

PENNYMAC FINANCIAL SERVICES, INC.

Form 10-Q

November 14, 2014

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

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: 001-35916

PennyMac Financial Services, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

80-0882793
(IRS Employer
Identification No.)

6101 Condor Drive, Moorpark, California
(Address of principal executive offices)

93021
(Zip Code)

(818) 224-7442

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

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Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 11, 2014
Class A Common Stock, \$0.0001 par value	21,538,012
Class B Common Stock, \$0.0001 par value	58

Table of Contents

PENNYMAC FINANCIAL SERVICES, INC.

FORM 10-Q

September 30, 2014

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	2
<u>Item 1.</u>	
<u>Financial Statements (Unaudited):</u>	2
<u>Consolidated Balance Sheets</u>	2
<u>Consolidated Statements of Income</u>	3
<u>Consolidated Statements of Changes in Stockholders' Equity</u>	4
<u>Consolidated Statements of Cash Flows</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	53
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	78
<u>Item 4.</u>	
<u>Controls and Procedures</u>	78
<u>PART II. OTHER INFORMATION</u>	79
<u>Item 1.</u>	
<u>Legal Proceedings</u>	79
<u>Item 1A.</u>	
<u>Risk Factors</u>	79
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	79
<u>Item 3.</u>	
<u>Defaults Upon Senior Securities</u>	79
<u>Item 4.</u>	
<u>Mine Safety Disclosures</u>	79
<u>Item 5.</u>	
<u>Other Information</u>	79
<u>Item 6.</u>	
<u>Exhibits</u>	80

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****PENNYMAC FINANCIAL SERVICES, INC.****CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	September 30, 2014	December 31, 2013
	(in thousands, except share data)	
ASSETS		
Cash	\$ 77,251	\$ 30,639
Short-term investments at fair value	36,335	142,582
Mortgage loans held for sale at fair value (includes \$1,087,425 and \$512,350 pledged to secure mortgage loans sold under agreements to repurchase; and \$146,798 and \$ pledged to secure mortgage loan participation and sale agreement)	1,259,991	531,004
Derivative assets	28,400	21,540
Net servicing advances (includes \$5,564 pledged to secure note payable at December 31, 2013)	195,246	154,328
Carried Interest due from Investment Funds	67,035	61,142
Investment in PennyMac Mortgage Investment Trust at fair value	1,607	1,722
Mortgage servicing rights (includes \$319,149 and \$224,913 mortgage servicing rights at fair value; \$350,758 and \$258,241 pledged to secure note payable; and \$286,020 and \$138,723 pledged to secure excess servicing spread financing)	677,413	483,664
Furniture, fixtures, equipment and building improvements, net	11,574	9,837
Capitalized software, net	580	764
Receivable from Investment Funds	2,702	2,915
Receivable from PennyMac Mortgage Investment Trust	21,420	18,636
Deferred tax asset	52,820	63,117
Loans eligible for repurchase	58,145	46,663
Other	48,108	15,922
Total assets	\$ 2,538,627	\$ 1,584,475
LIABILITIES		
Mortgage loans sold under agreements to repurchase	\$ 929,747	\$ 471,592
Mortgage loan participation and sale agreement	142,383	
Note payable	154,948	52,154
Excess servicing spread financing at fair value payable to PennyMac Mortgage Investment Trust	187,368	138,723
Derivative liabilities	4,440	2,462
Accounts payable and accrued expenses	62,712	46,387
Mortgage servicing liabilities at fair value	4,091	
Payable to Investment Funds	35,874	36,937
Payable to PennyMac Mortgage Investment Trust	104,783	81,174
Payable to exchanged Private National Mortgage Acceptance Company, LLC unitholders under tax receivable agreement	75,925	71,056
Liability for loans eligible for repurchase	58,145	46,663
Liability for losses under representations and warranties	11,762	8,123
Total liabilities	1,772,178	955,271

Commitments and contingencies

STOCKHOLDERS EQUITY

Class A common stock authorized 200,000,000 shares of \$0.0001 par value; issued and outstanding, 21,525,644 and 20,812,777 shares, respectively	2	2
Class B common stock authorized 1,000 shares of \$0.0001 par value; 58 shares issued and outstanding		
Additional paid-in capital	161,309	153,000
Retained earnings	42,479	14,400
Total stockholders equity attributable to PennyMac Financial Services, Inc. common stockholders	203,790	167,402
Noncontrolling interest in Private National Mortgage Acceptance Company, LLC	562,659	461,802
Total stockholders equity	766,449	629,204
Total liabilities and stockholders equity	\$ 2,538,627	\$ 1,584,475

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

Table of Contents

PENNYMAC FINANCIAL SERVICES, INC.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Quarter ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(in thousands, except per share data)			
Revenue				
Net gains (losses) on mortgage loans held for sale at fair value:				
From non-affiliates	\$ 50,276	\$ 26,035	\$ 128,942	\$ 109,146
Mortgage servicing rights and excess servicing spread financing recapture payable to PennyMac Mortgage Investment Trust				