

Annual Report



 **PENNYMAC**[®]
FINANCIAL SERVICES

2025



PennyMac Financial Services, Inc. (NYSE: PFSI) is a specialty financial services firm with a comprehensive mortgage platform and integrated business focused on the origination, acquisition, and servicing of U.S. residential mortgage loans and the management of investments related to the U.S. mortgage market.

Since PennyMac's founding in 2008, we have pursued opportunities to acquire, originate and manage mortgage loans and mortgage-related assets and established what we believe is the leading residential mortgage platform in the U.S.

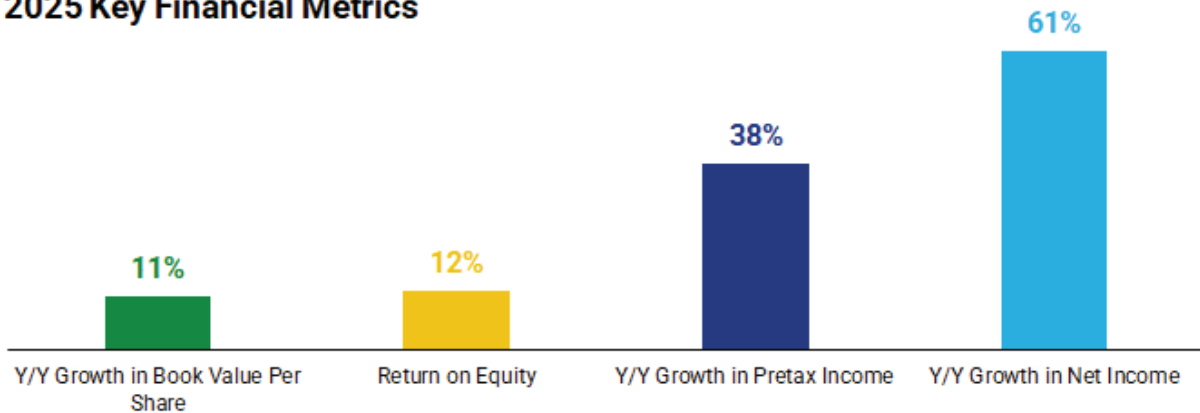
We manage PennyMac Mortgage Investment Trust (NYSE: PMT), a publicly-traded mortgage real estate investment trust (REIT). PMT is a tax-efficient vehicle for investing in mortgage-related assets and has a successful track record of deploying and managing capital in mortgage-related investments for more than 16 years.



Dear Fellow Stockholders,

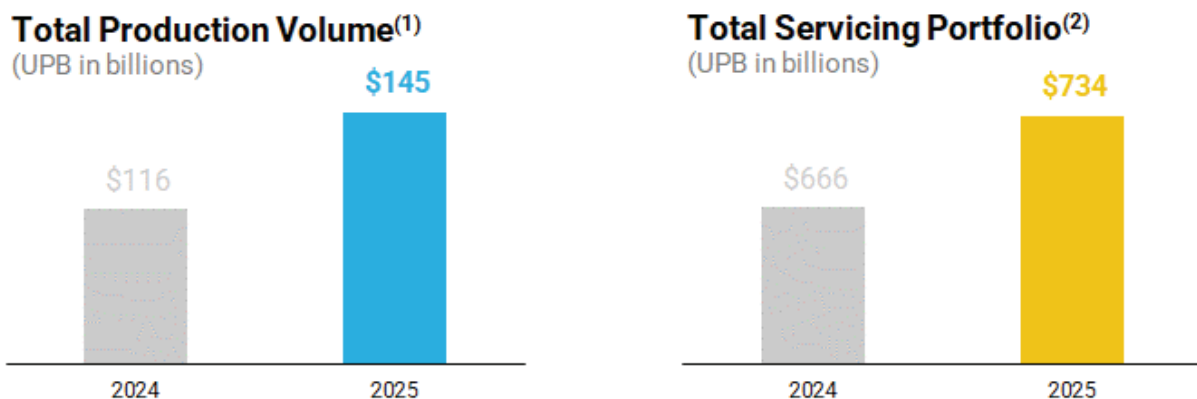
In 2025, PennyMac Financial Services, Inc. (NYSE: PFSI) delivered another year of steady growth, leveraging our balanced and scaled business model as well as the risk management practices that have been foundational for our long-term growth. Like the previous year, 2025 was characterized by significant interest rate volatility - as evidenced by the yield on the 10-year Treasury bond, which ranged from 3.9 percent to 4.8 percent. However, the industry experienced a measured recovery in volume. Inside Mortgage Finance estimates the origination market in 2025 totaled \$1.9 trillion in unpaid principal balance (UPB). While this represents a 15 percent increase from 2024, volume remains well below historical norms on a unit basis due to a historically small refinance market and ongoing affordability challenges for prospective homebuyers. Against this volatile backdrop, strong results in both our production and servicing businesses drove a 12 percent return on equity (ROE) and 11 percent growth in book value per share, reinforcing our standing as the most consistently profitable mortgage company in the industry.

2025 Key Financial Metrics



In our production segment, we successfully capitalized on the expanding origination market in 2025. Total production volumes, including those fulfilled for PennyMac Mortgage Investment Trust (NYSE: PMT), increased 25 percent from the prior year to \$145 billion in UPB, driving a 19 percent increase in pretax income to \$370 million. By executing on our multi-channel approach, we proudly retained our position as the second-largest producer of mortgage loans in the country. While the majority of our volume continues to come from our leading presence in the correspondent channel, our footprint in the broker direct channel is rapidly expanding as brokers increasingly recognize the same distinct value proposition our correspondent partners have long relied upon: consistent liquidity, competitive pricing, speed of execution, and dedicated support for their origination businesses. This growing awareness drove our market share in the wholesale channel to 5.4 percent in 2025, up from 4.0 percent in 2024, and we expect to carry this strong momentum forward, positioning us well for continued, strategic growth.

Importantly, our servicing portfolio, which serves as a low cost lead generation engine for our consumer direct channel, ended the year at \$734 billion in UPB. As rates declined in the second half of the year, our sophisticated data analytics allowed us to rapidly identify borrowers within our own ecosystem that would benefit from a refinance. By converting these borrowers, we successfully retained them, maximizing their lifetime value while driving higher-margin production volume. This targeted strategy propelled our consumer direct market share to its highest level since 2021 and as a result, production segment profitability more than doubled from the first half of the year to the second half.



(1) Includes volume fulfilled for PMT

(2) At year end; includes loans subserviced for PMT and others

Beyond generating high-quality production leads, our servicing business continues to anchor PFSI's overall financial performance. We remain one of the lowest-cost servicers in the industry due to our leading technology and massive operational scale, with operating expenses remaining below 5 basis points of average servicing portfolio UPB for the year. Importantly, we also refined our MSR hedging practices during the year to better navigate rapid interest rate movements and improved hedging results combined with our portfolio growth of 10 percent year-over-year drove a 58 percent increase in servicing segment pretax income from the previous year to \$325 million.

Throughout 2025, we also demonstrated disciplined, active capital management to optimize our balance sheet and maximize returns. We proactively managed our debt profile, issuing \$2.35 billion of unsecured senior notes with maturities ranging from 2032 to 2034, and \$300 million of Ginnie Mae MSR term notes due in August 2030. We also redeemed \$650 million of unsecured notes and \$700 million of Ginnie Mae MSR term notes, effectively extending our debt maturities and strengthening our overall liquidity. Complementing these financing activities, we executed strategic sales of lower-coupon MSR assets to unlock capital for reinvestment into new originations at current market rates. These sales included \$12 billion in UPB of conventional MSRs—where we retained the borrowers in our portfolio through a subservicing arrangement with the new MSR owner—and an opportunistic sale of \$24 billion in UPB of government MSRs. Together, these capital and liability management actions allow us to maximize returns while maintaining a highly durable capital structure and prudent levels of leverage.

While our results for the year were strong, the fourth quarter presented unique, industry-wide challenges. A sustained decline in interest rates in the second half of the year drove market prepayment speeds significantly higher than expected, resulting in accelerated runoff of

servicing assets. Simultaneously, as the broader mortgage industry activated excess capacity to absorb short-term surges in refinance demand, it created a highly competitive origination market that unexpectedly compressed production margins. While these macroeconomic headwinds challenged the broader market, they also reinforced the necessity of our relentless focus on operational efficiency. To ensure our financial performance continues to improve in this highly competitive environment, we remain intently focused on achieving the same low-cost leadership in origination that we have long maintained in our servicing business. As a major milestone in this core strategic initiative, we successfully completed the full deployment of a new, AI-enabled loan origination system in our consumer direct channel. By deploying AI-driven automation and intelligent workflows, we are already realizing significant efficiency enhancements for our sales team and transforming the loan manufacturing process to drive a meaningful decrease in our operational cost to originate.

Additionally, the earnings profile of our business is expected to further diversify as we accelerate the growth of capital-light, fee-based revenue streams. We recently entered into a definitive agreement to acquire Cenlar's subservicing business, which we expect to close in the second half of this year. When completed, we expect to service a portfolio of well over \$1 trillion in UPB, elevating us to the second-largest mortgage servicer in the country. Adding this substantial volume of subservicing to our already highly efficient, low-cost structure is expected to generate tremendous operating leverage as we migrate these loans onto our advanced technology. We are incredibly excited about this transaction which is expected to increase the diversity and durability of our earnings, serving as an incredibly powerful driver of long-term value for our stockholders.



As we solidify our position as an industry leader, we recognize that executing at this massive scale requires a nationally recognized brand and a highly engaged workforce. Our commitment to excellence is reflected in our culture and our growing brand. 2025 marked the first year of our strategic partnership as the Official Mortgage Supporter of Team USA and the LA28 Olympic and Paralympic Games. This alliance is elevating our visibility and fostering a stronger sense of pride and purpose among our employees. Furthermore, I am pleased to report that we were again certified as one of America's Top 100 Most Loved Workplaces, as featured in the Wall Street Journal. This recognition reflects our culture of inclusion, excellence, and mutual respect. While we are a technology-driven company, our greatest asset remains our people, including our deep and experienced management team and the thousands of people we employ across the country. I am incredibly proud of the resilience and ingenuity they have shown throughout the year.



PROUD SUPPORTER



We remain committed to our core values: doing the right thing, leading with integrity, and being a force for good in the communities where we live and work. Whether it is helping a first-time homebuyer achieve the American dream or providing assistance to a homeowner facing financial hardship, we approach our work with a true sense of mission. We have navigated the challenges of a highly volatile rate environment and emerged stronger, leaner, and more technologically advanced. Our balanced business model is working. Our technology is leading the industry. Our brand is reaching new heights. While we celebrate the achievements of 2025, I firmly believe that the best is yet to come. We are extraordinarily well-positioned to capitalize on the opportunities that lie ahead and remain dedicated to creating long-term value for all of our stakeholders.

Thank you for your continued support and for your shared belief in our vision.

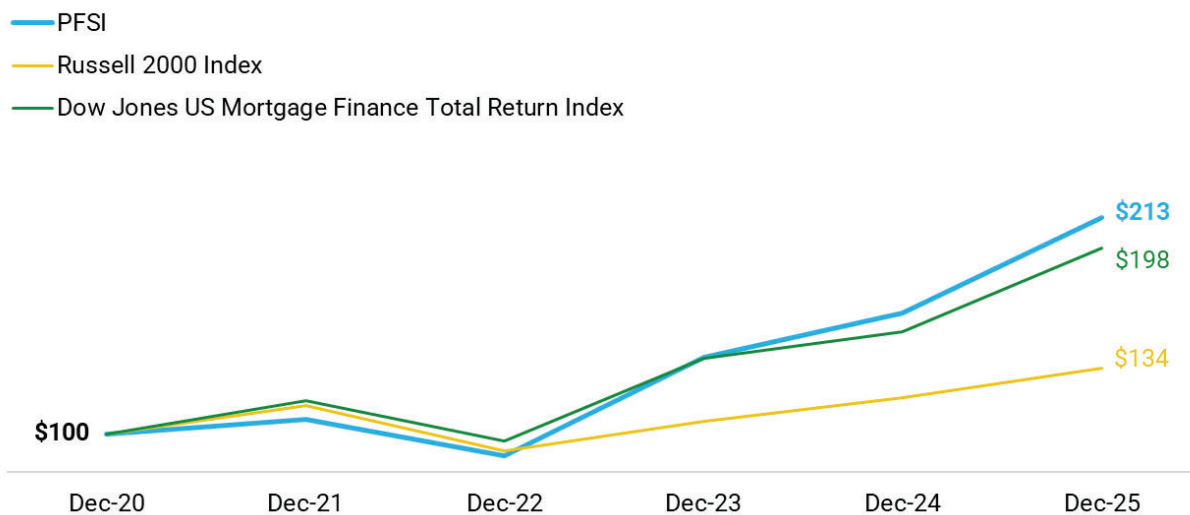
Sincerely,

A handwritten signature in black ink that reads 'David A. Spector'.

David A. Spector
Chairman and Chief Executive Officer
April 20, 2026

STOCK PERFORMANCE GRAPH

The following graph and table describe certain information comparing the cumulative total return on our common stock to the cumulative total return of the Russell 2000 Index and the Dow Jones US Mortgage Finance Total Return Index. The comparison period is from December 31, 2020 to December 31, 2025, and the calculation assumes reinvestment of any dividends. The graph and table illustrate the value of a hypothetical investment in our common stock and the two other indices on December 31, 2020.



	<u>12/31/20</u>	<u>12/31/21</u>	<u>12/31/22</u>	<u>12/31/23</u>	<u>12/31/24</u>	<u>12/31/25</u>
PFSI	\$100	\$108	\$89	\$140	\$164	\$213
Russell 2000 Index	\$100	\$115	\$91	\$107	\$119	\$134
Dow Jones US Mortgage Finance Total Return Index	\$100	\$117	\$96	\$140	\$153	\$198

Source: Bloomberg

The information in the performance graph and table has been obtained from sources believed to be reliable, but neither its accuracy nor its completeness can be guaranteed. The historical information set forth above is not necessarily indicative of future performance. Accordingly, we do not make or endorse any predictions as to future share performance. The share performance graph and table shall not be deemed, under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, to be (i) "soliciting material" or "filed" or (ii) incorporated by reference by any general statement into any filing made by us with the Securities and Exchange Commission, except to the extent that we specifically incorporate such share performance graph and table by reference.

CORPORATE INFORMATION

Corporate Offices

3043 Townsgate Road
Westlake Village, CA 91361
818.264.4907
pfsi.pennymac.com

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
Los Angeles, CA

Transfer Agent

Computershare
150 Royall Street, Suite 101
Canton, MA 02021
Toll-Free 800.522.6645

2026 Annual Meeting

The 2026 Annual Meeting of Stockholders will be held at 11:00 a.m. PT on June 3, 2026, via a live webcast at www.virtualshareholdermeeting.com/PFSI2026

Market Data of PennyMac Financial Services, Inc.

Common Stock
Traded: New York Stock Exchange
Symbol: PFSI

Stockholder inquiries

The Annual Report on Form 10-K of PennyMac Financial Services, Inc. filed with the SEC as well as other reports, can be accessed via our website at pfsi.pennymac.com or by emailing a request to PFSI_IR@pennymac.com.

As of March 31, 2026, we had approximately 29 common stockholders of record. This figure does not represent the actual number of beneficial owners of common stock because shares are frequently held in "street name" by securities dealers and others for the benefit of individual owners who may vote the shares.

Pursuant to Rule 303A.12 of the New York Stock Exchange Listed Companies Manual, each listed company CEO must certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards. David A. Spector's annual CEO certification regarding the NYSE's corporate governance listing standards was submitted to the NYSE on July 18, 2025.

FORWARD-LOOKING STATEMENTS

Some of the information we provide in this document is forward-looking and therefore could change over time to reflect changes in the environment in which we compete. For details on the uncertainties that may cause our actual results to be materially different than those expressed in our forward-looking statements, please see our most recently filed periodic report filed with the SEC.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 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: 001-38727

PennyMac Financial Services, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

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

83-1098934

(IRS Employer
Identification No.)

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 Stock, \$0.0001 par value	PFSI	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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, a 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

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

As of June 30, 2025 the aggregate market value of the registrant's Common Stock, \$0.0001 par value ("common stock"), held by non-affiliates was \$2,883,314,266 based on the closing price as reported on the New York Stock Exchange on that date.

As of February 17, 2026, the number of outstanding shares of common stock of the registrant was 52,167,770.

Documents Incorporated by Reference

Document

Definitive Proxy Statement for
2026 Annual Meeting of Stockholders

Parts Into Which Incorporated

Part III

PENNYMAC FINANCIAL SERVICES, INC.
FORM 10-K
December 31, 2025
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (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;
- discussions of our expectations regarding various macroeconomic factors, including variability in the economy or the impact of current and future regulations and legislation on our business; 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 as set forth in Item 1A. of Part I hereof and any subsequent Quarterly Reports on Form 10-Q.

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

- interest rate changes;
- changes in macroeconomic, consumer and real estate market conditions;
- rising homeownership costs negatively impacting housing affordability;
- the continually changing federal, state and local laws and regulations applicable to the highly regulated industry in which we operate;
- lawsuits or governmental actions that may result from any noncompliance with the laws and regulations applicable to our business;
- the mortgage lending and servicing-related regulations promulgated by the Consumer Financial Protection Bureau and its enforcement of these regulations;
- the licensing and operational requirements of states and other jurisdictions applicable to our business, to which our bank competitors are not subject;

- changes to government modification programs;
- foreclosure delays and changes in foreclosure practices;
- difficulties inherent in adjusting the size of our operations to reflect changes in business levels;
- purchase opportunities for mortgage servicing rights;
- our substantial amount of indebtedness;
- increases in loan delinquencies, defaults and forbearances;
- our dependence on U.S. government-sponsored entities and changes in their current roles or their guarantees or guidelines;
- our ability to manage third party vendors and mortgage investor requirements;
- our exposure to counterparties that do not fulfill contractual obligations, including their obligation to indemnify us or repurchase defective mortgage loans;
- our reliance on PennyMac Mortgage Investment Trust (NYSE: PMT) as a significant contributor to our mortgage banking business;
- maintaining sufficient capital and liquidity and compliance with financial covenants;
- our obligation to indemnify third-party purchasers or repurchase loans if loans that we originate, acquire, service or assist in the fulfillment of fail to meet certain criteria;
- our obligation to indemnify PMT if our services fail to meet certain criteria or characteristics or under other circumstances;
- changes in investment management and incentive fees;
- conflicts of interest in allocating our services and investment opportunities among us and our advised entity;
- our ability to mitigate cybersecurity risks, cyber incidents and technology disruptions;
- the effect of public opinion on our reputation;
- 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;
- our ability to effectively identify, manage and hedge our credit, interest rate, prepayment, liquidity and climate risks;

- our initiation or expansion of new business activities or strategies;
- our ability to detect misconduct and fraud;
- our ability to pay dividends to our stockholders; 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, results of operations 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

Item 1. *Business*

The following description of our business should be read in conjunction with the information included elsewhere in this Report. This description contains forward-looking statements that involve risks and uncertainties. Actual results could differ significantly from the projections and results discussed in the forward-looking statements due to the factors described under the caption “Risk Factors” and elsewhere in this Report. References in this Report to “we,” “our,” “us,” and the “Company” refer to PennyMac Financial Services, Inc. (“PFSI”) and its consolidated subsidiaries.

Our Company

We are a specialty financial services firm with a comprehensive mortgage platform and integrated business primarily focused on the production and servicing of U.S. residential mortgage loans (activities which we refer to as mortgage banking). We are also engaged in the management of investments related to the U.S. mortgage market and providing products and services that leverage innovative technologies to effectively and efficiently support our customers. We believe that our operating capabilities, specialized expertise, access to long-term investment capital, and experience across all aspects of the mortgage business will allow us to profitably grow these activities over time and capitalize on other related opportunities as they arise.

We operate and control all of the business and affairs and consolidate the financial results of Private National Mortgage Acceptance Company, LLC (“PNMAC”) and its subsidiaries described below:

- Our principal mortgage banking subsidiary, PennyMac Loan Services, LLC (“PLS”), is a non-bank producer and servicer of mortgage loans. PLS is a seller/servicer for the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”), each of which is a government-sponsored entity (“GSE”). PLS is also an approved issuer of securities guaranteed by the Government National Mortgage Association (“Ginnie Mae”), a lender of the Federal Housing Administration (“FHA”), and a lender/servicer of the U.S. Department of Veterans Affairs (“VA”) and the United States Department of Agriculture (“USDA”). We refer to each of Fannie Mae, Freddie Mac, Ginnie Mae, FHA, VA and USDA as an “Agency” and collectively as the “Agencies.” PLS is able to service loans in all 50 states, the District of Columbia, Puerto Rico, Guam and the United States Virgin Islands, and originate loans in all 50 states and the District of Columbia, either because it is properly licensed in a particular jurisdiction or exempt or otherwise not required to be licensed in that jurisdiction.
- Our investment management subsidiary is Pennymac Capital Management, LLC (“PCM”), a Delaware limited liability company registered with the Securities and Exchange Commission (“SEC”) as an investment adviser under the Investment Advisers Act of 1940, as amended. PCM manages PennyMac Mortgage Investment Trust (“PMT”), a mortgage real estate investment trust listed on the New York Stock Exchange under the ticker symbol PMT.

We conduct our business in two reportable operating segments: production and servicing.

- The production segment performs loan origination, acquisition and sale activities for our account as well as for PMT.
- The servicing segment performs servicing and subservicing of loans we are holding for sale and for non-affiliate investors, execution and management of early buyout transactions, and servicing of loans sourced and managed for PMT.

Following is a summary of our segments' results:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Net revenues:			
Production	\$ 1,260,280	\$ 941,702	\$ 644,674
Servicing	737,383	595,364	714,503
Corporate and other	48,873	56,665	42,479
	<u>\$ 2,046,536</u>	<u>\$ 1,593,731</u>	<u>\$ 1,401,656</u>
Income (loss) before income taxes:			
Production	\$ 369,920	\$ 311,231	\$ 116,078
Servicing	324,893	205,002	368,392
Corporate and other	(143,396)	(115,207)	(300,839)
	<u>\$ 551,417</u>	<u>\$ 401,026</u>	<u>\$ 183,631</u>
Total assets at end of year:			
Production	\$ 9,756,783	\$ 8,431,612	\$ 4,560,323
Servicing	19,564,252	17,588,018	14,036,203
Corporate and other	67,654	67,257	248,037
	<u>\$ 29,388,689</u>	<u>\$ 26,086,887</u>	<u>\$ 18,844,563</u>
Unpaid principal balance ("UPB") of loans purchased and originated for our account and for PMT			
	\$ 152,419,382	\$ 115,819,663	\$ 99,435,041
UPB of loans serviced for PMT and non-affiliates at end of year			
	\$ 733,613,822	\$ 665,763,827	\$ 607,216,769

Mortgage Banking

Production Segment

Our loan production segment sources new prime credit quality residential conventional and government-insured or guaranteed mortgage loans through three channels: correspondent production, broker direct lending and consumer direct lending as described below.

Correspondent Production

In correspondent production we manage, for our own account and on behalf of PMT, the purchase from non-affiliates of mortgage loans that have been underwritten to investor guidelines.

Correspondent loans insured or guaranteed by the FHA, VA or USDA are directed to our account for sale into the mortgage-backed securities ("MBS") guaranteed by Ginnie Mae and other loans, primarily comprised of loans that can be sold into MBS guaranteed by Fannie Mae or Freddie Mac, are allocated between PFSI and PMT.

Beginning July 1, 2025, we became the initial purchaser of all loans from correspondent sellers and now transfer agreed upon volumes of conventional loans to PMT. PMT retains the right to purchase 100% of non-government correspondent loans from us. This arrangement is discussed in Note 4 – *Transactions with Related Parties* to the consolidated financial statements included in this Annual Report.

In our correspondent production activities, for loans we source for our own account, we earn loan origination fees from the correspondent sellers, interest income on the loans during the time we hold such loans, gains or losses from the date we make a commitment to purchase the loans through the sale of these loans, and, in connection with such sales, we generally retain and recognize the fair value of the contractual rights to service the loans on behalf of the purchaser of the loans. These servicing contracts are referred to as mortgage servicing rights or MSRs.

In our loan fulfillment activities in support of PMT's correspondent production activities and only for loans purchased for PMT's account, we earn fulfillment fees and tax service fees. We may also sell newly originated loans from our consumer direct and broker direct lending channels or purchased through our correspondent channel for our own account to PMT under a mortgage loan purchase agreement. When we sell loans to PMT, PMT obtains the MSRs relating to such loans. As such, our gains on sales of loans to PMT are primarily cash gains.

Broker Direct Lending

In broker direct lending, we obtain loan application packages from non-affiliated mortgage loan brokers, underwrite and fund the resulting loans for sale. In our broker direct lending activities, we earn origination fees and interest income, gains or losses from the date we make a commitment to fund the loan through the sale of these loans, and, in sales to entities other than PMT, we generally retain and recognize the fair value of the associated MSRs.

Consumer Direct Lending

Through our consumer direct lending channel, we originate mortgage loans on a national basis. Our consumer direct model relies on the Internet and call center-based staff to acquire and interact with customers across the country. We do not have a "brick and mortar" branch network.

In our consumer direct lending activities, we earn loan origination fees from the borrower, interest income during the time we hold the loan before sale, gains or losses from the date we make a commitment to fund the loan through the sale of these loans, and, in sales to entities other than to PMT, we retain and recognize the fair value of the associated MSRs. To the extent we refinance loans that we subservice for PMT where PMT owns the related MSRs, we are generally required to pay PMT a recapture fee. Our recapture fee arrangement is detailed in Note 4 – *Transactions with Related Parties* to the consolidated financial statements included in this Annual Report.

Our loan production activities are summarized below:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
UPB of loans purchased and originated for sale through our:			
Correspondent lending channel and from PennyMac Mortgage Investment Trust	\$ 104,945,164	\$ 80,694,536	\$ 71,618,697
Broker direct channel	14,596,551	12,969,248	8,122,495
Consumer direct channel	13,668,049	8,709,395	4,795,548
	<u>133,209,764</u>	<u>102,373,179</u>	<u>84,536,740</u>
UPB of loans directly sold to PMT and fulfilled for PMT subject to fulfillment fees	12,893,224	13,446,484	14,898,301
Total loan production	<u>\$ 146,102,988</u>	<u>\$ 115,819,663</u>	<u>\$ 99,435,041</u>

The effect of our loan production transactions with PMT on our financial statements are summarized below:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Net gains on loans held for sale at fair value:			
Net gains on loans held for sale to PMT	\$ 55,825	\$ 6,260	\$ —
Mortgage servicing rights recapture fees	(10,117)	(2,193)	(1,784)
	45,708	4,067	(1,784)
Fulfillment fee revenue	23,804	26,291	27,826
Tax service fees earned from PMT included in <i>Loan origination fees</i>	1,537	2,503	3,216
	<u>\$ 71,049</u>	<u>\$ 32,861</u>	<u>\$ 29,258</u>
Sourcing fees paid to PMT included in cost of loans purchased	\$ 5,164	\$ 8,069	\$ 7,162

Servicing Segment

Our loan servicing segment performs loan administration, collection, and default management activities, including the collection and remittance of loan payments; responding to customer inquiries; accounting for principal and interest; holding custodial (impounded) funds for the payment of property taxes and insurance premiums; counseling delinquent borrowers; administering loss mitigation activities, including modification and forbearance programs; and supervising foreclosures and property dispositions.

We service loans both as the owner of MSR and mortgage servicing liabilities (“MSLs”) and as the servicer on behalf of PMT and non-affiliates.

The UPB of our loan servicing portfolio is summarized below:

	December 31,	
	2025	2024
	(in thousands)	
Mortgage servicing rights and mortgage servicing liabilities:		
Originated	\$ 448,035,447	\$ 410,393,342
Purchased and assumed	13,999,998	15,681,406
	462,035,445	426,074,748
Loans held for sale	8,930,477	8,128,914
Total owned servicing	470,965,922	434,203,662
Subserviced for:		
PennyMac Mortgage Investment Trust	226,774,067	230,745,995
Other non-affiliates	11,616,738	—
Interim servicing	24,257,095	806,584
Total subservicing	262,647,900	231,552,579
	<u>\$ 733,613,822</u>	<u>\$ 665,763,827</u>

Our responsibilities and risks relating to loans we service in arrangements where we own the MSR or MSLs differ from those where we act as servicer for the owner of the servicing rights. As the owner of the servicing rights:

- We recognize our investment in the servicing rights received in loan sale transactions where we retain the contractual obligation to service the loans as well as the investment we make when we buy MSR or the liability we incur when we assume MSLs. We carry these assets and liabilities at fair value and as such they are subject to subsequent changes in fair value owing to the anticipated realization of the cash flows from the asset or liability or to changes in the market for such MSR and MSLs;
- Because our investment in MSR can be significant and the fair value of this asset is sensitive to changes in prepayment activity and expectations, marketplace return requirements and the cost to service the loans, we incur costs to hedge this investment – primarily the risk of changes in fair value arising from changes in prepayment activity and expectations in response to changes in interest rates;
- We are responsible for advancing our corporate funds to protect the loan owners’ interest in the collateral securing such loans for such items as hazard insurance, property taxes and foreclosure-related costs, subject to future reimbursement, as well as advancing delinquent principal and interest payments to MBS holders; and

- As the owner of Ginnie Mae MSR, we have the option to purchase loans that are at least three months delinquent out of the underlying Ginnie Mae securities as an alternative to continuing to advance principal and interest payments to the holders of the Ginnie Mae securities, or we may be required to purchase loans out of Ginnie Mae securities if there has been a modification of the loans' terms. Our objective is to work with the borrowers to cure the loan delinquency through either borrower reperformance or modification of the loans' terms. When curing the delinquency is not feasible, we work to settle the loan and collect our claims from the applicable insurer or guarantor. When we are able to cure the delinquency and after a minimum required period of reperformance, we are able to re-deliver the cured loan into another Ginnie Mae guaranteed security.

As the subservicer for the owner of servicing rights, we do not carry the related MSR or MSL on our balance sheet and therefore do not recognize or hedge changes in the fair value of MSR or MSL and are generally not responsible for financing the advance of corporate funds to protect the loan owners' interest in the collateral securing such loans. As a result, the fees we earn from such arrangements are generally less on a per-loan basis than those we earn from holding MSR and MSL.

Following is a summary of our net loan servicing fees:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Net loan servicing fees:			
Owned servicing:			
Loan servicing fees:			
Contractually specified	\$ 1,776,557	\$ 1,529,452	\$ 1,268,650
Other	200,288	186,776	134,949
	<u>1,976,845</u>	<u>1,716,228</u>	<u>1,403,599</u>
Effect of MSR and MSL:			
Realization of cash flows	(1,161,608)	(840,730)	(662,375)
Other changes in fair value of MSR and MSL	(251,672)	407,388	56,807
Hedging results	56,546	(832,483)	(236,778)
	<u>(1,356,734)</u>	<u>(1,265,825)</u>	<u>(842,346)</u>
Net loan servicing fees from owned servicing	620,111	450,403	561,253
Subservicing:			
Loan servicing fees from PennyMac Mortgage Investment Trust			
	84,432	83,252	81,347
From non-affiliates	1,156	—	—
	<u>85,588</u>	<u>83,252</u>	<u>81,347</u>
Net loan servicing fees	<u>\$ 705,699</u>	<u>\$ 533,655</u>	<u>\$ 642,600</u>
Average UPB of loans serviced:			
Mortgage servicing rights and mortgage servicing liabilities	\$ 455,045,525	\$ 396,588,047	\$ 338,373,762
Subservicing	\$ 236,486,530	\$ 231,303,048	\$ 234,303,254

Our Business Strategies

Our business strategies include:

Correspondent Lending

According to Inside Mortgage Finance, the correspondent channel represented approximately one-third of U.S. residential mortgage originations in 2025. We expect to grow our correspondent production business as we continue to expand the loan products and services we offer. We believe that we are well positioned to continue generating significant business in this channel based on our management expertise in the correspondent production business, our relationships with correspondent sellers, and our supporting systems and processes. In 2025, 2024 and 2023, we purchased \$111.3 billion, \$80.7 billion and \$71.6 billion of mortgage loans, respectively, through our correspondent lending channel. In 2025, 2024, and 2023, we also fulfilled \$12.9 billion, \$13.4 billion and \$14.9 billion of mortgage loans subject to fulfillment fees, respectively, for PMT.

Consumer Direct Lending

According to Inside Mortgage Finance, the consumer direct lending channel represented approximately half of U.S. residential mortgage originations in 2025. We expect to grow our consumer direct lending business over time by leveraging our servicing portfolio through the recapture of existing customers for refinance and purchase-money loans as well as by acquiring new customers. As our servicing portfolio grows, we will have a greater number of leads to pursue, which we believe will lead to greater origination activity through our consumer direct business. As of December 31, 2025, we serviced 2.8 million loans. In 2025, 2024 and 2023, we funded \$13.7 billion, \$8.7 billion and \$4.8 billion of mortgage loans, respectively, through our consumer direct lending channel as market interest rates increased and market refinance volumes decreased. We believe that our national call center model and our technology will enable us to drive origination process efficiencies and best-in-class customer service.

Broker Direct Lending

According to Inside Mortgage Finance, the broker lending channel represented approximately one-fifth of U.S. residential mortgage originations in 2025. In 2025, 2024 and 2023, we funded \$14.6 billion, \$13.0 billion and \$8.1 billion of mortgage loans, respectively, through our broker direct channel, which is comprised of loans from both the broker direct lending operations as well as loans purchased through our non-delegated correspondent lending operations. We plan on growing our mortgage loan volume in this channel through the addition of new broker and non-delegated partner relationships, as well as expansion of existing relationships enabled by our leading broker technology platform.

Mortgage Loan Servicing

We expect to grow our servicing portfolio through loan production activities, as our correspondent production for our own account and consumer and broker direct lending add new servicing for owned servicing, and correspondent conventional production for PMT's account adds new subservicing. We also expect to add subservicing for new non-affiliate clients. We or PMT may also grow our servicing portfolio through acquisitions or adjust the composition of our servicing portfolio through servicing sales. In 2025, our loan production totaled \$152.4 billion in UPB. As of December 31, 2025, our MSRMs were backed by loans with UPBs totaling \$462.0 billion.

New Markets and Products

We regularly evaluate opportunities to grow our business, including expansion into new markets and providing additional services to our customers directly or through external partnerships. We continue to develop new products to satisfy demand from customers in each of our production and servicing channels and respond to changing circumstances in the market, by, for example, expanding our non-affiliate subservicing.

U.S. Mortgage Market

The U.S. residential mortgage market is one of the largest financial markets in the world, with approximately \$14.7 trillion of debt outstanding as of December 31, 2025. According to mortgage industry economists, first lien mortgage loan origination volume was approximately \$1.9 trillion in 2025 and is expected to increase to \$2.3 trillion in 2026. Many of the largest participants in the mortgage market in recent years have been non-bank specialty finance companies.

Competition

The residential mortgage industry is characterized by high barriers to entry, including the necessity for approvals required to sell loans to and service loans for the Agencies, state licensing requirements for non-federally chartered banks, sophisticated infrastructure, technology, risk management, processes required for successful operations, and financial capital requirements.

Given the diverse and specialized nature of our businesses, we do not believe we have a direct competitor for the totality of our business. We compete with a number of nationally-focused companies in each of our businesses.

In our loan production and servicing segments, we compete with large global banks and financial institutions, including the cash windows of the GSEs, as well as with other independent non-bank mortgage loan producers and servicers, such as Rocket Mortgage, Rithm Capital, Freedom Mortgage and United Wholesale Mortgage.

In our loan production segment, we compete primarily on the basis of customer service, marketing penetration, customer network, product offerings, technical knowledge, manufacturing quality, speed of execution, and rates and fees.

In our servicing segment, we compete primarily on the basis of experience in the residential loan servicing business, quality and efficiency of execution and servicing performance.

We also compete for capital with both traditional and alternative investment managers. We compete primarily on the basis of historical track record of risk-adjusted returns, experience of investment management team, the return profile of prospective investment opportunities and on the level of fees and expenses.

Some of our competitors are significantly larger than we are, may have stronger financial positions and greater access to capital and other resources than we have, and may have other advantages over us. Such advantages include the ability to obtain lower-cost financing and operational efficiencies arising from their larger size.

Cyclicality and Seasonality

The demand for loan originations is affected by consumer demand for home loans. Demand for home loans generally comes from the demand for loans made to finance the purchase of homes and the demand for loans made to refinance existing loans.

The demand for loans made to finance the purchase of homes is most significantly influenced by the overall strength of the economy, housing prices and availability and societal factors such as household formation and government support for homeownership.

The demand for loans made to refinance existing loans is most significantly influenced by movements in interest rates and, to a lesser extent, to changes in property values and employment.

Human Capital Resources

Our long-term growth and success are highly dependent upon our employees and our ability to maintain a workplace representing a broad spectrum of backgrounds, ideas and perspectives. As part of these efforts, we strive to offer competitive compensation and benefits, foster a community where everyone feels a greater sense of belonging and purpose, and provide employees with the opportunity to give back and make an impact in the communities where we live and serve. We had approximately 4,900 domestic employees as of the end of fiscal year 2025.

Employee Retention and Development

We believe in attracting, developing and retaining highly skilled talent, while providing a supportive work environment that prioritizes the safety and wellness of our employees. Talent development is a critical component of the employee experience and ensures that all employees have career growth opportunities, including establishing development networks and relationships and fostering continued growth and learning. Employees receive regular business and compliance training to help further enhance their career development objectives. We also actively manage enterprise-wide and divisional mentoring programs and have partnered with an external vendor to establish a comprehensive, fully integrated wellness program designed to enhance employee productivity.

Compensation and Succession Planning

Our compensation programs are designed to motivate and reward employees who possess the necessary skills to support our business strategy and create long-term value for our stockholders. Employee compensation may include base salary, annual cash incentives, and long-term equity incentives, as well as life insurance and 401(k) plan matching contributions. We also offer a comprehensive selection of health and welfare benefits to our employees including emotional well-being support and paid parental leave programs. Succession planning is also critical to our operations and we have established ongoing evaluations of our leadership depth and succession capabilities.

Workplace Engagement

We believe that building a high-performing, talented and engaged workforce where our employees bring varied perspectives and experiences to work every day creates a positive influence in our workplace, business operations and the communities we serve. We prioritize several initiatives that strengthen our workplace culture, including our leadership standards, mentorship programs, business resource groups, and on-site and division-based culture and engagement teams. We actively monitor trends in our workforce and prioritize programs to ensure that our employees have an opportunity to learn, grow, and thrive. Our board of directors and board committees oversee our human capital resource programs and initiatives.

Community Involvement

Our corporate philanthropy program is governed by a philosophy of giving that prioritizes the support of causes and issues of importance in our local communities, and drives a culture of employee engagement and collaboration throughout our organization. We are committed to empowering our employees to be a positive influence in the community, which we believe cultivates a sense of purpose and connection that boosts employee productivity and engagement, increases job satisfaction, and ultimately improves employee retention.

Our philanthropy program consists of a number of key components: an employee matching gifts program, a volunteer grants program, a charitable grants program and a corporate sponsorship program. Our five philanthropic focus areas are: community development and affordable housing, financial literacy and economic inclusion, human and social services, health and medical research, and environmental sustainability.

We have established a separate donor advised fund to facilitate donations to various local and national charitable organizations and have provided funding to several charitable organizations located near our office sites and national organizations that support missions such as sustainable homeownership, mortgage and rental assistance, food insecurity, disaster relief, family and child advocacy, and community empowerment. We also manage our environmental impact by focusing on improving our waste reduction, energy efficiency and water conservation.

Legal and Regulatory Compliance

Our business is subject to extensive federal, state and local regulation. These regulations are responsible for ensuring consumers are provided with timely and understandable information to make responsible decisions about financial transactions, federal consumer financial laws are enforced and consumers are protected from unfair, deceptive, or abusive acts and practices and from discrimination. These regulations may also increase mortgage production and servicing costs.

Our loan production and loan servicing operations are subject to federal requirements and are regulated at the state level by state licensing authorities and administrative agencies. We, and our employees who engage in regulated activities, must apply for licensing as a mortgage banker or lender, loan servicer and debt collector pursuant to applicable state law. These state licensing requirements typically require an application process, the payment of fees, background checks and administrative review.

Our servicing operations are licensed (or exempt or otherwise not required to be licensed) to service mortgage loans in all 50 states, the District of Columbia, Puerto Rico, Guam and the United States Virgin Islands. Our consumer direct lending business is licensed to originate loans in all 50 states and the District of Columbia.

From time to time, we receive requests from states and Agencies and various investors for records, documents and information regarding our policies, procedures and practices regarding our loan production and loan servicing business activities, and undergo periodic examinations by federal and state regulatory agencies. We incur significant ongoing costs to comply with these licensing and examination requirements.

The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 requires all states to enact laws that require all individuals acting in the United States as mortgage loan originators to be individually licensed or registered if they intend to offer mortgage loan products. These licensing requirements include enrollment in the Nationwide Mortgage Licensing System, application to state regulators for individual licenses and the completion of pre-licensing education, annual education and the successful completion of both national and state exams.

We must comply with a number of federal consumer protection laws, including, among others:

- the Real Estate Settlement Procedures Act, and Regulation X thereunder, which require certain disclosures to mortgagors regarding the costs of mortgage loans, the administration of tax and insurance escrows, the transferring of servicing of mortgage loans, the management of mortgage loans in default, loss mitigation and foreclosure events, the response to consumer complaints, and payments between lenders and vendors of certain settlement services;
- the Truth in Lending Act, and Regulation Z thereunder, which require certain disclosures to mortgagors regarding the terms of their mortgage loans, notices of sale, assignments or transfers of ownership of mortgage loans, new servicing rules involving payment processing, and adjustable rate mortgage change notices and periodic statements;
- the Equal Credit Opportunity Act and Regulation B thereunder, which prohibit discrimination on the basis of age, race and certain other characteristics, in the extension of credit;
- the Fair Housing Act, which prohibits discrimination in housing on the basis of race, sex, national origin, and certain other characteristics;

- the Home Mortgage Disclosure Act and Regulation C thereunder, which require financial institutions to report certain public loan data;
- the Homeowners Protection Act, which requires the cancellation of private mortgage insurance once certain equity levels are reached, sets disclosure and notification requirements, and requires the return of unearned premiums;
- the Servicemembers Civil Relief Act, which provides, among other things, interest and foreclosure protections for service members on active duty;
- the Gramm-Leach-Bliley Act and Regulation P thereunder, which require us to maintain privacy with respect to certain consumer data in our possession and to periodically communicate with consumers on privacy matters;
- the Fair Debt Collection Practices Act, which regulates the timing and content of debt collection communications;
- the Fair Credit Reporting Act and Regulation V thereunder, which regulate the use and reporting of information related to the credit history of consumers; and
- the National Flood Insurance Reform Act of 1994, which provides for lenders to require from borrowers or to purchase flood insurance on behalf of borrower/owners of properties in special flood hazard areas.

Our senior management team has established a comprehensive compliance management system (“CMS”) that is designed to ensure compliance with applicable mortgage origination and servicing laws and regulations. The components of our CMS include: (a) oversight by senior management and our board of directors to ensure that our compliance culture, guidance, and resources are appropriate; (b) a compliance program to ensure that our policies, training and monitoring activities are complete and comprehensive; (c) a complaint management program to ensure that consumer complaints are appropriately addressed and that any required actions are implemented on a timely basis; and (d) independent oversight to ensure that our CMS is functioning as designed.

An important component of the CMS is our governance oversight structure. The CMS is integrated into our enterprise risk management framework and overseen by our Management Risk Committee (“MRC”). The MRC monitors changes in the internal and external environment, approves compliance and risk management policies, monitors compliance with those policies and ensures any required remediation is implemented on a timely basis. The MRC has identified individuals throughout the organization to oversee specific areas of risk. MRC membership includes senior management from all areas of the Company impacted by mortgage compliance laws and regulations. The MRC meets on a regular basis throughout the year.

Intellectual Property

We rely on a combination of trademarks, copyrights, and trade secrets, as well as confidentiality and contractual provisions to protect our intellectual property and proprietary technologies. We hold or have otherwise applied for various registered trademarks, including trademarks with respect to the name Pennymac and various additional designs and word marks relating to the Pennymac name. Depending upon the jurisdiction, trademarks generally are valid as long as they are in use and/or their registrations are properly maintained. We generally intend to renew our trademarks as they come up for renewal. Our other intellectual property includes proprietary know-how and technological innovations, such as our proprietary workflow-driven cloud-based servicing system, as well as proprietary pricing engines, loan-level analytics systems and other trade secrets that we have developed to maintain our competitive position.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, including exhibits, proxy statements and amendments to those reports filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are available free of charge through the investor relations section of our website at www.pennymacfinancial.com as soon as reasonably practicable after electronically filing such material with the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding our filings at www.sec.gov. The above references to our website and the SEC’s website do not constitute incorporation by reference of the information contained on those websites and should not be considered part of this document.

Item 1A. Risk Factors

Summary Risk Factors

We are subject to a number of risks that, if realized, could have a material adverse effect on our business, financial condition, liquidity, results of operations and our ability to make distributions to our stockholders. Some of our more significant challenges and risks include, but are not limited to, the following, which are described in greater detail below:

- Our business is significantly affected by changes in interest rates. Changes in prevailing interest rates, rising inflation rates, U.S. monetary policies or other macroeconomic conditions that affect interest rates may have a detrimental effect on our business and earnings.
- Our business is highly dependent on macroeconomic, real estate, mortgage and financial market conditions that could materially and adversely affect our business, financial condition and results of operations.
- Rising homeownership costs may negatively impact housing affordability and increase mortgage delinquencies, defaults and foreclosures.
- Increases in delinquencies and defaults may adversely affect our business, financial condition, liquidity and results of operations.
- We are required to make servicing advances that can be subject to delays in recovery or may not be recoverable due to delinquencies, defaults and foreclosures that could adversely affect our business, financial condition, liquidity and results of operations.
- We may not be able to effectively manage significant increases or decreases in our loan production volume, which could negatively affect our business, financial condition, liquidity and results of operations.
- We have a substantial amount of indebtedness, which may limit our financial and operating activities, expose us to substantial increases in costs due to interest rate fluctuations, expose us to the risk of default under our debt obligations and may adversely affect our ability to incur additional debt to fund future needs.
- We rely on external financial arrangements to fund mortgage loans and operate our business and our inability to refinance or enter new financial arrangements could be detrimental to our business.
- We finance our loans, MSR's and other assets under secured financing agreements and utilize various other sources of borrowings, which exposes us to significant risk and may materially and adversely affect our business, financial condition, liquidity and results of operations.
- Our financing agreements contain financial and restrictive covenants that could adversely affect our business, financial condition, liquidity and results of operations.
- Hedging against interest rate exposure may materially and adversely affect our business, financial condition, liquidity, results of operations and cash flows.
- We use estimates in determining the fair value of our investments and for credit decisions. If our estimates prove to be inaccurate, we may be required to write down the fair values of our investments or suffer a loss that could adversely affect our business, financial condition, liquidity and results of operations.
- Our ownership of mortgage servicing rights exposes us to prepayment, delinquency, interest rate and regulatory risks.
- We may not realize all of the anticipated benefits of potential future acquisitions and sales of MSR's, which could adversely affect our business, financial condition, liquidity and results of operations.
- A disruption in the MBS market could materially and adversely affect our business, financial condition, liquidity and results of operations.
- We may be required to indemnify the purchasers of loans that we originate, acquire or assist in the fulfillment of, or repurchase those loans, if those loans fail to meet certain criteria or characteristics or under other circumstances and we may be unable to seek indemnity or require our counterparties to repurchase loans if they breach representations and warranties they make to us.
- We depend on counterparties and vendors to provide services that are critical to our business, which subjects us to a variety of risks.
- Our failure to appropriately address various issues that may give rise to reputational risk could cause harm to our business and adversely affect our earnings.

- Cybersecurity risks, cyber incidents and technology failures may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information or the personal information of our customers, and/or damage to our business relationships, all of which could negatively impact our financial results.
- Technology disruptions or failures, including a failure in our information systems or those of third parties with whom we do business, could disrupt our business, cause legal or reputational harm and adversely impact our results of operations and financial condition.
- The development, implementation, maintenance and protection of our proprietary technologies require significant capital and legal expenditures for us to remain competitive.
- The development, proliferation and use of artificial intelligence could give rise to legal and/or regulatory action, damage our reputation or otherwise materially harm our business.
- Climate change, adverse weather conditions, man-made or natural disasters, pandemics, wars and armed conflicts, terrorist attacks, and other long term physical and environmental changes and conditions could adversely impact properties that we own or that collateralize loans we own or service.
- We operate in a highly regulated industry and the continually changing federal, state and local laws and regulations could materially and adversely affect our business, financial condition, liquidity and results of operations.
- Existing and new rules and regulations by federal and state regulators could result in enforcement actions, fines, penalties and reputational harm.
- We are highly dependent on U.S. government-sponsored entities and government agencies, and any organizational or pricing changes at such entities or their regulators could materially and adversely affect our business, liquidity, financial condition and results of operations.
- We are required to have various Agency approvals and state licenses to conduct our business and failure to maintain our licenses could materially and adversely impact our business, financial condition, liquidity, and results of operations.
- PennyMac Mortgage Investment Trust (“PMT”) is a significant source of business for our mortgage banking activities, and the termination of, or material adverse change in, the terms of this relationship, or a material adverse change to PMT or its operations, could adversely affect our business, financial condition, liquidity and results of operations.
- A significant portion of our loan servicing operations are conducted pursuant to subservicing contracts with PMT, and any termination by PMT of these contracts, or a material change in the terms thereof that is adverse to us, would adversely affect our business, financial condition, liquidity and results of operations.
- We may encounter conflicts of interest in trying to appropriately allocate our time and services between activities for our own account and for PMT, or in trying to appropriately allocate investment opportunities among ourselves and for PMT and any other entities or accounts that we may manage in the future.
- Our risk management efforts may not be effective in identifying our significant risks and designing and implementing adequate internal controls to mitigate those risks.
- Developing new products, updating our operational processes and initiating or expanding our business activities may expose us to new regulatory compliance and litigation risks and require additional capital expenditures.
- We operate in a highly competitive market and decreased margins resulting from increased competition or our inability to compete successfully could adversely affect our business, financial condition, liquidity and results of operations.

Risk Factors

In addition to the other information set forth in this Report, you should carefully consider the following factors, which could materially adversely affect our business, financial condition, liquidity and results of operations in future periods. The risks described below are not the only risks that we face. Additional risks not presently known to us or that we currently deem immaterial may also materially adversely affect our business, financial condition, liquidity and results of operations in future periods.

Risks Related to Mortgage Production and Servicing

Market and Financial Risks

Our business is significantly affected by changes in interest rates. Changes in prevailing interest rates, rising inflation rates, U.S. monetary policies or other macroeconomic conditions that affect interest rates may have a detrimental effect on our business and earnings.

Our operations, financial performance and earnings are affected by factors including prevailing interest rates, United States monetary policies or other macroeconomic conditions such as inflation fluctuations, recessions, consumer confidence and demand. For example, higher interest rates and inflationary pressures in 2024 and 2025 have constrained mortgage origination and refinancing activity as compared to previous years. In addition, the pricing and liquidity of the MBS market may be impacted by significant changes in the Federal Reserve's MBS portfolio. Future reductions of the Federal Reserve's balance sheet or its MBS portfolio may result in higher interest rate volatility and wider mortgage-backed security spreads that could negatively affect our investments.

Our financial performance and profitability are directly affected by changes in prevailing interest rates. An increase in prevailing interest rates could:

- adversely affect our loan production volume, as refinancing an existing loan would be less attractive and qualifying for a loan may be more difficult;
- adversely affect our Ginnie Mae early buyout ("EBO") loans because modifications would become less economically feasible; and
- increase the cost of servicing our outstanding debt, including debt related to servicing assets and loan production.

A decrease in prevailing interest rates could:

- cause an increase in the volume of loan refinancing, which would require us to record decreases in fair value on our MSR; and
- reduce our earnings from our custodial deposit accounts.

Furthermore, borrowings under our warehouse lines of credit and MSR and servicing advance facilities expose us to interest rate risk. If interest rates increase, our debt service obligations on certain of our variable-rate indebtedness will increase even though the amount borrowed remains the same, and our earnings and cash flows may correspondingly decrease. In addition, we may not be able to adjust our operational capacity and staffing in a timely manner, or at all, in response to increases or decreases in loan production volume resulting from changes in prevailing interest rates. Any of the increases or decreases discussed above could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Our business is highly dependent on macroeconomic, real estate, mortgage and financial market conditions that could materially and adversely affect our business, financial condition and results of operations.

The success of our business strategies and our results of operations are materially affected by current or future conditions in the real estate market, mortgage markets, financial markets and the economy generally. Factors such as inflation, deflation, unemployment, personal and business income taxes, energy costs, government shutdowns, pandemics, wars and armed conflicts, climate change and the availability and cost of credit may contribute to increased volatility and unclear expectations for the economy in general and the real estate market, mortgage market and financial markets.

A significant deterioration in macroeconomic conditions could reduce the amount of disposable income consumers have and negatively impact consumers' ability to take out new loans and repay existing loans. A

destabilization of the real estate market, mortgage market and financial markets or deterioration in these markets also could reduce our loan production volume, reduce the profitability of servicing mortgages or adversely affect our ability to sell mortgage loans that we originate or acquire, either at a profit or at all. Inflation and future expectations of inflation could also increase our operating expenses and may affect our profitability if the additional operating expenses are not recoverable through increased revenues or profit margins. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

Rising homeownership costs may negatively impact housing affordability and increase mortgage delinquencies, defaults and foreclosures.

Housing affordability has been negatively impacted by rising housing costs and tax payments. The average share of borrowers' mortgage payments allocated to property taxes and insurance premiums has been steadily rising in recent years due to inflation, natural disasters and other factors. For example, due to wildfires in Northern and Southern California and in other areas of the west coast, many private insurance carriers will no longer offer homeowner insurance policies in certain high risk areas to new or existing homeowners. The decrease in available private insurers increases insurance premiums and a borrower's monthly expenses and creates a higher likelihood that loan payments in respect of the mortgaged property may become delinquent or default, which could materially and adversely affect our business, financial condition, liquidity and results of operations.

Increases in delinquencies and defaults may adversely affect our business, financial condition, liquidity and results of operations.

Delinquencies can result from many factors including unemployment, weak economic conditions or real estate values, or catastrophic events such as man-made or natural disasters, pandemics, wars and armed conflicts, and terrorist attacks. A decrease in home prices may result in higher loan-to-value ratios, lower recoveries in foreclosure and an increase in loss severities above those that would have been realized had property values not decreased. Some borrowers may not have sufficient equity in their homes to permit them to refinance their existing loans, which may reduce the volume of our loan production business. This may also provide borrowers with an incentive to default on their mortgage loans even if they have the ability to make principal and interest payments.

Increased mortgage delinquencies, defaults and foreclosures may result in lower revenue for loans that we service for the Agencies because we only collect servicing fees from the Agencies for performing loans, and our failure to service delinquent and defaulted loans in accordance with the applicable servicing guidelines could result in our failure to benefit from available monetary incentives and/or expose us to monetary penalties and curtailments. Additionally, while increased delinquencies generate higher ancillary fees, including late fees, these fees may not be recoverable if the related loan is liquidated or due to other regulatory or investor requirements. In addition, an increase in delinquencies lowers the interest income that we receive on cash held in collection and other accounts because there is less cash in those accounts. Also, increased mortgage defaults may ultimately reduce the number of mortgages that we service.

Increased mortgage delinquencies, defaults and foreclosures will also result in a higher cost to service those loans due to the increased time and effort required to collect payments from delinquent borrowers and to acquire and liquidate the properties securing the loans or otherwise resolve loan defaults if payment collection is unsuccessful, and only a portion of these increased costs are recoverable under our servicing agreements. Increased mortgage delinquencies, defaults and foreclosures may also result in an increase in servicing advances we are obligated to make to fulfill our obligations to MBS holders and to protect our investors' interests in the properties securing the delinquent mortgage loans. An increase in required advances also may cause an increase in our interest expense and affect our liquidity as a result of increased borrowings under our financing agreements to fund any such increase in the advances.

We are required to make servicing advances that can be subject to delays in recovery or may not be recoverable due to delinquencies, defaults and foreclosures that could adversely affect our business, financial condition, liquidity and results of operations.

During any period in which a borrower is not making payments, we may be required under our servicing agreements in respect of our MSRMs to advance our own funds to pay property taxes and insurance premiums, legal expenses and other protective advances, and may be required to advance scheduled principal and interest payments to security holders of the MBS into which the loans are sold. We also advance funds under our servicing agreements to maintain, repair and market real estate properties on behalf of investors. As home values change, we may have to reconsider certain of the assumptions underlying our decisions to make advances and, in certain situations, our contractual obligations may require us to make advances for which we may not be reimbursed.

If a loan serviced by us is in default or becomes delinquent, the repayment to us of the advance may be delayed until the loan is repaid or refinanced or a liquidation occurs. Federal, state or local regulatory actions may also result in an increase in the amount of servicing advances that we are required to make, lengthen the time it takes for us to be reimbursed for such advances and increase the costs incurred while the loan is delinquent. A delay in our ability to collect advances may adversely affect our liquidity, and our inability to be reimbursed for advances could have a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make distributions to our stockholders. Increased mortgage delinquencies, defaults and foreclosures will also result in a higher cost to service those loans due to the increased time and effort required to collect payments from delinquent borrowers, to foreclose on the loan and to liquidate properties or otherwise resolve loan defaults if payment collection is unsuccessful.

Any significant increases in delinquencies, defaults and foreclosures on loans that we service in respect of FHA, VA, and USDA related MSRMs could result in an increase in servicing expenses as well as losses since the loans may not be fully insured or guaranteed under each of the VA, the FHA and the USDA government loan programs.

- *FHA Insurance* - FHA loans are insured for the entire unpaid principal balance of the loan. However, if the FHA loan defaults or goes into foreclosure, the servicer is only compensated for two-thirds of its incurred foreclosure costs up to a maximum amount defined by HUD. In addition, the servicer is only reimbursed for any interest accrued and unpaid from a date 60 days after the borrower's first uncorrected failure to perform, and the interest is reimbursed at the HUD debenture interest rate that may be lower than the actual loan rate.
- *VA and USDA Guarantees* - VA and USDA loans are only partially guaranteed by the government and if such loan defaults or goes into foreclosure, the VA or USDA guarantees may not fully cover all principal, interest and other fees and advances we may have incurred on the outstanding VA or USDA loan, and we may suffer a loss.

We may also be subject to additional curtailments to servicing and advance reimbursements if we have not satisfied VA, USDA or FHA timing, service and other regulatory or investor requirements during the foreclosure and conveyance processes. Any significant increase in delinquencies, defaults and foreclosures on loans that increase our servicing advances, reduce property value or otherwise delay our ability to dispose of the properties underlying the loan could have a material adverse effect on our business, financial condition, liquidity and results of operations.

We may not be able to effectively manage significant increases or decreases in our loan production volume, which could negatively affect our business, financial condition, liquidity and results of operations.

If we do not effectively manage loan production volumes and are unable to consistently maintain quality of execution, our reputation and existing relationships with mortgage lenders, brokers and consumers could be damaged, we may not be able to develop new relationships with mortgage lenders and brokers, our new mortgage products may not gain widespread acceptance and the quality of our correspondent production, consumer direct lending and broker lending operations could suffer, all of which could negatively affect our brand and operating results.

Our loan production business is subject to market factors that could adversely impact our loan production volumes. For example, increased competition from new and existing market participants, reductions in the overall level of refinancing activity or a decrease in home purchase activity can decrease our loan production volumes. We may be forced to accept lower margins in our respective businesses to continue to compete and keep our loan production

volumes consistent with past or projected levels or be forced to reduce our levels of production activity. In addition, we may not be able to adjust our operational capacity and staffing in a timely manner, or at all, in response to increases or decreases in loan production volume resulting from changes in prevailing interest rates.

We have a substantial amount of indebtedness, which may limit our financial and operating activities, expose us to substantial increases in costs due to interest rate fluctuations, expose us to the risk of default under our debt obligations and may adversely affect our ability to incur additional debt to fund future needs.

As of December 31, 2025, we had \$15.6 billion of total indebtedness outstanding (approximately \$10.8 billion of which was secured) and up to \$4.9 billion of additional capacity under our secured borrowings and other secured debt financing arrangements. This substantial indebtedness and any future indebtedness we incur could have adverse consequences and, for example, could:

- require us to dedicate a substantial portion of cash flow from operations to the payment of principal and interest on indebtedness, including indebtedness we may incur in the future, thereby reducing the funds available for operations, capital expenditures and other general corporate purposes;
- make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including any restrictive covenants, could result in an event of default under the indentures governing the unsecured senior notes or under the agreements governing our other indebtedness which, if not cured or waived, could result in the acceleration of our indebtedness under our other debt instruments or the unsecured senior notes;
- subject us to increased sensitivity to interest rate increases;
- make us more vulnerable to economic downturns, adverse industry conditions or catastrophic events;
- reduce our flexibility in planning for or responding to changing business, industry and economic conditions; and/or
- place us at a competitive disadvantage to competitors that have relatively less debt than we have.

In addition, our substantial level of indebtedness could limit our ability to obtain additional financing on acceptable terms, or at all, for working capital and general corporate purposes. Our liquidity needs vary significantly from time to time and may be affected by general economic conditions, industry trends, performance and many other factors outside our control.

We are a holding company and our principal assets are our equity interests in our subsidiaries and, accordingly, we are dependent upon the cash distributions from our subsidiaries for our expenses and indebtedness.

We are a holding company and our principal asset is our equity interest in our wholly-owned subsidiaries. As a result, we have no independent means of generating revenue and, accordingly, we are dependent upon the cash distributions from our wholly-owned subsidiaries to pay for our expenses and indebtedness. For example, the repayment of our indebtedness, including the \$4.9 billion of unsecured senior notes, will depend in part on our subsidiaries' generation of cash flows and ability to make such cash available to us, by dividend, debt repayment or otherwise. Subsidiaries that are not guarantors will not have any obligation to pay amounts due on the unsecured senior notes or to make funds available for that purpose. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from them. In the event that we are unable to receive cash from our subsidiaries, we may be unable to pay dividends or make payments on our indebtedness.

We rely on external financial arrangements to fund mortgage loans and operate our business and our inability to refinance or enter new financial arrangements could be detrimental to our business.

Our ability to finance our business operations and repay maturing obligations rests in large part on our ability to borrow money. Unlike some of our competitors who fund mortgage loans through bank deposits, we generally fund our mortgage loans through borrowings under warehouse facilities and other financing arrangements from banks, private equity firms and other institutional investors and with funds from our operations. Our borrowings are generally repaid with the proceeds we receive from mortgage loan sales. We require new and continued financing to fund mortgage loans and operate our business. We are generally required to renew many of our financing arrangements on a regular basis, which exposes us to refinancing and interest rate risks. Our ability to refinance our existing financial obligations and borrow additional funds is affected by a variety of factors beyond our control including:

- limitations imposed on us under our financing agreements that contain restrictive covenants and borrowing conditions, which may limit our ability to raise additional debt;
- restrictions imposed upon us by regulatory agencies that mandate certain minimum capital and liquidity requirements;
- liquidity in the credit markets;
- prevailing interest rates;
- the strength of the lenders from which we borrow, and the regulatory environment in which they operate, including changing capital requirements;
- limitations on borrowings from financing arrangements imposed by the amount of eligible collateral pledged, which may be less than the borrowing capacity of the credit facility; and
- accounting changes that may impact calculations of covenants in our financing arrangements.

We are also dependent on a limited number of banks, private equity firms and institutional investors to extend us credit on terms that we have determined to be commercially reasonable. These banks, private equity firms and institutional investors are subject to their own risk management frameworks, profitability and risk thresholds and tolerances, any of which may change materially and negatively impact their business strategies, including their extension of credit to us specifically or mortgage lenders and servicers generally. Such actions may increase our cost of capital and limit or otherwise eliminate our access to capital, in which case our business, financial condition, liquidity and results of operations would be materially and adversely affected.

In the event that any of our financial arrangements is terminated or is not renewed, or if the principal amount that may be drawn under our funding agreements that provide for immediate funding at closing were to significantly decrease, we may be unable to find replacement financing on commercially favorable terms, or at all, which could be detrimental to our business.

We finance our loans, MSR's and other assets under secured financing agreements and utilize various other sources of borrowings, which exposes us to significant risk and may materially and adversely affect our business, financial condition, liquidity and results of operations.

We finance and, to the extent available, we intend to continue to leverage the loans produced through our loan production businesses with borrowings under repurchase agreements. When we enter into repurchase agreements, we sell mortgage loans to lenders, which are the repurchase agreement counterparties, and receive cash from the lenders. The lenders are obligated to resell the same assets back to us at the end of the term of the transaction. Because the cash that we receive from a lender when we initially sell the assets to that lender is less than the fair value of those assets (this difference is referred to as the haircut or margin), if the lender defaults on its obligation to resell the same assets back to us we could incur a loss on the transaction equal to the amount of the haircut or margin reduced by interest accrued on the repurchase agreement (assuming that there was no change in the fair value of the assets). Repurchase agreements generally allow the counterparties, to varying degrees, to determine a new fair value of the collateral to reflect current market conditions. If a counterparty lender determines that the fair value of the collateral has decreased, it may initiate a

margin call and require us to either post additional collateral to cover such decrease or repay a portion of the outstanding borrowing. Should this occur, in order to obtain cash to satisfy a margin call, we may be required to liquidate assets at a disadvantageous time, which could cause us to incur further losses. If we are unable to satisfy a margin call, our counterparty may sell the collateral, which may result in significant losses to us.

In addition, we invest in certain assets, including MSRs and EBOs, for which financing has historically been difficult to obtain. We currently leverage certain of our MSRs and EBOs under secured financing arrangements. Freddie Mac MSRs may be pledged through a special purpose entity to secure borrowings under a master repurchase agreement. Fannie Mae and Ginnie Mae MSRs may be pledged to special purpose entities, each of which issues variable funding notes, term loans and term notes that are secured by such Fannie Mae or Ginnie Mae assets, as applicable, and repaid through the servicing cash flows. Some of our EBOs are contributed to a special purpose entity, which issues participation certificates pledged to secure borrowings under a master repurchase agreement. In each case, similar to our repurchase agreements, the cash that we receive under these secured financing arrangements is less than the fair value of the assets and a decrease in the fair value of the pledged collateral can result in a margin call. Should a margin call occur, we may be required to liquidate assets at a disadvantageous time, which could cause us to incur further losses. If we are unable to satisfy a margin call, the secured parties may sell the collateral, which may result in significant losses to us.

Our secured financing arrangements are subject to the terms of an acknowledgement agreement with Fannie Mae, Freddie Mac or Ginnie Mae, as applicable, pursuant to which our and the secured parties' rights are subordinate in all respects to the rights of the applicable Agency. Accordingly, the exercise by any of Fannie Mae, Freddie Mac or Ginnie Mae of its rights under the applicable acknowledgment agreement could result in the extinguishment of our and the secured parties' rights in the related collateral and result in significant losses to us.

We may in the future utilize other sources of borrowings, including bank or private credit financing facilities and other structured financing arrangements. The amount of leverage we employ varies depending on the asset class being financed, our available capital, our ability to obtain and access financing arrangements with lenders and the lenders' and rating agencies' estimate of, among other things, the stability of our cash flows. We can provide no assurance that we will have access to any debt or equity capital on favorable terms or at the desired times, or at all. Our inability to raise such capital or obtain financing on favorable terms could materially and adversely impact our business, financial condition, liquidity and results of operations.

Our financing agreements contain financial and restrictive covenants that could adversely affect our business, financial condition, liquidity and results of operations.

Our various financing agreements require us and/or our subsidiaries to comply with various restrictive covenants and conditions precedent to funding, including those relating to tangible net worth, profitability and our ratio of total liabilities to tangible net worth. Incurring substantial debt subjects us to the risk that our cash flows from operations may be insufficient to repurchase the assets that we have sold under our repurchase agreements or otherwise service the debt incurred under our other financing agreements. Our lenders also require us to maintain minimum amounts of cash or cash equivalents sufficient to maintain a specified liquidity position. In addition, the repayment of the unsecured senior notes will depend in part on our restricted subsidiaries' generation of cash flow and our restricted subsidiaries' ability to make such cash available to us, by dividend, debt repayment or other means.

The unsecured senior note indentures contain additional restrictive covenants that may limit our and our restricted subsidiaries' ability to engage in specified types of transactions, including our ability and/or the ability of our restricted subsidiaries to:

- pay dividends or distributions, redeem or repurchase equity, prepay subordinated debt and make certain loans or investments;
- merge or consolidate with another company or sell all or substantially all of our assets;
- transfer, sell or otherwise dispose of certain assets including capital stock of subsidiaries;

- enter into transactions with affiliates; and
- allow to exist certain restrictions on the ability of non-guarantor restricted subsidiaries to pay dividends or make other payments to us.

If we fail to comply with the restrictive covenants and are unable to obtain a waiver or amendment, an event of default would result under the terms of our financing arrangement or could limit our ability to obtain additional financing on acceptable terms, or at all, for working capital and general corporate purposes. If an event of default occurs, our financing arrangements could be immediately due and payable, requiring us to apply all available cash to repay our financing arrangements, and if we were unable to repay or refinance our financial arrangements then any collateral securing the financial borrowing may be sold by our lenders.

Hedging against interest rate exposure may materially and adversely affect our business, financial condition, liquidity, results of operations and cash flows.

We pursue hedging strategies primarily in an effort to mitigate the effect of changes in interest rates on the fair value of our assets. To manage this price risk, we use derivative financial instruments and principal only securities to moderate the risk that changes in market interest rates will result in unfavorable changes in the fair value of our assets, such as prepayment exposure on our MSR investments, interest rate lock commitments (“IRLCs”) and our inventory of loans held for sale. For example, with respect to our IRLCs and inventory of loans held for sale, we may use MBS forward sale contracts to lock in the price at which we will sell the mortgage loans or resulting MBS, and MBS put options to mitigate the risk of our IRLCs not closing at the rate we expect. In addition, with respect to our MSRs, we may use MBS forward purchase and sale contracts to address exposures to smaller interest rate shifts with Treasury and interest rate swap futures, options, swaptions and principal only securities to achieve target coverage levels for larger interest rate shocks.

Our hedging activity will vary in scope based on the risks being mitigated, the level of interest rates, the type of investments held, and other changing market conditions. Hedging instruments involve risk because they often are not traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U.S. or foreign governmental authorities, and our interest rate hedging may fail to protect or could adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedging instruments may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability or asset;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction;
- the hedging counterparty owing the money in the hedging transaction may default on its obligation to pay; and
- we may fail to recalculate, re-adjust and execute hedges in an efficient manner.

The degree of correlation between price movements of the instruments used in hedging strategies and price movements in the portfolio positions or liabilities being hedged may vary materially. Moreover, we may not establish an effective correlation between such hedging instruments and the portfolio positions or liabilities being hedged. Any such ineffective correlation may prevent us from achieving the intended hedge and expose us to risk of loss. Numerous regulations currently apply to hedging and any new regulations or changes in existing regulations may significantly increase our administrative or compliance costs. Our derivative agreements generally provide for the daily mark to market of our hedge exposures. If a hedge counterparty determines that its exposure to us exceeds its exposure threshold,

it may initiate a margin call and require us to post collateral. If we are unable to satisfy a margin call, we would be in default of our agreement, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and cash flows.

Therefore, any hedging activity, which is intended to limit losses, may materially and adversely affect our financial position, operations and cash flows. While we may enter into such transactions seeking to reduce interest rate risk, unanticipated changes in interest rates may result in worse overall investment performance than if we had not engaged in any such hedging transactions. Further, a liquid secondary market may not exist for a hedging instrument purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in significant losses. The cost of utilizing derivatives may reduce our income that would otherwise be available for distribution to stockholders or for other purposes, and the derivative instruments that we utilize may fail to effectively hedge our positions. We are also subject to credit risk with regard to the counterparties involved in the derivative transactions.

We use estimates in determining the fair value of our investments and for credit decisions. If our estimates prove to be inaccurate, we may be required to write down the fair values of our investments or suffer a loss that could adversely affect our business, financial condition, liquidity and results of operations.

Fair value determinations require many assumptions and complex analyses, especially to the extent there are no active markets for identical assets. For example, the fair value estimate of our MSR investment is based on the cash flows projected to result from the servicing of the related mortgage loans and continually fluctuates due to a number of factors. These factors include prepayment speeds, interest rate changes, costs to service the loans and other market conditions. We use financial models that utilize our understanding of inputs used by market participants to value our MSRs to determine the price that we pay for portfolios of MSRs and to acquire loans for which we will retain MSRs. These models are complex and use asset-specific collateral data and market inputs for interest and discount rates. In addition, the modeling requirements of MSRs are complex because of the high number of variables that drive cash flows associated with MSRs. We may also encounter analytical results that may be inaccurate or inconsistent with other market observations as we update our valuation model.

Even if the general accuracy of our valuation models is validated, valuations are highly dependent upon the reasonableness of our inputs and the results of the models. If loan delinquencies or prepayment speeds are different than anticipated or other factors perform differently than modeled, the recorded fair value of certain of our MSRs may change. Significant differences in performance could increase the chance that we do not adequately estimate the effect of these factors on our valuations which could result in misstatements of our financial results, restatements of our financial statements, or otherwise materially and adversely affect our business, financial condition, liquidity and results of operations.

Our credit models are based on numerous estimates and algorithms that evaluate a multitude of factors, including behavioral data, transactional data and employment information, which may not effectively predict whether a mortgage loan defaults or realizes a profit or loss. Our credit models are continuously updated based on new data and changing macroeconomic conditions. If our credit models contain programming or other errors, are ineffective or the data provided by borrowers or third parties is incorrect or stale, or if we are unable to obtain accurate data from borrowers or third parties, our loan process could be negatively affected, resulting in mispriced or misclassified loans or incorrect approvals or denials of loans, resulting in loan losses.

Our servicing portfolio may be affected by weaker economic conditions or adverse events specific to certain geographic regions which could decrease the fair value of our MSRs and adversely affect our business, financial condition, liquidity and results of operations.

A decline in the economy or other negative macroeconomic events in certain real estate markets may cause a decline in the fair value of residential properties. To the extent that states in which we have greater concentrations of business in the future, such as California, Florida and Texas, experience weaker economic conditions or greater rates of decline in real estate values than the United States generally, such concentration may disproportionately decrease the fair value of our MSRs and adversely affect our loan production businesses. The impact of property value declines may

increase in magnitude and it may continue for a long period of time. Additionally, if states in which we have greater concentrations of business were to change their licensing or other regulatory requirements to make our business cost-prohibitive, we may be required to stop doing business in those states or may be subject to a higher cost of doing business in those states, which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Our ownership of mortgage servicing rights exposes us to prepayment, delinquency, interest rate and regulatory risks.

MSRs arise from contractual agreements between us and the investors (or their agents) in loans and MBS that we service on their behalf. We generally acquire MSRs in connection with our sale of loans to the Agencies where we assume the obligation to service such loans on their behalf. Any MSRs we acquire are initially recorded at fair value on our balance sheet. The determination of the fair value of MSRs requires our management to make numerous estimates and assumptions. Such estimates and assumptions include, without limitation, estimates of future cash flows associated with MSRs based upon assumptions involving interest rates as well as the prepayment rates, delinquencies and foreclosure rates of the underlying serviced loans.

The ultimate realization of the MSRs may be materially different than the values of such MSRs as may be reflected in our consolidated balance sheet as of any particular date. Different persons in possession of the same facts may reasonably arrive at different conclusions as to the inputs and assumptions used to determine MSR fair value. The use of different estimates or assumptions in connection with the valuation of these assets could produce materially different fair values for such assets, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Changes in interest rates are a key driver of the performance of MSRs. Historically, the fair value of MSRs has increased when interest rates increase and decreased when interest rates decrease due to the effect those changes in interest rates have on prepayment estimates. Prepayment speeds significantly affect MSRs. In general, prepayment on residential mortgage loans may occur at any time without penalty when the homeowner satisfies or pays off the mortgage upon selling or refinancing the mortgaged property. Prepayment speed measures how quickly borrowers pay down the unpaid principal balance of their mortgage loans or how quickly loans are otherwise brought current, modified, liquidated or charged off. We base the price we pay for MSRs on, among other things, our projection of the cash flows from the related pool of loans. Our expectation of prepayment speeds is a significant input to our cash flow projections. If prepayment speed expectations increase significantly, the fair value of the MSRs could decrease and we may be required to record a non-cash charge that would have a negative impact on our financial results.

Furthermore, a significant increase in prepayment speeds could materially reduce the cash flows we receive from MSRs, and we could ultimately receive substantially less than what we paid for such assets. Delinquency rates have a significant impact on the valuation of MSRs. An increase in delinquencies generally results in lower revenue because typically we only collect servicing fees from Agencies or mortgage owners when we collect payments from the borrower. Our expectation of delinquencies is also a significant input underlying our cash flow projections. If delinquencies are significantly greater than we expect, the estimated fair value of the MSRs could be diminished. When the estimated fair value of MSRs is reduced, we could suffer a loss, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make distributions to our stockholders.

We may pursue various hedging strategies to seek to reduce our exposure to adverse changes in the fair value resulting from changes in interest rates. Our hedging activity will vary in scope based on the level and volatility of interest rates and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us. To the extent we do not utilize derivative financial instruments to hedge against changes in the fair value of MSRs or the derivatives we use in our hedging activities do not perform as expected, our business, financial condition, liquidity, results of operations and ability to make distributions to our stockholders would be more susceptible to volatility.

We may refinance and extend loans to borrowers who have successfully repaid their previous mortgage loans. Borrowers have no obligation to refinance their mortgage loans with us and may choose to refinance with a competitor. If borrowers choose to refinance mortgage loans underlying our MSRs with a competitor, then our cash flows from our

MSRs may decrease since the original mortgage loans underlying the MSRs will be repaid and we will not have an opportunity to earn further servicing fees from those new loans. If we are not successful in obtaining the refinanced loan for our serviced borrowers who pay off their existing mortgage loans, our MSRs may become increasingly subject to run-off that would impact our servicing revenue and financial performance.

MSRs and the related servicing activities are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions imposing various requirements and restrictions on our business. Our failure to comply, or the failure of the servicer to comply, with the laws, rules or regulations to which we or they are subject by virtue of ownership of MSRs, whether actual or alleged, could expose us to fines, penalties or potential litigation liabilities, including costs, settlements and judgments, any of which could have a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make distributions to our stockholders.

Failure to service loans according to various Servicing Guidelines and other contractual requirements may result in the termination of our servicing agreements and MSRs, which could adversely affect our business, financial condition, liquidity and results of operations.

Our duties and obligations as a servicer are defined through contractual agreements with the Agencies via each Agency's servicing or MBS guidelines as well as pooling, securitization and other servicing agreements for non-agency MBS (collectively the "Servicing Guidelines"). In addition, if we are engaged as subservicer, our duties to service the loans underlying our MSRs are defined by a subservicing agreement, and may differ from the Servicing Guidelines. The value of our MSRs and other mortgage investments is dependent on the satisfactory performance of our servicing obligations as a servicer or subservicer. As is standard in the industry, under the terms of our master servicing agreements with the Agencies in respect of Agency MSRs that we retain in connection with our loan production, the Agencies have the right to terminate us as servicer of the loans we service on their behalf at any time (and, in certain instances, without the payment of any termination fee) and also have the right to cause us to sell the MSRs to a third party. In addition, our failure to comply with applicable Servicing Guidelines could result in our termination under such master servicing agreements by the Agencies with little or no notice and without any compensation. The owners of other non-Agency loans that we service may also terminate certain of our MSRs if we fail to comply with applicable Servicing Guidelines. If the MSRs are terminated on a material portion of our servicing portfolio, our business, financial condition, liquidity and results of operations could be adversely affected.

Failure to expand our subservicing business with third parties could impact our business and increase our subservicing compliance risks.

Our subservicing business with third parties is a growing part of our overall servicing portfolio, however, we may not be able to develop and maintain sufficient subservicing relationships to establish a successful business. Under such contracts, the primary servicers for which we conduct subservicing activities may have the right to terminate our subservicing contracts with or without cause, with limited notice and with no termination fee upon a change of control. We may not have control over whether a subservicing client sells off its portfolio or the volume and timing of such sales. If we are unable to grow our subservicing business or if subservicing contracts are terminated with limited notice, then the growth of our subservicing business could be impacted and we could incur significant expenses. In addition, increasing our exposure to multiple subservicing arrangements will increase our operational servicing costs and our exposure to regulatory examinations and other subservicing compliance risks.

We may not realize all of the anticipated benefits of potential future acquisitions and sales of MSRs, which could adversely affect our business, financial condition, liquidity and results of operations.

Our ability to realize the anticipated benefits of potential future acquisitions and sales of servicing portfolios will depend, in part, on our ability to appropriately execute these transactions and service the related MSR assets. The risks associated with these MSR transactions include, among others, unanticipated issues in integrating information regarding the new loans to be serviced into our information technology systems, compliance with loan representations and warranties provisions and other operational failures to execute and service the MSR transactions. Moreover, incorrectly valuing the MSR transactions could have a negative financial impact on the carrying value of our assets and

earnings. Furthermore, if we incur additional indebtedness to finance an acquisition, the acquired servicing portfolio may not be able to generate sufficient cash flows to service that additional indebtedness. Unsuitable or unsuccessful MSR transactions could have a material adverse effect on our business, financial condition, liquidity and results of operations.

A disruption in the MBS market could materially and adversely affect our business, financial condition, liquidity and results of operations.

Most of the loans that we produce are either pooled into MBS issued by Fannie Mae or Freddie Mac or guaranteed by Ginnie Mae, or sold to PMT. Any significant disruption or period of illiquidity in the general MBS market would directly affect our own liquidity because no existing alternative secondary market would likely be willing and able to accommodate on a timely basis the volume of loans that we typically sell in any given period. Furthermore, we would remain contractually obligated to fund loans under our outstanding IRLCs without being able to sell our existing inventory of mortgage loans. Accordingly, if the MBS market experiences a period of illiquidity, we might be prevented from selling the loans that we produce into the secondary market in a timely manner or at favorable prices and we would be required to hold a larger inventory of loans than we have committed facilities to fund or we may be required to repay a portion of the debt secured by these assets, which could materially and adversely affect our business, financial condition and results of operations.

We may be required to indemnify the purchasers of loans that we originate, acquire or assist in the fulfillment of, or repurchase those loans, if those loans fail to meet certain criteria or characteristics or under other circumstances and we may be unable to seek indemnity or require our counterparties to repurchase loans if they breach representations and warranties they make to us.

Our loan sale agreements with purchasers, including the Agencies, contain provisions that generally require us to indemnify or repurchase these loans if our representations and warranties concerning loan quality and loan characteristics are inaccurate; or the loans fail to comply with the respective Agency's underwriting or regulatory requirements. When we purchase mortgage loans, our counterparty typically makes customary representations and warranties to us about such loans and we may be entitled to seek indemnity or demand repurchase or substitution of the loans in the event our counterparty breaches a representation or warranty given to us. However, there can be no assurance that our loan purchase agreements will contain appropriate representations and warranties, that we will be able to enforce our contractual right to demand repurchase or substitution, or that our counterparty will remain solvent or otherwise be willing and able to honor its obligations under our loan purchase agreements. Depending on the volume of repurchase and indemnification requests, some of these mortgage lenders may not be able to financially fulfill their obligation to indemnify us or repurchase the affected loans. If a material amount of recovery cannot be obtained from these mortgage lenders, our business, financial condition, liquidity and results of operations could be materially and adversely affected.

Repurchased loans typically can only be financed at a steep discount to their repurchase price, if at all. Although our indemnification and repurchase exposure cannot be quantified with certainty, to recognize these potential indemnification and repurchase losses, we have recorded a liability of \$34.9 million relating to \$490.8 billion in UPB of loans subject to representations and warranties as of December 31, 2025. Should home values decrease and negatively impact the related loan values, our realized loan losses from indemnifications and repurchases may increase as well. As such, our indemnification and repurchase costs may increase well beyond our current expectations. In addition, our mortgage banking services agreement with PMT may require us to indemnify PMT with respect to loans for which we provide fulfillment services in certain instances. If we are required to indemnify PMT or other purchasers against losses, or repurchase loans from PMT or other purchasers, that result in losses that exceed the recorded liability, this could have a material adverse effect on our business, financial condition, liquidity and results of operations.

We depend on the accuracy and completeness of information about borrowers and counterparties and any misrepresented information could adversely affect our business, financial condition, liquidity and results of operations.

In deciding whether to approve loans or to enter into other transactions across our businesses with counterparties, including borrowers, brokers and correspondent lenders, we may rely on information furnished to us by

or on behalf of borrowers and such counterparties, including financial statements and other financial information. We also may rely on representations of borrowers and such counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors.

If any of this information is intentionally or negligently misrepresented and such misrepresentation is not detected prior to loan funding, the fair value of the loan may be significantly lower than expected. Whether a misrepresentation is made by the loan applicant, another party or one of our employees, we generally bear the risk of loss associated with the misrepresentation. Our controls and processes may not have detected or may not detect all misrepresented information in our loan originations or acquisitions. Any such misrepresented information could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Failure to successfully modify, resell or refinance EBO loans or defaults of the EBO loans beyond expected levels may adversely affect our business, financial condition, liquidity and results of operations.

As a mortgage servicer, we have an early buyout repurchase option for loans that are at least three months delinquent in our Ginnie Mae MSR portfolio. Purchasing delinquent Ginnie Mae loans provides us with an alternative to our mortgage servicing obligation of advancing principal and interest at the coupon rate of the related Ginnie Mae security. While our EBO program reduces the cost of servicing the Ginnie Mae loans, it may also accelerate loss recognition when the loans are repurchased because we are required to write off accumulated non-reimbursable interest advances and other costs at the time of repurchase. After purchasing delinquent Ginnie Mae loans, we expect to repool many of the delinquent loans into another Ginnie Mae guaranteed security upon the delinquent loans becoming current either through the borrower's reperformance or through the completion of a loan modification; however, there is no guarantee that any delinquent loan will reperform or be modified or resold. Failure to successfully modify, resell or refinance our repurchased Ginnie Mae loans or a significant portion of the repurchased Ginnie Mae loans defaulting beyond expectations may adversely affect our business, financial condition, liquidity and results of operations.

We are subject to significant financial and reputational risks from potential liability arising from lawsuits, and regulatory and government action.

We face significant legal risks in our business, and the volume of claims and amount of damages, penalties and fines claimed in litigation, and regulatory and government proceedings against us and other financial institutions remains high. Greater than expected investigation costs and litigation, including class action lawsuits associated with compliance related issues, substantial legal liability or significant regulatory or government action against us could also have adverse effects on our financial condition and results of operations or cause significant reputational harm to us, which in turn could adversely impact our business results and prospects. Consumers, clients and other counterparties could also become increasingly litigious, and we may experience a significant volume of litigation and other disputes, including claims for contractual indemnification, with counterparties regarding relative rights and responsibilities.

Our investment management subsidiary manages PMT and could expose us to potential liability, or litigation arising from investor dissatisfaction with PMT's financial performance or allegations we exercised improper control or influence over PMT. In addition, we are exposed to risks of litigation or investigation relating to transactions with perceived or actual conflicts of interest, and we could be obligated to bear legal, settlement and other costs associated with the defense of such claims (which may be in excess of available insurance coverage). Although we are generally indemnified by PMT, our rights to indemnification may be challenged, and if we are required to incur all or a portion of the costs arising out of litigation or investigations as a result of inadequate insurance proceeds or failure to obtain indemnification, our business, financial condition, liquidity and results of operations could be materially and adversely affected.

We depend on counterparties and vendors to provide services that are critical to our business, which subjects us to a variety of risks.

We have a number of counterparties and vendors who provide us with financial, technology and other services that are critical to support our businesses. If our current counterparties and vendors were to stop providing services to us on acceptable terms or if we had a disruption in service, we may be unable to procure alternative services from other

counterparties or vendors in a timely and efficient manner and on similarly acceptable terms, or at all. Some of these counterparties and vendors have significant operations outside of the United States. If we or our vendors had to curtail or cease operations in these countries due to political unrest or natural disasters and then transfer some or all of these operations to another geographic area, we could experience disruptions in service and incur significant transition costs as well as higher future overhead costs. We may also outsource certain services to vendors located in foreign countries such as India and the Philippines with emerging technology, political and regulatory infrastructures that could result in future business disruptions or reputational damages. With respect to vendors engaged to perform certain servicing activities, we are required to assess their compliance with various regulations and establish procedures to provide reasonable assurance that the vendor's activities comply in all material respects with such regulations. In the event that a vendor's activities are not in compliance, it could negatively impact our relationships with our regulators, as well as our business and operations. Further, we may incur significant costs to resolve any such disruptions in service which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Our failure to appropriately address various issues that may give rise to reputational risk could cause harm to our business and adversely affect our earnings.

Our business is subject to significant reputational risks. If we fail, or appear to fail, to address various issues that may give rise to reputational risk, we could significantly harm our business prospects and earnings. Such issues include, but are not limited to, actual or perceived conflicts of interest, violations of legal or regulatory requirements and other risks. Similarly, market rumors and actual or perceived association with counterparties whose own reputations are under question could harm our business.

Certain of our senior officers also serve as senior officers of PMT, a real estate investment trust that invests in residential mortgage-related assets and is separately listed on the New York Stock Exchange. PCM, our registered investment advisor, has a management agreement with PMT. As we expand the scope of our businesses, we increasingly confront potential conflicts of interest relating to investment activities that we manage for PMT. Reputational risk incurred in connection with conflicts of interest could negatively affect our business, strain our working relationships with regulators and government agencies, expose us to litigation and regulatory action, impact our ability to attract and retain clients, customers, trading counterparties, investors and employees and adversely affect our results of operations.

Reputational damage can result from our actual or alleged conduct in any number of activities, including lending and debt collection practices, corporate governance, and actions taken by government regulators and community organizations in response to those activities. Negative public opinion can also result from social media and media coverage, whether accurate or not. Our reputation may also be negatively impacted by our corporate sustainability practices as various third party organizations and institutional investors have developed ratings processes for evaluating companies based on their corporate sustainability criteria. Third party corporate sustainability ratings and reports may be used by some investors to advocate for certain investment and voting decisions. In addition, opponents of corporate sustainability programs could oppose our corporate initiatives and advocate for other investment and voting decisions. Any unfavorable corporate sustainability rating or decision may lead to reputational damage and negative sentiment among our investors and other stakeholders.

These factors could impair our working relationships with government agencies and investors, expose us to litigation and regulatory action, negatively affect our ability to attract and retain customers, trading counterparties and employees, significantly harm our stock price and ability to raise capital, and adversely affect our results of operations.

Accounting rules for certain of our transactions are highly complex and involve significant judgment and assumptions. Changes in accounting interpretations or assumptions could impact our financial statements.

Accounting rules for mortgage loan sales, securitizations, variable interest entities, valuations of financial instruments and MSRs, investment consolidations, income taxes and other aspects of our operations are highly complex and involve significant judgment and assumptions. These complexities could lead to a delay in the preparation of financial information and the delivery of this information to our stockholders and also increase the risk of errors and restatements, as well as the cost of compliance. Our inability to timely prepare our financial statements in the future would likely be considered a breach of our financial covenants and adversely affect our share price significantly.

Changes in accounting interpretations or assumptions as well as accounting rule misinterpretations could result in differences in our financial results or otherwise have a material adverse effect on our business, financial condition, liquidity and results of operations.

Cybersecurity risks, cyber incidents and technology failures may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information or the personal information of our customers, and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of theft of certain personally identifiable information of consumers, misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our investor relationships.

As our reliance on rapidly changing technology has increased, so have the risks posed to our information systems, both proprietary and those provided to us by third party service providers including cloud-based and artificial intelligence service providers. System disruptions and failures caused by unauthorized intrusion, malware, computer viruses, natural disasters and other similar events have interrupted or delayed our ability to provide services to our customers. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers, foreign governments and cyber threat actors, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased, which, in turn, may lead to increased costs to protect our network and systems.

Despite our efforts to ensure the integrity of our systems and our investment in significant physical and technological security measures, employee training, contractual precautions, policies and procedures, board oversight and business continuity plans, there can be no assurance that any such cyber intrusions will not occur or, if they do occur, that they will be adequately addressed. We also may not be able to anticipate or implement effective preventive measures against all security breaches, especially because the methods of attack change frequently, have become increasingly sophisticated, including through the use of artificial intelligence, and may not be recognized until after such attack has been launched, and because security attacks can originate from a wide variety of sources, including third parties such as persons involved with organized crime or associated with external service providers. Additionally, third party security events at our vendors or service providers could also impact our data and operations via unauthorized access to information or disruption of services. Our data security management program includes identity, trust, vulnerability and threat management business processes as well as the adoption of standard data protection policies. We are also held accountable for the actions and inactions of our third party vendors and service providers regarding cybersecurity and other consumer-related matters.

Any of the foregoing events could result in violations of applicable privacy and other laws, financial loss to us or to our customers, loss of confidence in our security measures, customer dissatisfaction, additional regulatory scrutiny, significant litigation exposure and harm to our reputation, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Technology disruptions or failures, including a failure in our information systems or those of third parties with whom we do business, could disrupt our business, cause legal or reputational harm and adversely impact our results of operations and financial condition.

Many of our services are dependent on the secure, efficient, and uninterrupted operation of our technology infrastructure, including our computer systems, related software applications and cloud-based and artificial intelligence systems, as well as those of certain third parties and affiliates. Our information systems must accommodate a high volume of traffic and deliver frequently updated, accurate and timely information. Like other companies in our industry, we, and our third-party vendors, have experienced threats and cybersecurity incidents relating to our information technology systems and infrastructure. We have experienced, and may in the future experience, service disruptions and failures caused

by system or software failure, human error or misconduct, external attacks (e.g., computer hackers, hacktivists, nation state-backed hackers), denial of service or information, malicious or destructive code (e.g., ransomware, computer viruses and disabling devices), as well as natural disasters, pandemics, strikes, and other similar events, and our contingency planning may not be sufficient for all situations.

Attempts to disrupt or gain unauthorized access to our and our third-party service providers' information systems from malicious third parties or insider threats may incorporate widely varying and frequently changing tactics, which may be enhanced or facilitated by artificial intelligence. We cannot guarantee that our data protection efforts and our investment in information technology will prevent significant breakdowns, data leakages, or cybersecurity incidents or breaches in or compromises of our systems or those of third-party, vendors, contractors, consultants and/or third parties with whom we do business. Our contracts may not contain limitations of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our privacy and data security obligations. Further, although we maintain cyber liability insurance, this insurance may not provide adequate coverage against potential liabilities related to any experienced cybersecurity incident or breach.

The implementation of technology changes and upgrades to maintain current and integrate new technology systems may also cause service interruptions. Any such disruptions could materially interrupt or delay our ability to provide services to our customers, and could also impair the ability of third parties to provide critical services to us. If our operations are disrupted or otherwise negatively affected by a technology disruption or failure, this could result in material adverse impacts on our business.

Our products rely on software and services from third party vendors and if any of these services became unavailable or unreliable, it could adversely affect the quality and timeliness of services.

We license third party software and depend on services from various third parties for use in our products. For example, we rely on third-party vendors for cloud-based and artificial intelligence systems and for certain mortgage production and servicing applications. Third party software applications, products, and services are constantly evolving, and we may not be able to maintain or modify our mortgage loan production and servicing offerings to ensure its compatibility with third party offerings following development changes. In addition, some of our competitors, partners, or other service providers may take actions that disrupt the interoperability of our business with their own products or services, or exert strong business influence on our ability to, and the terms on which we operate our business. Loss of the right to use any third party software or services could result in decreased functionality of our products and services until equivalent technology is either developed by us or, if available from another provider, is identified, obtained and integrated, which could adversely affect our reputation and our future financial condition and results of operations.

Furthermore, we remain responsible for ensuring that our mortgage loan production and servicing businesses are in compliance with applicable laws and regulations. Despite our efforts to monitor such compliance, any errors or failures of such third party vendors or their software to perform in the manner intended could result in loan defects potentially requiring repurchase. Many of our third party vendors attempt to impose limitations on their liability for such errors, defects or failures, and if enforceable, we may have additional liability to our clients, borrowers or other third parties that could harm our reputation and increase our operating costs. Any failure to do so could adversely affect our ability to deliver effective products to our clients, borrowers and loan applicants and adversely affect our business.

The success and growth of our business depends upon our ability to adapt to and implement technological changes and to successfully develop, implement and protect proprietary technology.

Our success in the mortgage industry is highly dependent upon our ability to adapt to constant technological changes, successfully enhance our current information technology solutions through the use of third party and our proprietary technologies, and introduce new solutions and services that more efficiently address the needs of our customers. We utilize a workflow-driven, cloud and artificial intelligence based platform reliant on third party infrastructure providers and there can be no assurance that our technology will prove to be effective or consistently reliable, have sufficient uptime or meet the expectations of our customers. Our mortgage loan production businesses are dependent upon our ability to quickly interface with our borrowers, mortgage lenders and other third parties and to efficiently process loan applications and closings. Our consumer and broker direct lending businesses are dependent on

our ability to provide fast responses, process applications online, accept electronic signatures, provide process status updates instantly and other borrower or counterparty conveniences.

We rely on a combination of trademarks, copyrights, and trade secrets, as well as confidentiality and contractual provisions to protect our intellectual property and proprietary technologies. In addition, we also license and utilize third party proprietary technologies and loss of rights to significant third party proprietary technologies may result in decreased product functionality. The development, implementation and protection of our intellectual property and proprietary technologies requires significant human resources and capital expenditures. As these technologies advance and investor and compliance requirements increase in the future, we will need to further develop these technological capabilities to remain competitive, and we will need to implement, execute and maintain them in an operating and regulatory environment that exposes us to significant risk.

There is no assurance that we will be able to successfully adopt new technologies as critical systems and applications become obsolete or better ones become available. Any failure by us to develop, implement, integrate, execute or maintain our technological capabilities and any litigation costs associated with protection of our technologies or compliance with third party contractual rights could have a material adverse effect on our business, financial condition and results of operations.

The development, implementation, maintenance and protection of our proprietary technologies require significant capital and legal expenditures for us to remain competitive.

The development, implementation, maintenance and protection of our proprietary technologies require significant capital and legal expenditures and we must continuously invest in additional technological capabilities to remain competitive. For example, the development and expansion of our proprietary technology to manage loan servicing operations may increase our exposure to regulatory, compliance and litigation risks and capital expenditures. In addition, protecting our proprietary technologies may be time consuming and expensive. For example, we recognized a pretax accrual of \$158.4 million in fiscal year 2023 and payment of \$160.0 million in fiscal year 2024 to settle a dispute regarding our proprietary technologies. Any failure to develop, implement or maintain our proprietary technological capabilities and any legal costs associated with the protection of our proprietary technologies could have a material adverse effect on our business, financial condition and results of operation.

The development, proliferation and use of artificial intelligence could give rise to legal and/or regulatory action, damage our reputation or otherwise materially harm our business.

We believe the development and proliferation of artificial intelligence will have a significant impact in our industry; however, the recent development of artificial intelligence presents risks, challenges, and unintended consequences, including potential defects in the design and development of the technologies used to automate processes, misapplication of technologies, the reliance on data, rules or assumptions that may prove inadequate, information security vulnerabilities and failure to meet customer expectations, among others. The use of artificial intelligence can introduce the generation, processing or use of erroneous and “hallucinated” information into our systems, workflows, processes and procedures that can cause service interruptions. In addition, the use of artificial intelligence algorithms may raise ethical concerns and legal issues due to perceived or actual unintentional bias and/or inaccuracies in the processing and servicing of mortgage loans. While we aim to develop and use artificial intelligence responsibly, we may be unsuccessful in identifying or resolving issues before they arise.

We currently use and integrate artificial intelligence technologies into our business processes and services. Development, use, and deployment of these technologies could pose cybersecurity, data privacy, IT, intellectual property, regulatory, legal, operational, competitive, reputational, and other risks and challenges that could affect our business. Specifically, risks related to bias, artificial intelligence hallucinations, discrimination, harmful content, misinformation, fraud, scams, targeted attacks such as model poisoning or data poisoning, surveillance, data leakage, loss of consensus reality, inequality, environmental harms, and other harms may flow from our development, use, or deployment of artificial intelligence technologies. Artificial intelligence-related issues, including potential government regulation of artificial intelligence, deficiencies or failures could give rise to legal and regulatory actions, damage our reputation or otherwise materially impact our business, financial condition, and liquidity.

Laws and regulations related to artificial intelligence are evolving, and there is uncertainty as to potential adoption of new laws and regulations that may restrict or impose burdensome and costly requirements on our ability to use and scale the deployment of artificial intelligence. We may receive claims from third parties, including our competitors, alleging that the use of artificial intelligence technology infringes on or violates such third party's intellectual property rights. Adverse consequences of these risks related to artificial intelligence could undermine the decisions, predictions or analyses such technologies produce and subject us to competitive harm, legal liability, heightened regulatory scrutiny and brand or reputational harm.

We may face significant competition in the market and may be unable to develop, implement and scale artificial intelligence at the same rate to keep pace with our competitors.

The loss of access to credit, employment, financial and other data from external sources could harm our ability to provide our products and services.

We rely on a wide variety of data sources to provide our services and products, including data collected from applicants and borrowers, credit bureaus, payroll providers, data aggregators, and unaffiliated third parties. If we are unable to access and use data collected from or on behalf of applicants and borrowers, or other third party data, or our access to such data is limited, our ability to provide our services and enable our customers to verify applicant data would be compromised. Any of the foregoing could negatively impact the customer experience of our platform, and the volume and degree of automation in our mortgage loan production and servicing businesses.

The collection, processing, storage, use and disclosure of personal data could give rise to liabilities as a result of governmental regulations and conflicting legal requirements.

We receive, transmit and store a large volume of personally identifiable information and other user and consumer data. There are various federal and state laws regarding privacy and the storing, sharing, use, disclosure and protection of personally identifiable information that could give rise to liabilities. Federal privacy requirements such as those under the Gramm-Leach-Bliley Act and Fair Credit Reporting Act are within the regulatory and enforcement authority of the CFPB and Federal Trade Commission. We are also subject to a variety of state laws and regulations that apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal information, such as the California Consumer Privacy Act, that provide data privacy rights for consumers. Some of these laws include a private right of action against businesses, including for failure to implement reasonable security procedures and practices to prevent data breaches. Numerous states now have laws that impose similar, additional, and in some cases more restrictive requirements than the CCPA, including for narrow aspects of privacy, such as biometric data, children's data, and health data. The effects of state and federal privacy laws are potentially significant and may require us to modify our data processing practices and policies and to incur substantial costs and potential liability in an effort to comply with such legislation. Failure to comply with any of these privacy laws, or a perceived failure to comply, could result in enforcement action against us, including fines and public censure, or litigation and could result in serious harm to our reputation or business and have a material adverse effect on our business, financial condition and results of operations.

Climate change, adverse weather conditions, man-made or natural disasters, pandemics, wars and armed conflicts, terrorist attacks, and other long term physical and environmental changes and conditions could adversely impact properties that we own or that collateralize loans we own or service.

Climate change, adverse weather conditions, man-made or natural disasters, pandemics, wars and armed conflicts, terrorist attacks and other long term physical and environmental changes and conditions could adversely impact properties that we own or that collateralize loans we own or service. In addition, such adverse conditions and long term physical and environmental changes could impact the demand for, and value of, our assets, as well as the cost to service or manage such assets, or directly impact the value of our assets through damage, destruction or loss, and thereafter materially impact the availability or cost of insurance to protect against these events. Upon the occurrence of a catastrophic event, we may be unable to continue our operations and may endure significant business interruptions, reputational harm, delays in servicing our customers and working with our partners, interruptions in the availability of our technology and systems, breaches of data security, and loss of critical data, all of which could have an adverse effect

on our future operating results. Catastrophic events may also be uninsurable or not economically insurable and might make the insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed.

There continues to be global concern over the risks of climate change and related environmental sustainability matters. The physical risks of climate change may include rising average global temperatures, rising sea levels and an increase in the frequency and severity of extreme weather events and natural disasters, including floods, wildfires, hurricanes, earthquakes and tornados, and these events could impact our owned real estate and the properties collateralizing our loan assets or underlying our MSR assets and the local economies of certain areas in which we operate. Although we believe our owned real estate and the properties collateralizing our loan assets or underlying our MSR assets are appropriately covered by insurance, we cannot predict at this time if we or our borrowers will be able to obtain appropriate coverage at a reasonable cost in the future, or if we will be able to continue to pass along all of the costs of insurance.

There also is a risk that one or more of our property insurers may not be able to fulfill their obligations with respect to payment claims due to a deterioration in its financial condition or may even cancel policies due to increasing costs of providing insurance coverage in certain geographic areas. Numerous treaties, laws and regulations have been enacted or proposed in an effort to regulate climate change, including regulations aimed at limiting greenhouse gas emissions and the implementation of “green” building codes. These laws and regulations may impact the rates at which we obtain property insurance and result in increased operating costs, or impose substantial costs on our borrowers or affect their ability to obtain appropriate coverage at reasonable costs. We may also incur costs associated with increased regulations or investor requirements for increased environmental and social disclosures and reporting. Additionally, climate change concerns could result in transition risk. Changes in consumer preferences and additional legislation and regulatory requirements, including those associated with a transition to a low-carbon economy, could increase expenses or otherwise adversely impact our operations and business.

Failures at financial institutions at which we deposit funds or maintain investments could adversely affect us.

We deposit substantial funds in financial institutions and may, from time to time, maintain cash balances at such financial institutions in excess of the Federal Deposit Insurance Corporation (“FDIC”) insured amounts. We also hold investments and settled funds in accounts at financial institutions acting as brokers or custodians. In addition, we deposit certain funds owned by third parties, such as escrow deposits, in financial institutions. Should one or more of the financial institutions at which our deposits are maintained fail, there is no guarantee as to the extent that we would recover the funds deposited, whether through FDIC coverage or otherwise, or the timing of any recovery. In the event of any such failure, we also could be held liable for the funds owned by third parties. Should one or more of the financial institutions acting as brokers or custodians for our investments and settled funds fail, there may be a delay or some uncertainty in our ability to take possession of, or fully recover, all of our investments or settled funds.

A failure to maintain the ratings assigned to us by a rating agency could have an adverse effect on our business, financial condition and results of operations.

Our servicing business, our unsecured senior notes and other financing arrangements may be rated by national rating agencies and any downgrade of our ratings could impair our business or restrict our access to sources of capital on terms satisfactory to us or at all, increase the cost of our debt or equity financing and be detrimental to our business. In addition, any third-party rating agency downgrade of our servicing business could adversely affect our ability to maintain our status as an approved Agency servicer, could negatively impact the value of our MSRs, may impair our ability to consummate future servicing transactions and may result in an event of default under certain financings.

Regulatory Risks

We operate in a highly regulated industry and the continually changing federal, state and local laws and regulations could materially and adversely affect our business, financial condition, liquidity and results of operations.

We are required to comply with a wide array of federal, state and local laws and regulations that regulate, among other things, the manner in which we conduct our businesses. These regulations directly impact our business and

require constant compliance, monitoring and internal and external audits and examinations by federal and state regulators. Our failure to operate effectively and in compliance with any of these laws, regulations and rules could subject us to lawsuits or governmental actions and damage our reputation, which could materially and adversely affect our business, financial condition, liquidity and results of operations. In addition, our failure to comply with these laws, regulations and rules may result in increased costs of doing business, reduced payments by borrowers, modification of the original terms of mortgage loans, permanent forgiveness of debt, delays in the foreclosure process, increased servicing advances, litigation, reputational damage, enforcement actions, and repurchase and indemnification obligations. Further, we may be required to pay substantial penalties imposed by our regulators due to compliance errors, lose our licenses to originate and/or service loans or pay penalties associated with class action lawsuits or other judgments.

We must also comply with a number of federal, state and local consumer protection and state foreclosure laws. These statutes apply to loan origination, servicing, debt collection, marketing, use of credit reports, safeguarding of non-public, personally identifiable information about our clients, foreclosure and claims handling, investment of and interest payments on escrow balances and escrow payment features, and mandate certain disclosures and notices to customers.

Because we are not a federally chartered depository institution, we generally do not benefit from federal preemption of state mortgage loan banking, loan servicing or debt collection licensing and regulatory requirements and must comply with state licensing and compliance requirements in all 50 states, the District of Columbia and other U.S. territories. These state rules and regulations generally provide for, but are not limited to: originator, servicer and debt collector licensing requirements, requirements as to the form and content of loan agreements and other documentation, employee licensing and background check requirements, fee requirements, interest rate limits, and disclosure and record-keeping requirements.

Regulatory agencies and consumer advocacy groups have brought fair lending, fair housing and other related claims that the practices of lenders and loan servicers can result in a disparate impact on protected classes. Antidiscrimination statutes, such as the Fair Housing Act and the Equal Credit Opportunity Act, prohibit creditors from discriminating against loan applicants and borrowers based on certain characteristics, such as race, religion and national origin. Various federal regulatory agencies and departments take the position that these laws apply not only to intentional discrimination, but also to neutral practices that have a disparate impact on a group that shares a characteristic that a creditor may not consider in making credit decisions (i.e., creditor or servicing practices that have a disproportionately negative effect on a protected class of individuals).

The failure of our correspondent sellers to comply with any applicable laws, regulations and rules may also result in these adverse consequences. We have in place a due diligence program designed to assess areas of risk with respect to loans we acquire from such correspondent sellers. However, we may not detect every violation of law and, to the extent any correspondent sellers, third party originators, servicers or brokers with which we do business fail to comply with applicable laws or regulations and any of their mortgage loans or MSRs become part of our assets, it could subject us, as an assignee or purchaser of the related mortgage loans or MSRs, to monetary penalties or other losses. While we may have contractual rights to seek indemnity or repurchase from certain of these lenders, third party originators, servicers or brokers, if any of them are unable to fulfill their indemnity or repurchase obligations to us to a material extent, our business, liquidity, financial condition and results of operations could be materially and adversely affected. Our service providers and other vendors are also required to operate in compliance with applicable laws, regulations and rules. Our failure to adequately manage service providers and other vendors to mitigate risks of noncompliance with applicable laws may also have these negative results.

Current or future federal or state administrations may enact significant policy changes that could impact our business and our ability to adequately comply with regulatory and enforcement oversight. For example, in January 2025, an executive order established the “Department of Government Efficiency” to reform federal government processes and reduce expenditures that could result in significant changes to federal housing and consumer financial regulatory agencies. Significant changes to federal agency structures, regulatory policies, or housing funding priorities could reduce funding for federal housing programs and increase regulatory uncertainty. Additionally, reforming federal agencies (such as the CFPB) and federal housing regulations could fragment regulatory oversight among local, state, and federal regulators resulting in additional compliance costs and heightened regulatory uncertainty for our industry.

While it is not possible to predict when and whether significant policy or regulatory changes will occur, any such changes on the federal, state or local level could significantly impact, among other things, our operating expenses, the availability of mortgage financing, interest rates, consumer spending, the economy and the geopolitical landscape. To the extent that the federal administration takes action by proposing and/or passing regulatory policies that could have a negative impact on our industry, such actions may have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to our stockholders. To the extent any such state regulator imposes minimum net worth, capital ratio, liquidity standards or other requirements that are overly burdensome, such actions may have a material adverse effect on our business, financial condition, liquidity and results of operations.

Existing and new rules and regulations by federal and state regulators could result in enforcement actions, fines, penalties and reputational harm.

Federal and state regulators have authority over certain aspects of our business as a result of our residential mortgage banking activities, including, without limitation, the authority to conduct investigations, bring enforcement actions, impose monetary penalties, require remediation of practices, pursue administrative proceedings or litigation, and obtain cease and desist orders for violations of applicable federal consumer financial laws.

The publication and adoption of new and amended laws, regulations and informal guidance could have a substantial impact on our business operations. The CFPB has historically supervised, investigated and, where it deemed appropriate, brought aggressive enforcement actions against lenders and servicers the CFPB determined were engaged in activities that violated federal laws and regulations. In January 2025, the new U.S. presidential administration issued an executive order to halt all activity on the CFPB's pending and proposed rules, and in May 2025, the CFPB rescinded many guidance documents, including interpretive rules, policy statements and advisory opinions. Due to the changing nature of the regulatory environment and uncertainty about the priorities and direction of the CFPB under the current federal administration, we cannot be certain how the regulatory environment may impact our business. Even if the activities of the CFPB remain suspended or significantly restrained, state and local regulators or other agencies with authority to administer and enforce laws that apply to us may increase or enhance their regulatory, supervisory or enforcement activities with respect to us and other providers of financial services. This may increase our operational and regulatory compliance costs. In addition, a decrease in federal regulations could negatively impact the quality of loans we originate or acquire from our correspondent and other mortgage partners if our partners fail to maintain effective risk management, credit quality and production programs.

Our failure to comply with the laws, rules or regulations to which we are subject, whether actual or alleged, would expose us to fines, penalties or potential litigation liabilities, including costs, settlements and judgments, any of which could have a material adverse effect on our business, liquidity, financial condition and results of operations and our ability to make distributions to our stockholders.

We are highly dependent on U.S. government-sponsored entities and government agencies, and any organizational or pricing changes at such entities or their regulators could materially and adversely affect our business, liquidity, financial condition and results of operations.

Our ability to generate revenues through mortgage loan sales depends on programs administered by GSEs, such as Fannie Mae and Freddie Mac, government agencies, including Ginnie Mae, and others that facilitate the issuance of MBS in the secondary market. We acquire mortgage loans from borrowers, brokers and mortgage lenders through our correspondent production channel that qualify under existing standards for inclusion in MBS issued by Fannie Mae or Freddie Mac or guaranteed by Ginnie Mae and derive other material financial benefits from our Agency relationships, including the assumption of credit risk on certain loans. Significant changes in our Agency relationships could impact our ability to finance and sell mortgage loans and materially impact our revenues and margin.

Any changes in laws and regulations affecting the relationship between Fannie Mae and Freddie Mac and their regulators or the U.S. federal government, and any changes in leadership at these entities, could adversely affect our business and prospects, including any decision to go public via an initial public offering or make any other change in the ownership structure for Fannie Mae or Freddie Mac.

Any discontinuation of, significant reduction in or significant organizational change in the operations of Fannie Mae or Freddie Mac or any significant adverse change in their capital structure, financial condition, activity levels in the primary or secondary mortgage markets or in underwriting criteria could materially and adversely affect our business, financial condition, liquidity and results of operations and our ability to make distributions to our stockholders.

Our ability to generate revenue from newly originated loans that we acquire is highly dependent on the fact that the Agencies have not historically acquired such loans directly from mortgage lenders, but have instead relied on banks and non-bank aggregators such as us to acquire, aggregate and securitize or otherwise sell such loans to investors in the secondary market. Certain of the Agencies have approved new and smaller lenders that traditionally may not have qualified for such approvals. To the extent that these mortgage lenders choose to sell directly to the Agencies rather than through loan aggregators like us, the number of loans available for purchase by aggregators is reduced, which could materially and adversely affect our business and results of operations. In addition, under certain Agency capital rules, loans sourced from loan aggregators such as ourselves have higher capital requirements and may incur higher Agency fees for third party originated loans aggregated and delivered to the Agencies as compared to individual loans delivered by third party mortgage lenders directly to the Agencies' cash windows without the assistance of a loan aggregator. To the extent the Agencies increase the number of purchases and sales directly for their own accounts, our business and results of operations could be materially and adversely affected.

We are required to have various Agency approvals and state licenses to conduct our business and failure to maintain our licenses could materially and adversely impact our business, financial condition, liquidity, and results of operations.

Because we are not a federally chartered depository institution, we do not benefit from exemptions to state mortgage lending, loan servicing or debt collection licensing and regulatory requirements. We are licensed in all state jurisdictions, and for those activities, where we are required to be licensed and believe it is cost effective and appropriate to become licensed. Our failure to maintain any necessary licenses, comply with applicable licensing laws or satisfy the various requirements to maintain them over time could restrict our direct business activities, result in litigation or civil and other monetary penalties, or cause us to default under certain of our lending arrangements, any of which could materially and adversely impact our business, financial condition, liquidity, results of operations and ability to make distributions to our stockholders.

We are also required to hold the Agency approvals in order to sell loans to the Agencies and service such loans on their behalf. Our failure to satisfy the various requirements necessary to maintain such Agency approvals over time would also restrict our business activities and could adversely impact our business. We are subject to periodic examinations by federal, state and Agency auditors and regulators, which can result in increases in our administrative costs, and we may be required to pay substantial penalties imposed by these regulators due to compliance errors, or we may lose our licenses. Negative publicity or fines and penalties incurred in one or more jurisdictions may cause investigations or other actions by regulators in other jurisdictions and could adversely impact our business.

Our inability to meet certain net worth and liquidity requirements imposed by the Agencies could have a material adverse effect on our business, financial condition, liquidity and results of operation.

We are subject to minimum financial eligibility requirements established by the Agencies. These eligibility requirements align the minimum financial requirements for mortgage sellers/servicers and MBS issuers to do business with the Agencies. These minimum financial requirements include net worth, capital ratio and/or liquidity criteria in order to set a minimum level of capital needed to adequately absorb potential losses for a company to be eligible to secure Agency loans and MBS. To the extent any new minimum net worth, capital ratio and liquidity standards and requirements are overly burdensome, complying with such standards and requirements may have a material adverse effect on our business, financial condition and results of operations.

In order to meet these minimum financial requirements, we are required to maintain rather than spend or invest, cash and cash equivalents in amounts that may adversely affect our business, results of operations and ability to make distributions to our stockholders, and this could significantly impede us, as a non-bank mortgage lender, from growing our respective businesses and place us at a competitive disadvantage in relation to federally chartered banks and certain

other financial institutions. To the extent that such minimum financial requirements are not met, the Agencies may suspend or terminate Agency approval or certain agreements with us, which could cause us to cross default under financing arrangements and/or have a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make distributions to our stockholders.

Failure to maintain exemptions or exclusions from registration under the Investment Company Act of 1940 could materially and adversely affect us.

We intend to operate so that we, and each of our subsidiaries, are not required to register as investment companies under the Investment Company Act of 1940, as amended (“Investment Company Act”). For example, we believe that our subsidiary, PLS, qualifies for one or more exemptions provided in the Investment Company Act because of the historical and current composition of its assets and income; however, there can be no assurances that the composition of PLS’ assets and income will remain the same over time such that one or more exemptions will continue to be applicable. If we or any of our subsidiaries were required to register as an investment company, we would be required to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things: limitations on capital structure; restrictions on specified investments; prohibitions on transactions with affiliates; compliance with reporting, record keeping, voting and proxy disclosure; and, other rules and regulations that would significantly increase our operating expenses. Further, if we or any of our subsidiaries were required to register as an investment company, then we may be in breach of various representations and warranties contained in our financing agreements, resulting in a default as to certain of our contracts and obligations. This could also subject us to civil or criminal actions or regulatory proceedings, or result in a court appointed receiver to take control of us and liquidate our business, any or all of which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Related Party Risks

PMT is a significant source of business for our mortgage banking business, and the termination of, or material adverse change in, the terms of this relationship, or a material adverse change to PMT or its operations, could adversely affect our business, financial condition, liquidity and results of operations.

We have contractual agreements to provide PMT with certain mortgage banking services, including fulfillment and disposition-related services, for which we receive a monthly fulfillment fee. PMT historically acquired loans from correspondent sellers that we subsequently purchased; however, beginning July 1, 2025, we became the initial purchaser of loans from correspondent sellers and began selling agreed-upon volumes to PMT. PMT retains the right to purchase up to 100% of the non-government insured or guaranteed loans purchased by us from our correspondent sellers.

As a result of PMT purchasing a portion of our correspondent production, we are able to conduct our correspondent business by incurring less debt financing than would be required of us if we had to retain all of the loans in the channel from the originating lenders for our own account before sale or securitization. If this relationship with PMT is terminated by PMT or PMT reduces the volume of loans it purchases for any reason, we would have to retain these loans from the correspondent sellers and incur additional financing or incur losses in revenues associated with the fulfillment fees we would have otherwise received from PMT if we were unable to purchase the loans for our own account.

The management agreement, the mortgage banking services agreement and certain of the other agreements that we have entered into with PMT contain cross-termination provisions that allow PMT to terminate one or more of those agreements under certain circumstances where another one of such agreements is terminated. Accordingly, the termination of this relationship with PMT, or a material change in the terms thereof that is adverse to us, would likely have a material adverse effect on our business, financial condition, liquidity and results of operations. The terms of these agreements extend until December 31, 2029, subject to automatic renewal for additional 18-month periods but any of the agreements may be terminated earlier under certain circumstances or otherwise non-renewed. If any agreement is terminated or non-renewed and not replaced by a new agreement, it would materially and adversely affect our ability to continue to execute our business plan. If PMT were to lose its REIT status, corporate-level income taxes would apply to all of PMT’s taxable income at federal and state tax rates and may impair PMT’s financial position and its ability to raise

capital, which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

A significant portion of our loan servicing operations are conducted pursuant to subservicing contracts with PMT, and any termination by PMT of these contracts, or a material change in the terms thereof that is adverse to us, would adversely affect our business, financial condition, liquidity and results of operations.

PMT, as the owner of a substantial number of MSR or mortgage loans that we subservice, may, under certain circumstances, terminate our subservicing contract with or without cause, in some instances with little notice and little to no compensation. Upon any such termination, it would be difficult to replace such a large volume of subservicing in a short period of time, or perhaps at all. Accordingly, we may not generate as much revenue from subservicing for other third parties. If we were to have our subservicing terminated by PMT, or if there was a change in the terms under which we perform subservicing for PMT that was material and adverse to us, this would have a material adverse effect on our business, financial condition, liquidity and results of operations.

PMT has an exclusive right to acquire conventional conforming loans that are produced through our correspondent production activities, which may limit the revenues that we could otherwise earn in respect of those loans.

Our mortgage banking services agreement with PMT requires PLS to provide fulfillment services for correspondent production activities exclusively to PMT. As a result, the revenue that we earn with respect to these loans will generally be limited to the fulfillment fees that we earn in connection with the production of these loans, which may be less than the revenues that we might otherwise be able to realize by selling them in the secondary loan market ourselves.

Risks Related to Our Investment Manager

We currently manage assets for a single client, the loss of which would significantly reduce our management and incentive fees and have a material adverse effect on our results of operations.

Currently, PCM's management and incentive fees result from its management of PMT, although PCM may collect fees for managing assets for additional third party clients in the future. The term of the management agreement that we have entered into with PMT, as amended, expires on December 31, 2029, subject to automatic renewal for additional 18-month periods, unless terminated earlier in accordance with the terms of the agreement. In the event of a termination of one or more related party agreements by PMT in certain circumstances, we may be entitled to a termination fee under our management agreement. However, the termination of such management agreement and the loss of PMT as a client would significantly affect our investment manager and negatively impact our management fees and incentive fees.

The historical returns on the assets that we select and manage for PMT, and our resulting management and incentive fees, may not be indicative of future results.

The historical returns of the assets that we manage should not be considered indicative of the future returns on those assets or future returns on other assets that we may select for investment by PMT. The investment performance that is achieved for the assets that we manage varies over time, and the nature and mix of assets we manage have changed significantly over the past several years. As a result, the change and variance in investment performance can be significant. For example, in fiscal years 2023, 2024 and 2025, we did not earn any performance incentive fees. Accordingly, the management and incentive fees that we have earned in the past should not be considered indicative of the management or incentive fees that we may earn in the future from managing those same assets or from managing other assets for PMT.

Changes in regulations applicable to our investment manager could materially and adversely affect our business, financial condition, liquidity and results of operations.

The legislative and regulatory environment in which we operate is constantly evolving. New laws or regulations, or changes in the enforcement of existing laws or regulations, applicable to us and PMT, may adversely affect our business. Our ability to succeed in this environment will depend on our ability to monitor and comply with regulatory changes. Regulatory changes that will affect other market participants are likely to change the way in which we conduct business with our counterparties. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and regulations by governmental authorities, self-regulatory organizations and courts. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be imposed on us or the markets in which we trade, or whether any of the proposals will become law. Compliance with any new laws or regulations could add to our compliance burden and costs and adversely affect the manner in which we conduct business, as well as our financial condition, liquidity and results of operations.

The failure of our investment manager to comply with financial regulations could materially and adversely affect our business, financial condition, liquidity and results of operations.

Our investment manager is required to comply with financial regulations designed to ensure the integrity of the financial markets and to protect investors in any entity that we advise. We are required to maintain an effective compliance program, and are subject to inspection and examinations by the SEC and state regulators. The failure by us or our service providers to comply with applicable laws or regulations, or our failure to design and successfully implement and administer our compliance program, could result in fines, suspensions of individual employees, termination of our registered investment advisor, limitations on engaging in other businesses and other sanctions, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations. Even if an investigation or proceeding did not result in a fine or sanction or the fine or sanction imposed against us or our employees by a regulator were small in monetary amount, the adverse publicity relating to an investigation, proceeding or imposition of these fines or sanctions could harm our reputation.

We may encounter conflicts of interest in trying to appropriately allocate our time and services between activities for our own account and for PMT, or in trying to appropriately allocate investment opportunities among ourselves and for PMT and any other entities or accounts that we may manage in the future.

Pursuant to our management agreement with PMT, we are obligated to provide PMT with the services of our senior management team, and the members of that team are required to devote such time as is necessary and appropriate, commensurate with the level of activity of PMT. The members of our senior management team may have conflicts in allocating their time and services between our operations and the activities of PMT and any other entities or accounts that we may manage in the future.

In addition, we and the other entities or accounts that we may manage may participate in some of PMT's investment strategies now or in the future and may involve or later result in potential conflicts between our interests and those of PMT or such other entities. Any such perceived or actual conflicts of interest could damage our reputation and materially and adversely affect our business, financial condition, liquidity and results of operations.

Risks Related to Our Organizational Structure

HC Partners may be able to significantly influence the outcome of votes of our common stock, or exercise certain other rights pursuant to a stockholder agreement we have entered into with it, and its interests may differ from those of our other public stockholders.

HC Partners, our largest stockholder, has the right under a stockholder agreement to nominate up to two individuals for election to our board of directors depending on the percentage of the voting power of our outstanding shares common stock that it holds, and we are obligated to use our best efforts to cause the election of those director nominees. In addition, the HC Partners' stockholder agreement requires that we obtain their consent with respect to amendments to our certificate of incorporation or bylaws. As a result, HC Partners may be able to significantly influence

our management and affairs. In addition, as a result of the size of its individual equity holding it may be able to significantly influence the outcome of all matters requiring stockholder approval, including mergers and other material transactions, and may be able to cause or prevent a change in the composition of our board of directors or a change in control of our Company that could deprive our other public stockholders of an opportunity to receive a premium for their common stock as part of a sale of our Company and might ultimately affect the market price of our common stock.

We have not established a minimum dividend payment level and no assurance can be given that we will be able to make dividends to our stockholders in the future at current levels or at all.

We have not established a minimum dividend payment level, and our ability to pay dividends to our stockholders may be materially and adversely affected by the risk factors discussed in our SEC periodic reports. Although we paid, and anticipate continuing to pay, quarterly dividends to our stockholders, our board of directors has the sole discretion to determine the timing, form and amount of any future dividends to our stockholders, and such determination will depend upon, among other factors, our historical and projected results of operations, financial condition, cash flows and liquidity, capital requirements and other expense obligations, debt covenants, contractual legal, tax, regulatory and other restrictions and such other factors as our board of directors may deem relevant from time to time. As a result, no assurance can be given that we will be able to continue to pay dividends to our stockholders in the future or that the level of any future dividends will achieve a market yield or increase or even be maintained over time, any of which could materially and adversely affect the market price of our common stock.

Anti-takeover provisions in our charter documents and Delaware law might discourage or delay acquisition attempts for us that other stockholders might consider favorable.

Our certificate of incorporation and bylaws contain provisions that may make the acquisition of our Company more difficult without the approval of our board of directors. Among other things, these provisions:

- authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval;
- prohibit stockholder action by written consent unless the matter as to which action is being taken has been approved by our board of directors;
- provide that our board of directors is expressly authorized to make, alter, or repeal our bylaws (provided that, if that action adversely affects HC Partners when that entity, together with its affiliates, holds at least 5% of the voting power of our outstanding shares of capital stock, our stockholder agreements provide that such action must be approved by that entity);
- establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings; and
- prevent a sale of substantially all of our assets or completion of a merger or other business combination that constitutes a change of control without the approval of a majority of our independent directors.

These and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our Company or negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of and take other corporate actions.

Our bylaws include an exclusive forum provision that could limit our stockholders' ability to obtain a judicial forum viewed by the stockholders as more favorable for disputes with us or our directors, officers or other employees.

Our bylaws provide that the state or federal court located within the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a claim of breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our certificate of

incorporation or our bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. This exclusive forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other associates, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the exclusive forum provision contained in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business, financial condition, liquidity and results of operations.

Ownership of Our Common Stock

The market price and trading volume of our common stock may be volatile, which could result in rapid and substantial losses for our stockholders.

The market price and trading volume of our common stock has fluctuated significantly in the past and may be highly volatile in the future and could be subject to wide fluctuations. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. Further, if the market price of our common stock declines significantly, you may be unable to resell your shares at or above your purchase price, if at all. Some of the factors that could negatively affect the market price or trading volume of our common stock include:

- variations in our actual and anticipated financial and operating results and those expected by investors and analysts;
- changes in the manner that investors and securities analysts who provide research to the marketplace on us analyze the value of our common stock and similar companies;
- changes in recommendations or in estimated financial results published by securities analysts who provide research to the marketplace on us, our competitors or our industry;
- litigation and governmental investigations;
- increases in market interest rates that may lead purchasers of our shares to demand a higher yield;
- announcements by us or our competitors of significant contracts, acquisitions, dispositions, strategic relationships, joint ventures or capital commitments; and
- general market, political and economic conditions, including any such conditions and local conditions in the markets in which our customers are located.

These broad market and industry factors may decrease the market price and trading volume of our common stock, regardless of our actual operating performance.

The market price of our common stock could be negatively affected by sales of substantial amounts of our common stock into the public trading market.

We were founded in 2008 by members of our executive leadership team and strategic investors, including HC Partners, our largest stockholder. Sales of substantial numbers of shares of our common stock into the public trading market by HC Partners, or the perception that such sales could occur, could adversely affect the market price of our common stock and impede our ability to raise capital through the issuance of additional common stock or other equity securities.

The future issuance of additional common stock in connection with our incentive plans, acquisitions or otherwise will dilute all other stockholdings.

As of December 31, 2025, we have an aggregate of 5.7 million shares of common stock authorized and remaining available for future issuance under our 2022 Equity Incentive Plan. We may issue all of these shares of common stock without any action or approval by our stockholders, subject to certain exceptions. Any common stock issued in connection with our equity incentive plans or future acquisitions would dilute the percentage ownership held by investors who purchase our common stock.

Future offerings of debt or equity securities by us may adversely affect the market price of our common stock.

In the future, we may attempt to obtain financing or further increase our capital resources by issuing additional shares of our common stock or offering debt or other equity securities, including commercial paper, medium-term notes, senior or subordinated notes, convertible debt securities or shares of preferred stock. The issuance of additional shares of our common stock or other equity securities or securities convertible into equity may dilute the economic and voting rights of our existing stockholders or reduce the market price of our common stock or both. Upon liquidation, holders of such debt securities and preferred stock, if issued, and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our common stock. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred stock, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our common stock. Any issuance of securities in future offerings may reduce the market price of our common stock and dilute existing stockholders' interests in us.

General Risks

Our risk management efforts may not be effective in identifying our significant risks and designing and implementing adequate internal controls to mitigate those risks.

We could incur substantial losses and our business operations could be disrupted if we are unable to effectively identify, manage, monitor, and mitigate financial risks, such as credit risk, interest rate risk, prepayment risk, liquidity risk, climate risk, compliance risk, valuation risk and other market-related risks, as well as operational and legal risks related to our business, assets, and liabilities. We also are subject to various laws, regulations and rules that are not industry specific, including employment laws related to employee hiring and termination practices, health and safety laws, environmental laws and other federal, state and local laws, regulations and rules in the jurisdictions in which we operate. Our risk management policies, procedures, and techniques may not be sufficient to identify all of the risks to which we are exposed, mitigate the risks we have identified, or identify additional risks to which we may become subject in the future. Our risk management framework is designed to identify, monitor and mitigate risks that could have a negative impact on our financial condition or reputation. Expansion of our business activities may also result in our being exposed to risks to which we have not previously been exposed or may increase our exposure to certain types of risks, and we may not effectively identify, manage, monitor, and mitigate these risks as our business activities change or increase.

Developing new products, updating our operational processes and initiating or expanding our business activities may expose us to new regulatory compliance and litigation risks and require additional capital expenditures.

Developing new products, updating our operational processes and initiating or expanding our business activities may expose us to new risks, regulatory compliance requirements and costs. For example, the development and expansion of our proprietary technology to manage loan servicing operations may increase our exposure to compliance and litigation risks from third parties and significantly increase our capital expenditures at our operational subsidiaries. In addition, our closed-end second lien mortgage loan products may result in a higher risk of loss than other loans since our second lien is subordinated to more senior secured loan claims. Also, non-Agency loan products such as jumbo mortgage loans and non-qualified mortgage loans may create additional compliance and liquidity risks as compared to Agency loans.

Changes in our operational processes could create issues with our contractual arrangements with PMT, our brokers, our correspondent sellers, and our customers. We cannot be certain that we will be able to manage these risks and compliance requirements effectively. Furthermore, our efforts may not succeed, and any revenues we earn from any new or expanded business initiative may not be sufficient to offset the initial and ongoing costs of that initiative, which would result in a loss with respect to that initiative.

We could be harmed by misconduct or fraud that is difficult to detect.

We are exposed to risks relating to misconduct by our employees, contractors we use, or other third parties with whom we have relationships. For example, our employees could execute unauthorized transactions, use our assets improperly or without authorization, perform improper activities, use confidential information for improper purposes, or misrecord or otherwise try to hide improper activities from us. This type of misconduct could also relate to assets we manage for others through our investment advisory subsidiary, and can be difficult to detect. If not prevented or detected, misconduct by employees, contractors, or others could result in losses, claims or enforcement actions against us, or could seriously harm our reputation. Our controls may not be effective in detecting this type of activity.

If we fail to maintain an effective system of internal controls, we may not be able to accurately determine our financial results or prevent fraud. As a result, our stockholders could lose confidence in our financial results, which could harm our business and the market value of our common stock.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. We may in the future discover areas of our internal controls that need improvement. Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) requires that we evaluate and report on our internal control over financial reporting. We cannot be certain that we will be successful in maintaining adequate control over our financial reporting and financial processes. Section 404(b) of the Sarbanes-Oxley Act requires our auditors to formally attest to and report on the effectiveness of our internal control over financial reporting.

If we cannot maintain effective internal control over financial reporting, or our independent registered public accounting firm cannot provide an unqualified attestation report on the effectiveness of our internal control over financial reporting, investor confidence and, in turn, the market price of our common stock could decrease. If we or our independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could result in an event of default under one or more of our lending arrangements and/or reduce the market value of shares of our common stock. Additionally, the existence of any material weakness or significant deficiency could require management to devote significant time and incur significant expense to remediate any such material weakness or significant deficiency, and management may not be able to remediate any such material weakness or significant deficiency in a timely manner, or at all. Accordingly, our failure to maintain effective internal control over financial reporting could result in misstatements of our financial results or restatements of our financial statements or otherwise have a material adverse effect on our business, financial condition, liquidity and results of operations.

We operate in a highly competitive market and decreased margins resulting from increased competition or our inability to compete successfully could adversely affect our business, financial condition, liquidity and results of operations.

We operate in a highly competitive industry that could become even more competitive as a result of economic, legislative, regulatory and technological changes. With respect to mortgage loan production, we face competition in such areas as mortgage loan offerings, rates, fees and customer service. With respect to servicing, we face competition in areas such as fees, cost to service and service levels, including our performance in reducing delinquencies and entering into successful modifications.

Financial institutions and non-bank mortgage lenders and servicers are increasingly competitive in the origination or acquisition of newly originated mortgage loans and the servicing of mortgage loans. Many of these institutions have significantly greater resources and access to capital and financing arrangements than we do, which may give them the benefit of a lower cost of funds. Additionally, our existing and potential competitors may decide to modify their business models to compete more directly with our loan production and servicing models.

As new and established competitors compete for market share, our mortgage banking businesses may generate lower volumes and/or profit margins. If our loan production volumes and profit margins significantly decrease, then our business, financial condition, liquidity and results of operations could be materially and adversely affected. Our future success depends on our ability to continue to hire, integrate, develop and retain highly qualified personnel. Any talent acquisition and retention challenges could reduce our operating efficiency, increase our costs of operations and harm our

overall financial condition. We could face these additional challenges if competition for qualified personnel intensifies or the pool of qualified candidates becomes more limited. Additionally, we invest heavily in training our personnel, which increases their value to competitors who may seek to recruit them. If we are unable to attract and retain qualified personnel, we may not be able to take advantage of future business opportunities and this could materially affect our business, financial condition and results of operations.

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services, including cloud computing and artificial intelligence. We may not be able to effectively implement new technology-driven products and services as quickly as competitors or be successful in marketing these products and services to our clients. In addition, technological advances and heightened e-commerce activities have increased consumers' access to products and services. This has intensified competition among banks and non-banks in offering and servicing mortgage loans. To the extent we are unable to keep pace with technological advances, we may be unable to compete successfully in our mortgage banking businesses and this could materially and adversely affect our business, financial condition, liquidity and results of operations.

Changes in tax laws may adversely affect us, and the Internal Revenue Service (the "IRS") or a court may disagree with our tax positions, which may result in adverse effects on our financial condition or the value of our common stock.

Proposed tax changes that may be enacted in the future could impact our current or future tax structure and effective tax rates. The federal government could propose legislation that would further broaden the tax base and limit tax deductions in certain situations. Proposed and future provisions could have a material adverse effect on our tax rate, cash flows, and financial results. There can be no assurance that future tax law changes will not increase the rate of the corporate income tax significantly, impose new limitations on deductions, credits or other tax benefits, or make other changes that may adversely affect our business, cash flows or financial performance. In the absence of additional clarification and guidance from the IRS on certain tax matters, the Company will take positions with respect to a number of unsettled issues. There is no assurance that the IRS or a court will agree with the positions taken by us, in which case tax penalties and interest may be imposed that could adversely affect our business, cash flows or financial performance. In the future, additional guidance may be issued by the IRS, the Department of the Treasury, or other governing body that may significantly differ from our interpretation of the law, which may result in a material adverse effect on our business or financial condition.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Cybersecurity Program

Our cybersecurity and related controls, policies and procedures ("Cybersecurity Program") are critical business functions protecting our enterprise information systems, data and business operations from external and internal threats. The Cybersecurity Program prioritizes detection, analysis, response and prevention to known, anticipated or unexpected cybersecurity threats, with regular internal and third-party assessments and enterprise risk management governance reviews. The Cybersecurity Program is informed by the National Institute of Standards and Technology's ("NIST") cybersecurity framework standard and is integrated into our overall enterprise risk management framework, along with our compliance requirements under federal and state cybersecurity and related regulations.

We are not aware of any risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected, or are reasonably likely to materially affect, us, including our business strategy, results of operations or financial condition as of the end of fiscal year 2025. Our Risk Factors include further detail about our material cybersecurity risks.

Our Chief Information Officer (“CIO”) and Chief Information Security Officer (“CISO”) each have over 25 years of information system experience and are primarily responsible for implementing the Cybersecurity Program and managing our information security personnel and consultants. The CIO has served in a variety of information technology leadership positions in the finance industry and holds a Bachelor of Science in Electrical Engineering. The CISO served in a variety of cybersecurity operations, cybersecurity architecture, and critical infrastructure cybersecurity enhancement programs in the finance industry, the utility industry and in government and holds a Bachelor of Science in Management Information Systems and Decision Sciences.

The Cybersecurity Program, which is integrated into our enterprise risk management framework, assesses, identifies and protects our enterprise information systems, data and business operations from various security threats and contains the following elements:

- Information Security Risk Assessment - Conducting internal and external risk and control assessment, quality control and assurance testing.
- Identity and Access Management - Managing enterprise identity and access control systems.
- Security Architecture - Managing security architecture, including secure code deployment standards, architecture security reviews, and cybersecurity advisory support.
- Security Engineering - Designing, implementing and operating security technologies, including but not limited to malware protections, security event and incident management, data loss prevention, and phishing defenses.
- Security Operations - Ensuring continuous operational coverage of security events and alerts, maintaining and executing processes for triage, containment, investigation and escalation/communication and threat intelligence.
- Attack Surface Management - Managing vulnerability and patch management, network penetration testing, application security testing and exercises, including cybersecurity training, cyber-attack simulations and tabletop exercises with senior management to detect control gaps.
- Third-Party Assessments - Coordinating, reviewing and analyzing third-party providers’ assessments of the Cybersecurity Program. Internal Audit may also perform a periodic cybersecurity program audit that may be supported by external consulting firms.
- Third-Party Service Provider Reviews – Identifying and reviewing material risks from cybersecurity threats associated with certain third-party service providers.

Monitoring and Incident Reporting

We continuously monitor our enterprise information systems and user activity to detect anomalous activity and identify potential security related incidents. Our cybersecurity monitoring and incident reporting program is informed by NIST guidelines and is internally and externally monitored. When a potential cybersecurity incident is detected, we gather the necessary information to classify the incident by type and severity and activate containment plans and response teams depending on the nature of the incident. Cybersecurity incidents that may impact enterprise business operations, compromise critical systems or result in unauthorized access to critical data will be escalated to the CISO and an internal incident response team comprised of senior IT, business operations and compliance personnel to coordinate any internal and external responses. The CISO and the internal incident team will also elevate any material cybersecurity incidents or unauthorized occurrences that jeopardize the confidentiality, integrity or availability of enterprise information to senior management and the board of directors.

Enterprise Risk Management Framework and Governance

The Cybersecurity Program is integrated with our enterprise risk management framework and is primarily managed by the CIO, the CISO, and other information security personnel and consultants, and is overseen by risk management, internal audit, senior management and the board of directors to ensure the confidentiality, integrity and the availability of the Company's enterprise information systems, data and business operations. The Cybersecurity Program utilizes specialized third-party cybersecurity service providers to periodically perform penetration testing across certain internet-facing and business critical applications as well as external and internal network penetration tests.

Our Enterprise Risk Management unit separately provides independent oversight and monitoring of the Cybersecurity Program through periodic quality control testing and regulatory compliance verification of the Cybersecurity Program's controls. Our Internal Audit unit is an independent corporate function reporting to the board of directors' Audit Committee that also reviews the effectiveness of the Cybersecurity Program and whether it is effectively integrated into our overall enterprise risk management framework. Additionally, our Enterprise Risk Management and Internal Audit units may from time to time separately engage consulting services to perform independent cybersecurity controls audits and provide expert guidance.

Board of Directors Oversight

The board of directors oversees our cybersecurity risks by periodically evaluating cybersecurity reports from senior management, including the CIO and CISO, as well as reports from the board committees and third-party consultants. The Risk Committee oversees our enterprise risk management framework including risks associated with data security, cybersecurity, IT infrastructure, and data privacy. The Audit Committee oversees the internal and external auditors' review of our cybersecurity risks.

Management Oversight

Our CIO, CISO and other senior executives who oversee the Company's enterprise IT infrastructure periodically meet in management committees to ensure that our enterprise information systems are protected from internal and external cybersecurity threats by monitoring cybersecurity controls, risk assessments and information system reports. The CIO, CISO and our management committees periodically provide cybersecurity reports about our Cybersecurity Program to senior management, the board of directors and our board committees.

Item 2. *Properties*

As of December 31, 2025, we have approximately 15 leased facilities in various locations throughout the United States. Our principal executive offices are located in Westlake Village, California and total approximately 66,000 of leased square feet. Our business segment operations and support offices are primarily in the following locations in the United States:

- Our production segment is primarily located in California, Texas, Florida, Arizona, Missouri and North Carolina.
- Our servicing segment is primarily located in California, Texas and Nevada.
- Our corporate operations are primarily located in California and Texas.

We believe that our current facilities are sufficient for the operation of our business. We periodically review our space requirements and we look to expand into new facilities if necessary or consolidate and exit facilities we no longer need, as and when appropriate.

The financial commitments of our leases are disclosed in Note 13— *Leases* to our consolidated financial statements included in Item 8 of this Report.

Item 3. *Legal Proceedings*

From time to time, we may be involved in various legal and regulatory proceedings, lawsuits and other 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, we currently believe that the ultimate disposition of any such pending proceedings and exposure will not have, individually or taken together, a material adverse effect on our financial condition, results of operations, or cash flows. See Note 19 — *Commitments and Contingencies*, to the financial statements contained in this Report for a discussion of legal proceedings that are incorporated by reference into this Item 3.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. *Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Our shares of common stock are listed on the New York Stock Exchange (Symbol: PFSI). As of February 17, 2026, our shares of common stock were held by 29 holders of record.

Our dividend level is reviewed each quarter and determined based on a number of factors, including, among other things, our earnings, our financial condition, growth outlook, the capital required to support ongoing growth opportunities and compliance with other internal and external requirements. Payments of dividends are subject to approval by our board of directors. Our ability to pay dividends may be adversely affected for the reasons described in Item 1A of this Report in the section entitled *Risk Factors*.

Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of unregistered equity securities during the year ended December 31, 2025.

Stock Repurchase Program

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or program (1)	Approximate dollar value of shares that may yet be purchased under the plans or program (1)
October 1, 2025 – October 31, 2025	—	\$ —	—	\$ 207,600,930
November 1, 2025 – November 30, 2025	—	\$ —	—	\$ 207,600,930
December 1, 2025 – December 31, 2025	—	\$ —	—	\$ 207,600,930
Total	—	\$ —	—	\$ 207,600,930

(1) In August 2021, our board of directors approved an increase to our common stock repurchase program from \$1 billion to \$2 billion. The stock repurchase program does not require us to purchase a specific number of shares, and the timing and amount of any shares repurchased are based on market conditions and other factors, including price, regulatory requirements and capital availability. Stock repurchases may be effected through negotiated transactions or open market purchases, including pursuant to a trading plan implemented pursuant to Rule 10b5-1 of the Exchange Act. The stock repurchase program does not have an expiration date but may be suspended, modified or discontinued at any time without prior notice. We did not repurchase our common stock during the quarter ended December 31, 2025.

Item 6. *Reserved*

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes appearing elsewhere in this Report. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that could impact our business. In particular, we encourage you to review the risks and uncertainties described in the section titled "Risk Factors" included elsewhere in this Report. These risks and uncertainties could cause actual results to differ materially from those projected in forward-looking statements contained in this report or implied by past results and trends.

Critical Accounting Policies

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

Fair Value

We group assets measured at or based on fair value in three levels based on the markets in which the assets are traded and the observability of the inputs used to determine fair value. These levels are:

Level/Description	December 31, 2025		
	Carrying value of assets	Percentage of total	
		Assets	Stockholders' equity
	(in thousands)		
1: Prices determined using quoted prices in active markets for identical assets or liabilities.	\$ 435,833	1%	10%
2: Prices determined 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 us.	9,567,496	33%	222%
3: Prices determined using significant unobservable inputs. Unobservable inputs reflect our judgements about the factors that market participants use in pricing an asset or liability, and are based on the best information available in the circumstances.	10,078,120	34%	234%
Total assets measured at or based on fair value (1)	\$ 20,081,449	68%	466%
Total assets	\$ 29,388,689		
Total stockholders' equity	\$ 4,308,976		

(1) Includes assets measured on both a recurring and nonrecurring basis based on the accounting principles applicable to the specific asset and whether we have elected to carry the asset at its fair value.

At December 31, 2025, \$20.0 billion or 68% of our total assets were carried at fair value on a recurring basis and \$37.7 million (real estate acquired in settlement of loans ("REO")), were carried based on fair value on a non-recurring basis when fair value indicates evidence of impairment of individual properties.

Changes in fair value of our holdings of assets carried at or based on fair value have significant effects on our financial position and income. As summarized above, changes in fair values of “Level 1” and “Level 2” fair value assets are determinable with reference to direct quotes in active markets on the measurement date in the case of “Level 1” fair value assets, or reference to publicly available pricing inputs (such as reference interest rates and credit spreads and prices of similar assets) in the case of “Level 2” fair value assets.

\$10.1 billion or 34% of our total assets are measured using “Level 3” fair value inputs – significant inputs where there is difficulty observing the inputs used by market participants to establish fair value. Different approaches to valuing those assets or changes in inputs to measurement of these assets can have a significant effect on the amounts reported for these items including their reported balances and their effects on our income.

During the three years ended December 31, 2025, we recognized changes in the fair value of our holdings of “Level 3” fair value assets and liabilities as shown below:

Year ended December 31,	Interest rate lock commitments	Loans held for sale	Mortgage servicing rights (1)	Mortgage servicing liabilities (1)	Total	Pre-tax Income
		(positive (negative) effects on net revenues in thousands)				
2025	\$ 453,802	160,278	(251,669)	(3)	\$ 362,408	\$ 551,417
2024	\$ 38,645	105,508	407,423	(35)	\$ 551,541	\$ 401,026
2023	\$ 130,424	68,773	56,757	50	\$ 256,004	\$ 183,631

(1) Excludes changes in fair value attributable to realization of cash flows.

The changes above primarily reflect changes attributable to our observations of changes in the markets for those assets and liabilities as opposed to changes in accounting policies or approaches to the valuation of those instruments.

As a result of the difficulty in observing certain significant valuation inputs affecting our “Level 3” fair value assets and liabilities, we are 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, subsequent transactions may be at values significantly different from those reported.

Because the fair value of “Level 3” fair value assets and liabilities are difficult to estimate, our valuation process includes performance of these items’ fair value estimation by specialized staff with significant senior management oversight. We have assigned the responsibility for estimating the fair values of non-interest rate lock commitment (“IRLC”) “Level 3” fair value assets and liabilities to our capital markets valuation staff, which is responsible for valuing and monitoring these items and maintenance of our valuation policies and procedures for non-IRLC assets and liabilities. The capital markets valuation staff reports valuations to our management valuation subcommittee responsible for monitoring and overseeing valuations. Our management valuation subcommittee includes the Company’s chief financial, credit, investment and capital markets officers as well as other members of the Company’s finance, capital markets and risk management staffs.

The fair value of our IRLCs is developed by our capital markets risk management staff and is reviewed by our capital markets operations group.

Following is a discussion of our approach to measuring the balance sheet items that are most affected by “Level 3” fair value estimates.

Interest Rate Lock Commitments

Our net gains on loans held for sale include our estimates of the gains or losses we expect to realize upon the sale of loans we have contractually committed to fund or purchase but have not yet funded, purchased or sold. We recognize a substantial portion of our net gains on loans held for sale at fair value before we fund or purchase the loans as the result of these commitments. We call these commitments interest rate lock commitments or IRLCs. We recognize the fair value of IRLCs at the time we make the commitment to the correspondent seller, broker or loan applicant and adjust the fair value of such IRLCs as the loan approaches the point of funding or purchase or the prospective transaction is canceled.

We carry IRLCs as either *Derivative assets* or *Derivative liabilities* on our consolidated balance sheet. The fair value of an IRLC is transferred to *Loans held for sale at fair value* when the loan is funded or purchased.

An active, observable market for IRLCs does not exist. Therefore, we measure the fair value of IRLCs using methods we believe that market participants use in pricing IRLCs. We estimate the fair value of IRLCs based on observable Agency MBS prices, our estimates of the fair value of the MSR we expect to receive in the sale of the loans and the probability that we will fund or purchase the loans (the “pull-through rate”).

Pull-through rates and MSR fair values are based on our estimates as these inputs are difficult to observe in the marketplace. Market interest rates and our estimate of the probability that a loan will be funded are updated as the loans move through the funding or purchase process and as market interest rates change and these updates may result in significant changes to our estimates of the fair value of the IRLCs. Such changes are reflected in the change in fair value of IRLCs which is a component of our *Net gains on loans held for sale at fair value* in the period of the change. The financial effects of changes in these inputs are generally inversely correlated. Increasing interest rates have a positive effect on the fair value of the MSR component of IRLC fair value but increase the pull-through rate for the loan principal and interest payment cash flow component, which decreases in fair value.

A shift in our assessment of an input to the valuation of IRLCs can have a significant effect on the amount of *Net gains on loans held for sale at fair value* for the period. We believe that the most significant “Level 3” fair value input to the measurement of IRLCs is the pull-through rate. At December 31, 2025, we held \$124.9 million of net IRLC assets at fair value. Following is a quantitative summary of the effect of changes in the pull-through rate input on the fair value of IRLCs at December 31, 2025:

Change in input (1)	Effect on fair value of IRLC of a change in pull-through rate (2)	
	(in thousands)	
(20)%	\$	(34,366)
(10)%	\$	(17,180)
(5)%	\$	(8,587)
5 %	\$	7,282
10 %	\$	13,753
20 %	\$	25,452

- (1) The upward shift in input amount on a per-loan basis is limited to the amount of shift required to reach a 100% pull-through rate.
- (2) This analysis holds constant all of the other inputs to show an estimate of the effect on fair value of a change in the pull-through rate. We expect that in a market shock event, multiple inputs would be affected and the effects of these changes may compound or counteract each other. Therefore, this analysis is not a projection of the effects of a shock event or a change in our estimate of an input and should not be relied upon as an earnings projection.

Loans Held for Sale

We carry loans at their fair values. We recognize changes in the fair value of loans in current period income as a component of *Net gains on loans held for sale at fair value*. How we estimate the fair value of loans is based on whether the loans are saleable into active markets with observable fair value inputs.

- We categorize loans that are saleable into active markets as “Level 2” fair value assets. We estimate the fair value of such loans using their quoted market price or market price equivalent. At December 31, 2025, we held \$8.8 billion of such loans.
- We categorize loans that are not saleable into active markets as “Level 3” fair value assets. “Level 3” fair value loans are comprised of:
 - Closed-end second lien mortgage loans. We produce closed-end second lien mortgage loans that do not have an active market with observable inputs that are significant to the estimation of their fair value. At December 31, 2025, we held \$156.0 million at fair value of such loans.
 - Ginnie Mae early buyout (“EBO”) loans. We may purchase certain delinquent government guaranteed or insured loans from Ginnie Mae guaranteed securitizations included in our loan servicing portfolio. Our right to purchase such loans arises as the result of the loan being at least three months delinquent when we buy the loan. Our ability to purchase delinquent loans provides us with an alternative to our obligation to continue advancing principal and interest at the coupon rate of the related Ginnie Mae security. Such repurchased loans are referred to as EBO loans and may be resold to investors and thereafter may be repurchased to the extent eligible for resale into a new Ginnie Mae guaranteed security. Such eligibility occurs when a repurchased loan either becomes current through completion of a modification of its terms or otherwise after three months of timely payments and when the issuance date of the new security into which the loan is placed is at least 120 days after the date the loan was last delinquent. At December 31, 2025, we held \$127.9 million at fair value of such loans.
 - Loans with defects. Certain of our loans may become non-saleable into active markets due to our identification of one or more defects or we may repurchase defective loans subject to representations and warranties. At December 31 2025, we held \$23.8 million at fair value of such loans.

We use a discounted cash flow model to estimate the fair value of “Level 3” fair value loans. The significant unobservable inputs used in the fair value measurement of our “Level 3” fair value loans held for sale are discount rates, home price projections and prepayment speeds. Significant changes in any of those inputs in isolation could result in a significant change to the loans’ fair value measurements.

Mortgage Servicing Rights and Mortgage Servicing Liabilities

MSRs and MSLs represent the fair value assigned to contracts that obligate us to service the mortgage loans on behalf of the owners of the mortgage loans in exchange for servicing fees and the right to collect certain ancillary income. We recognize MSRs and MSLs at our estimate of the fair value of the contract to service the loans.

We include changes in the fair value of MSRs and MSLs in current period income as a component of *Net loan servicing fees—Change in fair value of mortgage servicing rights and mortgage servicing liabilities*. Both our estimate of the change in fair value attributable to realization of cash flows and of other changes in fair value are affected by changes in fair value inputs. In the year ended December 31, 2025, we recognized a \$1.4 billion net decrease in fair value of MSRs and MSLs: \$1.2 billion of decrease due to realization of cash flows underlying the fair value of MSRs and MSLs and \$251.7 million of decrease due to changes in fair value inputs.

We estimate fair value of MSR and MSL using a discounted cash flow approach. Beginning in the third quarter of 2025, we enhanced our discounted cash flow approach to estimate the period-end fair value of our MSR with the adoption of an Option-Adjusted Spread (“OAS”) discounted cash flow model. The OAS model allows us to account for the likelihood of interest rates moving along different paths as economic conditions change in our assessment of the fair value of MSR as opposed to a single assumed rate path.

We believe the most significant “Level 3” fair value inputs to the valuation of MSR and MSL are the prepayment speed, OAS or pricing spread (the OAS and pricing spread are components of the discount rate) and annual per-loan cost of servicing. A shift in the market for MSR and MSL or a change in our assessment of an input to the valuation of MSR and MSL can have a significant effect on their fair value and in our income for the period. The net fair value of MSR and MSL that we held at December 31, 2025 was \$9.6 billion.

Following is a summary of the effect on fair value of MSR of various changes to these key inputs at December 31, 2025:

Change in input	Effect on fair value of MSR and MSL of a change in input value (1)		
	Prepayment speed	Option-adjusted spread	Servicing cost
	(in thousands)		
(20)%	\$ 747,036	\$ 403,992	\$ 202,122
(10)%	\$ 358,322	\$ 197,480	\$ 101,061
(5)%	\$ 175,589	\$ 97,647	\$ 50,531
5 %	\$ (168,856)	\$ (95,530)	\$ (50,531)
10 %	\$ (331,359)	\$ (189,008)	\$ (101,061)
20 %	\$ (638,689)	\$ (370,059)	\$ (202,122)

- (1) This analysis holds constant all of the inputs other than the input that is being changed in order to show an estimate of the effect on fair value of a change in a specific input. We expect that in a market shock event, multiple inputs would be affected and the effects of these changes may compound or counteract each other. Therefore, these analyses are not projections of the effects of a shock event or a change in our estimate of an input and should not be relied upon as earnings projections.

Accounting Developments

Refer to Note 3 – *Significant Accounting Policies – Recently Issued Accounting Pronouncement Adopted in 2025* to our consolidated financial statements for a discussion of recent accounting developments and the expected effect on the Company.

Business Trends

Recent macroeconomic trends and U.S. federal government actions with respect to trade, tariffs, government cost reduction initiatives, inflation and interest rates have led to significant volatility in financial markets and uncertainty regarding the economic outlook. Elevated interest rates in recent years have constrained growth in the size of the mortgage origination market, which is currently projected to increase from \$1.9 trillion in 2025 to \$2.3 trillion in 2026 according to mortgage industry economists.

The opportunity for refinancing has increased recently, driven by interest rate volatility and a greater proportion of outstanding mortgages with note rates near current market rates. If such interest rate volatility continues, it may drive greater mortgage production activity and higher prepayment speeds. Towards the end of the fourth quarter of 2025, we experienced higher prepayment speeds and increased runoff of MSR that outpaced the growth of our production-related income. The current 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 relating to the representations and warranties we provide in our loan sale transactions.

We expect to sell a portion of our conventional conforming correspondent loan production and all of our non-agency loans to PMT in the first quarter of 2026.

Results of Operations

Our results of operations are summarized below:

	Year ended December 31,		
	2025	2024	2023
	(dollars in thousands except per share amounts)		
Revenues:			
Loan production revenues (1)	\$ 1,331,393	\$ 1,029,359	\$ 719,887
Net loan servicing fees	705,699	533,655	642,600
Net interest expense	(36,108)	(25,782)	(4,853)
Other	45,552	56,499	44,022
Total net revenues	<u>2,046,536</u>	<u>1,593,731</u>	<u>1,401,656</u>
Expenses:			
Compensation	782,916	632,738	576,964
Loan origination	251,990	164,092	114,500
Technology	162,604	149,547	143,152
Servicing	122,626	105,997	69,433
Marketing and advertising	46,140	21,969	17,631
Legal settlements	—	1,591	162,770
Other	128,843	116,771	133,575
Total expenses	<u>1,495,119</u>	<u>1,192,705</u>	<u>1,218,025</u>
Income before provision for income taxes	551,417	401,026	183,631
Provision for income taxes	50,340	89,603	38,975
Net income	<u>\$ 501,077</u>	<u>\$ 311,423</u>	<u>\$ 144,656</u>
Earnings per share			
Basic	\$ 9.69	\$ 6.11	\$ 2.89
Diluted	\$ 9.30	\$ 5.84	\$ 2.74
Return on average stockholders' equity	12.4%	8.5%	4.1%
Dividends declared per share	\$ 1.20	\$ 1.00	\$ 0.80
Income before provision for income taxes by reportable segment and corporate and other:			
Production	\$ 369,920	\$ 311,231	\$ 116,078
Servicing	324,893	205,002	368,392
Corporate and other	(143,396)	(115,207)	(300,839)
	<u>\$ 551,417</u>	<u>\$ 401,026</u>	<u>\$ 183,631</u>
Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") (3)	\$ 1,128,726	\$ 1,076,393	\$ 701,162
During the year:			
Interest rate lock commitments issued (2)	\$ 152,627,450	\$ 114,813,116	\$ 92,766,499
Unpaid principal balance of loans originated and purchased by PFSI and fulfilled for PMT	\$ 146,102,988	\$ 115,819,663	\$ 99,435,041
Common stock closing per share prices:			
High	\$ 136.06	\$ 116.58	\$ 92.93
Low	\$ 89.28	\$ 83.31	\$ 55.82
At end of year	\$ 133.26	\$ 101.38	\$ 88.37
At end of year:			
Interest rate lock commitments outstanding	\$ 13,474,638	\$ 7,801,677	\$ 6,349,628
Unpaid principal balance of loan servicing portfolio:			
Owned:			
Mortgage servicing rights and liabilities	\$ 462,035,445	\$ 426,074,748	\$ 370,269,011
Loans held for sale	8,930,477	8,128,914	4,294,689
	<u>470,965,922</u>	<u>434,203,662</u>	<u>374,563,700</u>
Subserviced for:			
PMT	226,774,067	230,753,581	232,653,069
Interim servicing	24,257,095	806,584	—
Other non-affiliates	11,616,738	—	—
	<u>262,647,900</u>	<u>231,560,165</u>	<u>232,653,069</u>
	<u>\$ 733,613,822</u>	<u>\$ 665,763,827</u>	<u>\$ 607,216,769</u>
Book value per share	\$ 82.77	\$ 74.54	\$ 70.52

(1) Includes *Net gains on loans held for sale at fair value, Loan origination fees and Fulfillment fees from PennyMac Mortgage Investment Trust.*

- (2) Amounts exclude interest rate locks for loans to be fulfilled for PMT.
- (3) To provide investors with information in addition to our results as determined by GAAP, we disclose Adjusted EBITDA as a non-GAAP measure. Adjusted EBITDA is a measure that is frequently used in our industry to measure performance and we believe that this measure provides supplemental information that is useful to investors. Adjusted EBITDA is not a financial measure calculated in accordance with GAAP and should not be considered as a substitute for net income or any other performance measure calculated in accordance with GAAP.

We define “Adjusted EBITDA” as net income plus provision for income taxes, depreciation and amortization, excluding decrease (increase) in fair value of MSRs net of MSLs, due to changes in the valuation inputs we use in our valuation models, hedging losses (gains) associated with MSRs, stock-based compensation and interest expense on corporate debt or corporate revolving credit facilities and capital lease and non-recurring items such as significant awards of damages against us due to litigation.

We believe that the presentation of Adjusted EBITDA provides useful information to investors regarding our results of operations because each measure assists both investors and management in analyzing and benchmarking the performance and value of our business. However, other companies may define Adjusted EBITDA differently, and as a result, our measures of Adjusted EBITDA may not be directly comparable to those of other companies.

Adjusted EBITDA measures have limitations as analytical tools, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- they do not reflect every cash expenditure, future requirements for capital expenditures or contractual commitments;
- they do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payment on our debt; and
- they are not adjusted for all non-cash income or expense items that are reflected in our consolidated statements of cash flows.

Because of these limitations, Adjusted EBITDA measures are not intended as alternatives to net income as an indicator of our operating performance and should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations.

The following table presents a reconciliation of Adjusted EBITDA to our net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, for each of the years indicated:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Net income	\$ 501,077	\$ 311,423	\$ 144,656
Provision for income taxes	50,340	89,603	38,975
Income before provision for income taxes	551,417	401,026	183,631
Depreciation and amortization	54,392	55,984	53,214
Decrease (increase) in fair value of MSRs net of MSLs due to changes in valuation inputs used in valuation models	251,672	(407,388)	(56,807)
Hedging (gains) losses associated with MSRs	(56,546)	832,483	236,778
Stock-based compensation	36,229	20,868	27,582
Interest expense on corporate debt	291,562	184,304	98,396
Effect of non-recurring gain from joint venture and arbitration accrual	—	(10,884)	158,368
Adjusted EBITDA	<u>\$ 1,128,726</u>	<u>\$ 1,076,393</u>	<u>\$ 701,162</u>

Comparison of the years ended December 31, 2025, 2024 and 2023

Income Before Provisions for Income Taxes

In the year ended December 31, 2025, we recorded income before provision for income taxes of \$551.4 million, an increase of \$150.4 million, or 38%, from 2024. The increase was due to a \$302.0 million increase in production revenues (net gains on sales of loans, loan origination fees and fulfillment fees) primarily due to higher production volumes and a \$172.0 million increase in *Net loan servicing fees* resulting from growth in servicing fees, partially offset by a \$302.4 million increase in total expenses. The increase in the total expense was primarily due to increases in compensation and loan origination expenses.

In the year ended December 31, 2024, we recorded income before provision for income taxes of \$401.0 million, an increase of \$217.4 million, or 118%, from 2023. The increase was due to a \$309.5 million increase in production revenues primarily due to higher production volumes and gain on sale margins and a \$25.3 million decrease in total expenses, partially offset by a \$108.9 million decrease in *Net loan servicing fees* reflecting decreased valuation of our MSRs, net of hedging results primarily due to higher hedging costs. The decrease in the total expense was primarily due to decreases in legal settlements and professional services relating to a claim against us by Black Knight Servicing Technologies, LLC, partially offset by increases in compensation, loan origination and servicing expenses.

Net gains on loans held for sale at fair value

In the year ended December 31, 2025, we recognized *Net gains on loans held for sale at fair value* totaling \$1.1 billion, as compared to \$817.4 million and \$545.9 million in 2024 and 2023, respectively. The increase in *Net gains on loans held for sale at fair value* for the year ended December 31, 2025 compared to 2024 was primarily due to increased volumes across all production channels. The increase in *Net gains on loans held for sale at fair value* for the year ended December 31, 2024 compared to 2023 was primarily due to increased volumes and gain on sale margins across all production channels.

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

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
From non-affiliates:			
Cash losses:			
Loans	\$ (1,503,302)	\$ (1,731,125)	\$ (1,337,613)
Hedging activities	(539,291)	495,429	(99,515)
Total cash losses	(2,042,593)	(1,235,696)	(1,437,128)
Non-cash gains:			
Changes in fair values of loans and derivative financial instruments outstanding at end of year:			
Interest rate lock commitments	91,363	(56,028)	63,749
Loans	(91,558)	71,226	(71,425)
Hedging derivatives	137,623	(244,124)	146,456
	137,428	(228,926)	138,780
Mortgage servicing rights resulting from loan sales	2,940,455	2,280,830	1,849,957
Provisions for losses relating to representations and warranties:			
Pursuant to loan sales	(17,189)	(16,486)	(12,997)
Reductions in liability due to changes in estimate	7,945	13,579	9,115
Total non-cash gains	3,068,639	2,048,997	1,984,855
Total gains on sale from non-affiliates	1,026,046	813,301	547,727
From PennyMac Mortgage Investment Trust	45,708	4,067	(1,784)
	<u>\$ 1,071,754</u>	<u>\$ 817,368</u>	<u>\$ 545,943</u>
During the year:			
Interest rate lock commitments issued (1):			
By loan type:			
Government-insured or guaranteed	\$ 70,433,573	\$ 58,134,977	\$ 50,202,197
Conventional conforming	74,090,145	52,781,188	41,388,408
Jumbo	5,783,682	2,190,238	154,899
Closed-end second lien mortgage	2,320,050	1,706,713	1,020,995
	<u>\$ 152,627,450</u>	<u>\$ 114,813,116</u>	<u>\$ 92,766,499</u>
By production channel:			
Correspondent	\$ 103,410,807	\$ 83,669,855	\$ 73,949,658
Broker direct	28,149,824	17,424,790	11,149,351
Consumer direct	21,066,819	13,718,471	7,667,490
	<u>\$ 152,627,450</u>	<u>\$ 114,813,116</u>	<u>\$ 92,766,499</u>
At end of year:			
Loans held for sale at fair value	\$ 9,123,410	\$ 8,217,468	\$ 4,420,691
Commitments to fund and purchase loans	\$ 13,474,638	\$ 7,801,677	\$ 6,349,628

(1) Amounts exclude interest rate locks for loans to be fulfilled for PMT.

Non-Cash Elements of Gain on Sale of Loans Held for Sale

Our gains on loans held for sale include both cash and non-cash elements. We recognize a significant portion of our gains on loans held for sale when we make commitments to purchase or fund mortgage loans. We recognize this gain in the form of IRLCs. We adjust our initial gain estimate as the loan purchase or origination process progresses until the loan is either funded or cancelled. We also receive non-cash proceeds on sale that include our estimate of the fair value of MSR and we incur liabilities for MSLs (which represent the fair value of the costs we expect to incur in excess of the fees we receive to service the EBO loans we have resold) and for the fair value of our estimate of the losses we expect to incur relating to the representations and warranties we provide in our loan sale transactions.

The MSR, MSL, and liability 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 represented approximately 273% of our gain on sale of loans at fair value for the year ended December 31, 2025, as compared to 279% and 338% in 2024 and 2023, respectively. These estimates change as circumstances change and changes in these estimates are recognized in income in subsequent periods.

Interest Rate Lock Commitments, Mortgage Servicing Rights and Mortgage Servicing Liabilities

The methods and key inputs we use to measure and update our measurements of IRLCs, MSR and MSL is detailed in Note 6 – *Fair value – Valuation Techniques and Inputs* to the consolidated financial statements included in this Annual Report.

Representations and Warranties

Our agreements with the purchasers and insurers include representations and warranties related to the loans we sell. The representations and warranties 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 law.

In the event of a breach of our representations and warranties, we may be required to either repurchase the loans with the identified defects or indemnify the purchaser or insurer against future credit losses. In such cases, we bear any subsequent credit loss on the loans. Our credit loss may be reduced by any recourse we have to correspondent originators that 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 related repurchase losses from that correspondent seller.

Our representations and warranties are generally not subject to stated limits of exposure. However, we believe that the current UPB of loans sold by us and subject to representation and warranty liability to date represents the maximum exposure to repurchases related to representations and warranties.

The level of the liability for losses under representations and warranties is difficult to estimate and requires considerable judgment. The level of loan repurchase losses is dependent on economic factors, purchaser or insurer loss mitigation strategies, and other external conditions that may change over the lives of the underlying loans. Our estimate of the liability for representations and warranties is developed by our credit risk administration staff and presented each quarter to our Management Risk Committee that includes our senior executives and senior management in our loan production, loan servicing, and credit risk management areas.

The method used to estimate our losses on representations and warranties is a function of our estimate of future defaults, loan repurchase rates, the severity of loss in the event of default, if applicable, and the probability of reimbursement by the correspondent loan seller. We establish a liability at the time loans are sold and periodically assess the adequacy of our recorded liability.

In the years ended December 31, 2025, 2024, and 2023 we recorded provisions for losses under representations and warranties relating to current loan sales as a component of *Net gains on loans held for sale at fair value* totaling \$17.2 million, \$16.5 million, and \$13.0 million, respectively. The increase in provision relating to current loan sales from the year ended December 31, 2025 compared to the years ended December 31, 2024 and 2023 reflects the increase in our loan production volume in 2025.

We also recorded reductions in the liability relating to previously sold loans of \$7.9 million, \$13.6 million, and \$9.1 million, for the years ended December 31, 2025, 2024 and 2023, respectively. The reductions in the liability relating to previously sold loans resulted from those loans meeting performance criteria established by the Agencies which significantly limits the likelihood of certain repurchase or indemnification claims.

Following is a summary of mortgage loan indemnification and repurchase activity and the unpaid balance of mortgage loans subject to representations and warranties:

	Year ended December 31,		
	2025	2024	2023
(in thousands)			
During the year:			
Indemnification activity:			
Loans indemnified at beginning of year	\$ 101,867	\$ 75,724	\$ 35,961
New indemnifications	27,302	32,559	43,469
Less indemnified loans sold, repaid or refinanced	9,039	6,416	3,706
Loans indemnified at end of year	<u>\$ 120,130</u>	<u>\$ 101,867</u>	<u>\$ 75,724</u>
Repurchase activity:			
Total loans repurchased	\$ 113,824	\$ 89,749	\$ 50,327
Less:			
Loans repurchased by correspondent lenders	70,905	58,855	23,327
Loans repaid by borrowers or resold	<u>34,568</u>	<u>24,335</u>	<u>72,511</u>
Net loans repurchased (resolved) with losses chargeable to liability for representations and warranties	<u>\$ 8,351</u>	<u>\$ 6,559</u>	<u>\$ (45,511)</u>
Losses charged to liability for representations and warranties	<u>\$ 3,479</u>	<u>\$ 4,566</u>	<u>\$ 5,515</u>
At end of year:			
Unpaid principal balance of loans subject to representations and warranties	\$ 490,792,523	\$ 413,382,503	\$ 354,423,684
Liability for representations and warranties	\$ 34,894	\$ 29,129	\$ 30,788

In the year ended December 31, 2025, we repurchased loans with unpaid principal balances totaling \$113.8 million and charged \$3.5 million in net incurred losses relating to repurchases against our liability for representations and warranties. Our losses arising from representations and warranties have historically been reduced by our ability to either recover most of the losses from our correspondent sellers or from our ability to profitably refinance and resell repurchased loans.

If the outstanding balance of loans we purchase and sell subject to representations and warranties increases, the loans sold continue to season, economic conditions change, correspondent lenders become unwilling or unable to repurchase defective loans, or investor and insurer loss mitigation strategies change, the level of repurchase and loss activity may increase. Furthermore, as economic conditions, such as interest rates, home values and borrower default rates change, our realized loss rates may increase. Such increases may require us to adjust our estimate of future losses relating to loans previously sold. Such increased loss estimates would be recognized in *Net gains on loans held for sale at fair value* in the period we recognize the change.

Elevated interest rate levels may affect certain of our correspondent sellers' ability to honor their obligations to repurchase defective loans, may increase the level of borrower defaults and may increase the level of repurchases we are required to make. We expect these developments may increase the losses we incur in relation to our recorded liability for representations and warranties compared to our historical experience. However, we believe our recorded liability is presently adequate to absorb such losses.

Loan origination fees

Following is a summary of our loan origination fees:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Loan origination fee revenue	\$ 235,835	\$ 185,700	\$ 146,118
Unpaid principal balance of loans purchased and originated for sale to non-affiliates	\$ 139,526,158	\$ 102,373,179	\$ 84,536,740

Loan origination fees increased \$50.1 million and \$39.6 million in the year ended December 31, 2025 and 2024, respectively, compared to 2024 and 2023, respectively, primarily due to increases in volume across all production channels.

Fulfillment fees from PennyMac Mortgage Investment Trust

Following is a summary of our fulfillment fees:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Fulfillment fee revenue	\$ 23,804	\$ 26,291	\$ 27,826
Unpaid principal balance of loans fulfilled subject to fulfillment fees	\$ 12,893,224	\$ 13,446,484	\$ 14,898,301
Average fulfillment fee rate (in basis points)	18	20	19

Fulfillment fees from PMT represent fees we collect for services we perform on behalf of PMT in connection with the acquisition, packaging and sale of loans. We charge fulfillment fees based on the number of loans we lock and fulfill for PMT.

Fulfillment fees decreased \$2.5 million and \$1.5 million in the years ended December 31, 2025 and 2024, respectively, compared to 2024 and 2023, respectively, primarily due to decreases in correspondent loan production volumes for PMT's account.

Net loan servicing fees

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

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Loan servicing fees	\$ 1,976,845	\$ 1,716,228	\$ 1,403,599
Subservicing fees	85,588	83,252	81,347
Effects of MSRs and MSLs net of hedging results	(1,356,734)	(1,265,825)	(842,346)
Net loan servicing fees	\$ 705,699	\$ 533,655	\$ 642,600

Loan Servicing Fees

Following is a summary of our loan servicing fees:

	Year ended December 31,		
	2025	2024	2023
From owned servicing	\$ 1,776,557	\$ 1,529,452	\$ 1,268,650
Subservicing:		(in thousands)	
From PennyMac Mortgage Investment Trust	84,432	83,252	81,347
From non-affiliates	1,156	—	—
	85,588	83,252	81,347
Other:			
Late charges	95,514	85,390	65,781
Other	104,774	101,386	69,168
	200,288	186,776	134,949
	<u>\$ 2,062,433</u>	<u>\$ 1,799,480</u>	<u>\$ 1,484,946</u>
Average UPB of loans serviced:			
MSRs and MSLs	\$ 455,045,525	\$ 396,588,047	\$ 338,373,762
Subservicing	\$ 236,486,530	\$ 231,303,048	\$ 234,303,254

Loan servicing fees from non-affiliates generally relate to our MSRMs which are primarily related to servicing we provide for loans included in Agency securitizations. These fees are contractually established at an annualized percentage of the unpaid principal balance of the loan serviced and we collect these fees from borrower payments. Loan servicing fees from PMT are primarily related to PMT's MSRMs and are established at monthly per-loan amounts based on whether the loan is a fixed-rate or adjustable-rate loan and the loan's delinquency or foreclosure status as detailed in Note 4 – *Transactions with Related Parties* to the consolidated financial statements included in this Annual Report. Subservicing fees from non-affiliates are based upon rates negotiated between the Company and the owner of the servicing rights at the time a subservicing agreement is entered into. Other loan servicing fees are comprised primarily of borrower-contracted fees such as late charges and reconveyance fees and fees charged to correspondent lenders relating to loans that are repaid shortly after we purchase them.

The increases in loan servicing fees from non-affiliates for the year ended December 31, 2025, compared to 2024 and 2023, were primarily due to growth of our loan servicing portfolio. The increase in other loan servicing fees for the year ended December 31, 2025 compared to 2024 and 2023 were primarily due to growth in late charges and in incentive fees we receive for effecting modifications of delinquent loans.

Effects of Mortgage Servicing Rights and Mortgage Servicing Liabilities Net of Hedging Results

We have elected to carry our servicing assets and liabilities at fair value. Changes in fair value have two components: changes due to realization of the contractual servicing fees and changes due to changes in market inputs used to estimate the fair value of MSRMs and MSLs. We endeavor to moderate the effects of changes in fair value by entering into derivative transactions and holding principal-only stripped mortgage-backed securities.

Change in fair value of MSR, MSL and ESS and the related hedging results are summarized below:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
MSR and MSL valuation changes and hedging results:			
Changes in fair value attributable to changes in fair value inputs	\$ (251,672)	\$ 407,388	\$ 56,807
Hedging results	<u>56,546</u>	<u>(832,483)</u>	<u>(236,778)</u>
	(195,126)	(425,095)	(179,971)
Changes in fair value attributable to realization of cash flows	<u>(1,161,608)</u>	<u>(840,730)</u>	<u>(662,375)</u>
Total change in fair value of mortgage servicing rights and mortgage servicing liabilities net of hedging results	<u>\$ (1,356,734)</u>	<u>\$ (1,265,825)</u>	<u>\$ (842,346)</u>
Average balances:			
Mortgage servicing rights	\$ 9,337,003	\$ 7,828,518	\$ 6,552,321
Mortgage servicing liabilities	\$ 1,626	\$ 1,724	\$ 1,938
At end of year:			
Mortgage servicing rights	\$ 9,598,941	\$ 8,744,528	\$ 7,099,348
Mortgage servicing liabilities	\$ 1,572	\$ 1,683	\$ 1,805

Changes in the fair value of MSRs and MSLs attributable to changes in fair value inputs decreased in the year ended December 31, 2025 compared to 2024 and 2023 primarily due to the effect on fair value of a decrease in interest rates during 2025 compared to the higher rate environments in 2024 and 2023. Decreasing interest rates increase the rate of prepayments of the underlying loans associated with the servicing rights, which decreases the cash flows expected from the servicing rights, while increasing interest rates have the opposite effect.

Hedging results reflect valuation losses attributable to the effects of interest rate decreases on the fair value of the hedging instruments, as well as the embedded costs of maintaining the hedge positions in the years ended December 31, 2025, 2024 and 2023.

Changes in realization of cash flows are influenced by changes in the level of servicing assets and liabilities and changes in estimates of the remaining cash flows to be realized. Realization of cash flows increased in the year ended December 31, 2025 compared to 2024 and 2023 due to both the growth in our investment in MSRs and the effect of increased expected and realized prepayment speeds that increases the projected rate of realization of future cash flows on the MSR asset.

Following is a summary of our loan servicing portfolio:

	December 31,	
	2025	2024
(in thousands)		
Owned:		
Mortgage servicing rights and liabilities		
Originated	\$ 448,035,447	\$ 410,393,342
Purchased and assumed	13,999,998	15,681,406
	<u>462,035,445</u>	<u>426,074,748</u>
Loans held for sale	8,930,477	8,128,914
	<u>470,965,922</u>	<u>434,203,662</u>
Subserviced for:		
PennyMac Mortgage Investment Trust	226,774,067	230,745,995
Interim servicing	24,257,095	806,584
Other non-affiliates	11,616,738	—
	<u>262,647,900</u>	<u>231,552,579</u>
Total loans serviced	<u>\$ 733,613,822</u>	<u>\$ 665,763,827</u>
Delinquencies:		
Owned servicing:		
30-89 days	\$ 18,562,892	\$ 17,933,800
90 days or more	11,364,962	9,023,217
	<u>\$ 29,927,854</u>	<u>\$ 26,957,017</u>
Subservicing:		
30-89 days	\$ 4,018,484	\$ 2,673,329
90 days or more	1,922,015	1,319,190
	<u>\$ 5,940,499</u>	<u>\$ 3,992,519</u>

Following is a summary of characteristics of our MSR and MSL servicing portfolio as of December 31, 2025:

Loan type	Unpaid principal balance	Loan count	Note rate	Average						
				Age (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)										
Government insured or guaranteed (2):										
FHA	\$ 161,035,931	741	4.9%	46	317	\$ 217	685	92%	72%	7.5%
VA	117,520,483	418	4.3%	42	317	\$ 281	732	91%	73%	2.1%
USDA	20,254,590	136	4.3%	64	300	\$ 149	701	98%	66%	5.9%
Government-sponsored entities:										
Freddie Mac	81,456,332	227	6.0%	19	332	\$ 359	762	77%	71%	0.7%
Fannie Mae	64,875,535	197	5.3%	30	318	\$ 329	763	76%	65%	0.6%
Closed-end second lien mortgage loans	2,811,513	36	9.2%	12	250	\$ 78	745	19%	19%	0.3%
Other (3)	14,081,061	33	6.7%	13	346	\$ 425	775	75%	71%	0.3%
	<u>\$ 462,035,445</u>	<u>1,788</u>	5.0%	37	320	\$ 258	726	86%	71%	3.6%

(1) Loan-to-Value

(2) Government loans include loans securitized in Ginnie Mae pools as well as loans sold to private investors.

(3) Represents conventional loans sold to private investors.

Net Interest Expense

Net interest expense is summarized below:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Interest income:			
Cash and short-term investment	\$ 43,366	\$ 56,252	\$ 68,457
Principal-only stripped mortgage-backed securities	47,009	26,035	—
Loans held for sale	435,335	326,697	279,506
Placement fees relating to custodial funds	396,645	383,798	284,877
Other	2,092	784	84
	<u>924,447</u>	<u>793,566</u>	<u>632,924</u>
Interest expense:			
Short-term debt	466,814	410,381	295,418
Long-term debt	414,369	348,465	309,481
Interest shortfall on repayments of mortgage loans serviced for Agency securitizations	63,825	46,385	21,538
Interest on mortgage loan impound deposits	12,201	11,298	9,795
Other	3,346	2,819	1,545
	<u>960,555</u>	<u>819,348</u>	<u>637,777</u>
	<u>\$ (36,108)</u>	<u>\$ (25,782)</u>	<u>\$ (4,853)</u>

Net interest expense increased \$10.3 million in the year ended December 31, 2025 compared to 2024. The increase was primarily due to:

- an increase of \$122.3 million in interest expense on borrowings due to the growth in our balance sheet;
- an increase of \$17.4 million in interest shortfall on repayments of loans serviced for Agency securitizations, reflecting increased loan payoffs as a result of increased borrower refinancing activity due to decreased interest rates during 2025 (when a borrower repays a loan, we are frequently responsible for paying the full month's interest to the holders of the Agency securities that are backed by the loan regardless of the date the borrower repays the loan); and
- a decrease of \$ 12.9 million in interest income from cash balances primarily due to lower average balances; partially offset by
- an increase of \$108.6 million in interest income from loans held for sale reflecting higher average levels of inventory;
- an increase of \$21.0 million in interest income from principal-only stripped mortgage-backed securities; and
- an increase of \$12.8 million in placement fees we receive relating to custodial funds that we manage due to increased average outstanding balances.

Net interest expense increased \$20.9 million in the year ended December 31, 2024 compared to 2023. The increase was primarily due to:

- an increase of \$153.9 million in interest expense on borrowings due to the growth in our balance sheet and an increase in the leverage of our balance sheet;

- an increase of \$24.8 million in interest shortfall on repayments of loans serviced for Agency securitizations, reflecting higher loan payoffs as a result of increased borrower refinancing activity due to decreased interest rates during part of 2024; and
- a decrease of \$ 12.2 million in interest income from cash balances reflecting lower average balances; partially offset by
- an increase of \$98.9 million in placement fees we receive relating to custodial funds that we manage due to increased average outstanding balances and higher average placement fee rates;
- an increase of \$47.2 million in interest income from loans held for sale reflecting higher average levels of inventory; and
- an increase of \$26.0 million in interest income from principal-only stripped mortgage-backed securities purchased in 2024.

Management fees are summarized below:

	Year ended December 31,		
	2025	2024	2023
Base management	\$ 27,649	\$ 28,623	\$ 28,762
Average net assets of PMT during the year	\$ 1,843,549	\$ 1,908,287	\$ 1,917,642

Management fees decreased \$1.0 million and \$139,000 in the year ended December 31, 2025 and 2024 compared to 2024 and 2023, respectively, reflecting the decrease in PMT's average shareholders' equity upon which its base management fees are based.

Expenses

Compensation

Our compensation expense is summarized below:

	Year ended December 31,		
	2025	2024	2023
	(dollars in thousands)		
Salaries and wages	\$ 465,860	\$ 387,672	\$ 377,582
Incentive compensation	187,395	143,317	95,790
Taxes and benefits	93,432	80,881	76,010
Stock and unit-based compensation	36,229	20,868	27,582
	<u>\$ 782,916</u>	<u>\$ 632,738</u>	<u>\$ 576,964</u>
Head count:			
Average	4,759	4,107	4,115
Year end	5,241	4,455	3,914

Compensation expense increased \$150.2 million in the year ended December 31, 2025 compared to 2024. The increase was primarily due to an increase in head count and increased incentive compensation reflecting higher loan production volume and higher company profitability, which resulted in increased bonus accruals.

Compensation expense increased \$55.8 million in the year ended December 31, 2024, compared to 2023. The increase was primarily due to an increase in performance-based incentives in our mortgage banking business resulting from higher loan origination volumes and higher achievement of profitability targets as well as increases in cost of salaries.

Loan origination

Loan origination expense increased \$87.9 million and \$49.6 million in the years ended December 31, 2025 and 2024 compared to 2024 and 2023, respectively, due to increased lending activities.

Marketing and advertising

Marketing and advertising expenses increased \$24.2 million and \$4.3 million in the years ended December 31, 2025 and 2024 compared to 2024 and 2023, respectively, primarily due to additional marketing expenses incurred as an Official Supporter of Team USA and increased marketing expenses for consumer direct lending.

Servicing

Servicing expense increased \$16.6 million and \$36.6 million in the years ended December 31, 2025 and 2024 compared to 2024 and 2023, respectively, primarily due to an increase in provision for losses on servicing advances resulting from higher delinquent loan balances during the years ended December 31, 2025 and 2024 compared to 2024 and 2023, respectively.

Technology

Technology expenses increased \$13.1 million and \$6.4 million in the years ended December 31, 2025 and 2024 compared to 2024 and 2023, respectively. The increases were primarily due to increases in virtual desktop and cloud-related expenses and a \$4.6 million impairment of capitalized software recorded during the year ended December 31, 2025.

Provision for income taxes

For the years ended December 31, 2025, 2024 and 2023, our effective income tax rates were 9.1%, 22.3%, and 21.2%, respectively. The effective income tax rate for 2025 is lower compared to 2024 and 2023 due to the enactment of California Senate Bill 132, signed into law 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. Our effective income tax rate for 2025 includes a repricing of the net deferred tax liabilities resulting from this apportionment rule change along with a reduction in the booking tax rate.

Balance Sheet Analysis

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

	December 31,	
	2025	2024
(in thousands)		
ASSETS		
Cash and short-term investment	\$ 711,717	\$ 659,035
Principal-only stripped mortgage-backed securities	722,528	825,865
Loans held for sale at fair value	9,123,410	8,217,468
Derivative assets	187,775	113,076
Servicing advances, net	589,542	568,512
Mortgage servicing rights at fair value	9,598,941	8,744,528
Investments in and advances to affiliates	18,063	31,150
Loans eligible for repurchase	7,409,800	6,157,172
Other	1,026,913	770,081
Total assets	<u>\$ 29,388,689</u>	<u>\$ 26,086,887</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term debt	\$ 9,490,620	\$ 9,181,719
Long-term debt	6,157,763	5,213,004
	15,648,383	14,394,723
Liability for loans eligible for repurchase	7,409,800	6,157,172
Income taxes payable	1,184,020	1,131,000
Other	837,510	574,341
Total liabilities	25,079,713	22,257,236
Stockholders' equity	4,308,976	3,829,651
Total liabilities and stockholders' equity	<u>\$ 29,388,689</u>	<u>\$ 26,086,887</u>
Leverage ratios:		
Total debt / Stockholders' equity	3.6	3.8
Total debt / Tangible stockholders' equity (1)	3.7	3.9

(1) Tangible stockholders' equity represents total stockholders' equity reduced by intangible assets, comprised of capitalized software, for the dates presented.

Total assets increased \$3.3 billion from \$26.1 billion at December 31, 2024 to \$29.4 billion at December 31, 2025. The increase was primarily due to a \$1.3 billion increase in loans eligible for repurchase, a \$905.9 million increase in loans held for sale at fair value and a \$854.4 million increase in MSRs.

Total liabilities increased by \$2.8 billion from \$22.3 billion as of December 31, 2024 to \$25.1 billion at December 31, 2025. The increase was primarily due to a \$945 million increase in long-term debt, along with increased short-term debt used to fund our inventory of loans held for sale and a \$1.3 billion increase in liability for loans eligible for repurchase.

Cash Flows

Our cash flows for the three years ended December 31, 2025 are summarized below:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Operating	\$ (1,651,984)	\$ (4,533,270)	\$ (1,582,219)
Investing	552,493	(1,887,955)	(273,288)
Financing	1,162,689	5,721,336	1,465,339
Net increase (decrease) in cash	\$ 63,198	\$ (699,889)	\$ (390,168)

Operating activities

Net cash used in operating activities totaled \$1.7 billion, \$4.5 billion and \$1.6 billion in the years ended December 31, 2025, 2024, and 2023, respectively. Our cash flows from operating activities are primarily influenced by changes in the levels of our inventory of loans held for sale as shown below:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Cash flows from:			
Loans held for sale	\$ (2,648,202)	\$ (5,273,630)	\$ (2,190,009)
Other operating sources	996,218	740,360	607,790
	\$ (1,651,984)	\$ (4,533,270)	\$ (1,582,219)

Investing activities

Net cash provided by investing activities was \$552.5 million in the year ended December 31, 2025, primarily comprised of a \$615.2 million sale of MSR, \$193.1 million from the repayment of principal-only stripped mortgage-backed securities and \$154.4 million in net settlement of derivative financial instruments used to hedge our investment in MSR, partially offset by a \$369.6 million increase in margin deposits.

Net cash used in investing activities was \$1.9 billion in the year ended December 31, 2024, primarily comprised of \$935.4 million in purchases of principal-only stripped mortgage-backed securities, \$702.6 million in net settlement of derivative financial instruments used to hedge our investment in MSR, a \$410.3 million increase in short-term investment and a \$116.3 million increase in margin deposits, partially offset by \$298.7 million received from the sale and repayment of mortgage-backed securities.

Net cash used in investing activities was \$273.3 million in the year ended December 31, 2023, primarily comprised of \$242.0 million in net settlement of derivative financial instruments used to hedge our investment in MSR, a \$96.5 million increase in margin deposits and \$31.2 million used in acquisition of capitalized software, partially offset by \$98.1 million received from the sale of interest-only stripped securities.

Financing activities

Net cash provided by financing activities was \$1.2 billion in the year ended December 31, 2025, primarily due to a \$309.9 million increase in short-term borrowings and a \$944.8 million increase in long-term borrowings. The increase in borrowings reflects the increase in inventory of loans held for sale and our investment in MSR.

Net cash provided by financing activities was \$5.7 billion in the year ended December 31, 2024, primarily due to a \$5.0 billion increase in short-term borrowings and an \$825.0 million increase in long-term borrowings. The increase in borrowings reflects the increase in inventory of loans held for sale and our investment in MSR.

Net cash provided by financing activities was \$1.5 billion in the year ended December 31, 2023, primarily due to a \$923.3 million increase in short-term borrowings and a \$680 million increase in long-term borrowings. The increase in borrowings reflects the increase in inventory of loans held for sale and our investment in MSRs.

Liquidity and Capital Resources

Our liquidity reflects our ability to meet our current obligations (including our operating expenses and, when applicable, the retirement of, and margin calls relating to, our debt, and margin calls relating to hedges on our commitments to purchase or originate mortgage loans and on our MSR investments), fund new originations and purchases, and make investments as we identify them. We expect our primary sources of liquidity to be through cash flows from business activities, proceeds from bank borrowings, proceeds from and issuance of equity or debt offerings. We believe that our liquidity and capital resources are sufficient.

Our current borrowing strategy is to finance our assets where we believe such borrowing is prudent, appropriate and available. Our borrowing activities are in the form of sales of assets under agreements to repurchase, sales of mortgage loan participation purchase and sale certificates, notes payable, and unsecured senior notes. A significant amount of our borrowings have short-term maturities and provide for advances with terms ranging from 30 days to 364 days. Because a significant portion of our current debt facilities consist of short-term borrowings, we expect to 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.

Secured debt facilities for MSRs and servicing advances take various forms. Fannie Mae MSRs and Ginnie Mae MSRs and servicing advances are pledged to special purpose entities, each of which issues variable funding notes (“VFNs”) and may issue term notes and term loans that are secured by such Ginnie Mae or Fannie Mae assets. Term notes are issued to qualified institutional buyers under Rule 144A of the Securities Act and term loans are syndicated to banking entities, while the VFNs are sold to bank partners under agreements to repurchase. Freddie Mac MSRs are pledged to a single lender under a bi-lateral loan and security agreement.

On February 6, 2025, PFSI issued \$850 million in 6.875% unsecured senior notes due in 2033 in a private placement to “qualified institutional buyers” under Rule 144A of the Securities Act.

On May 8, 2025, PFSI issued \$850 million in 6.875% unsecured senior notes due in 2032 in a private placement to “qualified institutional buyers” under Rule 144A of the Securities Act.

On May 12, 2025, PFSI redeemed \$650 million in 5.375% unsecured senior notes due in October 2025.

On June 20, 2025, PFSI, through its wholly-owned subsidiaries PNMAC, PLS and the Issuer Trust, redeemed \$500 million of secured term notes due in May 2027 in a private placement.

On August 12, 2025, PFSI issued \$650 million in 6.75% unsecured senior notes due in 2034 in a private placement to “qualified institutional buyers” under Rule 144A of the Securities Act.

On August 14, 2025, PFSI, through its wholly-owned subsidiaries PNMAC, PLS and the Issuer Trust, issued \$300 million of secured term notes due in August 2030 in a private placement.

On August 25, 2025, PFSI, through its wholly-owned subsidiaries PNMAC, PLS and the Issuer Trust, partially redeemed \$200 million of secured term loans due in February 2028.

Our repurchase agreements represent the sales of assets together with agreements for us to buy back the assets at a later date. The table below presents the average outstanding, maximum and ending balances:

	Year ended December 31,		
	2025	2024	2023
Average balance	\$ 7,336,946	\$ 5,474,998	\$ 3,701,448
Maximum daily balance	\$ 10,557,165	\$ 8,591,735	\$ 6,358,007
Balance at year end	\$ 8,801,215	\$ 8,692,756	\$ 3,769,449

The differences between the average and maximum daily balances on our repurchase agreements reflect the fluctuations throughout the years of our inventory as we fund and pool mortgage loans for sale in guaranteed mortgage securitizations.

Our debt repurchase 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 a decrease in the market value (as determined by the applicable lender) of the assets subject to the related financing agreement. 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.

Our secured financing agreements at PLS require us to comply with various financial covenants. The most significant 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 liabilities 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.

With respect to servicing performed for PMT, PLS is also subject to certain covenants under PMT's debt agreements. Covenants in PMT's debt agreements are equally, or sometimes less, restrictive than the covenants described above.

PFSI has issued unsecured senior notes (the "Unsecured Notes") to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended. The Unsecured Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by the Company's existing and future wholly-owned domestic subsidiaries (other than certain excluded subsidiaries defined in the indentures under which the Unsecured Notes were issued).

Our Unsecured Notes contain covenants that limit our and our restricted subsidiaries' ability to engage in specified types of transactions, including, but not limited to, the following:

- pay dividends or distributions, redeem or repurchase equity, prepay subordinated debt and make certain loans or investments;
- incur, assume or guarantee additional debt or issue preferred stock;
- incur liens on assets;
- merge or consolidate with another person or sell all or substantially all of our assets to another person;
- transfer, sell or otherwise dispose of certain assets including capital stock of subsidiaries;
- enter into transactions with affiliates; and

- allow to exist certain restrictions on the ability of our non-guarantor restricted subsidiaries to pay dividends or make other payments to us.

Although financial and other covenants limit the amount of indebtedness that we may incur and affect 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.

We are also subject to liquidity and net worth requirements established by the Federal Housing Finance Agency (“FHFA”) for Agency seller/servicers and Ginnie Mae for single-family issuers. FHFA and Ginnie Mae have established minimum liquidity and net worth requirements for their approved non-depository single-family sellers/servicers in the case of Fannie Mae, Freddie Mac, and Ginnie Mae for their approved single-family issuers, and Ginnie Mae has issued risk-based capital requirements. We believe that we are in compliance with the Agency’s requirements as of December 31, 2025.

We have a common stock repurchase program which allows us to repurchase common shares as further disclosed in Part II, Item 5 – Stock Repurchase Program. Share repurchases may be effected through open market purchases or privately negotiated transactions in accordance with applicable rules and regulations. The stock repurchase program does not have an expiration date and the authorization does not obligate us to acquire any particular amount of common stock. From inception through December 31, 2025, we have repurchased approximately \$1.8 billion of common shares under our stock repurchase program.

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

Debt Obligations

As described further above in “Liquidity and Capital Resources,” we currently finance certain of our assets through short-term borrowings with major financial institutions in the form of sales of assets under agreements to repurchase and mortgage loan participation purchase and sale agreements. We access the capital market for long-term debt through the issuance of secured notes payable and Unsecured Notes. The issuer under our secured term note facilities is PLS or a wholly-owned issuer trust guaranteed by PNMAC. In addition, PFSI has issued Unsecured Notes guaranteed by certain of its restricted wholly-owned subsidiaries.

PLS is required to comply with certain financial covenants, as described further above in “Liquidity and Capital Resources,” and various non-financial covenants customary for transactions of this nature. As of December 31, 2025, we believe PLS was in compliance in all material respects with these covenants.

Many of our debt financing agreements contain a condition precedent to obtaining additional funding that requires PLS to maintain positive net income for at least one of the previous two consecutive quarters, or other similar measures. PLS is compliant with all such conditions.

The financing agreements also contain margin call provisions that, upon notice from the applicable lender, require us to transfer cash or, in some instances, additional assets in an amount sufficient to eliminate any margin deficit. 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.

In addition, the financing agreements contain events of default (subject to certain materiality thresholds and grace periods), including payment defaults, breaches of covenants and/or certain representations and warranties, cross-defaults, guarantor defaults, servicer termination events and defaults, material adverse changes, bankruptcy or insolvency proceedings and other events of default customary for these types of transactions. The remedies for such events of default are also customary for these types of transactions and include the acceleration of the principal amount outstanding under the agreements and the liquidation by our lenders of the mortgage loans or other collateral then subject to the agreements.

Our borrowings have maturities as follows:

Lender	Outstanding indebtedness (1)	Total facility size (2)	Committed facility (2)	Facility Maturity date (2)
	(dollar amounts in thousands)			
Loans sold under agreements to repurchase				
Atlas Securitized Products, L.P.	\$ 2,991,222	\$ 2,991,222	\$ 300,000	December 10, 2027
Bank of America, N.A.	\$ 1,087,560	\$ 1,525,000	\$ 800,000	June 9, 2027
Royal Bank of Canada	\$ 534,163	\$ 1,000,000	\$ 500,000	November 10, 2026
JP Morgan Chase Bank, N.A.	\$ 505,234	\$ 505,234	\$ —	June 28, 2026
Nomura Corporate Funding Americas	\$ 446,608	\$ 700,000	\$ —	August 4, 2026
Citibank, N.A.	\$ 444,851	\$ 1,050,000	\$ 700,000	August 21, 2026
Wells Fargo Bank, N.A.	\$ 440,071	\$ 600,000	\$ 300,000	June 11, 2027
Morgan Stanley Bank, N.A.	\$ 407,678	\$ 700,000	\$ 350,000	October 22, 2027
BNP Paribas	\$ 342,500	\$ 600,000	\$ 250,000	September 30, 2026
Barclays Bank PLC	\$ 229,055	\$ 300,000	\$ 250,000	March 6, 2026
Goldman Sachs Bank USA	\$ 118,428	\$ 200,000	\$ 100,000	February 13, 2027
Mizuho Bank, Ltd.	\$ 99,588	\$ 250,000	\$ 125,000	October 14, 2026
JP Morgan Chase Bank, N.A. (Early buy out facility)	\$ 13,940	\$ 494,766	\$ 150,000	June 25, 2027
Servicing assets sold under agreements to repurchase				
Atlas Securitized Products, L.P.	\$ 160,000	\$ 258,778	\$ 258,778	December 10, 2027
Nomura Corporate Funding Americas	\$ 150,000	\$ 550,000	\$ 550,000	September 9, 2026
Goldman Sachs Bank USA	\$ 50,000	\$ 550,000	\$ 200,000	October 25, 2026
Mizuho Bank, Ltd.	\$ 50,000	\$ 350,000	\$ 350,000	July 25, 2026
Mortgage-backed securities sold under agreements to repurchase				
JP Morgan Chase Bank, N.A.	\$ 248,729			
Santander US Capital Markets LLC	\$ 238,668			
Wells Fargo Bank, N.A.	\$ 210,023			
Bank of America, N.A.	\$ 32,897			
Mortgage loan participation purchase and sale agreements				
Bank of America, N.A.	\$ 697,087	\$ 750,000	\$ —	June 10, 2026
Notes payable				
GMSR 2023-GTL1 Loans	\$ 480,000	\$ 480,000		February 25, 2028
GMSR 2023-GTL2 Loans	\$ 125,000	\$ 125,000		October 25, 2028
GMSR 2024-GT1 Notes	\$ 425,000	\$ 425,000		March 26, 2029
GMSR 2025-GT1 Notes	\$ 300,000	\$ 300,000		August 26, 2030
Barclays FHLMC MSR Facility	\$ —	\$ 200,000	\$ 100,000	March 6, 2026
Citibank, N.A. FHLMC MSR Facility	\$ —	\$ 100,000	\$ —	August 21, 2026
Unsecured senior notes				
Unsecured Notes - 4.25%	\$ 650,000			February 15, 2029
Unsecured Notes - 5.75%	\$ 500,000			September 15, 2031
Unsecured Notes - 7.875%	\$ 750,000			December 15, 2029
Unsecured Notes - 7.125%	\$ 650,000			November 15, 2030
Unsecured Notes - 6.875%	\$ 850,000			February 15, 2033
Unsecured Notes - 6.875%	\$ 850,000			May 15, 2032
Unsecured Notes - 6.75%	\$ 650,000			February 15, 2034

(1) Outstanding indebtedness as of December 31, 2025.

(2) Total facility size, committed facility and maturity date include contractual changes through the date of this Report.

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 December 31, 2025:

Loans held for sale and MSR

<u>Counterparty</u>	<u>Amount at risk (in thousands)</u>	<u>Weighted average maturity of advances</u>	<u>Facility maturity</u>
Atlas Securitized Products, L.P., Goldman Sachs Bank USA, Nomura Corporate Funding Americas and Mizuho Bank, Ltd. (1)	\$ 6,642,963	March 6, 2027	March 6, 2027
Atlas Securitized Products, L.P.	\$ 267,343	April 17, 2026	December 10, 2027
Bank of America, N.A.	\$ 89,902	February 1, 2026	June 9, 2027
Royal Bank of Canada	\$ 33,291	January 28, 2026	November 10, 2026
JP Morgan Chase Bank, N.A.	\$ 31,391	April 9, 2026	July 7, 2026
Nomura Corporate Funding Americas	\$ 26,440	March 19, 2026	August 4, 2026
Citibank, N.A.	\$ 23,075	March 10, 2026	August 21, 2026
Morgan Stanley Bank, N.A.	\$ 24,184	March 16, 2026	October 22, 2027
Wells Fargo Bank, N.A.	\$ 19,335	March 14, 2026	June 11, 2027
BNP Paribas	\$ 17,721	March 21, 2026	September 30, 2026
Barclays Bank PLC	\$ 16,492	March 5, 2026	March 6, 2026
Mizuho Bank, Ltd.	\$ 9,213	May 25, 2026	October 14, 2026
Goldman Sachs Bank USA	\$ 6,754	March 18, 2026	February 13, 2027

(1) The borrowing facilities are in the form of a sale of a variable funding note under an agreement to repurchase. The facility maturity date represents a weighted average with maturity dates ranging from August 4, 2026 through December 10, 2027.

Principal-only stripped MBS

<u>Counterparty</u>	<u>Amount at risk (in thousands)</u>	<u>Maturity</u>
Bank of America, N.A.	\$ 3,179	January 28, 2026
JP Morgan Chase Bank, N.A.	\$ 20,591	January 7, 2026
Wells Fargo Bank, N.A.	\$ 17,918	January 23, 2026
Santander US Capital Markets LLC	\$ 13,956	January 15, 2026

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Fair Value Risk

Our IRLCs, principal-only stripped MBS, mortgage loans held for sale, MSR and MSLs are reported at their fair values. The fair value of these assets fluctuates primarily due to changes in interest rates. The fair value risk we face is primarily attributable to interest rate risk and prepayment risk.

Interest Rate Risk

Interest rate risk is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors beyond our control. Changes in interest rates affect both the fair value of, and interest income we earn from, our mortgage-related investments and our derivative financial instruments. This effect is most pronounced with fixed-rate mortgage assets.

In general, rising interest rates negatively affect the fair value of our IRLCs, inventory of mortgage loans held for sale, and principal-only stripped MBS and positively affect the fair value of our MSR. Changes in interest rates significantly influence the prepayment speeds of the loans underlying our investments in MSR, which can have a significant effect on their fair values. Changes in interest rate are most prominently reflected in the prepayment speeds of the loans underlying our investments in MSR and the discount rate used in their valuation.

Our operating results will depend, in part, on differences between the income from our investments and our financing costs. Presently most of our secured debt financing is based on a floating rate of interest calculated on a fixed spread over the relevant index, as determined by the particular financing arrangement.

Prepayment Risk

To the extent that the actual prepayment rate on the mortgage loans underlying our MSR differs from what we projected when we initially recognized these assets and liabilities when we measure fair value as of the end of each reporting period, the carrying value of these assets and liabilities will be affected. In general, a decrease in the principal balances of the mortgage loans underlying our MSR or an increase in prepayment expectations will decrease our estimates of the fair value of the MSR, thereby reducing net servicing income, partially offset by the beneficial effect on net servicing income of a corresponding reduction in the fair value of our MSL and an increase in the fair value of our principal-only stripped MBS.

Risk Management Activities

We engage in risk management activities primarily in an effort to mitigate the effect of changes in interest rates on the fair value of our assets. To manage this price risk, we use derivative financial instruments acquired with the intention of moderating the risk that changes in market interest rates will result in unfavorable changes in the fair value of our assets, primarily prepayment exposure on our MSR investments as well as IRLCs and our inventory of loans held for sale. Our objective is to minimize our hedging expense and maximize our loss coverage based on a given hedge expense target. We do not use derivative financial instruments other than IRLCs for purposes other than in support of our risk management activities.

Our strategies are regularly reviewed within a disciplined risk management framework. We use a variety of interest rate and spread shifts and scenarios and define target limits for market value and liquidity loss in those scenarios. With respect to our IRLCs and inventory of loans held for sale, we use MBS forward sale contracts to lock in the price at which we will sell the mortgage loans or resulting MBS, and further use MBS put options to mitigate the risk of our IRLCs not closing at the rate we expect. With respect to our MSR, we seek to mitigate mortgage-based loss exposure utilizing MBS forward purchase and sale contracts and principal-only stripped MBS, address exposures to smaller interest rate shifts with Treasury and interest rate swap futures, and use options and swaptions to achieve target coverage levels for larger interest rate shocks.

Fair Value Sensitivities

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

Mortgage Servicing Rights

The following tables summarize the estimated change in fair value of MSR as of December 31, 2025, given several shifts in prepayment speed, option adjusted spread and annual per loan cost of servicing:

Change in fair value attributable to shift in:	-20%	-10%	-5%	+5%	+10%	+20%
	(in thousands)					
Prepayment speed	\$ 747,036	\$ 358,322	\$ 175,589	\$ (168,856)	\$ (331,359)	\$ (638,689)
Option adjusted spread	\$ 403,992	\$ 197,480	\$ 97,647	\$ (95,530)	\$ (189,008)	\$ (370,059)
Annual per-loan cost of servicing	\$ 202,122	\$ 101,061	\$ 50,531	\$ (50,531)	\$ (101,061)	\$ (202,122)

Item 8. Financial Statements and Supplementary Data

The information called for by this Item 8 is hereby incorporated by reference from our Financial Statements and Auditors' Report in Part IV of this Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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 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 Rule 13a-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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13a-15(f). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of its internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework (2013)*. Based on those criteria, management concluded that our internal control over financial reporting was effective as of December 31, 2025.

The effectiveness of our internal control over financial reporting as of December 31, 2025 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting during the quarter ended December 31, 2025, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
PennyMac Financial Services, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of PennyMac Financial Services, Inc. and subsidiaries (the “Company”) as of December 31, 2025, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2025, of the Company and our report dated February 20, 2026, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP
Los Angeles, California
February 20, 2026

Item 9B. *Other Information*

Trading Plans

As of December 31, 2025, the following directors or Section 16 officers adopted, modified or terminated the following Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K):

On October 23, 2025, Derek W. Stark, Senior Managing Director, Chief Legal Officer and Secretary, adopted a trading plan to sell: (1) Company common stock shares received upon the vesting of 2,819 time-based restricted stock units, and (2) Company common stock shares received upon the vesting of 14,405 performance-based restricted stock units assuming a maximum level performance achievement. The trading plan will expire on December 31, 2026. Mr. Stark's trading plan was entered into during an open insider trading window and is intended to satisfy Rule 10b5-1(c) under the Exchange Act and the Company's policies regarding insider transactions.

During the quarter ended December 31, 2025, none of our other directors or executive officers (as defined in Rule 16a-1(f)), informed us of the adoption, modification, or termination of a "Rule 10b5-1 trading.

Item 9C. *Disclosure Regarding Foreign Jurisdictions that Prevent Inspections*

Not applicable.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this Item 10 is hereby incorporated by reference from our definitive proxy statement, or will be contained in an amendment to this Report, in either case to be filed within 120 days after the end of fiscal year 2025. We have adopted insider trading policies and procedures governing the purchase, sale and other dispositions of our securities applicable to our directors, officers, and employees, and have implemented processes for the Company that we believe are reasonably designed to promote compliance with insider trading laws, rules, and regulations, as well as applicable listing standards. A copy of our insider trading policy is incorporated by reference as Exhibit 19.1 to this Report.

Item 11. *Executive Compensation*

The information required by this Item 11 is hereby incorporated by reference from our definitive proxy statement, or will be contained in an amendment to this Report, in either case to be filed within 120 days after the end of fiscal year 2025.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Equity Compensation Plan Information

Our 2022 Equity Incentive Plan provides for the grant of stock options, stock appreciation rights, restricted stock and stock unit awards, performance units, and stock grants which we collectively refer to as "awards." Directors, officers and other employees of our Company and our subsidiaries, as well as others performing consulting or advisory services for us, are eligible for grants under the 2022 Equity Incentive Plan. The plan administrator of the equity incentive plan is the compensation committee of the board of directors. The board of directors itself may also exercise any of the powers and responsibilities under the 2022 Equity Incentive Plan. Subject to the terms of the 2022 Equity Incentive Plan, the plan administrator will select the recipients of awards and determine, among other things, the number of shares of common stock covered by the awards and the dates upon which such awards become exercisable or any restrictions lapse, as applicable; the type of award and the exercise or purchase price and method of payment for each such award; the performance measures, if applicable, required to be satisfied prior to vesting; the vesting period for

awards, risks of forfeiture and any potential acceleration of vesting or lapses in risks of forfeiture; and the duration of awards.

The following table provides information about our former and current equity compensation plans as of December 31, 2025, which consist of the 2013 Equity Incentive Plan and the 2022 Equity Incentive Plan (collectively the “Equity Incentive Plans”):

Plan category	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights (1)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (2)
Equity compensation plans approved by security holders (3)	3,920,495	\$ 48.10	5,686,248
Equity compensation plans not approved by security holders (4)	—	—	—
Total	3,920,495	\$ 48.10	5,686,248

- (1) The weighted average exercise price set forth in this column relates only to 2,843,334 shares of stock options outstanding under our Equity Incentive Plans. The remaining securities included in column (a) of this table are performance and time-based restricted stock units, for which no exercise price applies.
- (2) This number includes a general pool of 4,600,000 shares of common stock authorized for future awards, initially authorized under the 2022 Equity Incentive Plan, plus, on or after January 1, 2023, and each January 1st thereafter through January 1, 2032, by an amount equal to the lesser of (i) 1.75% of our outstanding common stock on a fully diluted basis as of the end of our immediately preceding fiscal year, (ii) 1,322,024 shares, and (iii) any lower amount determined by our board of directors.
- (3) Represents our Equity Incentive Plans.
- (4) We do not have any equity plans that have not been approved by our stockholders.

The other information required by this Item 12 is hereby incorporated by reference from our definitive proxy statement, or will be contained in an amendment to this Report, in either case to be filed within 120 days after the end of fiscal year 2025.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this Item 13 is hereby incorporated by reference from our definitive proxy statement, or will be contained in an amendment to this Report, in either case to be filed within 120 days after the end of fiscal year 2025.

Item 14. *Principal Accountant Fees and Services*

Our independent public accounting firm is Deloitte & Touche LLP, Los Angeles, CA, PCAOB Auditor ID 34.

The information required by this Item 14 is hereby incorporated by reference from our definitive proxy statement, or will be contained in an amendment to this Report, in either case to be filed within 120 days after the end of fiscal year 2025.

PART IV

Item 15. Exhibits and Financial Statement Schedules

<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference from the Below-Listed Form (Each Filed under SEC File Number 001-35916 or 001-38727)</u>	
		<u>Form</u>	<u>Filing Date</u>
2.1	<u>Contribution Agreement and Plan of Merger, dated as of August 2, 2018, by and among PennyMac Financial Services, Inc., New PennyMac Financial Services, Inc., New PennyMac Merger Sub, LLC, Private National Mortgage Acceptance Company, LLC, and the Contributors.</u>	8-K12B	November 1, 2018
3.1	<u>Amended and Restated Certificate of Incorporation of New PennyMac Financial Services, Inc.</u>	8-K12B	November 1, 2018
3.1.1	<u>Certificate of Amendment to Amended and Restated Certificate of Incorporation of New PennyMac Financial Services, Inc.</u>	8-K12B	November 1, 2018
3.2	<u>Amended and Restated Bylaws of New PennyMac Financial Services, Inc.</u>	8-K12B	November 1, 2018
3.2.1	<u>Amendment to Amended and Restated Bylaws of PennyMac Financial Services, Inc. (formerly known as New PennyMac Financial Services, Inc.).</u>	10-Q	November 4, 2019
3.2.2	<u>Amendment to Amended and Restated Bylaws of PennyMac Financial Services, Inc.</u>	8-K	September 6, 2024
3.2.3	<u>Third Amendment to the Amended and Restated Bylaws of PennyMac Financial Services, Inc.</u>	8-K	January 3, 2025
4.1	<u>Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.</u>	*	
4.2	<u>Indenture, dated as of February 11, 2021, among PennyMac Financial Services, Inc., the guarantors party thereto and U.S. Bank, National Association, as trustee, relating to the 4.25% Senior Notes due 2029.</u>	8-K	February 11, 2021
4.3	<u>Form of Global Note for 4.25% Senior Notes due 2029 (Included in Exhibit 4.6).</u>	8-K	February 11, 2021
4.4	<u>First Supplemental Indenture, dated as of October 7, 2021, among PennyMac Financial Services, Inc., the guarantors party thereto and U.S. Bank, National Association, as trustee, relating to the 4.250% Senior Notes due 2029.</u>	8-K	October 8, 2021

<u>Exhibit No.</u>	<u>Exhibit Description</u>	Incorporated by Reference from the Below-Listed Form (Each Filed under SEC File Number 001-35916 or 001-38727)	
		<u>Form</u>	<u>Filing Date</u>
4.5	<u>Indenture, dated as of September 16, 2021, among PennyMac Financial Services, Inc., the guarantors party thereto and U.S. Bank, National Association, as trustee, relating to the 5.750% Senior Notes due 2031.</u>	8-K	September 16, 2021
4.6	<u>Form of Global Note for 5.750% Senior Notes due 2031 (included in Exhibit 4.9).</u>	8-K	September 16, 2021
4.7	<u>Indenture, dated as of December 11, 2023, among PennyMac Financial Services, Inc., the guarantors party thereto and U.S. Bank Trust Company, National Association, as trustee, relating to the 7.875% Senior Notes due 2029.</u>	8-K	December 11, 2023
4.8	<u>Form of Global Note for 7.875% Senior Notes due 2029 (included in Exhibit 4.11).</u>	8-K	December 11, 2023
4.9	<u>Indenture, dated as of May 23, 2024, among PennyMac Financial Services, Inc., the guarantors party thereto and U.S. Bank Trust Company, National Association, as trustee, relating to the 7.125% Senior Notes due 2030.</u>	8-K	May 23, 2024
4.10	<u>Form of Global Note for 7.125% Senior Notes due 2030 (included in Exhibit 4.13).</u>	8-K	May 23, 2024
4.11	<u>Indenture, dated as of February 6, 2025, among PennyMac Financial Services, Inc., the guarantors party thereto and U.S. Bank Trust Company, National Association, as trustee, relating to the 6.875% Senior Notes due 2033.</u>	8-K	February 6, 2025
4.12	<u>Form of Global Note for 6.875% Senior Notes due 2033 (included in Exhibit 4.11).</u>	8-K	February 6, 2025
4.13	<u>Indenture, dated as of May 8, 2025, among PennyMac Financial Services, Inc., the guarantors party thereto and U.S. Bank Trust Company, National Association, as trustee, relating to the 6.875% Senior Notes due 2032.</u>	8-K	May 8, 2025
4.14	<u>Form of Global Note for 6.875% Senior Notes due 2032 (included in Exhibit 4.13).</u>	8-K	May 8, 2025
4.15	<u>Indenture, dated as of August 12, 2025, among PennyMac Financial Services, Inc., the guarantors party thereto and U.S. Bank Trust Company, National Association, as trustee, relating to the 6.750% Senior Notes due 2034.</u>	8-K	August 12, 2025
4.16	<u>Form of Global Note for 6.750% Senior Notes due 2034 (included in Exhibit 4.15).</u>	8-K	August 12, 2025

<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference from the Below-Listed Form (Each Filed under SEC File Number 001-35916 or 001-38727)</u>	
		<u>Form</u>	<u>Filing Date</u>
4.17	<u>Third Amended and Restated Base Indenture, dated as of April 1, 2020, by and among PNMAC GMSR ISSUER TRUST, Citibank, N.A., PennyMac Loan Services, LLC, Credit Suisse First Boston Mortgage Capital LLC and Pentalpha Surveillance LLC.</u>	8-K	April 7, 2020
4.18	<u>Amendment No. 1 to Third Amended and Restated Base Indenture, dated as of June 8, 2022, by and among PNMAC GMSR ISSUER TRUST, Citibank, N.A., PennyMac Loan Services, LLC, Credit Suisse First Boston Mortgage Capital LLC, and Pentalpha Surveillance LLC.</u>	8-K	June 14, 2022
4.19	<u>Amendment No. 2 to Third Amended and Restated Base Indenture, dated as of June 9, 2022, by and among PNMAC GMSR ISSUER TRUST, Citibank, N.A., PennyMac Loan Services, LLC, Credit Suisse First Boston Mortgage Capital LLC and Pentalpha Surveillance LLC.</u>	10-Q	August 5, 2022
4.20	<u>Amendment No. 3, dated February 7, 2023, to the Third Amended and Restated Base Indenture, dated as of April 1, 2020, by and among PNMAC GMSR ISSUER TRUST, Citibank, N.A., as Indenture Trustee, PennyMac Loan Services, LLC, Credit Suisse First Boston Mortgage Capital LLC, and consented and agreed to by Goldman Sachs Bank USA.</u>	8-K	February 13, 2023
4.21	<u>Base Indenture, dated as of April 28, 2021, by and among PFSI ISSUER TRUST - FMSR, as Issuer, Citibank, N.A., as Indenture Trustee, Calculation Agent, Paying Agent and Securities Intermediary, PennyMac Loan Services, LLC, as Servicer and Administrator, and Credit Suisse First Boston Mortgage Capital LLC, as Administrative Agent.</u>	8-K	May 3, 2021
4.22	<u>Amendment No. 1, dated November 21, 2025, to the Base Indenture, dated as of April 28, 2021, by and among PFSI ISSUER TRUST - FMSR, as Issuer, Citibank, N.A., as Indenture Trustee, Calculation Agent, Paying Agent and Securities Intermediary, PennyMac Loan Services, LLC, as Servicer and Administrator, and Goldman Sachs Bank USA, as Administrative Agent.</u>	*	
4.23	Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the registrant hereby agrees to furnish upon request to the Securities and Exchange Commission other instruments defining the rights of holders of long-term debt. The amount of securities authorized under each such other instrument does not exceed ten percent of the total assets of the registrant and its subsidiaries on a consolidated basis.	-	-

<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference from the Below-Listed Form (Each Filed under SEC File Number 001-35916 or 001-38727)</u>	
		<u>Form</u>	<u>Filing Date</u>
10.1	<u>Fifth Amended and Restated Limited Liability Company Agreement of Private National Mortgage Acceptance Company, LLC, dated as of November 1, 2018.</u>	8-K12B	November 1, 2018
10.2	<u>Tax Receivable Agreement, dated as of May 8, 2013, between PennyMac Financial Services, Inc., Private National Mortgage Acceptance Company, LLC and each of the Members.</u>	8-K	May 14, 2013
10.3	<u>Amended and Restated Registration Rights Agreement, dated as of November 1, 2018, among PennyMac Financial Services, Inc., New PennyMac Financial Services, Inc. and the Holders.</u>	8-K12B	November 1, 2018
10.4	<u>Fourth Amended and Restated Stockholder Agreement, dated as of December 31, 2024, between PennyMac Financial Services, Inc. and HC Partners LLC.</u>	8-K	January 3, 2025
10.5†	<u>Employment Agreement, dated December 13, 2022, among David A. Spector, Private National Mortgage Acceptance Company, LLC and PennyMac Financial Services, Inc.</u>	8-K	December 16, 2022
10.6†	<u>Employment Agreement, dated December 13, 2022 among Doug Jones, Private National Mortgage Acceptance Company, LLC and PennyMac Financial Services, Inc.</u>	8-K	December 16, 2022
10.7†	<u>Form of PennyMac Financial Services, Inc. Indemnification Agreement.</u>	10-K	February 25, 2021
10.8†	<u>PennyMac Financial Services, Inc. Change of Control Severance Plan.</u>	8-K	September 28, 2021
10.9†	<u>PennyMac Financial Services, Inc. Executive Deferred Compensation Plan.</u>	S-8	June 5, 2024
10.10†	<u>PennyMac Financial Services, Inc. 2013 Equity Incentive Plan.</u>	8-K	May 14, 2013
10.11†	<u>First Amendment to the PennyMac Financial Services, Inc. 2013 Equity Incentive Plan.</u>	10-K	March 9, 2018
10.12†	<u>Second Amendment to the PennyMac Financial Services, Inc. 2013 Equity Incentive Plan.</u>	DEF14A	April 17, 2018
10.13†	<u>Third Amendment to the PennyMac Financial Services, Inc. 2013 Equity Incentive Plan.</u>	10-K	February 25, 2021
10.14†	<u>PennyMac Financial Services, Inc. 2013 Equity Incentive Plan Form of Stock Option Award Agreement (2013).</u>	8-K	June 17, 2013

<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference from the Below-Listed Form (Each Filed under SEC File Number 001-35916 or 001-38727)</u>	
		<u>Form</u>	<u>Filing Date</u>
10.15†	<u>PennyMac Financial Services, Inc. 2013 Equity Incentive Plan Form of Stock Option Award Agreement (2018).</u>	10-Q	August 2, 2018
10.16†	<u>Omnibus Amendment to PennyMac Financial Services, Inc. 2013 Equity Incentive Plan Stock Option Award Agreement.</u>	10-K	March 5, 2019
10.17†	<u>PennyMac Financial Services, Inc. 2013 Equity Incentive Plan Form of Stock Option Award Agreement (2020).</u>	10-Q	May 7, 2020
10.18†	<u>PennyMac Financial Services, Inc. 2013 Equity Incentive Plan Form of Stock Option Award Agreement (Special Option 2020).</u>	10-K	February 25, 2021
10.19†	<u>PennyMac Financial Services, Inc. 2013 Equity Incentive Plan Form of Stock Option Award Agreement (2021).</u>	10-Q	May 6, 2021
10.20†	<u>PennyMac Financial Services, Inc. 2013 Equity Incentive Plan Form of Stock Option Award Agreement (2021).</u>	10-Q	August 5, 2021
10.21†	<u>PennyMac Financial Services, Inc. 2013 Equity Incentive Plan Form of Omnibus Amendment to Stock Option Award Agreements.</u>	10-Q	August 5, 2021
10.22†	<u>PennyMac Financial Services, Inc. 2022 Equity Incentive Plan.</u>	10-K	February 22, 2023
10.23†	<u>PennyMac Financial Services, Inc. 2022 Equity Incentive Plan Form of Stock Option Award Agreement (2023).</u>	10-Q	May 3, 2023
10.24†	<u>PennyMac Financial Services, Inc. 2022 Equity Incentive Plan Form of Restricted Stock Unit Subject to Continued Service Award Agreement (Net Share Withholding) (2023).</u>	10-Q	May 3, 2023
10.25†	<u>PennyMac Financial Services, Inc. 2022 Equity Incentive Plan Form of Restricted Stock Unit Subject to Continued Service Award Agreement (Sale to Cover) (2023).</u>	10-Q	May 3, 2023
10.26†	<u>PennyMac Financial Services, Inc. 2022 Equity Incentive Plan Form of Restricted Stock Unit Subject to Performance Components Award Agreement (Sale to Cover) (2023).</u>	10-Q	May 3, 2023
10.27†	<u>PennyMac Financial Services, Inc. 2022 Equity Incentive Plan Form of Restricted Stock Unit Subject to Performance Components Award Agreement (Net Share Withholding) (2023).</u>	10-Q	May 3, 2023
10.28†	<u>PennyMac Financial Services, Inc. 2022 Equity Incentive Plan Form of Restricted Stock Unit Subject to Continued Service Award Agreement for Non-Employee Directors (2023).</u>	10-Q	May 3, 2023

<u>Exhibit No.</u>	<u>Exhibit Description</u>	Incorporated by Reference from the Below-Listed Form (Each Filed under SEC File Number 001-35916 or 001-38727)	
		<u>Form</u>	<u>Filing Date</u>
10.29†	<u>PennyMac Financial Services, Inc. 2022 Equity Incentive Plan Form of Stock Option Award Agreement (2025).</u>	10-Q	April 29, 2025
10.30†	<u>PennyMac Financial Services, Inc. 2022 Equity Incentive Plan Form of Restricted Stock Unit Award Agreement (2025).</u>	10-Q	April 29, 2025
10.31†	<u>PennyMac Financial Services, Inc. 2022 Equity Incentive Plan Form of Performance Based Restricted Stock Unit Award Agreement (2025).</u>	10-Q	April 29, 2025
10.32†	<u>PennyMac Financial Services, Inc. 2022 Equity Incentive Plan Form of Restricted Stock Unit Award Agreement (Non-Employee Directors) (2025).</u>	10-Q	April 29, 2025
10.33	<u>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 December 16, 2024.</u>	8-K	December 19, 2024
10.34	<u>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.</u>	10-Q	July 29, 2025
10.35	<u>Fifth Amended and Restated Flow Servicing Agreement, between PennyMac Operating Partnership, L.P. and PennyMac Loan Services, LLC, dated as of December 16, 2024.</u>	8-K	December 19, 2024
10.36	<u>Amendment No. 1 to Fifth Amended and Restated Flow Servicing Agreement, between PennyMac Operating Partnership, L.P. and PennyMac Loan Services, LLC, dated as of September 15, 2025.</u>	10-Q	October 28, 2025
10.37	<u>Third Amended and Restated Mortgage Banking Services Agreement, between PennyMac Loan Services, LLC and PennyMac Corp., dated as of December 16, 2024.</u>	8-K	December 19, 2024
10.38	<u>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.</u>	10-Q	July 29, 2025
10.39	<u>Amendment No. 2 to Third Amended and Restated Mortgage Banking Services Agreement, between PennyMac Loan Services, LLC and PennyMac Corp., dated as of September 16, 2025.</u>	10-Q	October 28, 2025
10.40	<u>Fourth Amended and Restated Mortgage Banking Services Agreement, between PennyMac Loan Services, LLC and PennyMac Corp., dated as of December 18, 2025.</u>	*	

<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference from the Below-Listed Form (Each Filed under SEC File Number 001-35916 or 001-38727)</u>	
		<u>Form</u>	<u>Filing Date</u>
10.41	<u>Third Amended and Restated MSR Recapture Agreement, between PennyMac Loan Services, LLC and PennyMac Corp., dated as of December 16, 2024.</u>	8-K	December 19, 2024
10.42	<u>Amended and Restated Flow Servicing Agreement, between PennyMac Corp. and PennyMac Loan Services, LLC, dated as of December 16, 2024.</u>	8-K	December 19, 2024
10.43	<u>Amendment No. 1 to Amended and Restated Flow Servicing Agreement, between PennyMac Corp. and PennyMac Loan Services, LLC, dated as of September 15, 2025.</u>	10-Q	October 28, 2025
10.44	<u>Flow Sale Agreement, dated as of June 16, 2015, by and between PennyMac Corp. and PennyMac Loan Services, LLC.</u>	10-Q	August 7, 2015
10.45	<u>HELOC Flow Purchase and Servicing Agreement, dated as of February 25, 2019, by and between PennyMac Loan Services, LLC and PennyMac Corp.</u>	10-Q	May 6, 2019
10.46	<u>Amended and Restated Mortgage Loan Purchase Agreement, dated as of December 18, 2025, by and between PennyMac Loan Services, LLC and PennyMac Corp.</u>	*	
19.1	<u>PennyMac Financial Services, Inc. Policy Against Insider Trading</u>	*	
21.1	<u>Subsidiaries of PennyMac Financial Services, Inc.</u>	*	
23.1	<u>Consent of Deloitte & Touche LLP.</u>	*	
31.1	<u>Certification of David A. Spector pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>	*	
31.2	<u>Certification of Daniel S. Perotti pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>	*	
32.1	<u>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.</u>	**	
32.2	<u>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.</u>	**	
97	<u>Recoupment of Incentive Compensation Policy For Executive Officers.</u>	10-K	February 21, 2024

**Incorporated by Reference
from the Below-Listed Form
(Each Filed under SEC File
Number 001-35916 or 001-38727)**

<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>Filing Date</u>
101	Interactive data files pursuant to Rule 405 of Regulation S-T, formatted in Inline XBRL: (i) the Consolidated Balance Sheets as of December 31, 2024 and December 31, 2023 (ii) the Consolidated Statements of Income for the years ended December 31, 2024 and December 31, 2023, (iii) the Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2024 and December 31, 2023, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2024 and December 31, 2023 and (v) the Notes to the Consolidated Financial Statements.	*	
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	*	
101.SCH	Inline XBRL Taxonomy Extension Schema Document	*	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	*	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	*	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	*	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase 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, except as shall be expressly set forth by specific reference in such filing.

† Indicates management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

Not applicable.

PENNYMAC FINANCIAL SERVICES, INC.
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December 31, 2025

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
PennyMac Financial Services, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of PennyMac Financial Services, Inc. and subsidiaries (the “Company”) as of December 31, 2025 and 2024, the related consolidated statements of income, changes in stockholders’ equity, and cash flows, for each of the three years in the period ended December 31, 2025, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2026, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Mortgage Servicing Rights (“MSRs”) – Refer to Notes 2, 3, 6 and 10 to the Financial Statements

Critical Audit Matter Description

The Company accounts for MSRs at fair value and categorizes its MSRs as “Level 3” fair value assets. The Company uses a discounted cash flow approach to estimate the fair value of MSRs. The key inputs used in the estimation of the fair value of MSRs include the applicable prepayment rate (“prepayment speed”), Option-Adjusted Spread (“OAS”) or pricing spread (OAS and pricing spread are components of the discount rate), and annual per-loan cost to service the underlying loans, all of which are unobservable. Significant changes to any of those inputs in isolation could result in a

significant change in the MSRs' fair value measurement.

We identified the fair value of MSRs, including the discount rate and prepayment speed assumptions used in the valuation of MSRs, as a critical audit matter because of the significant judgments made by management in determining these assumptions. Auditing these assumptions required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, to evaluate the reasonableness of management's estimates and assumptions related to selection of the discount rate and prepayment speed.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the fair value of MSRs, including the discount rate and prepayment speed assumptions used by the Company to estimate the fair value of MSRs, included the following, among others:

- We tested the design and operating effectiveness of internal controls over determining the fair value of MSRs, including those over the determination of the discount rate and prepayment speed assumptions
- With the assistance of our fair value specialists, we evaluated the fair value of MSRs by comparing it against a fair value range that was independently developed using market data
- We assessed the reasonableness of the discount rate and prepayment speed assumptions used within the valuation model by comparing the assumptions used by the Company to the assumptions used by the third-party valuation experts
- We tested management's process for determining the discount rate assumptions by comparing them to the implied discount rate within market transactions and other third-party information used by management

/s/ Deloitte & Touche LLP

Los Angeles, California

February 20, 2026

We have served as the Company's auditor since 2008.

PENNYMAC FINANCIAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2025	2024
(in thousands, except share amounts)		
ASSETS		
Cash	\$ 301,680	\$ 238,482
Short-term investment at fair value	410,037	420,553
Principal-only stripped mortgage-backed securities at fair value pledged to creditors	722,528	825,865
Loans held for sale at fair value (includes \$8,983,503 and \$8,140,834 pledged to creditors)	9,123,410	8,217,468
Derivative assets from non-affiliates	185,518	113,076
Derivative assets from PennyMac Mortgage Investment Trust	2,257	—
Servicing advances, net (includes valuation allowance of \$103,574 and \$85,788; \$406,825 and \$357,939 pledged to creditors)	589,542	568,512
Mortgage servicing rights at fair value (includes \$9,367,851 and \$8,609,388 pledged to creditors)	9,598,941	8,744,528
Investment in PennyMac Mortgage Investment Trust at fair value	941	944
Receivable from PennyMac Mortgage Investment Trust	17,122	30,206
Loans eligible for repurchase	7,409,800	6,157,172
Other (includes \$10,393 and \$16,697 pledged to creditors)	1,026,913	770,081
Total assets	<u>\$ 29,388,689</u>	<u>\$ 26,086,887</u>
LIABILITIES		
Assets sold under agreements to repurchase	\$ 8,794,002	\$ 8,685,207
Mortgage loan participation purchase and sale agreements	696,618	496,512
Notes payable secured by mortgage servicing assets	1,326,021	2,048,972
Unsecured senior notes	4,831,742	3,164,032
Derivative liabilities to non-affiliates	9,559	40,900
Derivative liabilities to PennyMac Mortgage Investment Trust	6,247	—
Mortgage servicing liabilities at fair value	1,572	1,683
Accounts payable and accrued expenses	643,896	354,414
Payable to PennyMac Mortgage Investment Trust	116,585	122,317
Payable to exchanged Private National Mortgage Acceptance Company, LLC unitholders under tax receivable agreement	24,757	25,898
Income taxes payable	1,184,020	1,131,000
Liability for loans eligible for repurchase	7,409,800	6,157,172
Liability for losses under representations and warranties	34,894	29,129
Total liabilities	<u>25,079,713</u>	<u>22,257,236</u>
Commitments and contingencies – Note 19		
STOCKHOLDERS' EQUITY		
Common stock—authorized 200,000,000 shares of \$0.0001 par value; issued and outstanding, 52,061,346 and 51,376,616 shares, respectively	5	5
Additional paid-in capital	96,870	56,072
Retained earnings	4,212,101	3,773,574
Total stockholders' equity	<u>4,308,976</u>	<u>3,829,651</u>
Total liabilities and stockholders' equity	<u>\$ 29,388,689</u>	<u>\$ 26,086,887</u>

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

PENNYMAC FINANCIAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year ended December 31,		
	2025	2024	2023
(in thousands, except earnings per share)			
Revenues			
Net gains on loans held for sale at fair value:			
From non-affiliates	\$ 1,026,046	\$ 813,301	\$ 547,727
From PennyMac Mortgage Investment Trust	45,708	4,067	(1,784)
	<u>1,071,754</u>	<u>817,368</u>	<u>545,943</u>
Loan origination fees:			
From non-affiliates	234,298	183,197	142,902
From PennyMac Mortgage Investment Trust	1,537	2,503	3,216
	<u>235,835</u>	<u>185,700</u>	<u>146,118</u>
Fulfillment fees from PennyMac Mortgage Investment Trust	23,804	26,291	27,826
Net loan servicing fees:			
Owned servicing:			
Loan servicing fees	1,776,557	1,529,452	1,268,650
Other fees	200,288	186,776	134,949
	<u>1,976,845</u>	<u>1,716,228</u>	<u>1,403,599</u>
Change in fair value of mortgage servicing rights and mortgage servicing liabilities	(1,413,280)	(433,342)	(605,568)
Mortgage servicing rights hedging results	56,546	(832,483)	(236,778)
	<u>(1,356,734)</u>	<u>(1,265,825)</u>	<u>(842,346)</u>
	<u>620,111</u>	<u>450,403</u>	<u>561,253</u>
Subservicing:			
From PennyMac Mortgage Investment Trust	84,432	83,252	81,347
From non-affiliates	1,156	—	—
	<u>85,588</u>	<u>83,252</u>	<u>81,347</u>
Net loan servicing fees	<u>705,699</u>	<u>533,655</u>	<u>642,600</u>
Management fees from PennyMac Mortgage Investment Trust	27,649	28,623	28,762
Net interest expense:			
Interest income	924,447	793,566	632,924
Interest expense	960,555	819,348	637,777
Net interest expense	<u>(36,108)</u>	<u>(25,782)</u>	<u>(4,853)</u>
Results of real estate acquired in settlement of loans	(3,463)	864	1,545
Change in fair value of investment in and dividends received from PennyMac Mortgage Investment Trust	117	(57)	312
Repricing of payable to exchanged Private National Mortgage Acceptance Company, LLC unitholders under tax receivable agreement	1,141	201	—
Other	20,108	26,868	13,403
Total net revenues	<u>2,046,536</u>	<u>1,593,731</u>	<u>1,401,656</u>
Expenses			
Compensation	782,916	632,738	576,964
Loan origination	251,990	164,092	114,500
Technology	162,604	149,547	143,152
Servicing	122,626	105,997	69,433
Marketing and advertising	46,140	21,969	17,631
Professional services	37,973	37,992	60,521
Occupancy and equipment	35,328	32,898	36,558
Legal settlements	—	1,591	162,770
Other	55,542	45,881	36,496
Total expenses	<u>1,495,119</u>	<u>1,192,705</u>	<u>1,218,025</u>
Income before provision for income taxes	551,417	401,026	183,631
Provision for income taxes	50,340	89,603	38,975
Net income	<u>\$ 501,077</u>	<u>\$ 311,423</u>	<u>\$ 144,656</u>
Earnings per share			
Basic	\$ 9.69	\$ 6.11	\$ 2.89
Diluted	\$ 9.30	\$ 5.84	\$ 2.74
Weighted average shares outstanding			
Basic	51,728	50,990	49,978
Diluted	53,882	53,356	52,733

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

PENNYMAC FINANCIAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	<u>Number of shares</u>	<u>Par value</u>	<u>Additional paid-in capital</u> (in thousands)	<u>Retained earnings</u>	<u>Total</u>
Balance at December 31, 2022	49,988	\$ 5	\$ —	\$ 3,471,044	\$ 3,471,049
Net income	—	—	—	144,656	144,656
Stock based compensation	1,389	—	35,655	—	35,655
Issuance of common stock in settlement of directors' fees	3	—	180	—	180
Common stock dividends (\$0.80 per share)	—	—	—	(41,446)	(41,446)
Repurchase of common stock	(1,201)	—	(11,548)	(59,943)	(71,491)
Balance at December 31, 2023	50,179	\$ 5	\$ 24,287	\$ 3,514,311	\$ 3,538,603
Net income	—	—	—	311,423	311,423
Stock based compensation	1,195	—	31,529	—	31,529
Issuance of common stock in settlement of directors' fees	3	—	256	—	256
Common stock dividends (\$1.00 per share)	—	—	—	(52,160)	(52,160)
Balance at December 31, 2024	51,377	\$ 5	\$ 56,072	\$ 3,773,574	\$ 3,829,651
Net income	—	—	—	501,077	501,077
Stock based compensation	732	—	45,303	—	45,303
Issuance of common stock in settlement of directors' fees	2	—	234	—	234
Common stock dividends (\$1.20 per share) (1)	—	—	—	(62,550)	(62,550)
Repurchase of common stock	(50)	—	(4,739)	—	(4,739)
Balance at December 31, 2025	52,061	\$ 5	\$ 96,870	\$ 4,212,101	\$ 4,308,976

(1) For tax purposes, the entire dividend amount is a return of capital to the stockholders.

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

PENNYMAC FINANCIAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Cash flow from operating activities			
Net income	\$ 501,077	\$ 311,423	\$ 144,656
Adjustments to reconcile net income to net cash used in operating activities:			
Net gains on loans held for sale at fair value	(1,071,754)	(817,368)	(545,943)
Change in fair value of mortgage servicing rights and mortgage servicing liabilities	1,413,280	433,342	605,568
Mortgage servicing rights hedging results	(56,546)	832,483	236,778
Accrual of unearned discounts on principal-only stripped mortgage-backed securities	(46,035)	(25,226)	—
Capitalization of interest on loans held for sale	(2,149)	(473)	(751)
Amortization of debt issuance costs	32,758	28,812	21,432
Results of real estate acquired in settlement in loans	3,463	(864)	(1,545)
Change in fair value of investment in common shares of PennyMac Mortgage Investment Trust	3	177	(192)
Repricing of payable to exchanged Private National Mortgage Acceptance Company, LLC unitholders under tax receivable agreement	(1,141)	(201)	—
Stock-based compensation expense	36,229	20,868	27,582
Provision for servicing advance losses	46,985	32,962	3,271
Depreciation and amortization	54,392	55,984	53,214
Impairment of capitalized software	4,597	147	46
Amortization of operating lease right-of-use assets	14,963	13,676	16,804
Purchase of loans held for sale from non-affiliates	(60,191,323)	(2,862,610)	(2,057,135)
Purchase of loans held for sale from PennyMac Mortgage Investment Trust	(52,895,921)	(81,997,773)	(72,441,699)
Origination of loans held for sale	(28,200,329)	(18,724,478)	(10,770,257)
Purchase of loans from Ginnie Mae securities and early buyout investors	(4,080,395)	(3,367,264)	(2,555,865)
Sale to non-affiliates and principal payment of loans held for sale	131,616,877	101,105,292	85,684,522
Sale of loans held for sale to PennyMac Mortgage Investment Trust	11,216,713	662,952	—
Repurchase of loans subject to representations and warranties	(113,824)	(89,749)	(49,575)
Increase in servicing advances	(252,078)	(15,941)	(76,614)
Decrease (increase) in receivable from PennyMac Mortgage Investment Trust	3,099	(4,464)	5,666
Sale of real estate acquired in settlement of loans	76,972	64,156	35,630
Increase in other assets	(63,898)	(95,757)	(60,442)
Increase (decrease) in accounts payable and accrued expenses	262,854	(78,651)	121,677
Decrease in operating lease liabilities	(18,317)	(17,924)	(21,158)
Increase (decrease) in payable to PennyMac Mortgage Investment Trust	4,444	(84,916)	1,969
Increase in income taxes payable	53,020	88,115	40,142
Net cash used in operating activities	(1,651,984)	(4,533,270)	(1,582,219)

Statements continue on the next page.

(Continued)

PENNYMAC FINANCIAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Cash flow from investing activities			
Decrease (increase) in short-term investment	10,516	(410,285)	1,926
Purchase of principal-only stripped mortgage-backed securities	—	(935,356)	—
Repayment of principal-only stripped mortgage-backed securities	193,133	96,516	—
Sale of interest-only stripped mortgage-backed securities	—	202,186	98,066
Net settlement of derivative financial instruments used for hedging of mortgage servicing rights	154,406	(702,593)	(241,956)
Sale of mortgage servicing rights to non-affiliates	607,746	—	—
Sale of mortgage servicing rights to PennyMac Mortgage Investment Trust	7,484	—	—
Transfer of mortgage servicing rights relating to delinquent loans to Agency	—	—	305
Acquisition of capitalized software	(39,284)	(20,382)	(34,784)
Purchase of furniture, fixtures, equipment and leasehold improvements	(11,921)	(1,715)	(1,386)
Sale of furniture, fixtures and equipment	—	—	1,000
Increase in margin deposits	(369,587)	(116,326)	(96,459)
Net cash provided by (used in) investing activities	552,493	(1,887,955)	(273,288)
Cash flow from financing activities			
Sale of assets under agreements to repurchase	144,491,731	109,006,699	85,352,643
Repurchase of assets sold under agreements to repurchase	(144,386,021)	(104,083,392)	(84,587,885)
Issuance of mortgage loan participation purchase and sale certificates	25,765,878	23,148,016	22,233,907
Repayment of mortgage loan participation purchase and sale certificates	(25,565,646)	(23,097,566)	(22,075,444)
Issuance of notes payable secured by mortgage servicing assets	575,000	1,050,000	1,005,000
Repayment of notes payable secured by mortgage servicing assets	(1,300,000)	(875,000)	(1,075,000)
Issuance of unsecured senior notes	2,350,000	650,000	750,000
Repayment of unsecured senior notes	(650,000)	—	—
Payment of debt issuance costs	(60,038)	(35,922)	(33,018)
Issuance of common stock by exercise of stock options	12,837	20,062	17,215
Payment of withholding taxes relating to stock-based compensation	(3,763)	(9,401)	(9,142)
Payment of dividends to holders of common stock	(62,550)	(52,160)	(41,446)
Repurchase of common stock	(4,739)	—	(71,491)
Net cash provided by financing activities	1,162,689	5,721,336	1,465,339
Net increase (decrease) in cash	63,198	(699,889)	(390,168)
Cash at beginning of year	238,482	938,371	1,328,539
Cash at end of year	\$ 301,680	\$ 238,482	\$ 938,371
Supplemental cash flow information:			
Cash paid for interest	\$ 955,699	\$ 797,212	\$ 639,486
(Refunds received) cash paid for income taxes, net	\$ (2,680)	\$ 1,488	\$ (1,167)
Non-cash investing activities:			
<i>Mortgage servicing rights</i> received from loan sales	\$ 2,940,455	\$ 2,280,830	\$ 1,849,957
Unsettled portion of MSR sales	\$ 57,421	\$ —	\$ —
Exchange of mortgage servicing spread for interest-only stripped mortgage-backed securities	\$ —	\$ 202,186	\$ 98,066
<i>Operating right-of-use assets</i> recognized	\$ 40,148	\$ 1,388	\$ 2,893
Non-cash financing activities:			
Issuance of common stock in settlement of directors' fees	\$ 234	\$ 256	\$ 180

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

PENNYMAC FINANCIAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Organization

PennyMac Financial Services, Inc. (together, with its consolidated subsidiaries, unless the context indicated otherwise, “PFSI” or the “Company”) is a holding corporation and its primary assets are equity interests in Private National Mortgage Acceptance Company, LLC (“PNMAC”). The Company is the managing member of PNMAC, and it operates and controls all of the businesses and consolidates the financial results of PNMAC and its subsidiaries.

PNMAC is a Delaware limited liability company which, through its subsidiaries, engages in mortgage banking and investment management activities. PNMAC’s mortgage banking activities consist of residential mortgage loan production and servicing. PNMAC’s investment management activities and a portion of its mortgage banking activities are conducted on behalf of PennyMac Mortgage Investment Trust, a real estate investment trust that invests in residential mortgage-related assets and is separately listed on the New York Stock Exchange under the ticker symbol “PMT”. PNMAC’s primary wholly owned subsidiaries are:

- *PennyMac Loan Services, LLC (“PLS”)*—a Delaware limited liability company that services residential mortgage loans on behalf of non-affiliates and PMT, purchases, originates and sells new prime credit quality residential mortgage loans and engages in other mortgage banking activities for its account and the account of PMT.

PLS is approved as a seller/servicer of mortgage loans by the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”) and as an issuer of securities guaranteed by the Government National Mortgage Association (“Ginnie Mae”). PLS is a licensed Federal Housing Administration Nonsupervised Title II Lender with the United States Department of Housing and Urban Development (“HUD”) and a lender/servicer with the U.S. Department of Veterans Affairs and United States Department of Agriculture (each of the above an “Agency” and collectively the “Agencies”).

- *Pennymac Capital Management, LLC (“PCM”)*—a Delaware limited liability company registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940, as amended. PCM has an investment management agreement with PMT.

Note 2—Concentration of Risk

A portion of the Company’s activities relate to PMT. Revenues generated from PMT and its subsidiaries (generally comprised of gains on mortgage loans held for sale, loan origination fees, fulfillment fees, loan servicing fees, management fees, change in fair value of investment in and dividend received from PMT and expenses allocations charged to PMT) totaled 9%, 10% and 11% of total net revenues for the years ended December 31, 2025, 2024 and 2023, respectively.

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 3—Significant Accounting Policies

A description of the significant accounting policies applied in the preparation of these consolidated financial statements follows.

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*.

Principles of Consolidation

These consolidated financial statements include the accounts of PFSI and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated. The Company also consolidates certain variable interest entities ("VIEs") as described below.

Variable Interest Entities

The Company entered into securitization transactions in which VIEs issue variable funding notes ("VFNs") to PLS and term debt backed by beneficial interests in Ginnie Mae and Fannie Mae mortgage servicing rights ("MSRs"). PLS finances the VFNs by selling them under agreements to repurchase. The Company acts as guarantor of the VFNs and term debt. The Company determined that it is the primary beneficiary of the VIEs because as the holder of the VFNs and guarantor of the VFNs and term debt, it holds the variable interests in the VIEs. Therefore, PFSI consolidates the VIEs.

For financial reporting purposes, the MSRs financed by the consolidated VIEs are included in *Mortgage servicing rights at fair value* and the financing of VFNs are included in *Assets sold under agreements to repurchase* and the term debt is included in *Notes payable secured by mortgage servicing assets* on the Company's consolidated balance sheets. The financing is detailed in Note 15 – *Short-Term Debt* and Note 16 – *Long Term Debt*.

Use of Estimates

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

Cash Flows

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

Fair Value

Most of the Company's assets and certain of its liabilities are measured at or based on their fair values. 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 their fair values. 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 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.

Short-Term Investment

Short-term investment, which represents an investment in an account with a depository institution, is carried at fair value. Changes in fair value are recognized in current period income. The Company classifies its short-term investment as a “Level 1” fair value asset.

Principal-Only Stripped Mortgage-Backed Securities

The Company invests in Agency principal-only stripped mortgage-backed securities (“MBS”) for the purpose of economically hedging the fair value of its MSR. The Company’s investments in MBS are carried at fair value with changes in fair value recognized in current period income. Changes in fair value arising from accrual of unearned discount are recognized using the interest method and are included in *Interest income*. Changes in fair value arising from other factors are included in *Net loan servicing fees – Mortgage servicing rights hedging results*. Purchases and sales of MBS are recorded as of the trade date. The Company categorizes principal-only stripped MBS as “Level 2” fair value assets.

Loans Held for Sale

The Company has elected to account for loans held for sale at fair value, with changes in fair value recognized in current period income, to more timely reflect the Company’s performance. All changes in fair value are recognized as a component of *Net gains on loans held for sale at fair value*. The Company classifies most of the loans held for sale as “Level 2” fair value assets. Certain of the Company’s loans held for sale may not be saleable into active markets due to the loans’ lack of active markets with observable inputs. Such loans are classified as “Level 3” fair value assets.

Sale Recognition

The Company recognizes transfers of loans as sales when it surrenders control over the loans. Control over transferred loans is deemed to be surrendered when (i) the loans have been isolated from the Company, (ii) the transferee has the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred loans, and (iii) the Company does not maintain effective control over the transferred loans through either (a) an agreement that entitles and obligates the Company to repurchase or redeem them before their maturity or (b) the ability to unilaterally cause the holder to return specific loans.

Interest Income Recognition

Interest income on loans held for sale at fair value is recognized over the life of the loans using their contractual interest rates. Income recognition is suspended and the interest receivable is reversed against *Interest income* when a loan becomes 90 days delinquent. Income recognition is resumed when the loan becomes contractually current.

Derivative Financial Instruments

The Company holds and issues derivative financial instruments that are created as a result of certain of its operations. 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 are interest rate lock commitments ("IRLCs") that are created when the Company commits to purchase or originate a loan for sale at a specified interest rate.

PFSI engages in interest rate risk management activities in an effort to moderate the effect of changes in market interest rates on the fair value of the Company's assets. The Company is exposed to price risk relative to:

- Loans held for sale and IRLCs. The Company bears price risk from the time a commitment to fund a loan is made to a borrower or to purchase a loan from PMT or a non-affiliated entity, to the time either the prospective transaction is cancelled or the loan is sold. During this period, the Company is exposed to losses if market interest rates increase, because the fair value of the purchase commitment or prospective loan decreases.
- MSR. MSRs are generally subject to reduction in fair value when mortgage interest rates decrease. Decreasing mortgage interest rates normally encourage increased mortgage refinancing activity. Increased refinancing activity reduces the expected life of the mortgage loans underlying the MSRs, thereby reducing the MSRs' fair values. Reductions in the fair value of MSRs affect earnings primarily through recognition of the changes in fair value.

To manage the fair value risk resulting from interest rate risk, the Company uses derivative financial instruments acquired with the intention of reducing the risk that changes in market interest rates will result in unfavorable changes in the fair value of the Company's IRLCs, inventory of loans held for sale and MSRs.

The Company manages the risk created by IRLCs by entering into forward sale agreements to sell the expected mortgage loans or MBS and by the purchase and sale of options on MBS. Such agreements are also accounted for as derivative financial instruments. These and other interest-rate derivatives are also used to manage the fair value risk created by changes in prepayment speeds on certain of the MSRs the Company holds.

The Company classifies its IRLCs as "Level 3" fair value assets and liabilities. Fair value of hedging derivative financial instruments that are actively traded on an exchange are categorized by the Company as "Level 1" fair value assets and liabilities. Fair value of hedging derivative financial instruments based on observable MBS prices or interest rate volatilities in the MBS market are categorized as "Level 2" fair value assets and liabilities.

The Company does not designate its derivative financial instruments for hedge accounting. Therefore, the Company accounts for its derivative financial instruments as free-standing derivatives. All derivative financial instruments are recognized on the consolidated balance sheet at fair value with changes in the fair values being reported in current period income.

Changes in fair value of derivative financial instruments hedging IRLCs, loans held for sale at fair value and MSRs are included in *Net gains on loans held for sale at fair value* or in *Mortgage servicing rights hedging results*, as applicable, in the Company's consolidated statements of income.

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

When the Company has multiple derivative financial instruments with the same counterparty subject to a master netting arrangement, it offsets the amounts recorded as assets and liabilities and amounts recognized for the right to reclaim cash collateral it has deposited with the counterparty or the obligation to return cash collateral it has collected from the counterparty arising from that master netting arrangement. Such offset amounts are presented as either a net asset or liability by counterparty on the Company's consolidated balance sheets.

Servicing Advances

Servicing advances represent contractually required protective advances the Company makes on behalf of the loans' beneficial interest holders. Servicing advances may include advances of scheduled principal and interest amounts due to the beneficial interest holders on delinquent loans, property taxes, insurance premiums and out-of-pocket collection amounts (e.g., preservation and restoration of mortgaged property or real estate acquired in the settlement of loans ("REO"), legal fees, and appraisals) made to protect beneficial interest holders' interests in the properties collateralizing their loans. Servicing advances are made in compliance with the respective servicing agreements and Agency loan servicing guides.

The Company does not expect to incur credit losses on servicing advances as such amounts are generally recoverable from the Agencies. Certain of the Company's loan servicing agreements and Agency loan servicing guides limit the amounts that the beneficial interest holders or loan insurers or guarantors will reimburse the Company, and beneficial interest holders or guarantors may dispute the level of certain charges incurred in the collection process.

The Company is contractually responsible for making the payments required to protect its beneficial interest holders' interests in the properties collateralizing their loans and may, therefore, be required to advance amounts in excess of insurer or guarantor reimbursement limits. Therefore, the Company provides a valuation allowance on the servicing advances for these amounts in excess of amounts that are expected to ultimately be recovered from the loans' insurers, guarantors or beneficial interest holders.

The servicing advance valuation allowance is estimated based on relevant qualitative and quantitative information about past events, including historical collection and loss experience, current conditions, and reasonable and supportable forecasts that affect collectable amounts. The provision for losses on servicing advances is included in *Servicing* expense in the consolidated statements of income. Servicing advances are written off when they are deemed unrecoverable.

Mortgage Servicing Rights and Mortgage Servicing Liabilities

MSRs and mortgage servicing liabilities ("MSLs") arise from contractual agreements between the Company and investors (or their agents) in mortgage securities and mortgage loans. Under these contracts, the Company performs loan servicing functions in exchange for fees and other remuneration. The servicing functions typically performed include, among other responsibilities, collecting and remitting loan payments; responding to borrower inquiries; accounting for principal and interest; holding custodial (impounded) funds for payment of property taxes and insurance premiums; counseling delinquent mortgagors; administering loss mitigation activities, including modification and forbearance programs; and supervising foreclosures and property dispositions.

The Company is contractually entitled to receive other remuneration including various mortgagor-contracted fees such as late charges and collateral reconveyance charges, and the Company is generally entitled to retain the placement fees earned on impounded funds and funds held pending remittance related to its collection of mortgagor payments. The Company also generally has the right to solicit the mortgagors for other products and services as well as for new mortgages for those considering refinancing their existing loan or purchasing a new home.

The Company recognizes MSRs and MSLs initially at fair value, either as proceeds from or liabilities incurred in sales of mortgage loans where the Company assumes the obligation to service the mortgage loan in the sale transaction, or from the purchase of MSRs or receipt of cash for acceptance of MSLs.

The fair value of MSRs and MSLs is derived from the net positive or negative, respectively, cash flows associated with the servicing contracts. For loans subject to MSR and MSL contracts, the Company receives a servicing fee, based on the remaining outstanding principal balances of the mortgage loans subject to the servicing contracts. The servicing fees are collected from the monthly payments made by the mortgagors.

The fair value of MSRs and MSLs is difficult to determine because MSRs and MSLs are not actively traded in observable stand-alone markets. Considerable judgment is required to estimate the fair values of MSRs and MSLs and the exercise of such judgment can significantly affect the Company's income. Therefore, the Company classifies its MSRs and MSLs as "Level 3" fair value assets and liabilities.

Changes in the fair value of MSLs and MSRs are recognized in current period income in *Change in fair value of mortgage servicing rights and mortgage servicing liabilities* in the consolidated statements of income.

Leases

The Company determines if an arrangement is a lease at inception. If the arrangement is determined to be a lease, the Company recognizes both an operating lease right-of-use asset in *Other* assets and a corresponding operating lease liability in *Accounts payable and accrued expenses* in its consolidated balance sheet, except for leases with initial terms less than or equal to 12 months. Lease expense is recognized on the straight-line basis over the lease term and is recorded in *Occupancy and equipment* in the consolidated statements of income.

The Company's lease agreements include both lease and non-lease components (such as common area maintenance), which are generally included in the lease and are accounted for together with the lease as a single lease component. As such, lease payments represent payments on both lease and non-lease components. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the Company's incremental borrowing rate. Right-of-use assets initially equal the lease liability, adjusted for any lease payments made before lease commencement and for any lease incentives.

Furniture, Fixtures, Equipment and Building Improvements

Furniture, fixtures, equipment and building improvements are stated at historical cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the various classes of assets, which range from five to seven years for furniture and equipment and the lesser of the asset's estimated useful life or the remaining lease term for fixtures and building improvements.

Capitalized Software

The Company capitalizes certain consulting, payroll, and payroll-related costs related to the development of computer software for internal use. Once development is complete and the software is placed in service, the Company amortizes the capitalized costs over three to seven years using the straight-line method.

The Company periodically assesses capitalized software for recoverability when events or changes in circumstances indicate that its carrying amount may not be recoverable. If the Company identifies an indicator of impairment, it assesses recoverability by comparing the carrying amount of the asset to the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset. An impairment loss is recognized when the carrying amount is not recoverable and is measured as the excess of carrying value over fair value.

Investment in PennyMac Mortgage Investment Trust at Fair Value

Common shares of beneficial interest in PMT are carried at fair value with changes in fair value recognized in current period income. Fair value for purposes of the Company's holdings in PMT is based on the published closing price of the shares as of period end. The Company classifies its investment in common shares of PMT as a "Level 1" fair value asset.

Loans Eligible for Repurchase

The terms of the Ginnie Mae MBS program allow, but do not require, the Company to repurchase a loan when it is at least three months delinquent. As a result of this right, the Company recognizes the loans in *Loans eligible for repurchase* at their unpaid principal balances and records a corresponding liability in *Liability for loans eligible for repurchase* on its consolidated balance sheets.

Borrowings

The carrying values of borrowings are based on the accrued cost of the agreements. The costs of creating the facilities underlying the agreements (debt issuance costs) are included in the carrying value of the agreements and are charged to *Interest expense* over the terms of the respective borrowing facilities:

- Debt issuance costs relating to revolving facilities, such as repurchase agreement and mortgage loan participation purchase and sale facilities are amortized on the straight line basis over the term of the facility; and
- Debt issuance cost relating to non-revolving debts, such as the Company's *Notes payable secured by mortgage servicing assets* and *Unsecured senior notes* are amortized over the contractual term of the non-revolving debt using the interest method.

Liability for Losses Under Representations and Warranties

The Company's agreements with the Agencies and other investors include representations and warranties related to the loans the Company sells to the Agencies and other investors. The representations and warranties require adherence to Agency and other investor 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 law.

In the event of a breach of its representations and warranties, the Company may be required to either repurchase the loans with the identified defects or indemnify the investor or insurer. In such cases, the Company bears any subsequent credit loss on the loans. The Company's credit loss may be reduced by any recourse it may have to correspondent loan sellers that, in turn, had sold such mortgage loans to the Company or PMT and breached similar or other representations and warranties. The Company has the right to seek a recovery of related repurchase losses directly from that correspondent loan seller or, for loans originally purchased by PMT, through PMT.

As a result of providing representations and warranties to investors and insurers, the Company records a provision for losses on representations and warranties at fair value upon sale of loans. The method used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a combination of factors, including, but not limited to, estimated future defaults and loan repurchase rates, the estimated severity of loss in the event of default and the probability of reimbursement by the correspondent loan seller. The Company periodically assesses the adequacy of the recorded liability. The level of the liability for representations and warranties is reviewed and approved by the Company's management credit committee. Both the initial recognition of, and adjustments to the level of, the liability for representations and warranties are recorded in *Net gains on loans held for sale at fair value*.

The level 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 repurchase demand or insurer claim denial strategies, and other external conditions that may change over the lives of the underlying loans. The Company's representations and warranties are generally not subject to stated limits of exposure. However, the Company believes that the current unpaid principal balance ("UPB") of loans sold to date represents the maximum exposure to repurchases related to representations and warranties.

Loan Origination Fees

Loan origination fees represent compensation to the Company for the origination or purchase of loans. Loan origination fees are earned and recognized upon funding or purchase of the loan by the Company and are collected either at purchase from the correspondent seller, at funding when paid by the borrower or upon sale of the loan when the origination fees are financed by the borrower.

Loan Servicing Fees

Loan servicing fees are received by the Company for servicing loans. Loan servicing activities are described in *Mortgage Servicing Rights and Mortgage Servicing Liabilities* above. Loan servicing fee amounts relating to MSR and MSL are based upon fee rates established at the time a loan sale or securitization agreement is entered into. Loan servicing fee amounts relating to loans subserviced for PMT are detailed in Note 4 – *Transactions with Related Parties*. Loan servicing fee rates relating to loans subserviced for non-affiliates are based upon rates negotiated between the Company and the non-affiliate at the time a subservicing agreement is entered into.

The Company's obligations under its loan servicing agreements are fulfilled as the Company services the loans. Fees are collected when the loan payments are received from the borrowers in the case of MSR and MSL held by the Company or within 30 days of the applicable month-end for subserviced loans.

Loan servicing fees relating to owned MSR are recognized when earned. Loan servicing fees relating to loans subserviced for PMT are recognized in the month in which the loans are serviced.

Fulfillment Fees

Fulfillment fees represent fees the Company collects for services it performs on behalf of PMT in connection with the acquisition, packaging and sale of loans. Fulfillment fee amounts are based upon a negotiated fee schedule as detailed in Note 4 – *Transactions with Related Parties*. The Company's obligation under the agreement is fulfilled when PMT issues a loan commitment, when it purchases a loan and when it completes the sale or securitization of a loan it purchases to investors other than Fannie Mae or Freddie Mac. Fulfillment fee revenue is recognized in the month an interest rate lock commitment is issued, or the loan is purchased or sold by PMT. Fulfillment fees are not collected for any loans sold from PMT to the Company. Fulfillment fees are generally collected from PMT within 30 days of the applicable activity.

Management Fees

Management fees represent compensation to the Company for management services it provides to PMT. Management fees are based on PMT's shareholders' equity amounts and profitability in excess of specified thresholds as detailed in Note 4 – *Transactions with Related Parties*. Management fees are recognized as services are provided and are paid to the Company on a quarterly basis within 30 days of the end of the quarter.

Stock-Based Compensation

The Company establishes the cost of its share-based awards at the awards' fair values at the grant date of the awards. The Company estimates the fair value of time-based restricted stock units and performance-based restricted stock units awarded with reference to the fair value of its underlying common stock and expected forfeiture rates on the date of the award. The Company estimates the fair value of its stock option awards with reference to the expected price volatility of its shares of common stock, expected dividend yield, expected forfeiture rates, and risk-free interest rate for the period that exercisable stock options are expected to be outstanding.

Compensation costs are fixed, except for performance-based restricted stock units, as of the award date. The cost of performance-based restricted stock units is adjusted in each reporting period after the grant for changes in expected performance attainment until the performance share units vest. The Company amortizes the cost of stock based compensation awards to *Compensation* expense over the vesting period using the graded vesting method.

Marketing and Advertising

Marketing and advertising (selling) expense represent expenditures for advertising, direct and digital mail solicitation, sponsorship and promotional activities. Marketing and advertising expense is recognized as incurred. Sponsorship agreements are amortized over the period covered by the sponsorship agreements on the straight-line basis.

Income Taxes

The Company is subject to federal and state income taxes. Income taxes are provided using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Company recognizes the effect on deferred taxes of a change in tax rates in income in the period in which the change occurs. The Company establishes a valuation allowance if, in management's judgment, it is not more likely than not that a deferred tax asset will be realized.

The Company recognizes tax benefits relating to its tax positions only if, in the opinion of management, it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority. A tax position that meets this standard is recognized as the largest amount that is greater than 50% likely to be realized upon ultimate settlement with the appropriate taxing authority. The Company will classify any penalties and interest as a component of provision for income taxes.

As a result of a recapitalization and reorganization of PNMAC in 2013, the Company expects to benefit from amortization and other tax deductions resulting from increases in the tax basis of PNMAC's assets from the exchange of PennyMac Class A units to the shares of the Company's common stock. Those deductions will be allocated to the Company and will be taken into account in reporting the Company's taxable income.

The Company entered into a tax receivable agreement with certain of the former unitholders of PNMAC that provides for the additional payment by the Company to exchanging unitholders of PNMAC equal to 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that PFSI realizes due to (i) increases in tax basis resulting from exchanges of the then existing unitholders and (ii) certain other tax benefits related to PFSI entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. Although a reorganization of the Company in 2018 eliminated the potential for unitholders to exchange any additional units subject to this tax receivable agreement, the Company continues to be subject to the agreement and provide payment when applicable for units exchanged before the reorganization.

Recently Issued Accounting Pronouncement Adopted in 2025

Income Tax Disclosures

The FASB issued Accounting Standards Update ("ASU") No. 2023-09, *Improvements to Income Tax Disclosures* ("ASU 2023-09"), that is intended to enhance the level of detail and decision usefulness of income tax disclosures. ASU 2023-09 requires disclosures of:

- Reconciliation of the expected tax at the applicable statutory federal income tax rate to the reported 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
- Disclosure of 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 Company adopted ASU 2023-09 using the retrospective method for the year ended December 31, 2025. Detailed disclosures are included in Note 18—*Income Taxes*.

Note 4—Transactions with Related Parties

Transactions with PMT

Operating Activities

Mortgage Loan Production Activities and Mortgage Servicing Rights Recapture

Mortgage Loan Purchase Agreement

The Company may sell newly originated loans to PMT under a mortgage loan purchase agreement. The Company has typically utilized the mortgage loan purchase agreement for the purpose of selling to PMT conforming balance non-government insured or guaranteed loans, as well as prime jumbo residential mortgage loans.

MSR Recapture Agreement

Pursuant to the terms of an MSR recapture agreement, when the Company refinances mortgage loans for which PMT previously held the MSRs, the Company is generally required to transfer and convey to PMT cash in an amount equal to:

- 70% of the fair market value of the MSRs relating to the recaptured loans subject to the first 30% of the “recapture rate”;
- 50% of the fair market value of the MSRs 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 MSRs 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 of all refinance mortgage loans originated in such month, plus the aggregate unpaid principal balance of all “preserved mortgage loans” relating to closed end second lien loans originated in such month, to (ii) the aggregate unpaid principal balance of all mortgage loans from the portfolio that PLS has determined in good faith were refinanced in such month, plus the aggregate unpaid principal balance of all “preserved mortgage loans” 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. The Company has further agreed to allocate resources sufficient to target a recapture rate of at least 30%.

Through 2024, the MSR recapture agreement required the Company to transfer cash to PMT in an amount equal to:

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

The “recapture rate” meant, during each month, the ratio of (i) the aggregate unpaid principal balance of all recaptured mortgage loans, to (ii) the aggregate unpaid principal balance of all mortgage loans for which the Company held the MSRs 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.

Mortgage Banking Services Agreement

The Company has a mortgage banking services agreement with PMT. Under the mortgage banking services agreement, the Company provides PMT with certain mortgage banking services, including fulfillment and disposition-related services, for which it receives a monthly fulfillment fee. The mortgage banking services agreement was renewed and amended to provide for the Company to assume the role of initial correspondent loan purchaser, in place of PMT, effective July 1, 2025.

Under the mortgage banking services agreement, PMT retains the right to purchase up to 100% of the non-government insured or guaranteed loans purchased by the Company through its correspondent channel at the Company's cost plus accrued interest, less any loan administrative fees paid to the Company by the correspondent sellers and subject to quarterly fulfillment fee charges as described below. The Company may hold or otherwise sell correspondent loans to other investors, or to PMT at a later date, if PMT chooses not to purchase such loans. As a result of the new structure, the sourcing fee arrangement described below no longer has any effect for commitments to purchase correspondent loans made on or after July 1, 2025.

Fulfillment Services

Pursuant to the terms of a mortgage banking services agreement, the fulfillment fees shall not exceed the following:

- the product of (i) the sum of \$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 (ii) 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, divided by the total number of non-Ginnie Mae loan commitments issued during the quarter (in each case as determined after applying the applicable pull-through factor) plus
- the product of (i) the sum of \$315 for each purchased loan up to and including 16,500 per quarter and \$195 for each purchased loan in excess of 16,500 per quarter, and (ii) the number of loans purchased by PMT during the quarter and thereafter retained by PMT prior to sale or securitization, divided by the total number of non-Ginnie Mae loans purchased during the quarter, plus
- \$500 multiplied by the number of all purchased loans that are securitized or sold to parties other than Fannie Mae or Freddie Mac.

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

- the number of loan commitments 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 or securitized to parties other than Fannie Mae and Freddie Mac.

Sourcing Fees

PMT does not hold the Ginnie Mae approval required to issue Ginnie Mae MBS and act as a servicer. Accordingly, through June 30, 2025, under the agreement, the Company purchased mortgage loans underwritten in accordance with the Ginnie Mae MBS Guide “as is” and without recourse of any kind from PMT at PMT’s cost less an administrative fee plus accrued interest and 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 were held by PMT before purchase by the Company. The Company also acquired conventional loans from PMT on the same terms upon mutual agreement between PMT and the Company.

While the Company purchased these mortgage loans “as is” and without recourse of any kind from PMT, where the Company 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 PMT. Beginning July 1, 2025, when the Company became the initial purchaser of correspondent loans, the sourcing fee was discontinued.

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.

Following is a summary of loan production and MSR recapture activities, between the Company and PMT:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Net gains on loans held for sale at fair value:			
Net gains on loans sold to PMT (primarily cash)	\$ 55,825	\$ 6,260	\$ —
Mortgage servicing rights recapture incurred	(10,117)	(2,193)	(1,784)
	<u>\$ 45,708</u>	<u>\$ 4,067</u>	<u>\$ (1,784)</u>
Sale of loans held for sale to PMT	\$ 11,216,713	\$ 662,952	\$ —
UPB of loans recaptured	\$ 932,444	\$ 353,710	\$ 315,412
Tax service fees earned from PMT included in <i>Loan origination fees</i>	\$ 1,537	\$ 2,503	\$ 3,216
Fulfillment fee revenue	\$ 23,804	\$ 26,291	\$ 27,826
UPB of loans directly sold to PMT and fulfilled for PMT subject to fulfillment fees	\$ 12,893,224	\$ 13,446,484	\$ 14,898,301
Sourcing fees included in cost of loans purchased from PMT	\$ 5,164	\$ 8,069	\$ 7,162
Unpaid principal balance of loans purchased from PMT:			
Government guaranteed or insured	\$ 27,094,014	\$ 40,838,480	\$ 40,476,782
Conventional conforming	24,990,216	39,856,056	31,141,915
	<u>\$ 52,084,230</u>	<u>\$ 80,694,536</u>	<u>\$ 71,618,697</u>

Servicing Agreement

The Company and PMT have entered into a loan servicing agreement (the “Servicing Agreement”), pursuant to which the Company provides subservicing for PMT’s MSR’s and servicing for its portfolio of residential mortgage loans.

- The base servicing fee rates for mortgage loans are established at a monthly per-loan dollar amount. Through September 30, 2025, the base servicing fee rates were \$7.50 per month for fixed-rate loans and \$8.50 per month for adjustable-rate loans. Effective October 1, 2025, the base servicing fee rates for mortgage loans were reduced to \$7.00 per month for fixed-rate loans and \$8.00 per month for adjustable-rate loans.
- To the extent that mortgage loans become delinquent, the Company 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. The Company is also entitled to customary ancillary income and certain market-based fees and charges, including boarding and deboarding fees, liquidation and disposition fees, assumption, modification and origination fees and a percentage of late charges.

Following is a summary of loan servicing fees earned from PMT:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Base fees	\$ 75,084	\$ 76,885	\$ 76,991
Other fees	9,348	6,367	4,356
	<u>\$ 84,432</u>	<u>\$ 83,252</u>	<u>\$ 81,347</u>

Through 2024, the loan servicing fees were established based on whether the serviced loans were “prime” loans (loans included in PMT’s MSR’s, private label securitization portfolios and its inventory of loans held for sale) or “special servicing” loans (loans purchased by PMT with credit deterioration) as follows:

Prime Servicing

- The base servicing fee rates for prime servicing loans were calculated through a monthly per-loan dollar amount, with the actual dollar amount for each loan based on whether the loan was a fixed-rate or adjustable-rate loan. The base servicing fee rates were \$7.50 per month for fixed-rate loans and \$8.50 per month for adjustable-rate loans.
- To the extent that prime loans became delinquent, the Company 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. The Company was also entitled to customary ancillary income and certain market-based fees and charges, including boarding and deboarding fees, liquidation and disposition fees, assumption, modification and origination fees and a percentage of late charges.

Special Servicing

- The base servicing fee rates for special servicing 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. The Company also received a supplemental servicing fee of \$25 per month for each special servicing loan.
- The Company received activity-based fees for modifications, foreclosures and liquidations that it facilitated with respect to special servicing loans, 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.

Management Agreement

The Company has a management agreement with PMT (“Management Agreement”), pursuant to which the Company oversees PMT’s business affairs and for which PFSI collects a base management fee and may collect a performance incentive fee. The Management Agreement provides that:

- The base management fee is calculated and collected quarterly in arrears and is equal to the sum of (i) 1.5% per year of PMT’s average “shareholders’ equity” up to \$2 billion, (ii) 1.375% per year of PMT’s average “shareholders’ equity” in excess of \$2 billion and up to \$5 billion, and (iii) 1.25% per year of PMT’s 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.
- The performance incentive fee is calculated and collected annually in arrears and is a specified percentage of the amount by which PMT’s “net income,” over the fiscal year and before deducting the incentive fee, exceeds certain levels of return on “common shareholders’ equity.”
- The performance incentive fee is equal to the sum of:
 - 10% of the amount by which PMT’s “net income” for the year exceeds (i) an 8% return on the average “common shareholders’ equity” during the period plus the “high watermark,” up to (ii) a 12% return on PMT’s “common shareholders’ equity”; plus
 - 15% of the amount by which PMT’s “net income” for the year exceeds (i) a 12% return on the average “common shareholders’ equity” during the period plus the “high watermark,” up to (ii) a 16% return on PMT’s “common shareholders’ equity”; plus
 - 20% of the amount by which PMT’s “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 PMT’s common shares of beneficial interest computed in accordance with GAAP adjusted for certain other non-cash charges determined after discussions between the Company and PMT’s independent trustees and approval by a majority of PMT’s independent trustees.

“Common shareholders’ equity” is defined as “shareholders’ equity” less the average value of the Company’s preferred equity determined in accordance with GAAP.

“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 returns 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 PMT’s net income over (or under) the Target Yield, until the net income in excess of the Target Yield exceeds the then-current cumulative high watermark amount, 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 performance incentive fee may be paid in cash or a combination of cash and PMT’s common shares of beneficial interest (subject to a limit of no more than 50% paid in common shares of beneficial interest), at PMT’s option.

In the event of termination of the Management Agreement between PMT and the Company, the Company 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 the Company, in each case during the 24-month period immediately preceding the date of termination.

Following is a summary of the base management and performance incentive fees earned from PMT:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Base management fees	\$ 27,649	\$ 28,623	\$ 28,762
Performance incentive fees	—	—	—
	<u>\$ 27,649</u>	<u>\$ 28,623</u>	<u>\$ 28,762</u>
Average PMT's shareholders' equity used to calculate base management fees	\$ 1,843,549	\$ 1,908,287	\$ 1,917,642

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

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.

Expense Reimbursement

Under the Management Agreement, PMT reimburses the Company for its organizational and operating expenses, including third-party expenses, incurred on PMT's behalf, it being understood that the Company 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 PMT. PMT 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 of the Company and its affiliates required for PMT's and its subsidiaries' operations. These expenses are based on the resources the Company dedicates to investment management activities for PMT, as determined by the Company in its reasonable and good faith discretion.

Through 2024, PMT reimbursed the Company for its organizational and operating expenses, including third-party expenses, incurred on PMT's behalf, it being understood that the Company 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 PMT. With respect to the allocation of the Company's and its affiliates' personnel compensation, the Company was reimbursed \$165,000 per fiscal quarter. Overhead expenses were previously allocated based on the ratio of PMT's proportion of gross assets compared to all remaining gross assets owned or managed by the Company, as calculated at each fiscal quarter end.

The Company received reimbursements from PMT for expenses as follows:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Reimbursement of:			
Expenses incurred on PMT's behalf, net	\$ 21,177	\$ 20,871	\$ 21,468
Compensation	6,515	660	660
Common overhead incurred by the Company	3,926	7,909	7,492
	<u>\$ 31,618</u>	<u>\$ 29,440</u>	<u>\$ 29,620</u>
Payments and settlements during the year (1)	<u>\$ 109,610</u>	<u>\$ 118,167</u>	<u>\$ 94,339</u>

(1) Payments and settlements include payments for the operating, investing and financing activities itemized in this Note.

Investing Activities

Following is a summary of investing activities between the Company and PMT:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Change in fair value of investment in and dividends received from PennyMac Mortgage Investment Trust	\$ 117	\$ (57)	\$ 312
Sale of mortgage servicing rights to PMT	\$ 7,484	\$ —	\$ —

	December 31,	
	2025	2024
	(in thousands)	
Investment in PennyMac Mortgage Investment Trust at fair value:		
Fair value	\$ 941	\$ 944
Number of shares	75	75

Receivable from and Payable to PMT

Amounts receivable from and payable to PMT are summarized below:

	December 31,	
	2025	2024
	(in thousands)	
Receivable from PMT:		
Management fees	\$ 6,856	\$ 7,149
Servicing fees	6,669	6,822
Allocated expenses and expenses incurred on PMT's behalf	3,161	3,508
Correspondent production activities	436	11,122
Fulfillment fees	—	1,605
	<u>\$ 17,122</u>	<u>\$ 30,206</u>
Payable to PMT:		
Amounts advanced by PMT to fund its servicing advances	\$ 97,485	\$ 106,302
Other	19,100	16,015
	<u>\$ 116,585</u>	<u>\$ 122,317</u>

Exchanged Private National Mortgage Acceptance Company, LLC Unitholders

The Company entered into a tax receivable agreement with certain former owners of PNMAC that provides for the payment from time to time by the Company to PNMAC's exchanged unitholders of an amount equal to 85% of the amount of the net tax benefits, if any, that the Company is deemed to realize as a result of (i) increases in tax basis of PNMAC's assets resulting from exchanges of ownership interests in PNMAC and (ii) certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement.

Although a reorganization in November 2018 eliminated the potential for unitholders to exchange any additional units subject to this tax receivable agreement, the Company continues to be subject to the agreement and will be required to make payments, to the extent any of the tax benefits specified above are deemed to be realized, under the tax receivable agreement to those certain prior owners of PNMAC who effected exchanges of ownership interests in PNMAC for the Company's common stock before the closing of the reorganization.

Following is a summary of activity in *Payable to exchanged Private National Mortgage Acceptance Company, LLC unitholders under tax receivable agreement*:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Activity during the year:			
Payments under tax receivable agreement	\$ —	\$ —	\$ —
Repricing of liability	\$ (1,141)	\$ (201)	\$ —
Balance at end of year	\$ 24,757	\$ 25,898	\$ 26,099

Donor Advised Fund

During the years ended December 31, 2025 and 2024, the Company contributed \$3.0 million and \$2.5 million, respectively, to a donor advised fund for the purpose of making charitable contributions. No such contribution was made during the year ended December 31, 2023.

Note 5—Loan Sales and Servicing Activities

The Company originates or purchases and sells mortgage loans in the secondary mortgage market without recourse for credit losses. However, the Company maintains continuing involvement with the loans in the form of servicing arrangements and the liability for representations and warranties it makes to purchasers and insurers of the loans.

The following table summarizes cash flows between the Company and transferees as a result of the sale of loans in transactions where the Company maintains continuing involvement with the loans as servicer:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Cash flows:			
Sales proceeds	\$ 131,616,877	\$ 101,105,292	\$ 85,684,522
Servicing fees received	\$ 1,646,128	\$ 1,423,171	\$ 1,173,108

The following is a summary of the allowance for losses on servicing advances that the Company makes on behalf of the loans' beneficial interest holders in the properties collateralizing their loans:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Balance at beginning of year	\$ 85,788	\$ 73,991	\$ 78,992
Provision for losses	46,985	32,962	3,271
Charge-offs, net	(29,199)	(21,165)	(8,272)
Balance at end of year	\$ 103,574	\$ 85,788	\$ 73,991

The following table summarizes the UPB of the loans sold by the Company in which it maintains continuing involvement:

	December 31,	
	2025	2024
	(in thousands)	
Unpaid principal balance of loans outstanding	\$ 448,035,447	\$ 410,393,342
Delinquent loans:		
30-89 days	\$ 18,000,680	\$ 17,301,961
90 days or more:		
Not in foreclosure	\$ 9,759,483	\$ 8,104,348
In foreclosure	\$ 1,372,545	\$ 693,934
Foreclosed	\$ 4,076	\$ 2,928
Loans in bankruptcy	\$ 1,968,188	\$ 1,762,324

The following tables summarize the Company's loan servicing portfolio as measured by UPB:

	December 31, 2025		
	Servicing rights owned	Subservicing (in thousands)	Total loans serviced
Investor:			
Non-affiliated entities:			
Originated	\$ 448,035,447	\$ —	\$ 448,035,447
Purchased	13,999,998	—	13,999,998
Subserviced (1)	—	35,873,833	35,873,833
	462,035,445	35,873,833	497,909,278
PennyMac Mortgage Investment Trust	—	226,774,067	226,774,067
Loans held for sale	8,930,477	—	8,930,477
	<u>\$ 470,965,922</u>	<u>\$ 262,647,900</u>	<u>\$ 733,613,822</u>
Delinquent loans:			
30 days	\$ 13,205,704	\$ 3,056,477	\$ 16,262,181
60 days	5,357,188	962,007	6,319,195
90 days or more:			
Not in foreclosure	9,944,189	1,734,551	11,678,740
In foreclosure	1,414,544	184,343	1,598,887
Foreclosed	6,229	3,121	9,350
	<u>\$ 29,927,854</u>	<u>\$ 5,940,499</u>	<u>\$ 35,868,353</u>
Loans in bankruptcy	\$ 2,039,686	\$ 566,890	\$ 2,606,576
Custodial funds managed by the Company (2)	\$ 8,429,523	\$ 2,758,179	\$ 11,187,702

- (1) Includes \$24.3 billion of loans in UPB where MSR's have been sold, but the servicing has not yet transferred to the purchaser's servicing platform.
- (2) Custodial funds include cash accounts holding funds on behalf of borrowers and investors relating to loans serviced under servicing agreements and are not recorded on the Company's consolidated balance sheets. The Company earns placement fees on certain of these custodial funds where it owns the MSR's and these fees are included in *Interest income* in the Company's consolidated statements of income.

	December 31, 2024		
	Servicing rights owned	Subservicing (in thousands)	Total loans serviced
Investor:			
Non-affiliated entities:			
Originated	\$ 410,393,342	\$ —	\$ 410,393,342
Purchased	15,681,406	—	15,681,406
Subserviced	—	806,584	806,584
	426,074,748	806,584	426,881,332
PennyMac Mortgage Investment Trust	—	230,753,581	230,753,581
Loans held for sale	8,128,914	—	8,128,914
	<u>\$ 434,203,662</u>	<u>\$ 231,560,165</u>	<u>\$ 665,763,827</u>
Delinquent loans:			
30 days	\$ 13,095,250	\$ 1,996,821	\$ 15,092,071
60 days	4,838,550	676,508	5,515,058
90 days or more:			
Not in foreclosure	8,289,129	1,210,270	9,499,399
In foreclosure	730,372	106,188	836,560
Foreclosed	3,716	2,732	6,448
	<u>\$ 26,957,017</u>	<u>\$ 3,992,519</u>	<u>\$ 30,949,536</u>
Loans in bankruptcy	\$ 1,852,396	\$ 286,093	\$ 2,138,489
Custodial funds managed by the Company (1)	\$ 6,171,157	\$ 2,391,875	\$ 8,563,032

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

Following is a summary of the geographical distribution of loans included in the Company's loan servicing portfolio for the top five and all other states as measured by UPB:

State	December 31,	
	2025	2024
	(in thousands)	
California	\$ 83,261,751	\$ 76,364,993
Texas	73,599,588	65,317,775
Florida	69,872,447	63,850,638
Virginia	38,282,502	36,428,575
Georgia	30,528,228	28,499,141
All other states	438,069,306	395,302,705
	<u>\$ 733,613,822</u>	<u>\$ 665,763,827</u>

Note 6—Fair Value

Most of the Company's assets and certain of its liabilities are measured at or based on their fair values. The application of 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.

Fair Value Accounting Elections

The Company identified its MSRs, its MSLs and all of its non-cash financial assets, to be accounted for at fair value so changes in fair value will be reflected in income as they occur and more timely reflect the results of the Company's performance.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Following is a summary of assets and liabilities that are measured at fair value on a recurring basis:

	December 31, 2025			Total
	Level 1	Level 2	Level 3	
	(in thousands)			
Assets:				
Short-term investment	\$ 410,037	\$ —	\$ —	\$ 410,037
Principal-only stripped mortgage-backed securities	—	722,528	—	722,528
Loans held for sale	—	8,815,699	307,711	9,123,410
Derivative assets from non-affiliates:				
Interest rate lock commitments	—	—	131,536	131,536
Forward purchase contracts	—	49,499	—	49,499
Forward sales contracts	—	16,399	—	16,399
Put options on interest rate futures purchase contracts	22,769	—	—	22,769
Call options on interest rate futures purchase contracts	2,086	—	—	2,086
Total return swap	—	8	—	8
Total derivative assets before netting	24,855	65,906	131,536	222,297
Netting	—	—	—	(36,779)
Total derivative assets from non-affiliates	24,855	65,906	131,536	185,518
Derivative assets from PennyMac Mortgage Investment Trust:				
Interest rate lock commitments	—	—	2,257	2,257
Forward sales contracts	—	142	—	142
Total before netting	—	142	2,257	2,399
Netting	—	—	—	(142)
Total derivative assets from PennyMac Mortgage Investment Trust	—	142	2,257	2,257
Mortgage servicing rights	—	—	9,598,941	9,598,941
Investment in PennyMac Mortgage Investment Trust	941	—	—	941
	<u>\$ 435,833</u>	<u>\$ 9,604,275</u>	<u>\$ 10,040,445</u>	<u>\$ 20,043,632</u>
Liabilities:				
Derivative liabilities to non-affiliates:				
Interest rate lock commitments	\$ —	\$ —	\$ 4,260	\$ 4,260
Forward purchase contracts	—	2,845	—	2,845
Forward sales contracts	—	47,692	—	47,692
Total derivative liabilities before netting	—	50,537	4,260	54,797
Netting	—	—	—	(45,238)
Total derivative liabilities to non-affiliates	—	50,537	4,260	9,559
Derivative liabilities to PennyMac Mortgage Investment Trust:				
Interest rate lock commitments	—	—	4,605	4,605
Forward sales contracts	—	1,784	—	1,784
Total derivative liabilities to PennyMac Mortgage Investment Trust before netting	—	1,784	4,605	6,389
Netting	—	—	—	(142)
Total derivative liabilities to PennyMac Mortgage Investment Trust	—	1,784	4,605	6,247
Mortgage servicing liabilities	—	—	1,572	1,572
	<u>\$ —</u>	<u>\$ 52,321</u>	<u>\$ 10,437</u>	<u>\$ 17,378</u>

	December 31, 2024			Total
	Level 1	Level 2	Level 3	
	(in thousands)			
Assets:				
Short-term investment	\$ 420,553	\$ —	\$ —	\$ 420,553
Principal-only stripped mortgage-backed securities	—	825,865	—	825,865
Loans held for sale	—	7,783,415	434,053	8,217,468
Derivative assets:				
Interest rate lock commitments	—	—	56,946	56,946
Forward purchase contracts	—	3,701	—	3,701
Forward sales contracts	—	152,526	—	152,526
MBS put options	—	3,278	—	3,278
Put options on interest rate futures purchase contracts	12,592	—	—	12,592
Call options on interest rate futures purchase contracts	3,250	—	—	3,250
Total derivative assets before netting	15,842	159,505	56,946	232,293
Netting	—	—	—	(119,217)
Total derivative assets	15,842	159,505	56,946	113,076
Mortgage servicing rights	—	—	8,744,528	8,744,528
Investment in PennyMac Mortgage Investment Trust	944	—	—	944
	<u>\$ 437,339</u>	<u>\$ 8,768,785</u>	<u>\$ 9,235,527</u>	<u>\$ 18,322,434</u>
Liabilities:				
Derivative liabilities:				
Interest rate lock commitments	\$ —	\$ —	\$ 23,381	\$ 23,381
Forward purchase contracts	—	66,646	—	66,646
Forward sales contracts	—	12,854	—	12,854
Total derivative liabilities before netting	—	79,500	23,381	102,881
Netting	—	—	—	(61,981)
Total derivative liabilities	—	79,500	23,381	40,900
Mortgage servicing liabilities	—	—	1,683	1,683
	<u>\$ —</u>	<u>\$ 79,500</u>	<u>\$ 25,064</u>	<u>\$ 42,583</u>

As shown above, certain of the Company's loans held for sale, IRLCs, MSRs, and MSLs are measured using Level 3 fair value inputs. Following are roll forwards of assets and liabilities measured at fair value using "Level 3" fair value inputs at either the beginning or the end of the year presented for each of the three years ended December 31, 2025:

Assets	Year ended December 31, 2025				Total
	Loans held for sale	Interest rate lock commitments to non-affiliates, net (1)	Interest rate lock commitments to PMT, net (1)	Mortgage servicing rights	
	(in thousands)				
Balance, December 31, 2024	\$ 434,053	\$ 33,565	\$ —	\$ 8,744,528	\$ 9,212,146
Purchases and issuances, net	5,559,093	884,149	(17,614)	—	6,425,628
Capitalization of interest and servicing advances	83,160	—	—	—	83,160
Sales and repayments	(2,222,965)	—	—	(672,651)	(2,895,616)
Mortgage servicing rights resulting from loan sales	—	—	—	2,940,455	2,940,455
Changes in fair value included in income arising from:					
Changes in instrument-specific credit risk	137,324	—	—	—	137,324
Other factors	22,954	471,600	(17,798)	(1,413,391)	(936,635)
	160,278	471,600	(17,798)	(1,413,391)	(799,311)
Transfers:					
From Level 3 to Level 2	(3,705,797)	—	—	—	(3,705,797)
To real estate acquired in settlement of loans	(111)	—	—	—	(111)
To loans held for sale	—	(1,262,038)	33,064	—	(1,228,974)
Balance, December 31, 2025	\$ 307,711	\$ 127,276	\$ (2,348)	\$ 9,598,941	\$ 10,031,580
Changes in fair value recognized during the year relating to assets still held at December 31, 2025	\$ 14,042	\$ 127,276	\$ (2,348)	\$ (1,378,256)	\$ (1,239,286)

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

Liabilities	Year ended December 31, 2025
	(in thousands)
Mortgage servicing liabilities:	
Balance, December 31, 2024	\$ 1,683
Changes in fair value included in income	(111)
Balance, December 31, 2025	\$ 1,572
Changes in fair value recognized during the year relating to liabilities still outstanding at December 31, 2025	\$ (111)

Assets	Year ended December 31, 2024			Total
	Loans held for sale	Interest rate lock commitments, net (1)	Mortgage servicing rights	
	(in thousands)			
Balance, December 31, 2023	\$ 478,564	\$ 89,593	\$ 7,099,348	\$ 7,667,505
Purchases and issuances, net	4,145,555	542,245	—	4,687,800
Capitalization of interest and servicing advances	45,848	—	—	45,848
Sales and repayments	(1,562,159)	—	—	(1,562,159)
Mortgage servicing rights resulting from loan sales	—	—	2,280,830	2,280,830
Changes in fair value included in income arising from:				
Changes in instrument-specific credit risk	106,723	—	—	106,723
Other factors	(1,215)	38,645	(433,464)	(396,034)
	<u>105,508</u>	<u>38,645</u>	<u>(433,464)</u>	<u>(289,311)</u>
Transfers:				
From Level 3 to Level 2	(2,779,090)	—	—	(2,779,090)
To real estate acquired in settlement of loans	(173)	—	—	(173)
To loans held for sale	—	(636,918)	—	(636,918)
Exchange of mortgage servicing spread for interest-only stripped mortgage-backed securities	—	—	(202,186)	(202,186)
Balance, December 31, 2024	<u>\$ 434,053</u>	<u>\$ 33,565</u>	<u>\$ 8,744,528</u>	<u>\$ 9,212,146</u>
Changes in fair value recognized during the year relating to assets still held at December 31, 2024	<u>\$ 21,177</u>	<u>\$ 33,565</u>	<u>\$ (417,312)</u>	<u>\$ (362,570)</u>

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

Liabilities	Year ended December 31, 2024
	(in thousands)
Mortgage servicing liabilities:	
Balance, December 31, 2023	\$ 1,805
Changes in fair value included in income	(122)
Balance, December 31, 2024	<u>\$ 1,683</u>
Changes in fair value recognized during the year relating to liabilities still outstanding at December 31, 2024	<u>\$ (122)</u>

Assets	Year ended December 31, 2023			
	Loans held for sale	Interest rate lock commitments, net (1)	Mortgage servicing rights	Total
	(in thousands)			
Balance, December 31, 2022	\$ 345,772	\$ 25,844	\$ 5,953,621	\$ 6,325,237
Purchases and issuances, net	2,353,958	286,581	—	2,640,539
Capitalization of interest and servicing advances	39,625	—	—	39,625
Sales and repayments	(654,490)	—	(305)	(654,795)
Mortgage servicing rights resulting from loan sales	—	—	1,849,957	1,849,957
Changes in fair value included in income arising from:				
Changes in instrument-specific credit risk	69,934	—	—	69,934
Other factors	(1,161)	130,424	(605,859)	(476,596)
	68,773	130,424	(605,859)	(406,662)
Transfers:				
From Level 3 to Level 2	(1,674,624)	—	—	(1,674,624)
To real estate acquired in settlement of loans	(450)	—	—	(450)
To loans held for sale	—	(353,256)	—	(353,256)
Exchange of mortgage servicing spread for interest-only stripped mortgage-backed securities	—	—	(98,066)	(98,066)
Balance, December 31, 2023	\$ 478,564	\$ 89,593	\$ 7,099,348	\$ 7,667,505
Changes in fair value recognized during the year relating to assets still held at December 31, 2023	\$ 33,187	\$ 89,593	\$ (605,859)	\$ (483,079)

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

Liabilities	Year ended December 31, 2023 (in thousands)
Mortgage servicing liabilities:	
Balance, December 31, 2022	\$ 2,096
Changes in fair value included in income	(291)
Balance, December 31, 2023	\$ 1,805
Changes in fair value recognized during the year relating to liabilities still outstanding at December 31, 2023	\$ (291)

The Company had transfers among the fair value levels arising from the return to salability in the active secondary market of certain loans held for sale and from transfers of IRLCs to loans held for sale at fair value upon purchase or funding.

Assets and Liabilities Measured at Fair Value under the Fair Value Option

Net changes in fair values included in income for assets and liabilities carried at fair value as a result of the Company's election of the fair value option by income statement line item are summarized below:

	Year ended December 31,								
	2025			2024			2023		
	Net gains on loans held for sale at fair value	Net loan servicing fees	Total	Net gains on loans held for sale at fair value	Net loan servicing fees	Total	Net gains on loans held for sale at fair value	Net loan servicing fees	Total
	(in thousands)								
Assets:									
Principal-only stripped mortgage-backed securities	\$ —	\$ 43,761	\$ 43,761	\$ —	\$ (38,201)	\$ (38,201)	\$ —	\$ —	\$ —
Loans held for sale	1,329,718	—	1,329,718	624,304	—	624,304	440,482	—	440,482
Mortgage servicing rights	—	(1,413,391)	(1,413,391)	—	(433,464)	(433,464)	—	(605,859)	(605,859)
	<u>\$ 1,329,718</u>	<u>\$ (1,369,630)</u>	<u>\$ (39,912)</u>	<u>\$ 624,304</u>	<u>\$ (471,665)</u>	<u>\$ 152,639</u>	<u>\$ 440,482</u>	<u>\$ (605,859)</u>	<u>\$ (165,377)</u>
Liabilities:									
Mortgage servicing liabilities	\$ —	\$ 111	\$ 111	\$ —	\$ 122	\$ 122	\$ —	\$ 291	\$ 291

Following are the fair value and related principal amounts due upon maturity of assets accounted for under the fair value option:

	December 31, 2025			December 31, 2024		
	Fair value	Principal amount due upon maturity	Difference	Fair value	Principal amount due upon maturity	Difference
Loans held for sale	(in thousands)					
Current through 89 days delinquent	\$ 9,080,781	\$ 8,874,884	\$ 205,897	\$ 8,187,561	\$ 8,089,532	\$ 98,029
90 days or more delinquent:						
Not in foreclosure	32,364	35,669	(3,305)	24,663	27,901	(3,238)
In foreclosure	10,265	19,924	(9,659)	5,244	11,481	(6,237)
	<u>\$ 9,123,410</u>	<u>\$ 8,930,477</u>	<u>\$ 192,933</u>	<u>\$ 8,217,468</u>	<u>\$ 8,128,914</u>	<u>\$ 88,554</u>

Assets Measured at Fair Value on a Nonrecurring Basis

Following is a summary of assets held at year end that were remeasured based on fair value on a nonrecurring basis during the year:

Real estate acquired in settlement of loans	Level 1	Level 2	Level 3	Total
	(in thousands)			
December 31, 2025	\$ —	\$ —	\$ 8,731	\$ 8,731
December 31, 2024	\$ —	\$ —	\$ 5,238	\$ 5,238

The following table summarizes the losses recognized on assets when they were remeasured based on fair values on a nonrecurring basis:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Real estate acquired in settlement of loans	\$ (3,752)	\$ (2,384)	\$ (710)

Fair Value of Financial Instruments Carried at Amortized Cost

The Company's *Assets sold under agreements to repurchase, Mortgage loan participation purchase and sale agreements, Notes payable secured by mortgage servicing assets* and *Unsecured senior notes* are carried at amortized cost.

These liabilities are classified as "Level 3" fair value items due to the Company's reliance on unobservable inputs to estimate their fair values. The Company has concluded that the fair values of these liabilities other than the *Notes payable secured by mortgage servicing assets* and the *Unsecured senior notes* approximate their carrying values due to their short terms and/or variable interest rates.

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

	December 31, 2025		December 31, 2024	
	Fair value	Carrying value	Fair value	Carrying value
	(in thousands)			
Term notes and term loans	\$ 1,334,248	\$ 1,326,021	\$ 1,742,421	\$ 1,724,120
Unsecured senior notes	\$ 5,075,675	\$ 4,831,742	\$ 3,172,983	\$ 3,164,032

Valuation Governance

Most of the Company's financial assets, and all of its derivatives, MSR's, and MSL's are carried at fair value with changes in fair value recognized in current period income. Certain of the Company's financial assets and derivatives and all of its MSR's and MSL's are "Level 3" fair value assets and liabilities which require use of unobservable inputs that are significant to the estimation of the items' fair values. 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 its capital markets group and subjects the valuation process to significant senior management oversight.

With respect to "Level 3" valuations other than IRLC's, the capital markets valuation staff reports to the Company'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, including the models' performance versus actual results, and reports those results as well as changes in the valuation of the non-IRLC "Level 3" fair value assets and liabilities, including major factors affecting the valuations and any changes in model methods and inputs, to the Company's senior management valuation subcommittee. The Company's senior management valuation subcommittee includes the Company's chief financial, credit, investment and capital markets officers as well as other senior members of the Company's finance, risk management and capital markets staffs.

To assess the reasonableness of its valuations, the capital markets valuation staff presents an analysis of the effect on the valuations of changes to the significant inputs to the models and, for MSRs, comparisons of its estimates of fair value to those procured from non-affiliate brokers and published surveys.

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

Valuation Techniques and Inputs

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:

Principal-Only Stripped Mortgage-Backed Securities

The Company categorizes principal-only stripped MBS as "Level 2" fair value financial instruments. Fair values of these securities are established based on quoted market prices for these or similar securities.

Loans Held for Sale

Most of the Company's loans held for sale at fair value are saleable into active markets and are therefore categorized as "Level 2" fair value assets. The fair values of "Level 2" fair value loans are determined using their contracted selling price or quoted market price or market price equivalent.

Certain of the Company's loans held for sale are not saleable into active markets and are therefore categorized as "Level 3" fair value assets. Loans held for sale categorized as "Level 3" fair value assets include:

- Closed-end second lien mortgage loans. At present, there is no active market with significant observable inputs to the estimation of fair value of the closed-end second lien mortgage loans the Company produces.
- Early buy out ("EBO") loans. EBO loans are government guaranteed or insured loans purchased by the Company from Ginnie Mae guaranteed securities in its loan servicing portfolio. The Company's right to purchase a government guaranteed or insured loan from a Ginnie Mae security arises as the result of the loan being at least three months delinquent on the date of purchase by the Company and provides an alternative to the Company's obligation to continue advancing principal and interest at the coupon rate of the related Ginnie Mae security. Such a loan may be resold to an investor and thereafter may be repurchased to the extent it becomes eligible for resale into a new Ginnie Mae guaranteed security.

A loan becomes eligible for resale into a new Ginnie Mae security when the loan becomes current either through completion of a modification of the loan's terms or after three months of timely payments following either the completion of certain types of payment deferral programs or borrower reperformance and when the issuance date of the new security is at least 120 days after the date the loan was last delinquent.

- Loans with identified defects. Loans that are not saleable into active markets due to identification of a defect by the Company or to the repurchase by the Company of a loan with an identified defect.

The Company uses a discounted cash flow model to estimate the fair value of its "Level 3" fair value loans held for sale. The significant unobservable inputs used in the fair value measurement of the Company's "Level 3" fair value loans held for sale are discount rates, home price projections and voluntary prepayments/resale and total prepayment/resale speeds. Significant changes in any of those inputs in isolation could result in a significant change to the loans' fair value measurement. Increases in home price projections are generally accompanied by an increase in voluntary prepayment speeds.

Following is a quantitative summary of key “Level 3” fair value inputs used in the valuation of loans held for sale:

	December 31,	
	2025	2024
Fair value (in thousands)	\$ 307,711	\$ 434,053
Key inputs (1):		
Discount rate:		
Range	5.6% – 9.3%	6.5% – 9.3%
Weighted average	6.3%	7.0%
Twelve-month projected housing price index change:		
Range	0.8% – 1.3%	2.2% – 2.8%
Weighted average	1.0%	2.3%
Voluntary prepayment/resale speed (2):		
Range	6.9% – 22.7%	6.4% – 34.4%
Weighted average	18.9%	22.0%
Total prepayment/resale speed (3):		
Range	7.0% – 37.5%	6.5% – 41.3%
Weighted average	24.1%	23.9%

- (1) Weighted average inputs are based on the fair values of the “Level 3” fair value loans.
- (2) Voluntary prepayment/resale speed is measured using life voluntary Conditional Prepayment Rate (“CPR”).
- (3) Total prepayment/resale speed is measured using life total CPR, which includes both voluntary and involuntary prepayment/resale speeds.

Changes in fair value of loans held for sale attributable to changes in a loan’s instrument-specific credit risk are measured with reference to the change in the respective loan’s delinquency status and performance history at period end from the later of the beginning of the period or acquisition date. Changes in fair value of loans held for sale are included in *Net gains on loans held for sale at fair value* in the Company’s consolidated statements of income.

Derivative Financial Instruments

Interest Rate Lock Commitments

The Company categorizes IRLCs as “Level 3” fair value assets or liabilities. The Company estimates the fair values of IRLCs based on quoted Agency MBS prices or observed trading prices for similar loans, the probability that the loans will be funded or purchased (the “pull-through rate”) and its estimate of the fair value of the MSRs it expects to receive in the sale of the loans.

The significant unobservable inputs used in the fair value measurement of the Company’s IRLCs are the pull-through rate and the estimated fair values of MSRs attributable to the mortgage loans it has committed to originate or purchase. Significant changes in the pull-through rate or the MSR components of the IRLCs, in isolation, could result in significant changes in the IRLCs’ fair value measurements. 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 IRLC fair value, but increase the pull-through rate for the loan principal and interest payment cash flow component, which has decreased in fair value. Changes in fair value of IRLCs are included in *Net gains on loans held for sale at fair value* in the Company’s consolidated statements of income.

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

	December 31,	
	2025	2024
Fair value (in thousands) (1)	\$ 127,276	\$ 33,565
Committed amount (in thousands)	13,474,638	7,801,677
Key inputs (2):		
Pull-through rate:		
Range	14.1% – 100%	29.8% – 100%
Weighted average	81.0%	88.2%
Mortgage servicing rights fair value expressed as:		
Servicing fee multiple:		
Range	1.0 – 8.7	1.0 – 8.6
Weighted average	5.4	5.4
Percentage of loan commitment amount:		
Range	0.3% – 4.6%	0.3% – 4.6%
Weighted average	2.2%	2.4%

(1) Amounts include IRLCs with non-affiliates and with PMT. For purposes of this table, the IRLC assets 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 on loans acquired for sale at fair value*, or *Net loan servicing fees – Mortgage servicing rights hedging results*, as applicable, in the Company’s consolidated statements of income.

Mortgage Servicing Rights

MSRs are categorized as “Level 3” fair value assets. The Company uses a discounted cash flow approach to estimate the fair value of MSRs. Beginning in the third quarter of 2025, the Company enhanced its discounted cash flow approach to estimate the period-end fair value of its MSRs and MSLs with the adoption of an Option-Adjusted Spread (“OAS”) discounted cash flow model. The OAS model allows the Company to account for the likelihood of interest rates moving along different paths as economic conditions change in its assessment of the fair value of MSRs and MSLs as opposed to a single assumed rate path. Adoption of the OAS model did not have a significant effect on the fair value of MSRs.

The key inputs used in the estimation of the fair value of MSRs include the applicable prepayment rate (prepayment speed), OAS or pricing spread (the OAS and pricing spread are components of the discount rate), and annual per-loan cost to service the underlying loans, all of which are unobservable. Significant changes to any of those inputs in isolation could result in a significant change in the MSR fair value measurement. Changes in these key inputs are not directly related. Changes in the fair value of MSRs are included in *Net loan servicing fees—Change in fair value of mortgage servicing rights and mortgage servicing liabilities* in the Company’s consolidated statements of income.

Following are the key inputs used in determining the fair value of MSRs received by the Company when it retains the obligation to service the mortgage loans it sells:

	Year ended December 31,		
	2025	2024	2023
	(Amount recognized and unpaid principal balance of underlying mortgage loans amounts in thousands)		
MSR and underlying loan characteristics:			
Amount recognized	\$2,940,455	\$2,280,830	\$1,849,957
Unpaid principal balance of underlying mortgage loans	\$131,583,332	\$100,662,790	\$86,606,196
Weighted average servicing fee rate (in basis points)	41	45	46
Key inputs (1):			
Annual total prepayment speed (2):			
Range	6.6% – 16.0%	6.4% – 25.8%	7.2% – 23.2%
Weighted average	8.8%	10.1%	10.7%
Equivalent average life (in years):			
Range	3.7 – 10.2	3.5 – 9.9	3.0 – 9.8
Weighted average	8.6	8.0	7.7
Pricing spread (3):			
Range	4.9% – 12.6%	4.9% – 12.6%	5.5% – 12.6%
Weighted average	5.6%	5.8%	6.8%
Annual per-loan cost of servicing:			
Range	\$69 – \$127	\$69 – \$127	\$68 – \$127
Weighted average	\$99	\$99	\$99

- (1) Weighted average inputs are based on the UPB of the underlying loans.
- (2) Annual total prepayment speed is measured using life total CPR, which includes both voluntary and involuntary prepayments. Equivalent average life is provided as supplementary information.
- (3) Pricing spread represents a margin that is applied to a reference interest rate's forward rate curve to develop periodic discount rates. The Company applies a pricing spread to a derived United States Treasury Securities ("Treasury") yield curve for purposes of discounting cash flows relating to its initial recognition of MSRs.

Following is a quantitative summary of key inputs used in the valuation of the Company's MSR's at year end and the effect on the fair value from adverse changes in those inputs:

	December 31,	
	2025	2024
	(Fair value, unpaid principal balance of underlying mortgage loans and effect on fair value amounts in thousands)	
Fair value	\$ 9,598,941	\$ 8,744,528
Underlying loan characteristics:		
Unpaid principal balance	\$ 462,020,147	\$ 426,055,220
Weighted average note interest rate	4.7%	4.5%
Weighted average servicing fee rate (in basis points)	39	38
Key inputs (1):		
Annual total prepayment speed (2):		
Range	6.0% – 22.7%	5.9% – 17.7%
Weighted average	9.0%	7.8%
Equivalent average life (in years):		
Range	2.5 – 9.0	2.7 – 9.1
Weighted average	8.0	8.4
Effect on fair value of (3):		
5% adverse change	(\$168,856)	(\$126,224)
10% adverse change	(\$331,359)	(\$248,349)
20% adverse change	(\$638,689)	(\$481,100)
Option-adjusted spread (4):		
Range	2.6% – 13.2%	
Weighted average	4.7%	
Pricing spread (5):		
Range		5.0% – 11.3%
Weighted average		6.2%
Effect on fair value of (3):		
5% adverse change	(\$95,530)	(\$113,419)
10% adverse change	(\$189,008)	(\$223,960)
20% adverse change	(\$370,059)	(\$436,805)
Per-loan annual cost of servicing:		
Range	\$70 – \$127	\$68 – \$130
Weighted average	\$106	\$105
Effect on fair value of (3):		
5% adverse change	(\$50,531)	(\$48,830)
10% adverse change	(\$101,061)	(\$97,661)
20% adverse change	(\$202,122)	(\$195,321)

- (1) Weighted average inputs are based on the UPB of the underlying loans.
- (2) Annual total 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 contemplate the movements in the indicated inputs; do not incorporate changes 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 made to account for changing circumstances. For these reasons, these analyses should not be viewed as projections of the effect of shock events or as earnings forecasts.
- (4) The option-adjusted spread is a margin that is applied to a reference interest rate's projected curve to develop periodic discount rates. The Company applies an option-adjusted spread to multiple simulated paths of a derived Treasury yield curve for purposes of discounting cash flows relating to MSR's.

- (5) Pricing spread represents a margin that is applied to a reference interest rate’s forward rate curve to develop periodic discount rates. Through June 30, 2025, the Company applied a fixed pricing spread to a derived Treasury yield curve for purposes of discounting cash flows relating period-end MSR.

Mortgage Servicing Liabilities

MSLs are categorized as “Level 3” fair value liabilities. The Company uses a discounted cash flow approach to estimate the fair value of MSLs. The key inputs used in the estimation of the fair value of MSLs include the applicable annual total prepayment speed, OAS or pricing spread, and the per-loan annual cost of servicing the underlying loans. Changes in the fair value of MSLs are included in *Net servicing fees—Change in fair value of mortgage servicing rights and mortgage servicing liabilities* in the consolidated statements of income. Beginning in the third quarter of 2025, the Company enhanced its period-end discounted cash flow valuation of MSLs by utilizing an OAS discounted cashflow model, which utilizes an OAS rather than a pricing spread.

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

	December 31,	
	2025	2024
Fair value (in thousands)	\$ 1,572	\$ 1,683
Underlying loan characteristics:		
Unpaid principal balance of underlying loans (in thousands)	\$ 15,298	\$ 19,528
Servicing fee rate (in basis points)	25	25
Key inputs (1):		
Annual total prepayment speed (2)	14.2%	15.7%
Equivalent average life (in years)	5.5	5.1
Option-adjusted spread (3)	9.1%	
Pricing spread (4)		8.6%
Per-loan annual cost of servicing	\$ 853	\$ 969

- (1) Weighted average inputs are based on the UPB of the underlying mortgage loans.
- (2) Annual total 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 option-adjusted spread is a margin that is applied to a reference interest rate’s projected curve to develop periodic discount rates. The Company applies an option-adjusted spread to multiple simulated paths of a derived Treasury yield curve for purposes of discounting cash flows relating to MSLs.
- (4) Pricing spread represents a margin that is applied to a reference interest rate’s forward rate curve to develop periodic discount rates. Through June 30, 2025, the Company applied a fixed pricing spread to a derived Treasury yield curve for purposes of discounting cash flows relating to MSLs.

Note 7—Principal-Only Stripped Mortgage-Backed Securities

Following is a summary of activity in the Company’s investment in principal-only stripped MBS:

	Year ended December 31,	
	2025	2024
	(in thousands)	
Balance at beginning of year	\$ 825,865	\$ —
Purchases	—	935,356
Repayments	(193,133)	(96,516)
Changes in fair value included in income arising from:		
Accrual of purchase discounts	46,035	25,226
Valuation adjustments	43,761	(38,201)
	<u>89,796</u>	<u>(12,975)</u>
Balance at end of year	<u>\$ 722,528</u>	<u>\$ 825,865</u>

Following is a summary of the Company’s investment in principal-only stripped MBS:

	December 31,	
	2025	2024
	(in thousands)	
Principal balance	\$ 868,350	\$ 1,061,484
Unearned discount	(151,382)	(197,418)
Cumulative valuation change	5,560	(38,201)
Fair value	<u>\$ 722,528</u>	<u>\$ 825,865</u>
Fair value of principal-only stripped mortgage-backed securities pledged to secure <i>Assets sold under agreements to repurchase</i>	<u>\$ 722,528</u>	<u>\$ 825,865</u>

All of the Company’s principal-only stripped MBS had contractual maturities of over ten years.

Note 8—Loans Held for Sale at Fair Value

Following is a summary of loans held for sale at fair value:

Mortgage type	December 31,	
	2025	2024
	(in thousands)	
Government-insured or guaranteed	\$ 5,140,921	\$ 4,154,069
Conventional conforming	2,972,372	3,127,082
Jumbo	699,309	502,264
Non-qualified	3,097	—
Closed-end second lien	156,003	272,285
Purchased from Ginnie Mae securities serviced by the Company	127,920	145,026
Repurchased pursuant to representations and warranties	23,788	16,742
	<u>\$ 9,123,410</u>	<u>\$ 8,217,468</u>
Fair value of loans pledged to secure:		
Assets sold under agreements to repurchase	\$ 8,245,256	\$ 7,612,832
Mortgage loan participation purchase and sale agreements	738,247	528,002
	<u>\$ 8,983,503</u>	<u>\$ 8,140,834</u>

Note 9—Derivative Financial Instruments

Derivative Notional Amounts and Fair Value of Derivatives

The Company had the following derivative financial instruments recorded on its consolidated balance sheets:

Derivative instrument	December 31, 2025			December 31, 2024		
	Notional amount (1)	Fair value		Notional amount (1)	Fair value	
		Derivative assets	Derivative liabilities		Derivative assets	Derivative liabilities
	(in thousands)					
Non-affiliates:						
Not subject to master netting arrangements:						
Interest rate lock commitments	13,474,638	\$ 131,536	\$ 4,260	7,801,677	\$ 56,946	\$ 23,381
Subject to master netting arrangements (2):						
Forward purchase contracts	14,311,234	49,499	2,845	12,760,764	3,701	66,646
Forward sales contracts	22,291,811	16,399	47,692	23,440,334	152,526	12,854
MBS put options	—	—	—	450,000	3,278	—
Put options on interest rate futures purchase contracts	12,625,000	22,769	—	4,270,000	12,592	—
Call options on interest rate futures purchase contracts	7,750,000	2,086	—	7,600,000	3,250	—
Total return swap	39,998	8	—	—	—	—
Treasury futures purchase contracts	11,841,400	—	—	7,467,000	—	—
Treasury futures sale contracts	8,607,100	—	—	10,521,000	—	—
Total derivatives before netting		222,297	54,797		232,293	102,881
Netting		(36,779)	(45,238)		(119,217)	(61,981)
		<u>\$ 185,518</u>	<u>\$ 9,559</u>		<u>\$ 113,076</u>	<u>\$ 40,900</u>
PennyMac Mortgage Investment Trust:						
Interest rate lock commitments not subject to master netting arrangements	1,207,859	2,257	4,605	—	—	—
Forward sale contract subject to master netting arrangements	250,638	142	1,784	—	—	—
Total derivatives before netting		2,399	6,389		—	—
Netting		(142)	(142)		—	—
		<u>\$ 2,257</u>	<u>\$ 6,247</u>		<u>\$ —</u>	<u>\$ —</u>
Deposits placed with (received from) derivative counterparties included in the derivative balances above, net		<u>\$ 8,459</u>			<u>\$ (57,236)</u>	

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

(2) All derivatives subject to master netting agreements are interest rate derivatives that are used as economic hedges.

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

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

Counterparty	December 31, 2025				December 31, 2024			
	Net amount of assets in the consolidated balance sheet	Gross amount not offset in the consolidated balance sheet		Net amount	Net amount of assets in the consolidated balance sheet	Gross amount not offset in the consolidated balance sheet		Net amount
		Financial instruments	Cash collateral received			Financial instruments	Cash collateral received	
(in thousands)								
Non-affiliates:								
Interest rate lock commitments	\$ 131,536	\$ —	\$ —	\$ 131,536	\$ 56,946	\$ —	\$ —	\$ 56,946
RJ O' Brien	24,855	—	—	24,855	15,842	—	—	15,842
Morgan Stanley Bank, N.A.	10,673	—	—	10,673	15,260	—	—	15,260
Barclays Capital	3,919	—	—	3,919	—	—	—	—
Bank of Montreal	2,676	—	—	2,676	3,781	—	—	3,781
Goldman Sachs	1,769	—	—	1,769	—	—	—	—
Santander US Capital Markets LLC	1,723	—	—	1,723	—	—	—	—
BNP Paribas	1,011	—	—	1,011	2,260	—	—	2,260
Bank of America, N.A.	—	—	—	—	8,221	—	—	8,221
Athene Annuity & Life Assurance Company	—	—	—	—	2,352	—	—	2,352
Mizuho Bank, Ltd.	—	—	—	—	1,683	—	—	1,683
Others	7,356	—	—	7,356	6,731	—	—	6,731
	<u>\$ 185,518</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 185,518</u>	<u>\$ 113,076</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 113,076</u>
PennyMac Mortgage Investment Trust	\$ 2,257	\$ —	\$ —	\$ 2,257	\$ —	\$ —	\$ —	\$ —

Derivative Liabilities, Financial Instruments, and Collateral Held by Counterparty

The following table summarizes by significant counterparty the amount 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	December 31, 2025				December 31, 2024			
	Net amount of liabilities in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet			Net amount of liabilities in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet		
		Financial instruments (1)	Cash collateral pledged	Net amount		Financial instruments (1)	Cash collateral pledged	Net amount
Non-affiliates:								
Interest rate lock commitments	\$ 4,260	\$ —	\$ —	\$ 4,260	\$ 23,381	\$ —	\$ —	\$ 23,381
Atlas Securitized Products, L.P.	3,151,222	(3,151,222)	—	—	1,938,756	(1,938,756)	—	—
Bank of America, N.A.	1,121,585	(1,120,457)	—	1,128	1,294,213	(1,294,213)	—	—
JPMorgan Chase Bank, N.A.	767,903	(767,903)	—	—	1,220,822	(1,214,559)	—	6,263
Wells Fargo Bank, N.A.	650,094	(650,094)	—	—	795,119	(789,305)	—	5,814
Nomura Corporate Funding Americas	596,608	(596,608)	—	—	175,000	(175,000)	—	—
Royal Bank of Canada	534,163	(534,163)	—	—	785,597	(785,597)	—	—
Citibank, N.A.	444,851	(444,851)	—	—	455,426	(455,426)	—	—
Morgan Stanley Bank, N.A.	407,678	(407,678)	—	—	472,659	(472,659)	—	—
BNP Paribas	342,500	(342,500)	—	—	568,790	(568,790)	—	—
Santander US Capital Markets LLC	238,668	(238,668)	—	—	282,077	(282,077)	—	—
Barclays Capital	229,055	(229,055)	—	—	258,559	(254,750)	—	3,809
Goldman Sachs	168,428	(168,428)	—	—	336,894	(336,624)	—	270
Mizuho Bank, Ltd.	149,588	(149,588)	—	—	125,000	(125,000)	—	—
Ellington Management	1,424	—	—	1,424	—	—	—	—
Others	2,747	—	—	2,747	1,363	—	—	1,363
	<u>\$ 8,810,774</u>	<u>\$ (8,801,215)</u>	<u>\$ —</u>	<u>\$ 9,559</u>	<u>\$ 8,733,656</u>	<u>\$ (8,692,756)</u>	<u>\$ —</u>	<u>\$ 40,900</u>
PennyMac Mortgage Investment Trust	\$ 6,247	\$ —	\$ —	\$ 6,247	\$ —	\$ —	\$ —	\$ —

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

Following are the gains (losses) recognized by the Company on derivative financial instruments and the consolidated statement of income lines where such gains and losses are included:

Derivative activity	Consolidated statement of income line	Year ended December 31,		
		2025	2024	2023
(in thousands)				
Interest rate lock commitments	Net gains on loans held for sale at fair value (1)	\$ 91,363	\$ (56,028)	\$ 63,749
Hedged item:				
Interest rate lock commitments and loans held for sale	Net gains on loans held for sale at fair value	\$ (401,668)	\$ 251,305	\$ 46,941
Mortgage servicing rights	Net loan servicing fees— Mortgage servicing rights hedging results	\$ 12,785	\$ (794,282)	\$ (236,778)

(1) Represents net change in fair value of IRLCs from the beginning to the end of the year. Amounts recognized at the date of commitment and fair value changes recognized during the period until purchase of the underlying loans or the cancellation of the commitment are shown in the rollforward of IRLCs for the year in Note 6 – *Fair Value – Assets and Liabilities Measured at Fair Value on a Recurring Basis*.

Note 10—Mortgage Servicing Rights and Mortgage Servicing Liabilities

Mortgage Servicing Rights at Fair Value:

The activity in MSR's is as follows:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Balance at beginning of year	\$ 8,744,528	\$ 7,099,348	\$ 5,953,621
Additions (deductions):			
MSR's resulting from loan sales	2,940,455	2,280,830	1,849,957
Exchange of mortgage servicing spread for interest-only stripped mortgage-backed securities	—	(202,186)	(98,066)
Transfer of mortgage servicing rights relating to delinquent loans to Agency	—	—	(305)
Sales to:			
Non-affiliates	(665,167)	—	—
PennyMac Mortgage Investment Trust	(7,484)	—	—
	<u>2,267,804</u>	<u>2,078,644</u>	<u>1,751,586</u>
Change in fair value due to:			
Changes in inputs used in valuation model (1)	(251,669)	407,423	56,757
Other changes in fair value (2)	(1,161,722)	(840,887)	(662,616)
Total change in fair value	<u>(1,413,391)</u>	<u>(433,464)</u>	<u>(605,859)</u>
Balance at end of year	<u>\$ 9,598,941</u>	<u>\$ 8,744,528</u>	<u>\$ 7,099,348</u>
Unpaid principal balance of underlying loans at end of year	\$ 462,020,147	\$ 426,055,220	\$ 370,244,119
		<u>December 31,</u>	
		2025	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 mortgage servicing assets</i>		\$ 9,367,851	\$ 8,609,388

(1) Principally reflects changes in annual total prepayment speed, OAS or pricing spread and per loan annual cost of servicing inputs.

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

Mortgage Servicing Liabilities at Fair Value:

The activity in MSLs is summarized below:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Balance at beginning of year	\$ 1,683	\$ 1,805	\$ 2,096
Changes in fair value due to:			
Changes in inputs used in valuation model (1)	3	35	(50)
Other changes in fair value (2)	(114)	(157)	(241)
Total change in fair value	(111)	(122)	(291)
Balance at end of year	\$ 1,572	\$ 1,683	\$ 1,805
Unpaid principal balance of underlying loans at end of year	\$ 15,298	\$ 19,528	\$ 24,892

(1) Principally reflects changes in annual total prepayment speed, OAS or pricing spread and per loan annual cost of servicing.

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

Contractual servicing fees relating to MSRs and MSLs are recorded in *Net loan servicing fees—Loan servicing fees—From non-affiliates* on the consolidated statements of income; other fees relating to MSRs and MSLs are recorded in *Net loan servicing fees—Loan servicing fees—Other* on the Company's consolidated statements of income. Such amounts are summarized below:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Contractual servicing fees	\$ 1,776,557	\$ 1,529,452	\$ 1,268,650
Other fees:			
Late charges	82,821	73,227	55,685
Other	17,131	13,705	9,539
	<u>\$ 1,876,509</u>	<u>\$ 1,616,384</u>	<u>\$ 1,333,874</u>

Note 11—Capitalized Software

Capitalized software, included in *Other* assets, is summarized below:

	December 31,	
	2025	2024
	(in thousands)	
Cost	\$ 319,114	\$ 286,467
Less: Accumulated amortization	(210,969)	(165,665)
	<u>\$ 108,145</u>	<u>\$ 120,802</u>

Amortization and impairment of capitalized software, included in *Technology* expense, are summarized below:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Amortization	\$ 47,344	\$ 48,169	\$ 43,462
Impairment	\$ 4,597	\$ 147	\$ 46

Note 12—Furniture, Fixtures, Equipment and Leasehold Improvements

Furniture, fixtures, equipment and leasehold improvements, included in *Other* assets, are summarized below:

	December 31,	
	2025	2024
	(in thousands)	
Furniture, fixtures, equipment and leasehold improvements	\$ 96,277	\$ 84,382
Less: Accumulated depreciation and amortization	(78,488)	(71,466)
	<u>\$ 17,789</u>	<u>\$ 12,916</u>

Depreciation and amortization expenses included in *Occupancy and equipment* expense are summarized below:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Depreciation and amortization expenses	\$ 7,048	\$ 7,815	\$ 9,752

Note 13—Leases

The Company has operating lease agreements relating to its office facilities. The Company's operating lease agreements have remaining terms ranging from less than one year to eight years; some of these operating lease agreements include options to extend the term for up to five years. None of the Company's operating lease agreements require the Company to make variable lease payments.

The Company's operating lease right-of-use assets, included in *Other* assets, and leasing activity is summarized below:

	Year ended December 31,		
	2025	2024	2023
	(dollars in thousands)		
Lease expense:			
Operating leases	\$ 17,622	\$ 15,870	\$ 18,782
Short-term leases	376	303	436
Sublease income	(1,510)	(1,405)	(902)
Net lease expense included in <i>Occupancy and equipment</i> expense	<u>\$ 16,488</u>	<u>\$ 14,768</u>	<u>\$ 18,316</u>
Other information:			
Payments for operating leases	\$ 20,836	\$ 20,118	\$ 24,026
Operating lease right-of-use assets recognized	\$ 40,148	\$ 1,388	\$ 2,893
Year end weighted averages:			
Remaining lease term (in years)	5.3	3.6	4.3
Discount rate	5.6%	4.0%	3.8%

The maturities of the Company’s operating lease liabilities are summarized below:

Year ended December 31,	Operating leases (in thousands)
2026	\$ 17,441
2027	11,885
2028	12,718
2029	14,093
2030	16,065
Thereafter	17,456
Total lease payments	89,658
Less imputed interest	(14,553)
Operating lease liability included in <i>Accounts payable and accrued expenses</i>	\$ 75,105

Note 14—Other Assets

Other assets are summarized below:

	December 31,	
	2025	2024
	(in thousands)	
Margin deposits	\$ 407,978	\$ 288,153
Capitalized software, net	108,145	120,802
Operating lease right-of-use assets	61,757	36,572
Prepaid expenses	50,062	45,762
Servicing fees receivable, net	48,279	38,676
Other servicing receivables	36,296	54,058
Interest receivable	40,173	41,286
Real estate acquired in settlement of loans	37,675	14,976
Furniture, fixtures, equipment and building improvements, net	17,789	12,916
Deposits securing <i>Assets sold under agreements to repurchase</i> and <i>Notes payable secured by mortgage servicing assets</i>	10,393	16,697
Other	208,366	100,183
	\$ 1,026,913	\$ 770,081
Deposits securing <i>Assets sold under agreements to repurchase</i> or <i>Notes payable secured by mortgage servicing assets</i>	\$ 10,393	\$ 16,697

Note 15—Short-Term Debt

The borrowing facilities described throughout these Notes 15 and 16 contain various covenants, including financial covenants governing the Company’s net worth, debt-to-equity ratio and liquidity. Management believes that the Company was in compliance with these covenants as of December 31, 2025.

Assets Sold Under Agreements to Repurchase

The Company has multiple borrowing facilities in the form of asset sales under agreements to repurchase. These borrowing facilities are secured by principal-only stripped MBS, loans held for sale, participation certificates backed by mortgage servicing assets or margin deposits. Eligible assets are sold at advance rates based on the fair value (as determined by the lender) of the assets sold. Interest is charged at a rate based on the Secured Overnight Financing Rate (“SOFR”). Principal-only stripped MBS, mortgage servicing assets, loans and participation certificates backed by mortgage servicing assets financed under these agreements may be re-pledged by the lenders.

Assets sold under agreements to repurchase are summarized below:

	Year ended December 31,		
	2025	2024	2023
	(dollars in thousands)		
Average balance of assets sold under agreements to repurchase	\$ 7,336,946	\$ 5,474,998	\$ 3,701,448
Weighted average interest rate (1)	5.84%	6.79%	7.12%
Total interest expense	\$ 450,268	\$ 393,977	\$ 279,289
Maximum daily amount outstanding	\$ 10,557,165	\$ 8,591,735	\$ 6,358,007

- (1) Excludes the effect of amortization of debt issuance costs and non-utilization fees totaling \$21.5 million, \$22.2 million and \$15.7 million for the years ended December 31, 2025, 2024 and 2023, respectively.

	December 31,	
	2025	2024
	(dollars in thousands)	
Carrying value:		
Unpaid principal balance	\$ 8,801,215	\$ 8,692,756
Unamortized debt issuance costs	(7,213)	(7,549)
	<u>\$ 8,794,002</u>	<u>\$ 8,685,207</u>
Weighted average interest rate	5.18%	5.89%
Available borrowing capacity (1):		
Committed	\$ 1,486,344	\$ 460,000
Uncommitted	3,367,758	3,104,026
	<u>\$ 4,854,102</u>	<u>\$ 3,564,026</u>
Assets securing repurchase agreements:		
Principal-only stripped mortgage-backed securities	\$ 722,528	\$ 825,865
Loans held for sale	\$ 8,245,256	\$ 7,612,832
Servicing advances (2)	\$ 406,825	\$ 357,939
Mortgage servicing rights (2)	\$ 7,968,105	\$ 7,488,539
Deposits (2)	\$ 10,393	\$ 16,697

- (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 the Ginnie Mae MSR, Fannie Mae MSR, servicing advances and deposits together serve as the collateral backing servicing asset facilities that are included in *Assets sold under agreements to repurchase* and the term notes and term loans included in *Notes payable secured by mortgage servicing assets*. The term notes and term loans are described in Note 16 — *Long-Term Debt - Notes payable secured by mortgage servicing assets*.

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

<u>Remaining maturity at December 31, 2025 (1)</u>	<u>Unpaid principal balance</u> (dollars in thousands)
Within 30 days	\$ 1,528,218
Over 30 to 90 days	6,559,501
Over 90 to 180 days	138,950
Over 180 days to one year	250,000
Over one year to two years	324,546
Total assets sold under agreements to repurchase	<u>\$ 8,801,215</u>
Weighted average maturity (in months)	3.4

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

Amounts at Risk

The amounts at risk (the fair value of the assets pledged plus the related margin deposits, less the amounts advanced by the counterparty and interest payable) relating to the Company's assets sold under agreements to repurchase are summarized by counterparty below as of December 31, 2025:

Loans held for sale and MSR

<u>Counterparty</u>	<u>Amount at risk</u> (in thousands)	<u>Weighted average</u> <u>maturity of advances</u>	<u>Facility maturity</u>
Atlas Securitized Products, L.P., Goldman Sachs Bank USA, Nomura Corporate Funding Americas and Mizuho Bank, Ltd. (1)	\$ 6,642,963	March 6, 2027	March 6, 2027
Atlas Securitized Products, L.P.	\$ 267,343	April 17, 2026	December 10, 2027
Bank of America, N.A.	\$ 89,902	February 1, 2026	June 9, 2027
Royal Bank of Canada	\$ 33,291	January 28, 2026	November 10, 2026
JP Morgan Chase Bank, N.A.	\$ 31,391	April 9, 2026	July 7, 2026
Nomura Corporate Funding Americas	\$ 26,440	March 19, 2026	August 4, 2026
Citibank, N.A.	\$ 23,075	March 10, 2026	August 21, 2026
Morgan Stanley Bank, N.A.	\$ 24,184	March 16, 2026	October 22, 2027
Wells Fargo Bank, N.A.	\$ 19,335	March 14, 2026	June 11, 2027
BNP Paribas	\$ 17,721	March 21, 2026	September 30, 2026
Barclays Bank PLC	\$ 16,492	March 5, 2026	March 6, 2026
Mizuho Bank, Ltd.	\$ 9,213	May 25, 2026	October 14, 2026
Goldman Sachs Bank USA	\$ 6,754	March 18, 2026	February 13, 2027

- (1) The amount at risk includes the beneficial interests in Ginnie Mae MSRs, Fannie Mae MSRs, servicing advances and deposits pledged to serve as the collateral backing servicing asset facilities included in *Assets sold under agreements to repurchase* and the term notes and term loans included in *Notes payable secured by mortgage servicing assets*. The facilities mature on various dates through December 10, 2027 and the facility maturity date shown in this table represents a weighted average of those dates.

Principal-only stripped MBS

Counterparty	Amount at risk (in thousands)	Maturity
Bank of America, N.A.	\$ 3,179	January 28, 2026
JP Morgan Chase Bank, N.A.	\$ 20,591	January 7, 2026
Wells Fargo Bank, N.A.	\$ 17,918	January 23, 2026
Santander US Capital Markets LLC	\$ 13,956	January 15, 2026

Mortgage Loan Participation Purchase and Sale Agreements

Two of the borrowing facilities secured by mortgage loans held for sale are in the form of mortgage loan participation purchase and sale agreements. Participation certificates, each of which represents an undivided beneficial ownership interest in mortgage loans that have been pooled with Ginnie Mae, Freddie Mac, or Fannie Mae, are sold to a lender pending securitization of the mortgage loans and sale of the resulting securities. A commitment to sell the securities resulting from the pending securitization between the Company and a non-affiliate 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 that is based on a percentage of the purchase price. The holdback amount 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 agreements are summarized below:

	Year ended December 31,		
	2025	2024	2023
	(dollars in thousands)		
Average balance	\$ 284,832	\$ 243,132	\$ 238,197
Weighted average interest rate (1)	5.52%	6.46%	6.48%
Total interest expense	\$ 16,546	\$ 16,404	\$ 16,129
Maximum daily amount outstanding	\$ 707,426	\$ 518,042	\$ 515,537

(1) Excludes the effect of amortization of debt issuance costs totaling \$813,000, \$695,000 and \$688,000 for the years ended December 31, 2025, 2024 and 2023, respectively.

	December 31,	
	2025	2024
	(dollars in thousands)	
Carrying value:		
Unpaid principal balance	\$ 697,087	\$ 496,856
Unamortized debt issuance costs	(469)	(344)
	\$ 696,618	\$ 496,512
Weighted average interest rate	4.94%	5.58%
Fair value of loans pledged to secure mortgage loan participation purchase and sale agreements	\$ 738,247	\$ 528,002

Note 16—Long-Term Debt

Notes Payable Secured by Mortgage Servicing Assets

Term Notes and Term Loans

The Company, through its wholly-owned subsidiaries PNMAC, PLS and the PNMAC GMSR ISSUER TRUST (“Issuer Trust”), has entered into a structured finance transaction, in which PLS pledges and/or sells to the Issuer Trust participation certificates representing beneficial interests in Ginnie Mae mortgage servicing assets pursuant to a repurchase agreement. The Issuer Trust has issued VFNs to PLS, has issued secured term notes (the “Term Notes”) to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended (the “Securities Act”), and has entered into a series of syndicated term loans with various lenders (the “Term Loans”). The VFNs, Term Notes and Term Loans are secured by the participation certificates relating to Ginnie Mae mortgage servicing assets financed pursuant to the servicing asset repurchase facilities, and rank pari passu with the mortgage servicing asset VFNs.

Following is a summary of the issued and outstanding Term Notes and Term Loans:

Issuance date	Principal balance (in thousands)	Annual interest rate spread (1)	Maturity date	
			Stated	Optional extension (2)
Term Notes:				
February 29, 2024	\$ 425,000	3.20%	March 26, 2029	March 25, 2031
August 14, 2025	300,000	2.45%	August 26, 2030	August 25, 2032
Term Loans:				
February 28, 2023	480,000	3.00%	February 25, 2028	February 25, 2029
October 25, 2023	125,000	3.00%	October 25, 2028	
	<u>\$ 1,330,000</u>			

- (1) Interest is charged at a rate based on SOFR plus a spread.
- (2) The Term Notes and Term Loans’ indentures provide the Company with the option to extend the maturity of the Term Notes or Term Loans as specified in the respective agreements.

Freddie Mac MSR Notes Payable

The Company has notes payable to two lenders that are secured by Freddie Mac MSRs. Interest is charged at a rate of SOFR plus a spread as defined in the agreements. The facilities expire on March 6 and August 21, 2026. The maximum amount that the Company may borrow under the notes payable is \$1.1 billion, \$1.0 billion of which is committed, and may be reduced by other debt outstanding with the counterparties.

Notes payable secured by mortgage servicing assets are summarized below:

	Year ended December 31,		
	2025	2024	2023
	(dollars in thousands)		
Average balance	\$ 1,571,370	\$ 1,848,374	\$ 2,421,124
Weighted average interest rate (1)	7.58%	8.73%	8.59%
Total interest expense	\$ 122,807	\$ 164,161	\$ 211,085

- (1) Excludes the effect of amortization of debt issuance costs totaling \$3.7 million, \$2.9 million and \$3.2 million for the years ended December 31, 2025, 2024 and 2023, respectively.

	December 31,	
	2025	2024
(dollars in thousands)		
Carrying value:		
Unpaid principal balance:		
Term Notes and Term Loans	\$ 1,330,000	\$ 1,730,000
Freddie Mac MSR notes payable	—	325,000
	1,330,000	2,055,000
Unamortized debt issuance costs	(3,979)	(6,028)
	<u>\$ 1,326,021</u>	<u>\$ 2,048,972</u>
Weighted average interest rate	6.69%	7.81%
Assets pledged to secure notes payable (1):		
Servicing advances	\$ 406,825	\$ 357,939
Mortgage servicing rights	\$ 9,367,851	\$ 8,609,388
Deposits	\$ 10,393	\$ 16,697

(1) Beneficial interests in the Ginnie Mae MSRs, servicing advances and deposits together serve as the collateral backing servicing asset facilities that are included in *Assets sold under agreements to repurchase* and the Term Notes and Term Loans are included in *Notes payable secured by mortgage servicing assets*.

Unsecured Senior Notes

The Company issued unsecured senior notes (the “Unsecured Notes”) to qualified institutional buyers under Rule 144A of the Securities Act. The Unsecured Notes are senior unsecured obligations of the Company and will rank senior in right of payment to any future subordinate indebtedness of the Company, equally in right of payment with all existing and future senior indebtedness of the Company and effectively subordinate to any existing and future secured indebtedness of the Company to the extent of the fair value of collateral securing such indebtedness.

The Unsecured Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by PFSI’s existing and future wholly-owned domestic subsidiaries (other than certain excluded subsidiaries defined in the indenture under which the Unsecured Notes were issued). The guarantees are senior unsecured obligations of the guarantors and will rank senior in right of payment to any future subordinate indebtedness of the guarantors, equally in right of payment with all existing and future senior indebtedness of the guarantors and effectively subordinate to any existing and future secured indebtedness of the guarantors to the extent of the fair value of collateral securing such indebtedness. The Unsecured Notes and the guarantees are structurally subordinate to the indebtedness and liabilities of the Company’s subsidiaries that do not guarantee the Unsecured Notes.

Following is a summary of the Company's issued and outstanding Unsecured Notes:

<u>Issuance date</u>	<u>Principal balance</u> (in thousands)	<u>Note interest rate</u> (annual)	<u>Maturity date</u>	<u>Optional redemption date (1)</u>
February 11, 2021	\$ 650,000	4.25%	February 15, 2029	February 15, 2024
September 16, 2021	500,000	5.75%	September 15, 2031	September 15, 2026
December 11, 2023	750,000	7.875%	December 15, 2029	December 15, 2026
May 23, 2024	650,000	7.125%	November 15, 2030	November 15, 2026
February 6, 2025	850,000	6.875%	February 15, 2033	February 15, 2028
May 1, 2025	850,000	6.875%	May 15, 2032	May 15, 2028
August 7, 2025	650,000	6.750%	February 15, 2034	August 15, 2028
	<u>\$ 4,900,000</u>			

- (1) Before the optional redemption date, the Company may redeem some or all of the Unsecured Notes for that issuance at a price equal to 100% of the principal amount, plus accrued and unpaid interest and a make-whole premium or the Company may redeem up to 40% of the Unsecured Notes for that issuance with an amount equal to or less than the net proceeds from certain equity offerings at the redemption price set forth in the indenture, plus accrued and unpaid interest. On or after the optional redemption date, the Company may redeem some or all of the Unsecured Notes for that issuance at the redemption prices set forth in the indenture, plus accrued and unpaid interest.

	<u>Year ended December 31,</u>		
	<u>2025</u>	<u>2024</u>	<u>2023</u>
	(dollars in thousands)		
Average balance	\$ 4,356,576	\$ 2,946,039	\$ 1,843,151
Weighted average interest rate (1)	6.46%	6.04%	5.13%
Total interest expense	\$ 291,562	\$ 184,304	\$ 98,396

- (1) Excludes the effect of amortization of debt issuance costs of \$10.0 million, \$6.5 million and \$3.8 million for the years ended December 31, 2025, 2024 and 2023, respectively.

	<u>December 31,</u>	
	<u>2025</u>	<u>2024</u>
	(dollars in thousands)	
Carrying value:		
Unpaid principal balance	\$ 4,900,000	\$ 3,200,000
Unamortized debt issuance costs and premiums, net	(68,258)	(35,968)
	<u>\$ 4,831,742</u>	<u>\$ 3,164,032</u>
Weighted average interest rate	6.58%	6.15%

Maturities of Long-Term Debt

Maturities of long-term debt obligations (based on stated maturity dates) are as follows:

	<u>Year ended December 31,</u>						<u>Total</u>
	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>Thereafter</u>	
	(in thousands)						
Notes payable secured by mortgage servicing assets (1)	\$ —	\$ —	\$ 605,000	\$ 425,000	\$ 300,000	\$ —	\$ 1,330,000
Unsecured senior notes	—	—	—	1,400,000	650,000	2,850,000	4,900,000
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 605,000</u>	<u>\$ 1,825,000</u>	<u>\$ 950,000</u>	<u>\$ 2,850,000</u>	<u>\$ 6,230,000</u>

- (1) The Term Notes and Term Loans' indentures provide the Company with the option to extend the maturity of the Term Notes and Term Loans as specified in the respective agreements.

Note 17—Liability for Losses Under Representations and Warranties

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

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Balance at beginning of year	\$ 29,129	\$ 30,788	\$ 32,421
Provision for losses:			
Resulting from sales of loans	17,189	16,486	12,997
Resulting from change in estimate	(7,945)	(13,579)	(9,115)
Losses incurred	(3,479)	(4,566)	(5,515)
Balance at end of year	\$ 34,894	\$ 29,129	\$ 30,788
Unpaid principal balance of loans subject to representations and warranties at end of year	\$ 490,792,523	\$ 413,382,503	\$ 354,423,684

Note 18—Income Taxes

The Company files U.S. federal and state corporate income tax returns for PFSI and partnership returns for PNMAC. The Company's federal tax returns are subject to examination for 2022 and forward and its state tax returns are generally subject to examination for 2021 and forward. PNMAC's federal partnership returns are subject to examination for 2022 and forward, and its state tax returns are generally subject to examination for 2021 and forward.

The following table details the Company's provision for income taxes:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Current (benefit) expense:			
Federal	\$ —	\$ (44)	\$ 1,436
State	(2,558)	258	620
Total current expense (benefit)	(2,558)	214	2,056
Deferred expense:			
Federal	141,114	70,877	31,375
State	(88,216)	18,512	5,544
Total deferred expense	52,898	89,389	36,919
Total provision for income taxes	\$ 50,340	\$ 89,603	\$ 38,975

The following table is a reconciliation of the Company's provision for income taxes at statutory rates to the provision for income taxes at the Company's effective income tax rate:

	Year ended December 31,					
	2025		2024		2023	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(amounts in thousands)					
Federal income tax at statutory rate	\$ 115,798	21.0%	\$ 84,215	21.0%	\$ 38,563	21.0%
State income taxes, net of federal benefit (1)	(72,345)	(13.1)%	12,907	3.2%	4,668	2.5%
Nontaxable and nondeductible items:						
Compensation adjustment (2)	(5,814)	(1.1)%	(7,861)	(2.0)%	(5,187)	(2.8)%
Other	1,697	0.3%	342	0.1%	931	0.5%
Other:						
Deferred tax adjustment	11,004	2.0%	—	0.0%	—	0.0%
Effective income tax rate	<u>\$ 50,340</u>	<u>9.1%</u>	<u>\$ 89,603</u>	<u>22.3%</u>	<u>\$ 38,975</u>	<u>21.2%</u>

- (1) The states that contributed to the majority (more than 50%) of the tax effect in this category include California for the years ended December 31, 2025 and 2023 and California and Florida for the year ended December 31, 2024. The impact of state rate revaluation is reflected in this line.
- (2) Includes tax benefit from exercise/vesting of stock awards with tax expense in excess of book expense and non-deductible compensation for covered employees.

The components of the Company's provision for deferred income taxes are as follows:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Mortgage servicing rights	\$ 151,861	\$ 231,892	\$ 186,628
Net operating loss	(95,779)	(181,759)	(111,496)
Reserves and losses	(5,028)	39,071	(41,641)
Additional tax basis in partnership from exchanges of partnership units into the Company's common stock	4,782	3,841	3,803
Compensation accruals	(4,608)	(451)	7,403
Other	1,670	(3,205)	(7,778)
Total provision for deferred income taxes	<u>\$ 52,898</u>	<u>\$ 89,389</u>	<u>\$ 36,919</u>

Income taxes paid (refunds received) are summarized below:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
US federal	\$ —	\$ —	\$ —
US state and local:			
New York	(3,888)	180	486
New York City	790	5	(5)
Oregon	420	183	159
North Carolina	(57)	16	(73)
Louisiana	(42)	(32)	(67)
Hawaii	(4)	4	(80)
South Carolina	2	1,177	—
Maryland	—	—	(1,045)
Kentucky	—	—	(184)
Tennessee	—	—	(74)
Idaho	—	—	(59)
Other	99	(45)	(225)
Total state and local	<u>(2,680)</u>	<u>1,488</u>	<u>(1,167)</u>
Total income taxes (refunds received) paid	<u>\$ (2,680)</u>	<u>\$ 1,488</u>	<u>\$ (1,167)</u>

The components of *Income taxes payable* are as follows:

	December 31,	
	2025	2024
	(in thousands)	
Current income tax payable (receivable)	\$ 77	\$ (45)
Deferred income tax liability, net	1,183,943	1,131,045
Income taxes payable	<u>\$ 1,184,020</u>	<u>\$ 1,131,000</u>

The tax effects of temporary differences that gave rise to deferred income tax assets and liabilities are presented below:

	December 31,	
	2025	2024
	(in thousands)	
Deferred income tax assets:		
Net operating loss carryforward	\$ 550,715	\$ 454,936
Reserves and losses	41,393	36,365
Compensation accruals	40,326	35,718
Additional tax basis in partnership from exchanges of partnership units into the Company's common stock	13,334	18,116
Other	13,219	8,588
Gross deferred income tax assets	<u>658,987</u>	<u>553,723</u>
Deferred income tax liabilities:		
Mortgage servicing rights	1,830,563	1,678,702
Other	12,367	6,066
Gross deferred income tax liabilities	<u>1,842,930</u>	<u>1,684,768</u>
Net deferred income tax liability	<u>\$ 1,183,943</u>	<u>\$ 1,131,045</u>

The Company recorded a deferred tax asset of \$550.7 million for net operating losses, of which the \$436.0 million related to federal net operating loss carry forward has no expiration date but is subject to an annual utilization limitation of up to 80% of taxable income. Of the remaining \$114.7 million in deferred tax assets, relating to state net operating losses, \$12.1 million expires between 2027 and 2037, \$82.2 million expires in 2042 and \$20.4 million has no expiration date. The Company expects to fully utilize these net operating losses before their expiration dates.

At December 31, 2025 and 2024, the Company had no unrecognized tax benefits and does not anticipate any unrecognized tax benefits. Should the recognition of any interest or penalties relative to unrecognized tax benefits be necessary, it is the Company's policy to record such expenses in the Company's income tax accounts. No such accruals existed at December 31, 2025 and 2024.

The Company made dividend payments of \$62.6 million to holders of common stock in 2025. For tax purposes, the entire distribution is a return of capital to the stockholders.

Note 19—Commitments and Contingencies

Commitments to Purchase and Fund Loans

The Company's commitments to purchase and fund loans totaled \$13.5 billion as of December 31, 2025.

Legal and Regulatory Proceedings

From time to time, the Company may be involved in various claims, investigations, lawsuits and other legal and regulatory proceedings in the ordinary course of its 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.

Note 20—Stockholders' Equity

The Company has a common stock repurchase program in the amount of \$2 billion before transaction costs and excise taxes. The following table summarizes the Company's stock repurchase activity:

	Year ended December 31,			Cumulative total (1)
	2025	2024	2023	
	(in thousands)			
Shares of common stock repurchased	50	—	1,201	34,113
Cost of shares of common stock repurchased	\$ 4,739	\$ —	\$ 71,491	\$ 1,792,937

(1) Amounts represent the total shares of common stock repurchased under the stock repurchase program through December 31, 2025. Cumulative total cost of common stock repurchase includes \$537,000 of transaction fees.

The shares of repurchased common stock were canceled upon settlement of the repurchase transactions.

The Company made dividend payments of \$62.6 million to holders of common stock in 2025. For tax purposes, the entire distribution is a return of capital to the stockholders.

Note 21—Net Gains on Loans Held for Sale

Net gains on loans held for sale at fair value are summarized below:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
From non-affiliates:			
Cash losses:			
Loans	\$ (1,503,302)	\$ (1,731,125)	\$ (1,337,613)
Hedging activities	(539,291)	495,429	(99,515)
	(2,042,593)	(1,235,696)	(1,437,128)
Non-cash gains:			
Mortgage servicing rights resulting from loan sales	2,940,455	2,280,830	1,849,957
Provisions for losses relating to representations and warranties:			
Pursuant to loan sales	(17,189)	(16,486)	(12,997)
Reductions in liability due to changes in estimate	7,945	13,579	9,115
Changes in fair values of loans and derivatives held at end of period:			
Interest rate lock commitments	91,363	(56,028)	63,749
Loans	(91,558)	71,226	(71,425)
Hedging derivatives	137,623	(244,124)	146,456
	1,026,046	813,301	547,727
From PennyMac Mortgage Investment Trust (1)	45,708	4,067	(1,784)
	<u>\$ 1,071,754</u>	<u>\$ 817,368</u>	<u>\$ 545,943</u>

(1) The terms of loan sales to PMT are described in Note 4—*Transactions with Related Parties*.

Note 22—Net Interest Expense

Net interest expense is summarized below:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Interest income:			
Cash and short-term investments	\$ 43,366	\$ 56,252	\$ 68,457
Principal-only stripped mortgage-backed securities	47,009	26,035	—
Loans held for sale	435,335	326,697	279,506
Placement fees relating to custodial funds	396,645	383,798	284,877
Other	2,092	784	84
	924,447	793,566	632,924
Interest expense:			
Assets sold under agreements to repurchase	450,268	393,977	279,289
Mortgage loan participation purchase and sale agreements	16,546	16,404	16,129
Notes payable secured by mortgage servicing assets	122,807	164,161	211,085
Unsecured senior notes	291,562	184,304	98,396
Interest shortfall on repayments of mortgage loans serviced for Agency securitizations	63,825	46,385	21,538
Interest on mortgage loan impound deposits	12,201	11,298	9,795
Other	3,346	2,819	1,545
	960,555	819,348	637,777
	<u>\$ (36,108)</u>	<u>\$ (25,782)</u>	<u>\$ (4,853)</u>

Note 23—Stock-based Compensation

The Company has adopted equity incentive plans that provide for grants of stock options, time-based and performance-based restricted stock units (“RSUs”), stock appreciation rights, performance units and stock grants. As of December 31, 2025, the Company has 5.7 million units available for future awards.

Following is a summary of the stock-based compensation expense by instrument awarded:

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Time-based RSUs	\$ 18,126	\$ 12,443	\$ 11,672
Performance-based RSUs	11,469	1,490	9,740
Stock options	6,634	6,935	6,170
	<u>\$ 36,229</u>	<u>\$ 20,868</u>	<u>\$ 27,582</u>

Time-Based RSUs

The RSU grant agreements provide for the award of time-based RSUs, entitling the award recipient to one share of the Company’s common stock for each RSU. In general, and except as otherwise provided by the agreement, one-third of the time-based RSUs vest on each of the first, second, and third anniversaries of the grant date, subject to the recipient’s continued service through each anniversary.

Compensation cost relating to time-based RSUs is based on the grant date fair value of the Company’s common stock and the number of shares expected to vest. For purposes of estimating the cost of the time-based RSUs granted, the Company applies forfeiture rates of 0% – 20.3% per year based on the grantees’ employee classification.

The table below summarizes time-based RSU activity:

	Year ended December 31,		
	2025	2024	2023
	(in thousands, except per unit amounts)		
Number of units:			
Outstanding at beginning of year	322	412	483
Granted	270	152	187
Vested	(189)	(215)	(247)
Forfeited	(15)	(27)	(11)
Outstanding at end of year	<u>388</u>	<u>322</u>	<u>412</u>
Weighted average grant date fair value per unit:			
Outstanding at beginning of year	\$ 70.64	\$ 58.90	\$ 53.71
Granted	\$ 102.32	\$ 85.66	\$ 60.72
Vested	\$ 66.59	\$ 59.18	\$ 50.09
Forfeited	\$ 92.42	\$ 66.59	\$ 57.66
Outstanding at end of year	\$ 93.86	\$ 70.64	\$ 58.90

Following is a summary of RSUs as of December 31, 2025:

Unamortized compensation cost (in thousands)	\$ 11,943
Number of units expected to vest (in thousands)	361
Weighted average remaining vesting period (in months)	11

Performance-Based RSUs

The performance based RSUs provide for the issuance of shares of the Company's common stock based on the achievement of performance goals and job performance ratings. Approximately 97,000 shares under the grants with performance periods ending December 31, 2025 are expected to vest and be issued to the grantees in the first quarter of 2026.

The fair value of the performance-based RSUs is measured based on the fair value of the Company's common stock at the grant date, taking into consideration the expected outcome of the performance goal, and the number of shares to be forfeited during the vesting period. The Company applies forfeiture rates of 0 – 20.3% per year based on the grantees' employee classification. The actual number of shares that vest could vary from zero, if the performance goals are not met, to as much as 300% of the units granted, if the performance goals are meaningfully exceeded.

The table below summarizes performance-based RSU activity:

	Year ended December 31,		
	2025	2024	2023
	(in thousands, except per unit amounts)		
Number of units:			
Outstanding at beginning of year	783	873	976
Granted	202	246	307
Vested (1)	—	(274)	(385)
Forfeited or cancelled	(296)	(62)	(25)
Outstanding at end of year	<u>689</u>	<u>783</u>	<u>873</u>
Weighted average grant date fair value per unit:			
Outstanding at beginning of year	\$ 66.58	\$ 58.90	\$ 48.94
Granted	\$ 103.03	\$ 84.93	\$ 60.70
Vested	\$ —	\$ 58.86	\$ 35.36
Forfeited	\$ 58.21	\$ 65.29	\$ 58.46
Outstanding at end of year	<u>\$ 80.85</u>	<u>\$ 66.58</u>	<u>\$ 58.90</u>

- (1) The actual number of performance-based RSUs vested during the years ended December 31, 2025, 2024 and 2023 were 0, 309,000 and 617,000 shares, for the performance periods ended December 31, 2024, 2023 and 2022, respectively, which is approximately 0%, 113% and 160% of the originally granted units, respectively. The 0% vesting rate in 2025 resulted from performance targets not being met and the vesting in 2024 and 2023 reflected performance that exceeded the established targets for the respective grants.

Following is a summary of performance-based RSUs as of December 31, 2025:

Unamortized compensation cost (in thousands)	\$ 18,720
Number of shares expected to vest (in thousands)	449
Weighted average remaining vesting period (in months)	11

Stock Options

The stock option award agreements provide for the award of options to purchase common stock. In general, and except as otherwise provided by the agreement, one-third of the stock option awards vests on each of the first, second, and third anniversaries of the grant date, subject to the recipient's continued service through each anniversary.

Each stock option has a term of ten years from the date of grant but expires (1) immediately upon termination of the holder's employment or other association with the Company for cause, (2) one year after the holder's employment or other association is terminated due to death or disability and (3) three months after the holder's employment or other association is terminated for any other reason.

The fair value of each stock option award is estimated on the date of grant using a variant of the Black Scholes model based on the following inputs:

	Year ended December 31,		
	2025	2024	2023
Expected volatility (1)	38%	38%	38%
Expected dividends	1.2%	0.9%	1.3%
Risk-free interest rate	4.2% - 4.5%	4.2% - 5.0%	4.2% - 5.0%
Expected grantee forfeiture rate	0% - 5.0%	0% - 5.1%	0% - 5.1%

(1) Based on historical volatilities of the Company's common stock.

The Company uses its historical employee departure behavior to estimate the grantee forfeiture rates used in its option-pricing model. The expected term of common stock options granted is derived from the Company's option pricing model and represents the period that common stock options granted are expected to be outstanding. The risk-free interest rate for periods within the contractual term of the common stock option is based on the U.S. Treasury yield curve in effect at the time of grant.

The table below summarizes stock option award activity:

	Year ended December 31,		
	2025	2024	2023
	<i>(in thousands, except per option amounts)</i>		
Number of stock options:			
Outstanding at beginning of year	3,210	3,857	4,317
Granted	208	188	221
Exercised	(573)	(788)	(658)
Forfeited	(2)	(47)	(23)
Outstanding at end of year	<u>2,843</u>	<u>3,210</u>	<u>3,857</u>
Weighted average exercise price per option:			
Outstanding at beginning of year	\$ 39.87	\$ 35.08	\$ 32.46
Granted	\$ 103.31	\$ 84.93	\$ 60.67
Exercised	\$ 22.09	\$ 25.68	\$ 25.66
Forfeited	\$ 29.24	\$ 64.97	\$ 58.10
Outstanding at end of year	\$ 48.10	\$ 39.87	\$ 35.08

Following is a summary of stock options as of December 31, 2025:

Number of options exercisable at end of year (in thousands)	2,454
Weighted average exercise price per exercisable option	\$ 41.33
Weighted average remaining contractual term (in years):	
Outstanding	4.6
Exercisable	4.0
Aggregate intrinsic value:	
Outstanding (in thousands)	\$ 238,104
Exercisable (in thousands)	\$ 222,104
Expected vesting amounts:	
Number of options expected to vest (in thousands)	383
Weighted average vesting period (in months)	10

Note 24—Disaggregation of Certain Expense Captions

Following are the disaggregation of certain expense captions:

Expense line	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Technology			
Amortization of capitalized software	\$ 47,344	\$ 48,169	\$ 43,462
Impairment of capitalized software	4,597	147	46
Other (1)	110,663	101,231	99,644
Total technology expense	\$ 162,604	\$ 149,547	\$ 143,152
Occupancy and equipment			
Depreciation	\$ 7,048	\$ 7,815	\$ 9,752
Operating lease cost	16,112	14,465	17,880
Short-term lease cost	376	303	436
Other (2)	11,792	10,315	8,490
Total occupancy and equipment expense	\$ 35,328	\$ 32,898	\$ 36,558

(1) Other technology expenses primarily consist of software licensing and maintenance and data center expenses.

(2) Other occupancy and equipment expenses primarily consist of common area maintenance charges, repair and security expenses.

Note 25—Earnings Per Share of Common Stock

Basic earnings per share of common stock is determined by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share of common stock is determined by dividing net income by the weighted average number of shares of common stock and dilutive securities outstanding during the year.

The Company's potentially dilutive securities are stock-based compensation awards. The Company applies the treasury stock method to determine the diluted weighted average number of shares of common stock outstanding based on the outstanding stock-based compensation awards.

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

	Year ended December 31,		
	2025	2024	2023
	(in thousands, except per share amounts)		
Net income	\$ 501,077	\$ 311,423	\$ 144,656
Weighted average shares of common stock outstanding	51,728	50,990	49,978
Effect of dilutive securities - shares issuable under stock-based compensation plan	2,154	2,366	2,755
Weighted average diluted shares of common stock outstanding	53,882	53,356	52,733
Basic earnings per share	\$ 9.69	\$ 6.11	\$ 2.89
Diluted earnings per share	\$ 9.30	\$ 5.84	\$ 2.74

Calculations of diluted earnings per share require certain potentially dilutive shares to be excluded when their inclusion in the diluted earnings per share calculation would be anti-dilutive. The following table summarizes the weighted-average number of anti-dilutive outstanding performance-based RSUs, time-based RSUs and stock options excluded from the calculation of diluted earnings per share:

	Year ended December 31,		
	2025	2024	2023
	(in thousands except for weighted average exercise price)		
Time-based RSUs	3	3	2
Performance-based RSUs (1)	192	775	561
Stock options (2)	163	153	289
Total anti-dilutive units and options	358	931	852
Weighted average exercise price of anti-dilutive stock options (2)	\$ 102.19	\$ 84.93	\$ 59.42

- (1) Certain performance-based RSUs were outstanding but not included in the computation of earnings per share because the performance thresholds included in such RSUs have not been achieved.
- (2) Certain stock options were outstanding but not included in the computation of diluted earnings per share because the combination of the weighted-average exercise prices and average unamortized stock compensation cost exceeded the average market price of the outstanding stock options for the period.

Note 26—Regulatory Capital and Liquidity Requirements

The Company, through PLS, is required to maintain specified levels of capital and liquidity to remain a seller/servicer in good standing with the Agencies. Such capital and liquid asset requirements generally are tied to the size of the Company’s loan servicing portfolio, loan origination volume and delinquency rate.

The Agencies’ capital and liquidity requirements, the calculations of which are specified by each Agency, are summarized below:

Requirement/Agency	December 31, 2025		December 31, 2024	
	Actual (1)	Requirement (1)	Actual (1)	Requirement (1)
	(dollars in thousands)			
Capital				
Fannie Mae & Freddie Mac	\$ 8,212,718	\$ 1,475,719	\$ 7,457,748	\$ 1,380,100
Ginnie Mae	\$ 8,002,181	\$ 1,616,380	\$ 6,952,347	\$ 1,526,074
HUD	\$ 8,002,181	\$ 2,500	\$ 6,952,347	\$ 2,500
Risk-based capital				
Ginnie Mae	41 %	6 %	40 %	6 %
Liquidity				
Fannie Mae & Freddie Mac	\$ 1,095,507	\$ 689,782	\$ 870,243	\$ 630,698
Ginnie Mae	\$ 1,285,660	\$ 512,613	\$ 1,208,755	\$ 460,200
Adjusted net worth / Total assets ratio				
Ginnie Mae	37 %	6 %	35 %	6 %
Tangible net worth / Total assets ratio				
Fannie Mae & Freddie Mac	28 %	6 %	29 %	6 %

- (1) Calculated in compliance with the respective Agency’s requirements.

Noncompliance with an Agency’s requirements can result in such Agency taking various remedial actions up to and including terminating the Company’s ability to sell and service loans on behalf of the respective Agency.

Note 27—Segments

The Company's reportable segments are identified based on their unique business activities. 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 Company's chief operating decision maker is its chief executive officer. The reportable segments are evaluated based on income or loss before provisions for income taxes. The chief operating decision maker uses pre-tax segment results to assess segment performance and allocate operating and capital resources among the two reportable segments described below. The segments are separately evaluated because they represent different services.

The Company conducts its business in two operating and reportable segments, production and servicing:

- The production segment performs loan origination, acquisition and sale activities, including the fulfillment of correspondent production activities for PMT.
- The servicing segment performs servicing and subservicing of loans on behalf of non-affiliate investors, execution and management of early buyout transactions, and servicing of loans sourced and managed for PMT.
- Non-segment activities are included under the heading "Corporate and other" and include amounts attributable to corporate activities that are not directly attributable to the production and servicing segments as well as investment management fees earned from PMT. None of the other items meet the quantitative threshold to be classified as a reportable segment.

Financial performance and results by segment are as follows:

	Year ended December 31, 2025				
	Production	Servicing	Reportable segment total	Corporate and other	Consolidated total
	(in thousands)				
Revenues: (1)					
Net gains on loans held for sale at fair value	\$ 947,258	\$ 124,496	\$ 1,071,754	\$ —	\$ 1,071,754
Loan origination fees	235,835	—	235,835	—	235,835
Fulfillment fees from PennyMac Mortgage Investment Trust	23,804	—	23,804	—	23,804
Net loan servicing fees	—	705,699	705,699	—	705,699
Management fees	—	—	—	27,649	27,649
Net interest (expense) income:					
Interest income	429,778	492,997	922,775	1,672	924,447
Interest expense	377,017	583,538	960,555	—	960,555
	52,761	(90,541)	(37,780)	1,672	(36,108)
Other	622	(2,271)	(1,649)	19,552	17,903
Total net revenue	1,260,280	737,383	1,997,663	48,873	2,046,536
Expenses:					
Compensation	441,202	207,927	649,129	133,787	782,916
Loan origination	251,990	—	251,990	—	251,990
Technology	111,691	40,867	152,558	10,046	162,604
Servicing	—	122,626	122,626	—	122,626
Marketing and advertising	39,147	1,778	40,925	5,215	46,140
Professional services	14,114	7,264	21,378	16,595	37,973
Occupancy and equipment	17,732	10,562	28,294	7,034	35,328
Other (2)	14,484	21,466	35,950	19,592	55,542
Total expenses	890,360	412,490	1,302,850	192,269	1,495,119
Income (loss) before provision for income taxes	\$ 369,920	\$ 324,893	\$ 694,813	\$ (143,396)	\$ 551,417
Segment assets at end of year	\$ 9,756,783	\$ 19,564,252	\$ 29,321,035	\$ 67,654	\$ 29,388,689
Acquisition of:					
Capitalized software	\$ 27,255	\$ 3,930	\$ 31,185	\$ 8,099	\$ 39,284
Furniture, fixtures, equipment and building improvements	\$ 6,275	\$ 2,804	\$ 9,079	\$ 2,842	\$ 11,921
Amortization of capitalized software	\$ 40,714	\$ 6,218	\$ 46,932	\$ 412	\$ 47,344
Impairment of capitalized software	\$ 4,597	\$ —	\$ 4,597	\$ —	\$ 4,597
Depreciation and amortization of furniture, fixtures, equipment and building improvements					
	\$ 3,706	\$ 2,216	\$ 5,922	\$ 1,126	\$ 7,048

(1) All revenues are from external customers. The segments do not recognize intersegment revenues.

(2) Other expense includes smaller balance expense categories not separately provided to the chief operating decision maker such as safekeeping, travel, postage and corporate insurance.

	Year ended December 31, 2024				
	Production	Servicing	Reportable segment total (in thousands)	Corporate and other	Consolidated total
Revenues: (1)					
Net gains on loans held for sale at fair value	\$ 726,720	\$ 90,648	\$ 817,368	\$ —	\$ 817,368
Loan origination fees	185,700	—	185,700	—	185,700
Fulfillment fees from PennyMac Mortgage Investment Trust	26,291	—	26,291	—	26,291
Net loan servicing fees	—	533,655	533,655	—	533,655
Management fees	—	—	—	28,623	28,623
Net interest (expense) income:					
Interest income	321,210	470,492	791,702	1,864	793,566
Interest expense	318,750	500,598	819,348	—	819,348
	2,460	(30,106)	(27,646)	1,864	(25,782)
Other	531	1,167	1,698	26,178	27,876
Total net revenue	941,702	595,364	1,537,066	56,665	1,593,731
Expenses:					
Compensation	315,838	204,371	520,209	112,529	632,738
Loan origination	164,092	—	164,092	—	164,092
Technology	95,603	39,511	135,114	14,433	149,547
Servicing	—	105,997	105,997	—	105,997
Professional services	11,206	6,906	18,112	19,880	37,992
Occupancy and equipment	15,683	11,142	26,825	6,073	32,898
Marketing and advertising	20,138	280	20,418	1,551	21,969
Legal settlements	—	(30)	(30)	1,621	1,591
Other (2)	7,911	22,185	30,096	15,785	45,881
Total expenses	630,471	390,362	1,020,833	171,872	1,192,705
Income (loss) before provision for income taxes	\$ 311,231	\$ 205,002	\$ 516,233	\$ (115,207)	\$ 401,026
Segment assets at end of year	\$ 8,431,612	\$ 17,588,018	\$ 26,019,630	\$ 67,257	\$ 26,086,887
Acquisition of:					
Capitalized software	\$ 16,156	\$ 3,685	\$ 19,841	\$ 541	\$ 20,382
Furniture, fixtures, equipment and building improvements	\$ 465	\$ 1,039	\$ 1,504	\$ 211	\$ 1,715
Amortization of capitalized software	\$ 39,160	\$ 7,881	\$ 47,041	\$ 1,128	\$ 48,169
Depreciation and amortization of furniture, fixtures, equipment and building improvements	\$ 3,743	\$ 2,804	\$ 6,547	\$ 1,268	\$ 7,815

(1) All revenues are from external customers. The segments do not recognize intersegment revenues.

(2) Other expense includes smaller balance expense categories not separately provided to the chief operating decision maker such as safekeeping, travel, postage and corporate insurance.

	Year ended December 31, 2023				Consolidated Total
	Production	Servicing	Reportable segment total (in thousands)	Corporate and other	
Revenues: (1)					
Net gains on loans held for sale at fair value	\$ 453,063	\$ 92,880	\$ 545,943	\$ —	\$ 545,943
Loan origination fees	146,118	—	146,118	—	146,118
Fulfillment fees from PennyMac Mortgage Investment Trust	27,826	—	27,826	—	27,826
Net loan servicing fees	—	642,600	642,600	—	642,600
Management fees	—	—	—	28,762	28,762
Net interest income (expense):					
Interest income	272,307	358,247	630,554	2,370	632,924
Interest expense	254,890	382,887	637,777	—	637,777
	17,417	(24,640)	(7,223)	2,370	(4,853)
Other	250	3,663	3,913	11,347	15,260
Total net revenue	644,674	714,503	1,359,177	42,479	1,401,656
Expenses:					
Compensation	274,447	201,002	475,449	101,515	576,964
Loan origination	114,500	—	114,500	—	114,500
Technology	88,086	40,343	128,429	14,723	143,152
Servicing	—	69,433	69,433	—	69,433
Professional services	10,825	7,485	18,310	42,211	60,521
Occupancy and equipment	18,353	10,774	29,127	7,431	36,558
Marketing and advertising	16,125	178	16,303	1,328	17,631
Legal settlements	853	—	853	161,917	162,770
Other (2)	5,407	16,896	22,303	14,193	36,496
Total expenses	528,596	346,111	874,707	343,318	1,218,025
Income (loss) before provision for income taxes	\$ 116,078	\$ 368,392	\$ 484,470	\$ (300,839)	\$ 183,631
Segment assets at end of year	\$ 4,560,323	\$ 14,036,203	\$ 18,596,526	\$ 248,037	\$ 18,844,563
Acquisition of:					
Capitalized software	\$ 32,504	\$ 416	\$ 32,920	\$ 1,864	\$ 34,784
Furniture, fixtures, equipment and building improvements	\$ 199	\$ 991	\$ 1,190	\$ 196	\$ 1,386
Amortization of capitalized software	\$ 31,285	\$ 9,934	\$ 41,219	\$ 2,243	\$ 43,462
Depreciation and amortization of furniture, fixtures, equipment and building improvements	\$ 5,225	\$ 2,965	\$ 8,190	\$ 1,562	\$ 9,752

(1) All revenues are from external customers. The segments do not recognize intersegment revenues.

(2) Other expense includes smaller balance expense categories not separately provided to the chief operating decision maker such as safekeeping, travel, postage and corporate insurance.

Note 28—Parent Company Information

PLS' debt financing agreements require PLS, the Company's indirect controlled subsidiary, to comply with financial covenants that include a minimum tangible net worth of \$1.3 billion. PLS is limited from transferring funds to the Parent by this minimum tangible net worth requirement. The Company's Unsecured Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by PLS, PNMAC, PCM, PNMAC Holdings, Inc. and PennyMac Services, Inc.

**PENNYMAC FINANCIAL SERVICES, INC.
CONDENSED BALANCE SHEETS**

	December 31,	
	2025	2024
	(in thousands)	
ASSETS		
Cash	\$ 1,241	\$ 2,994
Investments in subsidiaries	5,311,870	4,809,214
Due from subsidiaries	4,739,416	3,012,578
Total assets	<u>\$ 10,052,527</u>	<u>\$ 7,824,786</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Unsecured senior notes	\$ 4,831,742	\$ 3,164,032
Accounts payable and accrued expenses	73,032	34,274
Income taxes payable	838,777	796,829
Total liabilities	5,743,551	3,995,135
Stockholders' equity	4,308,976	3,829,651
Total liabilities and stockholders' equity	<u>\$ 10,052,527</u>	<u>\$ 7,824,786</u>

PENNYMAC FINANCIAL SERVICES, INC.
CONDENSED STATEMENTS OF INCOME

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Revenues			
Dividends from subsidiaries	\$ 8,502	\$ 9,378	\$ 80,617
Net interest income:			
Interest income:			
From non-affiliates	—	5	—
From subsidiary	360,934	255,773	156,082
	<u>360,934</u>	<u>255,778</u>	<u>156,082</u>
Interest expense	291,562	184,304	98,396
	<u>69,372</u>	<u>71,474</u>	<u>57,686</u>
Total net revenues	<u>77,874</u>	<u>80,852</u>	<u>138,303</u>
Expenses			
Charitable contributions	3,011	2,500	—
Professional services	15	—	—
Other	1,011	838	931
Total expenses	<u>4,037</u>	<u>3,338</u>	<u>931</u>
Income before provision for income taxes and equity in undistributed earnings of subsidiaries	73,837	77,514	137,372
Provision for income taxes	<u>39,187</u>	<u>66,398</u>	<u>31,267</u>
Income before equity in undistributed earnings of subsidiaries	34,650	11,116	106,105
Equity in undistributed earnings of subsidiaries	<u>466,427</u>	<u>300,307</u>	<u>38,551</u>
Net income	<u>\$ 501,077</u>	<u>\$ 311,423</u>	<u>\$ 144,656</u>

PENNYMAC FINANCIAL SERVICES, INC.
CONDENSED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2025	2024	2023
	(in thousands)		
Cash flows from operating activities			
Net income	\$ 501,077	\$ 311,423	\$ 144,656
Adjustments to reconcile net income to net cash used in operating activities			
Equity in undistributed earnings of subsidiaries	(466,427)	(300,307)	(38,551)
Amortization of net debt issuance costs	10,027	6,509	3,802
Decrease in receivable from PennyMac Mortgage Investment Trust	—	—	27
Increase in intercompany receivable	(1,735,106)	(698,869)	(894,204)
Increase in accounts payable and accrued expenses	38,758	4,638	3,280
(Decrease) increase in payable to subsidiaries	—	(187)	52
Increase in income taxes payable	41,948	65,374	32,383
Net cash used in operating activities	<u>(1,609,723)</u>	<u>(611,419)</u>	<u>(748,555)</u>
Cash flows from financing activities			
Issuance of unsecured senior notes	2,350,000	650,000	750,000
Repayment of unsecured senior notes	(650,000)	—	—
Payment of debt issuance costs	(42,317)	(12,128)	(14,071)
Payment of dividend to holders of common stock	(62,550)	(52,160)	(41,446)
Issuance of common stock pursuant to exercise of stock options	12,837	20,062	17,215
Net cash provided by financing activities	<u>1,607,970</u>	<u>605,774</u>	<u>711,698</u>
Net decrease in cash (1)	(1,753)	(5,645)	(36,857)
Cash at beginning of year	2,994	8,639	45,496
Cash at end of year	<u>\$ 1,241</u>	<u>\$ 2,994</u>	<u>\$ 8,639</u>
Supplemental cash flow information:			
Non-cash financing activity:			
Repurchase of common stock by PNMAC on behalf of Parent company	\$ 4,739	\$ —	\$ 71,491
Payment of withholding taxes relating to stock-based compensation by PNMAC on behalf of Parent company	\$ 3,763	\$ 9,401	\$ 9,142
Issuance of common stock in settlement of directors' fees	\$ 234	\$ 256	\$ 180

(1) The Company did not hold restricted cash during the years presented.

Note 29—Subsequent Events

Management has evaluated all events and transactions through the date the Company issued these consolidated financial statements. During this period:

- On January 29, 2026, the Company announced a cash dividend of \$0.30 per common share. The dividend will be paid on February 26, 2026 to common stockholders of record as of February 16, 2026.
- On February 11, 2026, the Company entered into a definitive agreement to acquire the subservicing business of Cenlar Capital Corporation (“Cenlar”) in an all-cash transaction for an upfront purchase price of \$172.5 million and up to \$85 million of contingent consideration payable over three years. Cenlar’s subservicing business consists primarily of subservicing contracts for approximately 100 institutional clients. The transaction is expected to close in the second half of 2026, subject to customary closing conditions, including required regulatory approvals. There can be no assurance that the transaction will close as expected or at all.
- All agreements to repurchase assets that matured before the date of this Report were extended or renewed.

EXECUTIVE OFFICERS*

David A. Spector
Chairman and Chief Executive Officer

Daniel S. Perotti
Senior Managing Director and Chief Financial Officer

Doug Jones
Director, President and Chief Mortgage Banking Officer

Marshall Sebring
Senior Managing Director and Chief Investment Officer

James Follette
Senior Managing Director and Chief Digital Officer

Derek W. Stark
Senior Managing Director, Chief Legal Officer and Secretary

Shiva Iyer
Senior Managing Director and Chief Enterprise Risk Officer

Abbie Tidmore
Senior Managing Director and Chief Revenue Officer

*as of April 20, 2026

BOARD OF DIRECTORS*

David A. Spector
Chairman and Chief Executive Officer,
PennyMac Financial Services, Inc.

Anne D. McCallion⁽¹⁾⁽²⁾⁽³⁾
Former Senior Managing Director and Chief
Enterprise Operations Officer, *PennyMac
Financial Services, Inc.*

Douglas Jones
Director, President and Chief Mortgage Banking
Officer, *PennyMac Financial Services, Inc.*

Farhad Nanji⁽²⁾
Co-Founder, *MFN Partners Management,
L.P.*
Former Managing Director, *Highfields
Capital Management, LP*

Sunil Chandra⁽⁴⁾⁽⁶⁾
Founder and CEO, *Dyme*
Former CEO, *OakNorth* and Former Vice
President, *Google*

Jeffrey A. Perlowitz⁽¹⁾⁽²⁾⁽³⁾⁽⁶⁾
Independent Lead Director
Former Managing Director and Co-Head of
Global Securitized Markets, *Citigroup*

Jonathon S. Jacobson⁽³⁾⁽⁴⁾
Non-Executive Chair, *HighSage Ventures, LLC*
Former Co-Founder, Chief Investment Officer
and Chief Executive Officer, *Highfields Capital
Management, L.P.*

Lisa M. Shalett⁽⁴⁾⁽⁵⁾⁽⁶⁾
Former Partner, *Goldman Sachs*
Former Managing Partner, *Brookfield Asset
Management*

Patrick Kinsella⁽¹⁾⁽⁵⁾⁽⁶⁾
Former Senior Audit Partner, *KPMG LLP*

Theodore W. Tozer⁽¹⁾⁽⁵⁾⁽⁶⁾
Former President, *Government National
Mortgage Association (Ginnie Mae)*

Joseph Mazzella⁽⁴⁾⁽⁵⁾
Former Managing Director and General Counsel,
Highfields Capital Management LP

*As of April 20, 2026

Board Committees:

- ⁽¹⁾ Audit Committee
- ⁽²⁾ Compensation Committee
- ⁽³⁾ Finance Committee
- ⁽⁴⁾ Nominating and Corporate Governance Committee
- ⁽⁵⁾ Related Party Matters Committee
- ⁽⁶⁾ Risk Committee

