Ms. Clark,

My name is Roddy Boyd and I am a reporter. I write longform investigative articles about publicly-traded companies. PennyMac Financial Services is the subject of my next article. Below this section are some questions I am posing to your company.

By way of background: For the last 11 years I have done this work at the Foundation for Financial Journalism. Our investigations are primarily document-driven, and our lawyers closely review every article pre-publication.

Here is a link to FFJ in the news. That page also has links to the FFJ investigations that were made into documentaries for Netflix's "Dirty Money" series and PBS Frontline.

FFJ seeks above all to be fair and accurate. I am giving PennyMac ample opportunity to respond to my detailed questions. Your answers will be A) excerpted at length in the article's body to ensure your voice is counted, and B) a screen cap of the question posed will be embedded via HTML, so the reader has the fullest possible context.

PennyMac should assume that questions reflect the investigation's findings.

1. **Why do PennyMac quarterly earnings calls never have questions from investors or analysts?**

2. **Where are loan loss reserves held on PennyMac's balance sheet?**

3. **Beyond brief references to 60-day+ delinquency levels on quarterly calls, has PennyMac communicated its pandemic loan delinquency levels in a more in-depth fashion? Has the company mentioned Ginnie Mae's May 14, 2020 APM on mortgage delinquency ratios? If not, why not?**

4. PennyMac's delinquency levels have been steadily increasing for months. Currently 5 percent of its $236.2 billion portfolio, or $11.9 billion, is delinquent. Almost 2 percent of the portfolio is 90 days or more delinquent. **What is PennyMac's plan to address increasing delinquencies given the looming expiration of Ginnie Mae's delinquency exemptions?**

5. PennyMac's investor presentations reveal that much of its remarkable profits in the past two years are a function of early buyout (EBO) activity. Last year, the company's net EBO profits (EBO revenues – EBO related expense) generated $831.3 million, or just under 83 percent, of $1 billion in net income. This is a very different picture of PennyMac's operations than the one management portrayed in filings and on calls. **Why not discuss EBOs more plainly? Why were EBOs so much more important to net income in 2021 than 2019 and 2020, when it amounted to 22 percent and 30 percent, respectively, of profits?**

6. Net EBO income for 2022's first half was $170.2 million, or 56.2 percent of PennyMac's earnings. Somewhat obliquely the company has acknowledged that the rate spike has made EBO loan resale impossible to do profitably. Thus, in July and August the company repurchased just $11 million in delinquent loans. **Does PennyMac interpret Ginnie Mae's EBO rules as requiring its issuers to repurchase their delinquent loans (of 90 days or more) out of securitized pools? Or do they view it as something the issuer can do at their discretion**?

7. As of the end of July, PennyMac's filings show it spent $1.43 billion (out of a possible $2 billion) since 2020 to repurchase its stock. The average repurchase price is $52.73. Specifically, last year, during a time of emergency Federal Reserve easing that imposed artificially low interest rates, the company bought back nearly 15.4 million shares for about $958.2 million, or an average price of $62.35. **Looking back at the buybacks within the context of the then mounting delinquencies, does management maintain that this expenditure remains in the shareholder's best interests? Or the most effective use of capital? Is the company currently purchasing shares given the week-long slump in the stock price?**

8. As of the end of August, 45.7 percent, or $108.1 billion, of PennyMac's portfolio were VA loans. Since the VA guarantee is (primarily) the lesser of $104,250

or 25 percent of the loan's value, **what is PennyMac's current maximum VA credit exposure? How much has the company reserved against possible credit losses from its VA book?**

9. **What drove PennyMac's aggressive VA lending in the past two years?** In 2019 PennyMac was the 12th largest VA loan issuer with $2.6 billion originated, in 2020 the seventh with over $10.4 billion, and last year, it was fourth with $17.97 billion. There are two charts of note in Ginnie Mae's August Global Market Analysis report that show the expansion in VA lending coinciding with visible deterioration in VA borrower FICO scores at nonbank (IMB) issuers, and VA borrower serious delinquency rates. **Since PennyMac has an 11.4 percent share of the Ginnie Mae MSR market, please elaborate on whether the data in those two system-wide charts is also being seen at PennyMac?**

10. In February $1.3 billion of debt is due. **Does PennyMac anticipate being able to make that payment? Apart from extending the maturity, would the company have any other options for relief?**

11. **What is the unpaid principal balance of PennyMac's VA and FHA loan issuance in Florida?**