicing requirements. In fact, 89 percent of our employee growth this year has been in mortgage production and servicing roles. Additionally, production cost per loan is down and loans per employee are up significantly from a year ago, as we continue

to realize the benefits of the investments we have made in infrastructure, technology, and workflows.

Now let's turn to Slide 13 and talk about our current focus for technology investments.

Slide 13

With the expected growth in our direct lending businesses, ongoing technology investment is critical to our continued success.

Within our consumer direct lending channel, initiatives include enhancing our lead generation capabilities and use of data analytics, in addition to increasing the use of digital marketing to drive non-portfolio originations. And, we continue to enhance our MAC consumer portal, thus improving the ability for borrowers to self-service throughout the entire origination process.

In our broker direct channel, we are focused on further reducing the length of our loan origination cycle via workflow enhancements and

upgrades to our broker portal, POWER. We also are extending our best-in-class tools and solutions to our brokers to further enhance their self-service capabilities.

Finally, our Mortgage Fulfillment Division is making enhancements to further automate and improve the production and distribution of loan documents. We are also increasing the use of online closings and fulfillment automation.

All of these workflow and technology investments will improve the experience for the consumer and broker, improve productivity, specifically in sales and operations, which will enable higher volumes at a reduced cost to originate.

Combined with P3, our new correspondent portal and SSE, our proprietary servicing technology, these systems will provide a robust platform to drive operational scale and support future growth.

Now let's turn to slide 14 for an update on liquidity and capital.

Slide 14

PFSI further strengthened its balance sheet with the issuance of 650 million dollars of 5-year, senior unsecured corporate debt in September and October. Net new liquidity raised was 500 million dollars after retiring a 150-million-dollar revolving credit facility. This inaugural issuance was well-received among institutional investors and represents a milestone in our long-term, strategic initiative to diversify our liability structure, add unsecured term debt and improve PFSI's corporate issuer ratings over time. The use of proceeds in the near term is to pay down short-term secured debt, resulting in no increase to overall leverage.

PFSI's available liquidity has now increased to approximately 1.6 billion dollars as of October 31st, consisting of approximately 500 million dollars in cash and short-term investments and 1.1 billion dollars that may be immediately drawn on secured facilities with excess pledged collateral.

We view our capital and liquidity position as an important competitive advantage. As I mentioned earlier, we have significant ongoing investments in our operations to ensure long-term success, specifically across our direct lending platform and mortgage fulfillment divisions. We also have significant capital requirements to support increased volumes of loan production and EBO activity. Furthermore, given current economic uncertainty, we believe it is prudent to maintain excess liquidity, which is also viewed favorably by regulators and the counterparties we work with on a daily basis. And finally, we will continue to evaluate other uses of excess liquidity, including common share repurchases, on an ongoing basis.

Now I'd like to turn it over to Doug Jones, PennyMac Financial's Chief Mortgage Banking Officer, for an update on volumes and trends in our production and servicing businesses.

Slide 15

Thank you, David. Let's turn to slide 15.

Correspondent acquisition volumes totaled 44.3 billion dollars in UPB in the third quarter, up 48 percent from the prior quarter and 43 percent from the third quarter of 2019. 38 percent of correspondent acquisitions were government loans and 62 percent were conventional loans. Government loan acquisitions in the quarter totaled 17 billion dollars in UPB, up 54 percent from the prior quarter. Conventional correspondent acquisitions, for which PFSI earns a fulfillment fee from PMT, totaled 27.4 billion dollars in UPB, up 45 percent from the prior quarter and 64 percent from the third quarter of 2019. Government correspondent locks were 20.2 billion dollars in UPB, up 56 percent from the prior quarter and up 27 percent from the third quarter of 2019.

In October, our correspondent acquisitions totaled 18.7 billion dollars, and locks totaled 21.7 billion dollars.

Looking at the consumer direct channel in the center column, we originated 6.3 billion dollars in UPB of loans, up 24 percent from the

prior quarter and 138 percent from the third quarter of 2019. Interest rate lock commitments in the third quarter totaled 10.9 billion dollars in UPB, up 22 percent from the prior quarter, and 136 percent from the third quarter of 2019.

In October, our consumer direct originations totaled 2.4 billion dollars in UPB, and locks totaled 4.3 billion dollars. The committed pipeline at October 31st was 7.3 billion dollars.

Finally, broker direct originations totaled 3.5 billion dollars in UPB in the third quarter, up 34 percent from the prior quarter, and 190 percent from the third quarter of 2019. Interest rate lock volume was 5.5 billion dollars in UPB, up 34 percent from the second quarter, and 195 percent from the third quarter of 2019.

In October, our broker direct originations totaled 1.4 billion dollars in UPB, and locks totaled 2 billion dollars. The committed pipeline at October 31st was 2.1 billion dollars.

PFSI's production margins remain elevated, especially given the mix shift to consumer and broker direct.

Now let's turn to slide 16 and discuss additional Production segment highlights and trends in the channels.

Slide 16

PennyMac remained the largest correspondent aggregator in the U.S. in the third quarter as overall correspondent channel volumes returned from low levels in the second quarter. Margins in the channel continue to benefit from the increased volume of higher-margin, best efforts commitments, which increased to 40 percent of lock volume or 21.8 billion dollars in UPB, up from 14.3 billion dollars in the second quarter and 6.9 billion dollars in the third quarter of 2019. Government correspondent margins were down from record levels in the second quarter, but remain high on a historical basis. I am proud to report that all of our correspondent clients have now migrated to P3, PennyMac's new correspondent lending portal.

Moving onto consumer direct, we achieved record quarterly volumes as a result of advanced modeling and analytics combined with the recent growth in sales and fulfillment capacity. Additionally, we continue to see benefits from our low cost infrastructure and end-to-end fulfillment process that David talked about.

As a result of the initiatives launched at the beginning of the year, non-portfolio interest rate lock commitments totaled 906 million dollars in the third quarter, up from 568 million dollars in the prior quarter, and 90 million dollars in the third quarter of 2019.

Margins decreased modestly, but also remained elevated relative to historical levels.

Lastly, we saw record funded and lock volumes in our broker direct channel driven by the increase in approved brokers and our larger presence in the channel. Our approved brokers totaled 1,422 at September 30th, up 13 percent from June 30th and we believe we can

continue to garner share from the estimated 12,000 brokers and non-delegated sellers active in the market.

Margins have decreased from peak levels seen in the second quarter, but remain high on a historical basis.

Now let's turn to Slide 17 and I will highlight results in our servicing segment.

Slide 17

Our servicing portfolio grew to 401.9 billion dollars in UPB at the end of the third quarter, up 4 percent from June 30th and 15 percent from September 30th, 2019, driven by record production volumes that drove portfolio growth, despite elevated prepayment activity. PennyMac Financial's owned portfolio reported a prepayment speed of 29.7 percent in the third quarter, up from 24.4 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 39.2 percent from 34.8 percent in the prior quarter.

Our owned portfolio had a 60 plus day delinquency rate of 11.4 percent, down slightly from 11.7 percent at the end of the prior quarter, while our subserviced portfolio reported a 60 plus day delinquency rate of 3.7 percent, down from 5.1 percent at June 30th as borrowers began to emerge from forbearance plans.

The UPB of completed modifications was 4 billion dollars, up significantly from 595 million dollars last quarter and the UPB of EBO loan volume totaled 2.7 billion dollars, also up significantly from last quarter as a result of the substantial increase in loss mitigation activities.

That concludes my presentation and now I'd like to turn it over to Andy Chang, PennyMac Financial's Chief Financial Officer.

Slide 18

Thank you, Doug.

On slide 18 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 2.3 billion dollars at September 30th, up 2 percent from June 30th, primarily due to the increase in PMT's book value.

Investment management revenues were 9.8 million dollars, down from 10.5 million dollars in the prior quarter, which included gains related to PMT shares owned by PFSI. In the third quarter, PFSI did not recognize incentive fees which we do not expect to resume for some time.

Slide 19

Slide 19 summarizes the impact of our hedging results on PFSI's earnings. 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.

The fair value of our MSR decreased modestly in the third quarter, driven by increased estimates of foreclosure costs impacted by COVID-19. The decrease was partially offset by 9.7 million dollars in hedging and other gains and was more than offset by PFSI's record production income in the quarter.

Let's turn to slide 20 to look at the drivers of profitability in PFSI's Production segment.

Slide 20

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.

The direct lending channels have an outsized impact on PFSI's production earnings. Consumer and broker direct represented 21 percent of fallout adjusted lock volume in the third quarter, but accounted for over 70 percent of segment pretax income.

Production revenue margins remain elevated, especially with PFSI's mix shift to consumer and broker direct. Revenue per fallout adjusted lock for PFSI's own account was 236 basis points in the third quarter, up from 118 basis points a year earlier. Our costs vary by channel, ranging from approximately 15 basis points in correspondent to 150 basis points in consumer direct. As our production mix continues to shift towards direct lending, production expenses as a percentage of fallout adjusted locks are expected to trend higher.

Now let's turn to slide 21 to discuss the profitability of our servicing segment.

Slide 21

Pretax income for the servicing segment excluding valuation-related changes was a record 179.5 million dollars, up from 86.9 million dollars in the prior quarter and 25.2 million dollars in the third quarter of 2019.

Operating revenue increased 4.2 million dollars quarter-over-quarter, driven by higher fees from our growing servicing portfolio.

EBO loan-related revenue increased significantly to 170.2 million dollars as a result of loss mitigation activity on loans emerging from forbearance while related expenses were modest as most of the loans bought out returned to performing status immediately.

Payoff-related expense, which includes interest shortfall and recording and release fees related to prepayments, remains elevated and increased by 6.1 million dollars quarter-over-quarter.

Valuation-related changes in the third quarter included 40.5 million dollars in provisions for credit losses on active loans driven by higher delinquencies related to COVID-19.

Now let's turn to Slide 22 and discuss trends in delinquencies, forbearance and loss mitigation for PFSI's MSR portfolio.

Slide 22

As you can see on the slide, the 30 plus day delinquency rate of PFSI's MSR portfolio at September 30th was 14.1 percent, down from 15.1 percent at June 30th. The percentage of loans in forbearance decreased to 10.1 percent at September 30th from 12.4 percent at June 30th as new forbearance plans since June 30th were more than offset by the 34 percent of borrowers in forbearance plans at June 30th who have since exited. Of our borrowers who were in forbearance at June 30th, 16 percent exited related to reperformance. Of those, 9 percent were or

became current and 7 percent were FHA Partial Claims or completed modifications.

Servicing advances outstanding were approximately 346 million dollars at September 30th, up from 237 million dollars at June 30th and are expected to continue increasing over the next six to twelve months. No P&I advances have been made in 2020, as prepayment activity continues to sufficiently cover Ginnie Mae's requirement.

As Doug mentioned, 2.7 billion dollars in UPB of loans were bought out in conjunction with loss mitigation efforts in the third quarter. 79 percent was related to FHA Partial Claims, which must remain current for a minimum of six months to be eligible for resecuritization. 21 percent was modifications, which may be resecuritized immediately.

At September 30th, 9 percent of the loans in PFSI's predominantly government loan portfolio were delinquent and in forbearance. We

expect elevated levels of reperformance and resecuritization to continue into 2021.

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.

PennyMac Financial again delivered record earnings in the third quarter, driven by increases in income from both our production and servicing segments. Record production income resulted from outstanding performance across all channels and continued growth in our higher-margin consumer and broker direct lending channels. We continue to add capacity for further growth and now have more than 6,000 PennyMac employees throughout our operations across the country. Our servicing portfolio grew to over 400 billion dollars in UPB

thanks to our record production volumes which more than offset elevated prepayment speeds, and servicing made a significant contribution to the company's earnings driven by COVID-related loss mitigation activities.

PennyMac Financial has a long track record of consistent profitability and value creation throughout its history, including more than seven years as a public company. Our leading loan production business, historically oriented to the purchase market, and our servicing portfolio of nearly 1.9 million customers position the company to succeed across different market environments. The expected growth in direct lending and continued loss mitigation activities in our servicing business are positive trends driving PFSI's success. So while the macroeconomic outlook remains uncertain, we expect PennyMac Financial's exceptional financial performance to persist through 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 these questions and our answers to our website.

Thank you.

Operator:

This concludes PennyMac Financial Services, Inc.'s third 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.