PennyMac Mortgage Investment Trust
Form 10-Q
August 10, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

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: 001-34416

PennyMac Mortgage Investment Trust

(Exact name of registrant as specified in its charter)

Maryland	**27-0186273**
(State or other jurisdiction of	**(IRS Employer**
incorporation or organization)	**Identification No.)**
6101 Condor Drive, Moorpark, California	**93021**
(Address of principal executive offices)	**(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 x 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 x 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 x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 x

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 August 5, 2015**
Common Shares of Beneficial Interest, $0.01 par value	**74,811,922**

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PENNYMAC MORTGAGE INVESTMENT TRUST

FORM 10-Q

June 30, 2015

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (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, be 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; 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 the section entitled Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on March 2, 2015.

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

- changes in our investment objectives or investment or operational strategies, including any new lines of business or new products and services that may subject us to additional risks;
- volatility in our industry, the debt or equity markets, the general economy or the real estate finance and real estate markets specifically, whether the result of market events or otherwise;

events or circumstances which undermine confidence in the financial markets or otherwise have a broad impact on financial markets, such as the sudden instability or collapse of large depository institutions or other significant corporations, terrorist attacks, natural or man-made disasters, or threatened or actual armed conflicts;

changes in general business, economic, market, employment and political conditions, or in consumer confidence and spending habits from those expected;

declines in real estate or significant changes in U.S. housing prices or activity in the U.S. housing market;

the availability of, and level of competition for, attractive risk-adjusted investment opportunities in mortgage loans and mortgage-related assets that satisfy our investment objectives;

the inherent difficulty in winning bids to acquire distressed loans or correspondent loans, and our success in doing so;

the concentration of credit risks to which we are exposed;

the degree and nature of our competition;

our dependence on our manager and servicer, potential conflicts of interest with such entities and their affiliates, and the performance of such entities;

changes in personnel and lack of availability of qualified personnel at our manager, servicer or their affiliates;

the availability, terms and deployment of short-term and long-term capital;

the adequacy of our cash reserves and working capital;

our ability to maintain the desired relationship between our financing and the interest rates and maturities of our assets;

the timing and amount of cash flows, if any, from our investments;

unanticipated increases or volatility in financing and other costs, including a rise in interest rates;

the performance, financial condition and liquidity of borrowers;

the ability of our servicer, which also provides us with fulfillment services, to approve and monitor correspondent sellers and underwrite loans to investor standards;

incomplete or inaccurate information or documentation provided by customers or counterparties, or adverse changes in the financial condition of our customers and counterparties;

changes in the number of investor repurchases or indemnifications and our ability to obtain indemnification or demand repurchase from our correspondent sellers;

the quality and enforceability of the collateral documentation evidencing our ownership and rights in the assets in which we invest;

increased rates of delinquency, default and/or decreased recovery rates on our investments;

our ability to foreclose on our investments in a timely manner or at all;

increased prepayments of the mortgages and other loans underlying our mortgage-backed securities (MBS) or relating to our mortgage servicing rights (MSRs), excess servicing spread (ESS) and other investments;

the degree to which our hedging strategies may or may not protect us from interest rate volatility;

the effect of the accuracy of or changes in the estimates we make about uncertainties, contingencies and asset and liability valuations when measuring and reporting upon our financial condition and results of operations;

our failure to maintain appropriate internal controls over financial reporting;

technologies for loans and our ability to mitigate security risks and cyber intrusions;

our ability to obtain and/or maintain licenses and other approvals in those jurisdictions where required to conduct our business;

our ability to detect misconduct and fraud;

our ability to comply with various federal, state and local laws and regulations that govern our business;

developments in the secondary markets for our mortgage loan products;

legislative and regulatory changes that impact the mortgage loan industry or housing market;

changes in regulations or the occurrence of other events that impact the business, operations or prospects of government agencies such as the Government National Mortgage Association (Ginnie Mae), the Federal Housing Administration (the FHA), the Veterans Administration (the VA) or the U.S. Department of Agriculture (USDA), or government-sponsored entities such as the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) (Fannie Mae, Freddie Mac and Ginnie Mae are each referred to as an Agency and, collectively, as the Agencies), or such changes that increase the cost of doing business with such entities;

the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) and its implementing regulations and regulatory agencies, and any other legislative and regulatory changes that impact the business, operations or governance of mortgage lenders and/or publicly-traded companies;

the mortgage lending and servicing-related regulations promulgated by the Consumer Financial Protection Bureau and its enforcement of the regulations;

changes in government support of homeownership;

changes in government or government-sponsored home affordability programs;

limitations imposed on our business and our ability to satisfy complex rules for us to qualify as a real estate investment trust (REIT) for U.S. federal income tax purposes and qualify for an exemption from registering as an investment company under the Investment Company Act of 1940 and the ability of certain of our subsidiaries

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to qualify as REITs or as taxable REIT subsidiaries (TRSs) for U.S. federal income tax purposes, as applicable, and our ability and the ability of our subsidiaries to operate effectively within the limitations imposed by these rules;

changes in governmental regulations, accounting treatment, tax rates and similar matters (including changes to laws governing the taxation of REITs, or the exclusions from registration as an investment company);

our ability to make distributions to our shareholders in the future;

the effect of public opinion on our reputation;

the occurrence of natural disasters or other events or circumstances that could impact our operations; 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.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	June 30, 2015	December 31, 2014
	(in thousands, except share data)	
ASSETS		
Cash	$ 114,698	$ 76,386
Short-term investments	32,417	139,900
Mortgage-backed securities at fair value (includes $278,305 and $307,363 pledged to secure assets sold under agreements to repurchase and $9,321 and $0 pledged to secure Federal Home Loan Bank advances)	287,626	307,363
Mortgage loans acquired for sale at fair value (includes $1,422,166 and $609,608 pledged to secure assets sold under agreements to repurchase, $72,819 and $20,862 pledged to secure mortgage loan participation and sale agreement, $48,627 and $0 pledged to secure Federal Home Loan Bank advances and $656,377 and $0 pledged to secure credit risk transfer financing)	2,213,874	637,722
Mortgage loans at fair value (includes $2,612,167 and $2,709,161 pledged to secure assets sold under agreements to repurchase and asset-backed secured financing of the variable interest entity at fair value and $106,303 and $0 pledged to secure Federal Home Loan Bank advances)	2,730,820	2,726,952
Excess servicing spread purchased from PennyMac Financial Services, Inc. at fair value pledged to secure borrowings under note payable to PennyMac Financial Services, Inc.	359,102	191,166
Derivative assets	13,950	11,107
Real estate acquired in settlement of loans (includes $203,051 and $150,649 pledged to secure assets sold under agreements to repurchase)	324,278	303,228
Real estate held for investment	1,544	
Mortgage servicing rights pledged to secure borrowings under note payable (includes $57,343 and $57,358 carried at fair value)	394,737	357,780
Servicing advances	78,347	79,878
Due from PennyMac Financial Services, Inc.	9,342	6,621
Other assets	116,639	59,155
Total assets	$ 6,677,374	$ 4,897,258
LIABILITIES		
Assets sold under agreements to repurchase	$ 3,500,569	$ 2,729,027
Federal Home Loan Bank advances	138,400	
Mortgage loan participation and sale agreement	70,612	20,222
Credit risk transfer financing at fair value	649,120	

Note payable	192,352	
Note payable to PennyMac Financial Services, Inc.	52,526	
Asset-backed secured financing of the variable interest entity at fair value	151,489	165,920
Exchangeable senior notes	244,559	244,079
Derivative liabilities	6,818	2,430
Accounts payable and accrued liabilities	75,967	67,806
Due to PennyMac Financial Services, Inc.	16,245	23,943
Income taxes payable	36,706	51,417
Liability for losses under representations and warranties	16,714	14,242
Total liabilities	5,152,077	3,319,086
Commitments and contingencies		
SHAREHOLDERS EQUITY		
Common shares of beneficial interest authorized, 500,000,000 common shares of $0.01 par value; issued and outstanding, 74,811,922 and 74,510,159 common shares, respectively	748	745
Additional paid-in capital	1,483,389	1,479,699
Retained earnings	41,160	97,728
Total shareholders equity	1,525,297	1,578,172
Total liabilities and shareholders equity	$ 6,677,374	$ 4,897,258

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

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PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Assets and liabilities of consolidated variable interest entity (VIE) included in total assets and liabilities (the assets of the VIE can only be used to settle liabilities of the VIE):

	June 30, 2015	December 31, 2014
	(in thousands)	
ASSETS		
Mortgage loans at fair value	$ 483,876	$ 527,369
Other assets - interest receivable	1,543	1,651
	$ 485,419	$ 529,020
LIABILITIES		
Asset-backed secured financing at fair value	$ 151,489	$ 165,920
Accounts payable and accrued expenses - interest payable	444	477
	$ 151,933	$ 166,397

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

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PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands, except per share data)			
Net investment income				
Interest income				
From nonaffiliates	$ 39,515	$ 45,380	$ 76,448	$ 81,863
From PennyMac Financial Services, Inc.	5,818	3,138	9,570	6,001
	45,333	48,518	86,018	87,864
Interest expense				
From nonaffiliates	29,206	21,865	54,952	41,640
From PennyMac Financial Services, Inc.	533		533	
	29,739	21,865	55,485	41,640
Net interest income	15,594	26,653	30,533	46,224
Net gain on mortgage loans acquired for sale	11,175	10,222	21,335	20,193
Loan origination fees	7,279	4,485	12,566	6,841
Net gain on investments:				
From nonaffiliates	14,025	80,671	23,719	126,157
From PennyMac Financial Services, Inc.	8,589	(7,537)	2,342	(10,438)
	22,614	73,134	26,061	115,719
Net loan servicing fees	13,017	8,758	21,019	16,179
Results of real estate acquired in settlement of loans	(1,806)	(5,348)	(7,638)	(11,974)
Other	1,892	2,652	3,546	3,969
Net investment income	69,765	120,556	107,422	197,151
Expenses				
Expenses earned by PennyMac Financial Services, Inc.:				
Loan fulfillment fees	15,333	12,433	28,199	21,335
Loan servicing fees	12,136	14,180	22,806	28,771
Management fees	5,779	8,912	12,782	16,986
Compensation	1,389	1,883	4,198	4,825
Professional services	1,662	2,690	3,490	4,421
Other	8,378	7,154	14,679	11,221
Total expenses	44,677	47,252	86,154	87,559
Income before benefit from income taxes	25,088	73,304	21,268	109,592

Benefit from income taxes	(2,983)	(1,907)	(14,311)	(3,492)
Net income	$ 28,071	$ 75,211	$ 35,579	$ 113,084
Earnings per share				
Basic	$ 0.37	$ 1.01	$ 0.46	$ 1.54
Diluted	$ 0.36	$ 0.93	$ 0.46	$ 1.44
Weighted-average shares outstanding				
Basic	74,683	74,065	74,618	72,803
Diluted	83,480	82,750	74,997	81,535
Dividends declared per share	$ 0.61	$ 0.59	$ 1.22	$ 1.18

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

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PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (UNAUDITED)

	Common shares Number of shares	Par value	Additional paid-in capital	Retained earnings	Total
			(in thousands)		
Balance at December, 2013	70,458	$ 705	$ 1,384,468	$ 81,941	$ 1,467,114
Net income				113,084	113,084
Share-based compensation	234	2	2,956		2,958
Dividends, $1.18 per share				(87,397)	(87,397)
Issuance of common shares	3,447	34	82,419		82,453
Underwriting and offering costs			(1,052)		(1,052)
Balance at June 30, 2014	74,139	$ 741	$ 1,468,791	$ 107,628	$ 1,577,160
Balance at December 31, 2014	74,510	$ 745	$ 1,479,699	$ 97,728	$ 1,578,172
Net income				35,579	35,579
Share-based compensation	302	3	3,682		3,685
Dividends, $1.22 per share				(92,147)	(92,147)
Issuance of common shares			8		8
Balance at June 30, 2015	74,812	$ 748	$ 1,483,389	$ 41,160	$ 1,525,297

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

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PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six months ended June 30	
	2015	2014
	(in thousands)	
Cash flows from operating activities		
Net income	$ 35,579	$ 113,084
Adjustments to reconcile net income to net cash used by operating activities:		
Accrual of unearned discounts and amortization of premiums on mortgage-backed securities, mortgage loans at fair value, and asset-backed secured financing	(119)	(537)
Capitalization of interest on mortgage loans at fair value	(20,130)	(30,353)
Accrual of interest on excess servicing spread	(9,570)	(6,001)
Amortization of credit facility commitment fees and debt issuance costs	5,401	4,879
Net gain on mortgage loans acquired for sale	(21,335)	(20,193)
Accrual of costs related to forward purchase agreements		(168)
Net gain on investments	(26,061)	(115,719)
Change in fair value, amortization and impairment of mortgage servicing rights	27,497	20,518
Results of real estate acquired in settlement of loans	7,638	11,974
Share-based compensation expense	3,685	2,958
Purchases of mortgage loans acquired for sale at fair value from nonaffiliates	(20,820,811)	(12,345,380)
Purchases of mortgage loans acquired for sale at fair value from PennyMac Financial Services, Inc.	(10,828)	(1,985)
Repurchases of mortgage loans subject to representation and warranties	(12,972)	(6,621)
Sales and repayments of mortgage loans acquired for sale at fair value to nonaffiliates	5,707,641	4,796,065
Sales of mortgage loans acquired for sale to PennyMac Financial Services, Inc.	13,523,345	7,085,859
Increase in servicing advances	(8,870)	(15,218)
(Increase) decrease in due from PennyMac Financial Services, Inc.	(2,541)	2,812
Increase in other assets	(24,223)	(20,716)
Increase (decrease) in accounts payable and accrued liabilities	8,440	(45,366)
(Decrease) increase in payable to PennyMac Financial Services, Inc.	(7,469)	1,036
(Decrease) increase in income taxes payable	(14,710)	3,283
Net cash used in operating activities	(1,660,413)	(565,789)
Cash flows from investing activities		
Net decrease in short-term investments	107,483	(12,055)
Purchases of mortgage-backed securities at fair value	(25,129)	(19,638)
Repayments of mortgage-backed securities at fair value	39,744	5,419
Purchases of mortgage loans at fair value	(241,981)	(283,017)
Sales and repayments of mortgage loans at fair value	147,465	397,643

Repayments of mortgage loans under forward purchase agreements at fair value		6,413
Purchase of excess servicing spread from PennyMac Financial Services, Inc.	(187,287)	(73,393)
Repayment of excess servicing spread by PennyMac Financial Services, Inc.	31,083	16,494
Settlements of derivative financial instruments	(10,554)	(9,785)
Purchase of real estate acquired in settlement of loans		(3,049)
Sales of real estate acquired in settlement of loans	128,097	76,903
Sales of real estate acquired in settlement of loans under forward purchase agreements		5,365
Sale of mortgage servicing rights	376	
(Increase) decrease in margin deposits and restricted cash	(36,003)	5,454
Net cash (used) provided by investing activities	(46,706)	112,754

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

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PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six months ended June 30, 2015	2014
	(in thousands)	
Cash flows from financing activities		
Sales of assets under agreement to repurchase	22,834,050	15,938,914
Repurchases of assets sold under agreements to repurchase	(22,062,255)	(15,276,762)
Sales of mortgage loan participation certificates	2,440,045	
Repayments of mortgage loan participation certificates	(2,389,653)	
Issuance of credit risk transfer financing	649,120	
Federal Home Loan Bank advances	138,400	
Advances under note payable	192,352	
Advances under note payable to PennyMac Financial Services, Inc.	71,072	
Repayments under note payable to PennyMac Financial Services, Inc.	(18,546)	
Repayments of borrowings under forward purchase agreements		(227,866)
Repayments of asset-backed secured financing at fair value	(11,331)	(3,372)
Payments of debt issuance cost and commitment fees	(5,176)	(4,711)
Issuances of common shares	8	82,453
Payments of common share underwriting and offering costs		(1,052)
Payments of contingent underwriting fees payable	(688)	(424)
Payments of dividends	(91,967)	(43,654)
Net cash provided financing activities	1,745,431	463,526
Net decrease in cash	38,312	10,491
Cash at beginning of period	76,386	27,411
Cash at end of period	$ 114,698	$ 37,902

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

PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 Organization and Basis of Presentation

PennyMac Mortgage Investment Trust (PMT or the Company) was organized in Maryland on May 18, 2009, and commenced operations on August 4, 2009, when it completed its initial offerings of common shares of beneficial interest (common shares). The Company is a specialty finance company, which, through its subsidiaries (all of which are wholly-owned), invests primarily in residential mortgage loans and mortgage-related assets.

The Company operates in two segments, correspondent production and investment activities:

The correspondent production segment represents the Company s operations aimed at serving as an intermediary between mortgage lenders and the capital markets by purchasing, pooling and reselling newly originated prime credit quality mortgage loans either directly or in the form of mortgage-backed securities (MBS), using the services of PNMAC Capital Management (PCM or the Manager) and PennyMac Loan Services, LLC (PLS or the Servicer), both indirect subsidiaries of PennyMac Financial Services, Inc. (PFSI).

Most of the mortgage loans the Company has acquired in its correspondent production activities have been eligible for sale to government-sponsored entities such as the Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) or through government agencies such as the Government National Mortgage Association (Ginnie Mae). Fannie Mae, Freddie Mac and Ginnie Mae are each referred to as an Agency and, collectively, as the Agencies.

The investment activities segment represents the Company s investments in mortgage-related assets, which include distressed mortgage loans, real estate acquired in settlement of loans (REO), MBS, mortgage servicing rights (MSRs) and excess servicing spread (ESS). The Company seeks to maximize the fair value of its acquired distressed mortgage loans through proprietary loan modification programs, special servicing or other initiatives focused on keeping borrowers in their homes. Where this is not possible, such as in the case of many nonperforming mortgage loans, the Company seeks to effect property resolution in a timely, orderly and economically efficient manner, including through the use of resolution alternatives to foreclosure.

The Company believes that it qualifies, and has elected to be taxed, as a real estate investment trust (REIT) under the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), beginning with its taxable period ended on December 31, 2009. To maintain its tax status as a REIT, the Company has to distribute at least 90% of its taxable income in the form of qualifying distributions to shareholders.

The Company conducts substantially all of its operations and makes substantially all of its investments through its subsidiary, PennyMac Operating Partnership, L.P. (the Operating Partnership), and the Operating Partnership s subsidiaries. A wholly-owned subsidiary of the Company is the sole general partner, and the Company is the sole limited partner, of the Operating Partnership.

The accompanying 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* for interim financial information and with the Securities and Exchange Commission s instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, these financial statements and notes do not include all of the information required by GAAP for complete financial statements. The interim consolidated information should be read together with the Company s Annual Report on Form 10-K for the year ended December 31, 2014.

The accompanying unaudited consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, income, and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full year ending December 31, 2015. Intercompany accounts and transactions have been eliminated.

Preparation of financial statements in compliance with GAAP requires management to make estimates and assumptions 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. Actual results will likely differ from those estimates.

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Reclassification of previously presented balances

In April of 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. ASU 2015-03 specifies that its adoption be made on a retrospective basis. Accordingly, the Company has reclassified its debt issuance costs from *Other assets* as previously presented to *Mortgage loans sold under agreements to repurchase* to conform its December 31, 2014 balance sheet to the current presentation. The adoption of ASU 2015-03 did not result in changes to the Company s previously presented consolidated statements of income or consolidated statements of cash flows.

Following is a summary of the balance sheet reclassifications:

	December 31, 2014		
	As reported	**As previously reported**	**Reclassification**
		(in thousands)	
ASSETS			
Other assets	$ 59,155	$ 66,193	$ (7,038)
Total assets	$ 4,897,258	$ 4,904,296	$ (7,038)
LIABILITIES			
Assets sold under agreements to repurchase	$ 2,729,027	$ 2,730,130	$ (1,103)
Mortgage loan participation and sale agreement	20,222	20,236	(14)
Exchangeable senior notes	244,079	250,000	(5,921)
Total liabilities	3,319,086	3,326,124	(7,038)
Total liabilities and shareholders equity	$ 4,897,258	$ 4,904,296	$ (7,038)

Note 2 Concentration of Risks

As discussed in Note 1 *Organization and Basis of Presentation* above, PMT s operations and investing activities are centered in mortgage-related assets, a substantial portion of which are distressed at acquisition. Many of the mortgage loans in its targeted asset class are purchased at discounts reflecting their distressed state or perceived higher risk of default, as well as a greater likelihood of collateral documentation deficiencies.

Because of the Company s investment focus, PMT is exposed, to a greater extent than traditional mortgage investors, to the risks that borrowers may be in economic distress and/or may have become unemployed, bankrupt or otherwise unable or unwilling to make payments when due, and to the effects of fluctuations in the residential real estate market on the performance of its investments. Factors influencing these risks include, but are not limited to:

changes in the overall economy and unemployment rates and residential real estate values in the markets where the properties securing the Company s mortgage loans are located;

PCM s ability to identify and the Servicer s ability to execute optimal resolutions of problem mortgage loans;

the accuracy of valuation information obtained during the Company s due diligence activities;

PCM s ability to effectively model, and to develop appropriate model assumptions that properly anticipate, future outcomes;

the level of government support for problem mortgage loan resolution and the effect of current and future proposed and enacted legislative and regulatory changes on the Company s ability to effect cures or resolutions to distressed mortgage loans; and regulatory, judicial and legislative support of the foreclosure process, and the resulting effect on the Company s ability to acquire and liquidate the real estate securing its portfolio of distressed mortgage loans in a timely manner or at all.

Due to these uncertainties, there can be no assurance that risk management activities identified and executed on PMT s behalf will prevent significant losses arising from the Company s investments in real estate-related assets.

A substantial portion of the distressed mortgage loans and REO purchased by the Company in prior years has been acquired from or through one or more subsidiaries of Citigroup Inc. The following tables present purchases for the Company s investment portfolio of mortgage loans and REO (including purchases under forward purchase agreements), and the portion thereof representing assets purchased from or through one or more subsidiaries of Citigroup Inc.:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Investment portfolio purchases:				
Mortgage loans	$	$ 27,203	$ 241,981	$ 284,403
REO		30		3,117
	$	$ 27,233	$ 241,981	$ 287,520
Investment portfolio purchases above through one or more subsidiaries of Citigroup Inc.:				
Mortgage loans	$	$ 26,737	$	$ 26,737
REO		30		68
	$	$ 26,767	$	$ 26,805

Following is a summary of the Company s holdings of assets purchased through one or more subsidiaries of Citigroup Inc.:

	June 30, 2015	December 31, 2014
	(in thousands)	
Mortgage loans at fair value	$ 882,881	$ 943,163
REO	93,171	108,302
	$ 976,052	$ 1,051,465
Total holdings of mortgage loans and REO	$ 3,055,098	$ 3,030,180

During the year ended December 31, 2013, the Company entered into forward purchase agreements with Citigroup Global Markets Realty Corp. (CGM), a subsidiary of Citigroup Inc., to purchase certain nonperforming mortgage loans and REO (collectively, the CGM Assets). The CGM Assets were acquired by CGM from unaffiliated money center banks and were held in a trust subsidiary by CGM pending settlement by the Company. The commitment under the forward purchase agreement was settled in full during the quarter ended June 30, 2014.

The Company recognized these assets and related obligations as of the dates of the forward purchase agreements and recognized all subsequent income and changes in value relating to such assets. As a result of recognizing these assets, the Company s consolidated statements of income and cash flows for the periods presented include the following amounts related to the forward purchase agreements:

	Quarter ended June 30, 2014	Six months ended June 30, 2014
	(in thousands)	
Statements of income:		
Interest income	$ 1,430	$ 3,584
Interest expense	$ 783	$ 2,364
Net gain on investments	$ 1,743	$ 803
Net loan servicing fees	$ 201	$ 517
Results of REO	$ (72)	$ (473)
Statements of cash flows:		
Repayments of mortgage loans	$ 1,084	$ 6,413
Sales of REO	$ 3,743	$ 5,365
Repayments of borrowings under forward purchase agreements	$ (214,742)	$ (227,866)

The Company has no other variable interests in the trust entity or other exposure to the creditors of the trust entity that could expose the Company to loss.

Note 3 Transactions with Related Parties

Correspondent Production Activities

Following is a summary of correspondent production activity between the Company and PLS:

	Quarter ended June 30, 2015	Quarter ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
	(in thousands)			
Fulfillment fee expense earned by PLS	$ 15,333	$ 12,433	$ 28,199	$ 21,335
Unpaid principal balance of loans fulfilled by PLS	$ 3,579,078	$ 2,991,764	$ 6,469,210	$ 4,911,342
Sourcing fees received from PLS	$ 2,427	$ 1,125	$ 3,848	$ 2,017
Unpaid principal balance of loans sold to PLS	$ 8,082,764	$ 3,748,874	$ 12,818,138	$ 6,722,951
Purchases of mortgage loans acquired for sale at fair value from PLS	$ 2,423	$ 1,985	$ 10,828	$ 1,985
Tax service fees paid to PLS	$ 1,113	$ 684	$ 2,002	$ 1,050
At period end:				
Mortgage loans included in mortgage loans acquired for sale pending sale to PLS	$ 830,330	$ 304,707		

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Mortgage Loan Servicing Activities

Following is a summary of mortgage loan servicing fees earned by PLS:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Mortgage loans acquired for sale at fair value:				
Base	$ 42	$ 29	$ 68	$ 46
Activity-based	59	51	90	77
	101	80	158	123
Distressed mortgage loans:				
Base	4,183	4,975	8,215	9,941
Activity-based	3,093	5,746	5,987	12,132
	7,276	10,721	14,202	22,073
MSRs:				
Base	4,654	3,323	8,310	6,471
Activity-based	105	56	136	104
	4,759	3,379	8,446	6,575
	$ 12,136	$ 14,180	$ 22,806	$ 28,771
Average investment in:				
Mortgage loans acquired for sale at fair value	$ 1,014,883	$ 519,357	$ 887,660	$ 428,941
Distressed mortgage loans	$ 2,295,807	$ 2,133,587	$ 2,303,080	$ 2,042,362
Average mortgage loans servicing portfolio	$ 35,742,835	$ 28,230,295	$ 35,215,677	$ 27,417,841

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Investing and Financing Activities

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

	Quarter ended June 30, 2015	Quarter ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
	(in thousands)			
Purchases of ESS	$ 140,875	$ 52,867	$ 187,287	$ 73,393
Interest income from ESS	$ 5,818	$ 3,138	$ 9,570	$ 6,001
Net gain (loss) on ESS	$ 7,133	$ (10,062)	$ (403)	$ (14,854)
ESS recapture recognized	$ 1,456	$ 2,525	$ 2,745	$ 4,415
Repayment of ESS	$ 18,352	$ 9,081	$ 31,083	$ 16,494
MSR recapture recognized	$	$ 1	$	$ 9
Advances under note payable to PLS	$ 71,072	$	$ 71,072	$
Repayment of note payable to PLS	$ 18,546	$	$ 18,546	$
Interest income from note payable to PLS	$ 535	$	$ 535	$

On April 30, 2015, PFSI entered into an amendment to a lending facility pursuant to which it may finance certain of its MSRs and servicing advance receivables. Under the terms of the amendment, the maximum loan amount increased from $257 million to $407 million. The $150 million increase was implemented for the purpose of facilitating the financing of excess servicing spread (ESS) by the Company. The aggregate loan amount outstanding under the lending facility and relating to advances outstanding with the Company is guaranteed in full by PMT.

In connection with the amendment to the lending facility, the Company and PFSI entered into an underlying loan and security agreement, dated as of April 30, 2015, pursuant to which the Company may borrow up to $150 million from PFSI for the purpose of financing ESS.

The principal amount of the borrowings under the Loan and Security Agreement is based upon a percentage of the market value of the ESS pledged by the Company, subject to the maximum loan amount described above. Pursuant to the underlying loan and security agreement, the Company granted to PFSI a security interest in all of its right, title and interest in, to and under the ESS pledged to secure loans.

The Company and PFSI have agreed that the Company is required to repay PFSI the principal amount of such borrowings plus accrued interest to the date of such repayment, and PFSI is required to repay their lender the corresponding amount under the lending facility. The Company is also required to pay PFSI a fee for the structuring of the lending facility in an amount equal to the portion of the corresponding fee paid by PFSI to their lender under the lending facility and allocable to the increase in the maximum loan amount resulting from the ESS financing. The note matures on October 30, 2015 and interest accrues at a rate based on the lender s cost of funds.

In connection with the initial public offering of PMT s common shares (IPO) on August 4, 2009, the Company entered into an agreement with PCM pursuant to which the Company agreed to reimburse PCM for the $2.9 million payment that it made to the IPO underwriters if the Company satisfied certain performance measures over a specified period (the Conditional Reimbursement). Effective February 1, 2013, the Company amended the terms of the reimbursement agreement to provide for the reimbursement of PCM of the Conditional Reimbursement if the Company is required to pay PCM performance incentive fees under the management agreement at a rate of $10 in reimbursement for every $100 of performance incentive fees earned. The reimbursement of the Conditional Reimbursement is subject to a maximum reimbursement in any particular 12-month period of $1.0 million and the maximum amount that may be reimbursed under the agreement is $2.9 million. During the quarter and six months ended June 30, 2015, the Company paid $230,000 and $387,000 to PCM, respectively, compared to $36,000 for the quarter and six months ended June 30, 2014.

The Company has also agreed to pay the IPO underwriters an amount to which it agreed at the time of the offering if the Company satisfies certain performance measures over a specified period. As PCM earns performance incentive fees under the management agreement, such underwriters will be paid at a rate of $20 of payments for every $100 of performance incentive fees earned by PCM. The payment to the underwriters is subject to a maximum reimbursement in any particular 12-month period of $2.0 million and the maximum amount that may be paid under the agreement is $5.9 million. During the quarter and six months ended June 30, 2015, the Company paid $459,000 and 772,000 to the underwriters, respectively, compared to $315,000 and $387,000 for the same periods in 2014.

In the event the termination fee is payable to PCM under the management agreement and PCM and the underwriters have not received the full amount of the reimbursements and payments under the reimbursement agreement, such amount will be paid in full. The term of the reimbursement agreement expires on February 1, 2019.

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Other Transactions

Following is a summary of the base management and performance incentive fees payable to PCM recorded by the Company:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Base	$ 5,709	$ 5,838	$ 11,439	$ 11,359
Performance incentive	70	3,074	1,343	5,627
Total management fee incurred during the period	$ 5,779	$ 8,912	$ 12,782	$ 16,986

In the event of termination of the management agreement between the Company and PCM, PCM 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 PFSI, in each case during the 24-month period before termination.

The Company reimburses PCM and its affiliates for other expenses, including common overhead expenses incurred on its behalf by PCM and its affiliates, in accordance with the terms of its management agreement as summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Reimbursement of:				
Common overhead incurred by PCM and its affiliates (1)	$ 2,702	$ 2,691	$ 5,431	$ 5,269
Expenses incurred on the Company s behalf	83	104	462	549
	$ 2,785	$ 2,795	$ 5,893	$ 5,818
Payments and settlements during the period (2)	$ 24,114	$ 14,894	$ 46,866	$ 33,280

(1) For the quarter ended June 30, 2015, in accordance with the terms of the management agreement, PCM provided the Company a discretionary waiver of $700,000 of overhead expenses that otherwise would have been allocable to the Company.

(2) Payments and settlements include payments for management fees and correspondent production activities itemized in the preceding tables and netting settlements made pursuant to master netting agreements between the Company and PFSI.

Amounts due to PCM and its affiliates are summarized below:

	June 30, 2015	December 31, 2014
	(in thousands)	
Allocated expenses	$ 5,893	$ 6,582
Management fees	5,779	8,426
Servicing fees	3,667	3,457
Conditional Reimbursement	906	1,136
Unsettled ESS investment		3,836
Fulfillment fees		506
	$ 16,245	$ 23,943

Amounts due from PCM and its affiliates totaled $9.3 million and $6.6 million at June 30, 2015 and December 31, 2014, respectively. At June 30, 2015, the balance represents payments receivable relating to cash flows from the Company s investment in ESS and amounts receivable relating to unsettled ESS recaptures.

PFSI held 75,000 of the Company s common shares at both June 30, 2015 and December 31, 2014.

Note 4 Earnings Per Share

Basic earnings per share is determined using the two-class method, under which all earnings (distributed and undistributed) are allocated to common shares and participating securities, based on their respective rights to receive dividends. Basic earnings per share is determined by dividing net income, reduced by income attributable to the participating securities, by the weighted-average common shares outstanding during the period.

The Company grants restricted share units which entitle the recipients to receive dividend equivalents during the vesting period on a basis equivalent to the dividends paid to holders of common shares. Unvested share-based compensation awards containing non-forfeitable rights to receive dividends or dividend equivalents (collectively, dividends) are classified as participating securities and are included in the basic earnings per share calculation using the two-class method.

Diluted earnings per share is determined by dividing net income attributable to diluted shareholders, which adds back to net income the interest expense, net of applicable income taxes, on the Company s exchangeable senior notes (the Exchangeable Notes), by the weighted-average common shares outstanding, assuming all potentially dilutive securities were issued. In periods in which the Company records a loss, potentially dilutive securities are excluded from the diluted loss per share calculation, as their effect on loss per share is anti-dilutive.

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The following table summarizes the basic and diluted earnings per share calculations:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands except per share amounts)			
Basic earnings per share:				
Net income	$ 28,071	$ 75,211	$ 35,579	$ 113,084
Effect of participating securities share-based compensation awards	(438)	(433)	(1,015)	(841)
Net income attributable to common shareholders	$ 27,633	$ 74,778	$ 34,564	$ 112,243
Weighted-average shares outstanding	74,683	74,065	74,618	72,803
Basic earnings per share	$ 0.37	$ 1.01	$ 0.46	$ 1.54
Diluted earnings per share:				
Net income	$ 27,633	$ 75,211	$ 34,564	$ 113,084
Interest on Exchangeable Notes, net of income taxes	2,121	2,079		4,156
Net income attributable to diluted shareholders	$ 29,754	$ 77,290	$ 34,564	$ 117,240
Weighted-average shares outstanding	74,683	74,065	74,618	72,803
Potentially dilutive securities:				
Shares issuable pursuant to exchange of the Exchangeable Notes	8,467	8,393		8,393
Shares issuable under share-based compensation plan	330	292	379	338
Diluted weighted-average number of shares outstanding	83,480	82,750	74,997	81,535
Diluted earnings per share	$ 0.36	$ 0.93	$ 0.46	$ 1.44

Dividends and undistributed earnings allocated to participating securities under the basic and diluted earnings per share calculations require specific shares to be included or excluded that may differ in certain circumstances.

For the six months ended June 30, 2015, approximately 8,467,000 shares issuable pursuant to the exchange feature embedded in the Exchangeable Notes were excluded from the diluted earnings per share calculation as inclusion of the exchange of such shares would have been antidilutive.

Note 5 Loan Sales and Variable Interest Entities

The Company is a variable interest holder in various special purpose entities that relate to its loan transfer and financing activities. These entities are classified as variable interest entities (VIEs) for accounting purposes. The

Company has segregated its involvement with VIEs between those VIEs which the Company does not consolidate and those VIEs which the Company consolidates.

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Unconsolidated VIEs with Continuing Involvement

The following table summarizes cash flows between the Company and transferees in transfers that are accounted for as sales where PMT maintains continuing involvement with the mortgage loans, as well as unpaid principal balance information at period end:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Cash flows:				
Proceeds from sales	$ 3,063,397	$ 2,763,138	$ 5,707,641	$ 4,789,444
Servicing fees received (1)	$ 22,738	$ 19,019	$ 44,641	$ 34,907
Period end information:				
Unpaid principal balance of mortgage loans outstanding	$ 36,448,945	$ 29,268,039		
Unpaid principal balance of delinquent mortgage loans:				
30-89 days delinquent	$ 129,316	$ 90,091		
90 or more days delinquent				
Not in foreclosure	28,805	13,325		
In foreclosure or bankruptcy	20,063	11,306		
	48,868	24,631		
	$ 178,184	$ 114,722		

(1) Net of guarantee fees.

Consolidated VIE

On September 30, 2013, the Company completed a securitization transaction in which a wholly-owned VIE issued $537.0 million in certificates backed by fixed-rate prime jumbo mortgage loans of PMT Loan Trust 2013-J1, at a 3.9% weighted yield. The Company retained $366.8 million of those certificates. The Manager concluded that the Company is the primary beneficiary of the VIE and, as a result, the Company consolidates the VIE. Consolidation of the VIE results in the securitized mortgage loans remaining on the consolidated balance sheets of the Company and the certificates issued by the VIE to nonaffiliates being accounted for as a secured financing. The certificates are secured solely by the assets of the VIE and not by any other assets of the Company. The assets of the VIE are the only source of repayment of the certificates.

Note 6 Netting of Financial Instruments

The Company uses derivative financial instruments to manage exposure to interest rate risk created by its MBS, interest rate lock commitments (IRLCs), mortgage loans acquired for sale at fair value, mortgage loans at fair value, ESS and MSRs. All derivative financial instruments are recorded on the balance sheet at fair value. The Company has elected to net derivative asset and liability positions, and cash collateral obtained (or posted) by (or to) its counterparties when subject to a legally enforceable master netting arrangement. The derivative financial instruments that are not subject to master netting arrangements are IRLCs. As of June 30, 2015 and December 31, 2014, the Company did not enter into reverse repurchase agreements or securities lending transactions that are required to be disclosed in the following tables.

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Offsetting of Derivative Assets

Following is a summary of net derivative assets. As discussed above, all derivatives with the exception of IRLCs are subject to master netting arrangements.

	June 30, 2015			December 31, 2014		
	Gross amounts of recognized assets	Gross amounts offset in the consolidated balance sheet	Net amounts of assets presented in the consolidated balance sheet	Gross amounts of recognized assets	Gross amounts offset in the consolidated balance sheet	Net amounts of assets presented in the consolidated balance sheet
	(in thousands)					
Derivatives subject to master netting arrangements:						
MBS put options	$ 1,426	$	$ 1,426	$ 374	$	$ 374
MBS call options	169		169			
Forward purchase contracts	2,415		2,415	3,775		3,775
Forward sale contracts	10,844		10,844	52		52
Put options on interest rate futures	1,659		1,659	193		193
Call options on interest rate futures	3,557		3,557	3,319		3,319
Treasury futures contracts	1,210		1,210			
Netting		(11,541)	(11,541)		(2,284)	(2,284)
	21,280	(11,541)	9,739	7,713	(2,284)	5,429
Derivatives not subject to master netting arrangements:						
Interest rate lock commitments	4,211		4,211	5,678		5,678
	$ 25,491	$ (11,541)	$ 13,950	$ 13,391	$ (2,284)	$ 11,107

Derivative Assets and 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 qualifying for netting.

	June 30, 2015	December 31, 2014
	Gross amounts not offset in the	Gross amounts not offset in the

	Net amount of assets presented in the consolidated balance sheet	consolidated balance sheet Financial instruments	Cash collateral received	Net amount	Net amount of assets presented in the consolidated balance sheet	consolidated balance sheet Financial instruments	Cash collateral received	Net amount
				(in thousands)				
Interest rate lock commitments	$ 4,211	$	$	$ 4,211	$ 5,678	$	$	$ 5,678
RJ O Brien & Associates, LLC	4,924			4,924	3,034			3,034
Jefferies Group, LLC	1,438			1,438	133			133
JP Morgan Chase & Co.	973			973				
Fannie Mae Capital Markets	712			712				
Daiwa Capital Markets	78			78	29			29
Credit Suisse First Boston Mortgage Capital LLC	4			4	253			253
Bank of America, N.A.					738			738
Morgan Stanley Bank, N.A.					104			104
Other	1,610			1,610	1,138			1,138
Total	$ 13,950	$	$	$ 13,950	$ 11,107	$	$	$ 11,107

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Offsetting of Derivative Liabilities and Financial Liabilities

Following is a summary of net derivative liabilities and assets sold under agreements to repurchase. As discussed above, all derivatives with the exception of IRLCs are subject to master netting arrangements. Assets sold under agreements to repurchase do not qualify for setoff accounting.

	June 30, 2015			December 31, 2014		
	Gross amounts of recognized liabilities	Gross amounts offset in the consolidated balance sheet	Net amounts of liabilities presented in the consolidated balance sheet	Gross amounts of recognized liabilities	Gross amounts offset in the consolidated balance sheet	Net amounts of liabilities presented in the consolidated balance sheet
	(in thousands)					
Derivatives subject to master netting arrangements:						
Forward purchase contracts	$ 7,912	$	$ 7,912	$ 34	$	$ 34
Forward sales contracts	4,002		4,002	6,649		6,649
Treasury futures contracts	164		164	478		478
Netting		(9,738)	(9,738)		(4,748)	(4,748)
	12,078	(9,738)	2,340	7,161	(4,748)	2,413
Derivatives not subject to master netting arrangements:						
Interest rate lock commitments	4,478		4,478	17		17
	16,556	(9,738)	6,818	7,178	(4,748)	2,430
Assets sold under agreements to repurchase						
Amount outstanding	3,501,925		3,501,925	2,729,027		2,729,027
Unamortized issuance costs	(1,356)		(1,356)	(1,117)		(1,117)
	3,500,569		3,500,569	2,730,144		2,730,144
	$ 3,517,125	$ (9,738)	$ 3,507,387	$ 2,737,322	$ (4,748)	$ 2,732,575

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Derivative Liabilities, Financial Liabilities and Collateral Pledged 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 qualifying for netting. All assets sold under agreements to repurchase represent sufficient collateral or exceed the liability amount recorded on the consolidated balance sheet.

	June 30, 2015				December 31, 2014			
		Gross amounts not offset in the consolidated balance sheet				Gross amounts not offset in the consolidated balance sheet		
	Net amount of liabilities presented in the consolidated balance sheet	Financial instruments	Cash collateral pledged	Net amount	Net amount of liabilities presented in the consolidated balance sheet	Financial instruments	Cash collateral pledged	Net amount
	(in thousands)							
Interest rate lock commitments	$ 4,478	$	$	$ 4,478	$ 17	$	$	$ 17
Morgan Stanley Bank, N.A.	273,173	(273,125)		48	121,975	(121,975)		
Credit Suisse First Boston Mortgage Capital LLC	858,824	(858,824)			966,155	(966,155)		
Citibank	1,113,055	(1,113,055)			797,851	(797,663)		188
Bank of America, N.A.	696,438	(696,438)			508,922	(508,922)		
RBS Securities					208,520	(208,520)		
Daiwa Capital Markets	120,436	(120,436)			126,909	(126,909)		
JPMorgan Chase & Co.	440,047	(440,047)						
Other	2,292			2,292	2,225			2,225
Total	$ 3,508,743	$ (3,501,925)	$	$ 6,818	$ 2,732,574	$ (2,730,144)	$	$ 2,430

Note 7 Fair Value

The Company s consolidated financial statements include assets and liabilities that are measured based on their fair values. Measurement at 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 Manager has elected to carry the item at its fair value as discussed in the following paragraphs.

Fair Value Accounting Elections

The Manager identified all of the Company s non-cash financial assets and MSRs relating to loans with initial interest rates of more than 4.5%, to be accounted for at fair value. The Manager has elected to account for these financial statement items at fair value so such changes in fair value will be reflected in income as they occur and more timely reflect the results of the Company s performance. The Manager has also identified the Company s asset-backed secured financing of the VIE to be accounted for at fair value to reflect the generally offsetting changes in fair value of these borrowings to changes in fair value of mortgage loans at fair value collateralizing this financing.

The Company s subsequent accounting for MSRs is based on the class of MSRs. Originated MSRs backed by mortgage loans with initial interest rates of less than or equal to 4.5% are accounted for using the amortization method. Originated MSRs backed by loans with initial interest rates of more than 4.5% are accounted for at fair value with changes in fair value recorded in current period income.

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For assets sold under agreements to repurchase, borrowings under forward purchase agreements and the Exchangeable Notes, the Manager has determined that historical cost accounting is more appropriate because under this method debt issuance costs are amortized over the term of the debt, thereby matching the debt issuance cost to the periods benefiting from the availability of the debt.

Financial Statement Items Measured at Fair Value on a Recurring Basis

Following is a summary of financial statement items that are measured at fair value on a recurring basis:

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets:				
Short-term investments	$ 32,417	$	$	$ 32,417
Mortgage-backed securities at fair value		287,626		287,626
Mortgage loans acquired for sale at fair value		2,213,874		2,213,874
Mortgage loans at fair value		483,876	2,246,944	2,730,820
Excess servicing spread purchased from PFSI			359,102	359,102
Derivative assets:				
Interest rate lock commitments			4,211	4,211
MBS put options		1,426		1,426
MBS call options		169		169
Forward purchase contracts		2,415		2,415
Forward sales contracts		10,844		10,844
Treasury futures contracts	1,210			1,210
Put options on interest rate futures	1,659			1,659
Call options on interest rate futures	3,557			3,557
Total derivative assets before netting	6,426	14,854	4,211	25,491
Netting (1)				(11,541)
Total derivative assets after netting	6,426	14,854	4,211	13,950
Mortgage servicing rights at fair value			57,343	57,343
	$ 38,843	$ 3,000,230	$ 2,667,600	$ 5,695,132
Liabilities:				
Credit risk transfer financing at fair value	$	$ 649,120	$	$ 649,120
Asset-backed secured financing of the variable interest entity at fair value		151,489		151,489
Derivative liabilities:				
Interest rate lock commitments			4,478	4,478
Treasury futures	164			164
Forward purchase contracts		7,912		7,912
Forward sales contracts		4,002		4,002

Total derivative liabilities before netting	164	11,914	4,478	16,556
Netting (1)				(9,738)
Total derivative liabilities after netting	164	11,914	4,478	6,818
Total liabilities	$ 164	$ 812,523	$ 4,478	$ 807,427

(1) Derivatives are reported net of cash collateral received and paid and, to the extent that the criteria of the accounting guidance covering the offsetting of amounts related to certain contracts are met, positions with the same counterparty are netted as part of a legally enforceable master netting agreement.

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	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets:				
Short-term investments	$ 139,900	$	$	$ 139,900
Mortgage-backed securities at fair value		307,363		307,363
Mortgage loans acquired for sale at fair value		637,722		637,722
Mortgage loans at fair value		527,369	2,199,583	2,726,952
Excess servicing spread purchased from PFSI			191,166	191,166
Derivative assets:				
Interest rate lock commitments			5,678	5,678
MBS put options		374		374
Forward purchase contracts		3,775		3,775
Forward sales contracts		52		52
Put options on interest rate futures	193			193
Call options on interest rate futures	3,319			3,319
Total derivative assets	3,512	4,201	5,678	13,391
Netting (1)				(2,284)
Total derivative assets after netting	3,512	4,201	5,678	11,107
Mortgage servicing rights at fair value			57,358	57,358
	$ 143,412	$ 1,476,655	$ 2,453,785	$ 4,071,568
Liabilities:				
Asset-backed secured financing of the variable interest entity at fair value	$	$ 165,920	$	$ 165,920
Derivative liabilities:				
Interest rate lock commitments			17	17
MBS call options	478			478
Forward purchase contracts		34		34
Forward sales contracts		6,649		6,649
Total derivative liabilities	478	6,683	17	7,178
Netting (1)				(4,748)
Total derivative liabilities	478	6,683	17	2,430
Total liabilities	$ 478	$ 172,603	$ 17	$ 168,350

(1) Derivatives are reported net of cash collateral received and paid and, to the extent that the criteria of the accounting guidance covering the offsetting of amounts related to certain contracts are met, positions with the same counterparty are netted as part of a legally enforceable master netting agreement.

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The following is a summary of changes in items measured using Level 3 inputs on a recurring basis:

	Quarter ended June 30, 2015				
	Mortgage loans at fair value	Excess servicing spread	Interest rate lock commitments (1)	Mortgage servicing rights	Total
			(in thousands)		
Assets:					
Balance, March 31, 2015	$ 2,343,382	$ 222,309	$ 8,214	$ 49,448	$ 2,623,353
Purchases		140,874			140,874
Repayments and sales	(68,190)	(18,352)			(86,542)
Capitalization of interest	9,922				9,922
Accrual of interest		5,819			5,819
ESS received pursuant to a recapture agreement with PFSI		1,319			1,319
Interest rate lock commitments issued, net			11,683		11,683
Servicing received as proceeds from sales of mortgage loans				1,588	1,588
Changes in instrument-specific credit risk	7,489				7,489
Other factors	22,579	7,133	(23,411)	6,307	12,608
	30,068	7,133	(23,411)	6,307	20,097
Transfers of mortgage loans to REO	(68,238)				(68,238)
Transfers of interest rate lock commitments to mortgage loans acquired for sale			3,247		3,247
Balance, June 30, 2015	$ 2,246,944	$ 359,102	$ (267)	$ 57,343	$ 2,663,122
Changes in fair value recognized during the period relating to assets still held at June 30, 2015	$ 32,807	$ 7,133	$ (267)	$ 6,307	$ 45,980

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

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	Quarter ended June 30, 2014					
	Mortgage loans at fair value	Mortgage loans under forward purchase agreements	Excess servicing spread	Net interest rate lock commitments (1)	Mortgage servicing rights	Total
	(in thousands)					
Assets:						
Balance, March 31, 2014	$ 2,079,020	$ 202,661	$ 151,019	$ 3,271	$ 36,181	$ 2,472,152
Purchases	26,737	466	52,867			80,070
Repayments and sales	(140,807)	(1,084)	(9,080)			(150,971)
Capitalization of interest	17,042	1,057				18,099
Accrual of interest			3,138			3,138
ESS received pursuant to a recapture agreement with PFSI			2,362			2,362
Interest rate lock commitments issued, net				19,158		19,158
Servicing received as proceeds from sales of mortgage loans					15,385	15,385
Changes in fair value included in income arising from:						
Changes in instrument-specific credit risk	19,326	1,236				20,562
Other factors	52,525	507	(10,062)	9,563	(4,764)	47,769
	71,851	1,743	(10,062)	9,563	(4,764)	68,331
Transfers of mortgage loans under forward purchase agreements to mortgage loans	201,443	(201,443)				
Transfers of mortgage loans to REO	(98,785)					(98,785)
Transfers of mortgage loans under forward purchase agreements to REO under forward purchase agreements		(3,400)				(3,400)
Transfers of interest rate lock commitments to mortgage loans				(20,905)		(20,905)
Balance, June 30, 2014	$ 2,156,501	$	$ 190,244	$ 11,087	$ 46,802	$ 2,404,634

Changes in fair value recognized during the period relating to assets still held at June 30, 2014	$ 50,613	$	$ (10,062)	$ 11,088	$ (4,764)	$ 46,875

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

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	Six months ended June 30, 2015				
	Mortgage loans at fair value	Excess servicing spread	Interest rate lock commitments (1)	Mortgage servicing rights	Total
			(in thousands)		
Assets:					
Balance, December 31, 2014	$ 2,199,583	$ 191,166	$ 5,661	$ 57,358	$ 2,453,768
Purchases	241,981	187,287			429,268
Repayments and sales	(114,070)	(31,083)			(145,153)
Capitalization of interest	20,130				20,130
Accrual of interest		9,570			9,570
ESS received pursuant to a recapture agreement with PFSI		2,565			2,565
Interest rate lock commitments issued, net			31,083		31,083
Servicing received as proceeds from sales of mortgage loans				3,495	3,495
Changes in instrument-specific credit risk	19,057				19,057
Other factors	28,196	(403)	(23,399)	(3,510)	884
	47,253	(403)	(23,399)	(3,510)	19,941
Transfers of mortgage loans to REO	(147,933)				(147,933)
Transfers of interest rate lock commitments to mortgage loans acquired for sale			(13,612)		(13,612)
Balance, June 30, 2015	$ 2,246,944	$ 359,102	$ (267)	$ 57,343	$ 2,663,122
Changes in fair value recognized during the period relating to assets still held at June 30, 2015	$ 54,574	$ (403)	$ (267)	$ (3,510)	$ 50,394

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

	Six months ended June 30, 2014					
	Mortgage loans at fair value	Mortgage loans under forward purchase agreements	Excess servicing spread	Net interest rate lock commitments (1)	Mortgage servicing rights	Total
			(in thousands)			
Assets:						
Balance, December 31, 2013	$ 2,076,665	$ 218,128	$ 138,723	$ 1,249	$ 26,452	$ 2,461,217
Purchases	283,017	1,386	73,393			357,796

Repayments and sales	(387,430)	(6,413)	(16,494)			(410,337)
Capitalization of interest	28,553	1,801				30,354
Accrual of interest			6,001			6,001
ESS received pursuant to a recapture agreement with PFSI			3,475			3,475
Interest rate lock commitments issued, net				31,754		31,754
Servicing received as proceeds from sales of mortgage loans					27,142	27,142
Changes in fair value included in income arising from:						
Changes in instrument-specific credit risk	42,629	2,269				44,898
Other factors	70,080	(1,466)	(14,854)	11,993	(6,792)	58,961
	112,709	803	(14,854)	11,993	(6,792)	103,859
Transfers of mortgage loans under forward purchase agreements to mortgage loans	205,902	(205,902)				
Transfers of mortgage loans to REO	(162,915)					(162,915)
Transfers of mortgage loans under forward purchase agreements to REO under forward purchase agreements		(9,803)				(9,803)
Transfers of interest rate lock commitments to mortgage loans acquired for sale				(33,909)		(33,909)
Balance, June 30, 2014	$ 2,156,501	$	$ 190,244	$ 11,087	$ 46,802	$ 2,404,634
Changes in fair value recognized during the period relating to assets still held at June 30, 2014	$ 73,951	$	$ (14,854)	$ 11,087	$ (6,792)	$ 63,392

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

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Following are the fair values and related principal amounts due upon maturity of mortgage loans accounted for under the fair value option (including mortgage loans acquired for sale, mortgage loans at fair value and mortgage loans held in a consolidated VIE):

	June 30, 2015		
	Fair value	Principal amount due upon maturity	Difference
	(in thousands)		
Mortgage loans acquired for sale at fair value:			
Current through 89 days delinquent	$ 2,212,726	$ 2,123,424	$ 89,302
90 or more days delinquent (1)			
Not in foreclosure	554	547	7
In foreclosure	594	689	(95)
	1,148	1,236	(88)
	2,213,874	2,124,660	89,214
Other mortgage loans at fair value:			
Current through 89 days delinquent	1,239,333	1,495,190	(255,857)
90 or more days delinquent (1)			
Not in foreclosure	597,859	839,463	(241,604)
In foreclosure	893,628	1,264,333	(370,705)
	1,491,487	2,103,796	(612,309)
	2,730,820	3,598,986	(868,166)
	$ 4,944,694	$ 5,723,646	$ (778,952)

(1) Loans delinquent 90 or more days are placed on nonaccrual status and previously accrued interest is reversed.

	December 31, 2014		
	Fair value	Principal amount due upon maturity	Difference
	(in thousands)		
Mortgage loans acquired for sale:			
Current through 89 days delinquent	$ 637,518	$ 610,372	$ 27,146
90 or more days delinquent (1)			
Not in foreclosure	204	255	(51)

In foreclosure			
	204	255	(51)
	637,722	610,627	27,095
Other mortgage loans at fair value:			
Current through 89 days delinquent	1,191,635	1,452,885	(261,250)
90 or more days delinquent (1)			
Not in foreclosure	608,144	875,214	(267,070)
In foreclosure	927,173	1,371,371	(444,198)
	1,535,317	2,246,585	(711,268)
	2,726,952	3,699,470	(972,518)
	$ 3,364,674	$ 4,310,097	$ (945,423)

(1) Loans delinquent 90 or more days are placed on nonaccrual status and previously accrued interest is reversed.

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Following are the changes in fair value included in current period income by consolidated statement of income line item for financial statement items accounted for under the fair value option:

	Quarter ended June 30, 2015				
	Net gain on mortgage loans acquired for sale	Net interest income	Net gain on investments	Net loan servicing fees	Total
	(in thousands)				
Assets:					
Short-term investments	$	$	$	$	$
Mortgage-backed securities at fair value		(23)	(6,702)		(6,725)
Mortgage loans acquired for sale at fair value	(5,017)				(5,017)
Mortgage loans at fair value		(310)	17,990		17,680
Excess servicing spread at fair value			8,589		8,589
Mortgage servicing rights at fair value				6,307	6,307
	$ (5,017)	$ (333)	$ 19,877	$ 6,307	$ 20,834
Liabilities:					
Asset-backed secured financing at fair value	$	$ 51	$ 3,991	$	$ 4,042
	$	$ 51	$ 3,991	$	$ 4,042

	Quarter ended June 30, 2014				
	Net gain on mortgage loans acquired for sale	Net interest income	Net gain on investments	Net loan servicing fees	Total
	(in thousands)				
Assets:					
Short-term investments	$	$	$	$	$
Mortgage-backed securities at fair value		155	4,081		4,236
Mortgage loans acquired for sale at fair value	31,202				31,202
Mortgage loans at fair value		223	88,029		88,252
Mortgage loans under forward purchase agreements at fair value			1,743		1,743
Excess servicing spread at fair value			(7,537)		(7,537)
Mortgage servicing rights at fair value				(4,764)	(4,764)
	$ 31,202	$ 378	$ 86,316	$ (4,764)	$ 113,132

Liabilities:					
Asset-backed secured financing at fair value	$ (5,175)	$ (80)	$	$	$ (5,255)
	$ (5,175)	$ (80)	$	$	$ (5,255)

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	Six months ended June 30, 2015				
	Net gain on mortgage loans acquired for sale	Net interest income	Net gain on investments (in thousands)	Net loan servicing fees	Total
Assets:					
Short-term investments	$	$	$	$	$
Mortgage-backed securities at fair value		63	(5,186)		(5,123)
Mortgage loans acquired for sale at fair value	18,064				18,064
Mortgage loans at fair value		179	36,977		37,156
Mortgage loans under forward purchase agreements at fair value					
Excess servicing spread at fair value			2,342		2,342
Mortgage servicing rights at fair value				(3,510)	(3,510)
	$ 18,064	$ 242	$ 34,133	$ (3,510)	$ 48,929
Liabilities:					
Asset-backed secured financing at fair value	$	$ (122)	$ 3,222	$	$ 3,100
	$	$ (122)	$ 3,222	$	$ 3,100

	Six months ended June 30, 2014				
	Net gain on mortgage loans acquired for sale	Net interest income	Net gain on investments (in thousands)	Net loan servicing fees	Total
Assets:					
Short-term investments	$	$	$	$	$
Mortgage-backed securities at fair value		188	6,734		6,922
Mortgage loans acquired for sale at fair value	49,834				49,834
Mortgage loans at fair value		553	140,194		140,747
Mortgage loans under forward purchase agreements at fair value			803		803
Excess servicing spread at fair value			(10,438)		(10,438)
Mortgage servicing rights at fair value				(6,792)	(6,792)
	$ 49,834	$ 741	$ 137,293	$ (6,792)	$ 181,076
Liabilities:					
Asset-backed secured financing at fair value	$ (7,954)	$ (204)	$	$	$ (8,158)
	$ (7,954)	$ (204)	$	$	$ (8,158)

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Financial Statement Items Measured at Fair Value on a Nonrecurring Basis

Following is a summary of financial statement items that were re-measured at fair value on a nonrecurring basis during the periods presented:

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Real estate asset acquired in settlement of loans	$	$	$ 150,121	$ 150,121
Mortgage servicing rights at lower of amortized cost or fair value			112,363	112,363
	$	$	$ 262,484	$ 262,484

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Real estate asset acquired in settlement of loans	$	$	$ 157,203	$ 157,203
Mortgage servicing rights at lower of amortized cost or fair value			91,990	91,990
	$	$	$ 249,193	$ 249,193

The following table summarizes the fair value changes recognized during the period on assets held at period end that were measured at estimated fair values on a nonrecurring basis:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Real estate asset acquired in settlement of loans	$ (6,491)	$ (7,942)	$ (13,800)	$ (12,525)
Mortgage servicing rights at lower of amortized cost or fair value	7,082	(2,224)	703	(2,851)
	$ 591	$ (10,166)	$ (13,097)	$ (15,376)

Real Estate Acquired in Settlement of Loans

The Company measures its investment in REO at the respective properties fair values less cost to sell on a nonrecurring basis. The initial carrying value of the REO is measured by cost as indicated by the purchase price in the case of purchased REO or as measured by the fair value of the mortgage loan immediately before acquisition in the case of acquisition in settlement of a loan. REO may be subsequently revalued due to the Company receiving greater access to the property, the property being held for an extended period or receiving indications that the property s value may not be supported by developing market conditions. Any subsequent change in fair value to a level that is less than or equal to the property s cost is recognized in *Results of real estate acquired in settlement of loans* in the Company s consolidated statements of income.

Mortgage Servicing Rights at Lower of Amortized Cost or Fair Value

The Company evaluates its MSRs at lower of amortized cost or fair value for impairment with reference to the assets fair value. For purposes of performing its MSR impairment evaluation, the Company stratifies its MSRs at lower of amortized cost or fair value based on the interest rates borne by the mortgage loans underlying the MSRs. Mortgage loans are grouped into pools with 50 basis point interest rate ranges for fixed-rate mortgage loans with interest rates between 3% and 4.5% and a single pool for mortgage loans with interest rates below 3%. MSRs relating to adjustable rate mortgage loans with initial interest rates of 4.5% or less are evaluated in a single pool. If the fair value of MSRs in any of the interest rate pools is below the amortized cost of the MSRs reduced by the existing valuation allowance for that pool, those MSRs are impaired.

When MSRs are impaired, the impairment is recognized in current-period income and the carrying value of the MSRs is adjusted using a valuation allowance. If the fair value of the MSRs subsequently increases, the increase in fair value is recognized in current period income only to the extent of the valuation allowance for the respective impairment stratum.

The Manager periodically reviews the various impairment strata to determine whether the fair value of the impaired MSRs in a given stratum is likely to recover. When the Manager deems recovery of value to be unlikely in the foreseeable future, a write-down of the cost of the MSRs for that stratum to its estimated recoverable value is charged to the valuation allowance.

Fair Value of Financial Instruments Carried at Amortized Cost

The Company s cash balances as well as certain of its borrowings are carried at amortized cost. Cash is measured using Level 1 inputs. The Company s assets sold under agreements to repurchase and mortgage loans participation and sale agreement are classified as Level 3 financial statement instruments as of June 30, 2015 due to the lack of current market activity and the Company s reliance on unobservable inputs to estimate these instruments fair values.

The Manager has concluded that the fair values of *Cash*, *Assets sold under agreements to repurchase, Mortgage loan participation and sale agreement* and *Credit Risk Transfer financing at fair value* approximate the agreements carrying values due to the immediate realizability of cash at its carrying amount and to the borrowing agreements short terms and variable interest rates.

The Exchangeable Notes are carried at amortized cost. The fair value of the Exchangeable Notes at June 30, 2015 and December 31, 2014 was $233.0 million and $239.0 million, respectively. The fair value of the Exchangeable Notes is estimated using a broker indication of value. The Company has classified the Exchangeable Notes as Level 3 financial statement items as of June 30, 2015 due to the lack of current market activity and use of a broker s indication of value to estimate the instrument s fair value.

Valuation Techniques and Inputs

Most of the Company s assets and asset-backed financing agreements are carried at fair value with changes in fair value recognized in current period income. A substantial portion of these items are Level 3 financial statement items which require the use of unobservable inputs that are significant to the estimation of the items fair values. Unobservable inputs reflect the Company s own assumptions 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 financial statement items, the Manager has assigned the responsibility for estimating fair value of these items to specialized staff and subjects the valuation process to significant executive management oversight. The Manager s Financial Analysis and Valuation group (the FAV group) is responsible for estimating the fair values of Level 3 financial statement items other than IRLCs and maintaining its valuation policies and procedures.

With respect to the Level 3 valuations, the FAV group reports to the Manager s senior management valuation committee, which oversees and approves the valuations. The FAV group monitors the models used for valuation of the Company s Level 3 financial statement items, including the models performance versus actual results, and reports those results to the Manager s senior management valuation committee. The Manager s senior management valuation committee includes PFSI s chief executive, financial, operating, credit and asset/liability management officers.

The FAV group is responsible for reporting to the Manager s senior management valuation committee on a monthly basis on the changes in the valuation of the portfolio, including major factors affecting the valuation and any changes in model methods and inputs. To assess the reasonableness of its valuations, the FAV group presents an analysis of the effect on the valuation of changes to the significant inputs to the models.

With respect to IRLCs, the Manager has assigned responsibility for developing fair values to its capital markets risk management staff. The fair values developed by the capital markets risk management staff are submitted to the Manager s senior management secondary marketing working group. The Manager s secondary marketing working group includes PFSI s chief executive, operating, institutional mortgage banking, capital markets, asset/liability, portfolio risk, and capital markets operations officers.

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The following is a description of the techniques and inputs used in estimating the fair values of Level 2 and Level 3 financial statement items:

Mortgage-Backed Securities

The Company s MBS include Agency and senior non-agency MBS. The Company categorized its MBS as Level 2 financial statement items. Fair value of Agency and senior non-Agency MBS is estimated based on quoted market prices for the Company s MBS or similar securities.

Mortgage Loans

Fair value of mortgage loans is estimated based on whether the mortgage loans are saleable into active markets:

Mortgage loans that are saleable into active markets, comprised of the Company s mortgage loans acquired for sale at fair value and mortgage loans at fair value held in a VIE, are categorized as Level 2 financial statement items. The fair values of mortgage loans acquired for sale at fair value are estimated using their quoted market or contracted price or market price equivalent. For the mortgage loans at fair value held in a VIE, the fair values of all of the individual securities issued by the securitization trust are used to derive a fair value for the mortgage loans. The Company obtains indications of fair value from nonaffiliated brokers based on comparable securities and validates brokers indications of fair value using pricing models and inputs the Manager believes are similar to the models and inputs used by other market participants.

Loans that are not saleable into active markets, comprised of the Company s mortgage loans at fair value held outside the VIE and mortgage loans under forward purchase agreements at fair value, are categorized as Level 3 financial statement items and their fair values are estimated using a discounted cash flow approach. Inputs to the discounted cash flow model include current interest rates, loan amount, payment status, property type or contracted selling price, discount rates and forecasts of future interest rates, home prices, prepayment speeds, default speeds and loss severities.

The valuation process includes the computation by stratum of the mortgage loans fair values and a review for reasonableness of various measures such as weighted average life, projected prepayment and default speeds, and projected default and loss percentages. The FAV group computes the effect on the valuation of changes in input variables such as interest rates, home prices, and delinquency status to assess the reasonableness of changes in the loan valuation.

The results of the estimates of fair value of Level 3 mortgage loans are reported to the Manager s valuation committee as part of its review and approval of monthly valuation results.

Changes in fair value attributable to changes in instrument-specific credit risk are measured by the effect on fair value of the change in the respective loan s delinquency status and history at period-end from the later of the beginning of the period or acquisition date.

The significant unobservable inputs used in the fair value measurement of the Company s mortgage loans at fair value are discount rate, home price projections, voluntary prepayment speeds and default 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 inputs used in the valuation of mortgage loans at fair value:

Key inputs	June 30, 2015	December 31, 2014
Discount rate		
Range	2.3% 15.0%	2.3% 15.0%
Weighted average	7.2%	7.7%
Twelve-month projected housing price index change		
Range	1.9% 5.2%	4.0% 5.3%
Weighted average	3.9%	4.8%
Prepayment speed (1)		
Range	0.1% 5.1%	0.0% 6.5%
Weighted average	3.6%	3.1%
Total prepayment speed (2)		
Range	3.6% 29.6%	0.0% 27.9%
Weighted average	20.9%	21.6%

(1) Prepayment speed is measured using Life Voluntary Conditional Prepayment Rate (CPR).
(2) Total prepayment speed is measured using Life Total CPR.

Excess Servicing Spread Purchased from PennyMac Financial Services, Inc.

The Company categorizes ESS as a Level 3 financial statement item. The Company uses a discounted cash flow approach to estimate the fair value of ESS. The key inputs used in the estimation of the fair value of ESS include prepayment speed and discount rate. Significant changes to those inputs in isolation may result in a significant change in the ESS fair value measurement. Changes in these key inputs are not necessarily directly related.

ESS is generally subject to loss in fair value when interest rates decrease. Decreasing mortgage rates normally encourage increased mortgage refinancing activity. Increased refinancing activity reduces the life of the mortgage loans underlying the ESS, thereby reducing the fair value of ESS. Reductions in the fair value of ESS affect income primarily through change in fair value.

Interest income for ESS is accrued using the interest method, based upon the expected interest yield from the ESS through the expected life of the underlying mortgages. Changes to expected interest yield result in a change in *Interest income* on the Company s consolidated statements of income. Changes to other inputs result in a change to fair value that is recognized in *Net gain (loss) on investments* on the Company s consolidated statements of income.

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

	Range (Weighted average)	
Key inputs	June 30, 2015	December 31, 2014
Unpaid principal balance of underlying mortgage loans (in thousands)	$46,809,508	$28,227,340
Average servicing fee rate (in basis points)	32	31
Average ESS rate (in basis points)	16	16
Pricing spread (1)		
Range	1.7% 12.4%	1.7% 12.0%
Weighted average	5.0%	5.3%
Life (in years)		
Range	0.3 7.3	0.4 7.3
Weighted average	6.2	5.8
Annual total prepayment speed (2)		
Range	7.6% 74.3%	7.6% 74.6%
Weighted average	9.7%	11.2%

(1) 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 the United States Dollar London Interbank Offered Rate (LIBOR) curve for purposes of discounting cash flows relating to ESS.

(2) Prepayment speed is measured using Life Total CPR.

Derivative Financial Instruments

The Company categorizes IRLCs as a Level 3 financial statement item. The Company estimates the fair value of IRLCs based on quoted Agency MBS prices, its estimate of the fair value of the MSRs it expects to receive in the sale of the mortgage loans and the probability that the mortgage loan will be purchased as a percentage of the commitments it has made (the pull-through rate).

The significant unobservable inputs used in the fair value measurement of the Company s IRLCs are the pull-through rate and the MSR component of the Company s estimate of the fair value of the mortgage loans it has committed to purchase. Significant changes in the pull-through rate and the MSR component of the IRLCs, in isolation, may result in a significant change in fair value. 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 value, but increase the pull-through rate for loans that have decreased in fair value.

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

Key inputs	**June 30, 2015**	**December 31, 2014**
Pull-through rate		
Range	63.6% 99.9%	65.0% 98.0%
Weighted average	93.7%	94.9%
MSR value expressed as:		
Servicing fee multiple		
Range	1.4 5.2	0.7 5.2
Weighted average	4.4	4.3
Percentage of unpaid principal balance		
Range	0.3% 3.7%	0.2% 1.3%
Weighted average	1.1%	1.1%

The Company estimates the fair value of commitments to sell loans based on quoted MBS prices. The Company estimates the fair value of the interest rate options and futures it purchases and sells based on observed interest rate volatilities in the MBS market. These derivative financial instruments are categorized by the Company as Level 2 financial statement items.

Real Estate Acquired in Settlement of Loans

REO is measured based on its fair value on a nonrecurring basis and is categorized as a Level 3 financial statement item. Fair value of REO is established by using a current estimate of fair value from a broker s price opinion or a full appraisal, or the price given in a current contract of sale.

REO fair values are reviewed by the Manager s staff appraisers when the Company obtains multiple indications of fair value and there is a significant difference between the fair values received. PCM s staff appraisers will attempt to resolve the difference between the indications of fair value. In circumstances where the appraisers are not able to generate adequate data to support a fair value conclusion, the staff appraisers will order an additional appraisal to determine the fair value.

Mortgage Servicing Rights

MSRs are categorized as Level 3 financial statement items. The Company uses a discounted cash flow approach to estimate the fair value of MSRs. The key inputs used in the Company s discounted cash flow model are based on market factors which the Manager believes are consistent with inputs and data used by market participants valuing similar MSRs. The key inputs used in the estimation of the fair value of MSRs include prepayment and default rates of the underlying loans, the applicable pricing spread or discount rate, and annual per-loan cost to service mortgage 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 necessarily directly related.

MSRs are generally subject to loss in fair value when mortgage interest rates decrease. Decreasing mortgage interest rates normally encourage increased mortgage refinancing activity. Increased refinancing activity reduces the life of the mortgage loans underlying the MSRs, thereby reducing MSR fair value. Reductions in the fair value of MSRs affect income primarily through change in fair value and impairment charges. For MSRs backed by mortgage loans with historically low interest rates, factors other than interest rates (such as housing price changes) take on increasing influence on prepayment behavior of the underlying mortgage loans.

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Following are the key inputs used in determining the fair value of MSRs at the time of initial recognition:

	Quarter ended June 30,			
	2015		2014	
	Amortized cost	Fair value	Amortized cost	Fair value
	(MSR recognized and unpaid principal balance of underlying loan amounts in thousands)			
MSR and pool characteristics:				
MSR recognized	$ 30,587	$ 1,589	$ 13,356	$ 15,385
Unpaid principal balance of underlying mortgage loans	$ 3,346,010	$ 176,404	$ 1,244,538	$ 1,458,400
Weighted-average annual servicing fee rate (in basis points)	25	25	25	25
Key inputs:				
Pricing spread (1)				
Range	6.5% 13.0%	9.0% 16.3%	6.3% 14.3%	8.5% 10.3%
Weighted average	8.1%	10.1%	8.7%	9.1%
Life (in years)				
Range	2.6 7.3	2.3 7.3	1.3 7.3	3.2 7.3
Weighted average	6.7	6.8	6.1	7.1
Annual total prepayment speed (2)				
Range	7.6% 28.6%	8.3% 34.2%	7.6% 50.9%	8.1% 25.4%
Weighted average	8.3%	10.6%	10.4%	9.6%
Annual per-loan cost of servicing				
Range	$62 $62	$62 $62	$68 $100	$68 $68
Weighted average	$62	$62	$68	$68

	Six months ended June 30,			
	2015		2014	
	Amortized cost	Fair value	Amortized cost	Fair value
	(MSR recognized and unpaid principal balance of underlying loan amounts in thousands)			
MSR and pool characteristics:				
MSR recognized	$ 56,141	$ 3,495	$ 22,474	$ 27,142
Unpaid principal balance of underlying mortgage loans	$ 5,628,766	$ 400,057	$ 2,095,087	$ 2,550,114
	26	26	25	25

Weighted-average annual servicing fee rate (in basis points)								
Key inputs:								
Pricing spread (1)								
Range	6.5%	17.5%	9.0%	16.3%	6.3%	14.3%	8.5%	12.3%
Weighted average	8.3%		10.6%		8.6%		9.0%	
Life (in years)								
Range	1.3	7.7	2.3	7.3	1.1	7.3	2.8	7.3
Weighted average	6.6		6.3		6.0		7.1	
Annual total prepayment speed (2)								
Range	7.6%	51.0%	8.3%	34.2%	7.6%	56.4%	8.0%	25.4%
Weighted average	8.7%		12.3%		10.4%		9.5%	
Annual per-loan cost of servicing								
Range	$62	$134	$62	$62	$68	$100	$68	$68
Weighted average	$63		$62		$68		$68	

(1) 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 the United States Dollar LIBOR curve for purposes of discounting cash flows relating to MSRs acquired as proceeds from the sale of mortgage loans.

(2) Prepayment speed is measured using Life Total CPR.

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Following is a quantitative summary of key inputs used in the valuation of MSRs as of the dates presented, and the effect on the fair value from adverse changes in those inputs:

	June 30, 2015 Amortized cost	June 30, 2015 Fair value	December 31, 2014 Amortized cost	December 31, 2014 Fair value
	(Carrying value, unpaid principal balance and effect on fair value amounts in thousands)			
MSR and pool characteristics:				
Carrying value	$ 337,394	$ 57,343	$ 300,422	$ 57,358
Unpaid principal balance of underlying mortgage loans	$ 30,687,534	$ 5,761,411	$ 28,006,797	$ 6,278,676
Weighted-average annual servicing fee rate (in basis points)	26	25	26	25
Weighted-average note interest rate	3.81%	4.77%	3.80%	4.78%
Key inputs:				
Pricing spread (1) (2)				
Range	6.3% 17.5%	7.8% 16.3%	6.3% 17.5%	8.1% 16.3%
Weighted average	7.6%	9.7%	7.9%	10.3%
Effect on fair value of a:				
5% adverse change	$(6,593)	$(992)	$(5,801)	$(937)
10% adverse change	$(12,968)	$(1,951)	$(11,410)	$(1,845)
20% adverse change	$(25,098)	$(3,779)	$(22,086)	$(3,577)
Weighted average life (in years)				
Range	1.7 7.3	2.2 7.3	1.8 7.2	1.8 7.2
Weighted average	6.4	6.9	6.4	6.7
Prepayment speed (1) (3)				
Range	7.6% 38.3%	8.0% 31.4%	7.8% 47.9%	8.0% 39.6%
Weighted average	8.4%	10.1%	8.8%	11.4%
Effect on fair value of a:				
5% adverse change	$(6,824)	$(1,350)	$(6,166)	$(1,430)
10% adverse change	$(13,437)	$(2,652)	$(12,138)	$(2,803)
20% adverse change	$(26,066)	$(5,116)	$(23,532)	$(5,394)
Annual per-loan cost of servicing				
Range	$62 $134	$62 $134	$62 $134	$62 $134
Weighted average	$62	$62	$62	$62

Effect on fair value of a:				
5% adverse change	$(2,063)	$(356)	$(1,807)	$(334)
10% adverse change	$(4,127)	$(711)	$(3,614)	$(668)
20% adverse change	$(8,253)	$(1,422)	$(7,228)	$(1,337)

(1) The effect on value of an adverse change in one of the above-mentioned key inputs may result in recognition of MSR impairment. The extent of impairment recognized will depend on the relationship of fair value to the carrying value of MSRs.

(2) Pricing spread represents a margin that is added to a reference interest rate s forward rate curve to develop periodic discount rates. The Company applies a pricing spread to the United States Dollar LIBOR curve for purposes of discounting cash flows relating to MSRs.

(3) Prepayment speed is measured using Life Total CPR.

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

Securities Sold Under Agreements to Repurchase

Fair value of securities sold under agreements to repurchase is based on the accrued cost of the agreements, which approximates the fair values of the agreements, due to the short maturities of such agreements.

Note 8 Mortgage Loans Acquired for Sale at Fair Value

Mortgage loans acquired for sale at fair value is comprised of recently originated mortgage loans purchased by the Company for resale. Following is a summary of the distribution of the Company s mortgage loans acquired for sale at fair value:

	June 30, 2015		December 31, 2014	
Loan type	Fair value	Unpaid principal balance	Fair value	Unpaid principal balance
	(in thousands)			
Conventional:				
Agency-eligible (1)	$ 1,331,950	$ 1,279,712	$ 290,007	$ 277,355
Jumbo	51,594	50,976	138,390	135,008
Acquired for sale to PennyMac Loan Services, LLC Government insured or guaranteed	830,330	793,972	209,325	198,265
	$ 2,213,874	$ 2,124,660	$ 637,722	$ 610,628
Mortgage loans pledged to secure assets sold under agreements to repurchase	$ 1,422,166		$ 609,608	
Mortgage loans pledged to secure mortgage loan participation and sale agreements	$ 72,819		$ 20,862	
Mortgage loans pledged to secure credit risk transfer financing	$ 656,377		$	
Mortgage loans pledged to secure Federal Home Loan Bank (FHLB) advances	$ 48,627		$	

(1) Includes mortgage loans pooled under credit risk transfer financing with a fair value of $656.4 million.

The Company is not approved by Ginnie Mae as an issuer of Ginnie Mae-guaranteed securities which are backed by government-insured or guaranteed mortgage loans. The Company transfers government-insured or guaranteed mortgage loans that it purchases from correspondent lenders to PLS, which is a Ginnie Mae-approved issuer, and earns a sourcing fee of three basis points on the unpaid principal balance plus interest earned during the period it holds each such mortgage loan.

Note 9 Derivative Financial Instruments

The Company engages in interest rate risk management activities in an effort to reduce the variability of earnings caused by changes in interest rates. To manage the price risk resulting from interest rate risk, the Company uses 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 the Company s MBS, IRLCs and inventory of mortgage loans acquired for sale. The Company records all derivative financial instruments at fair value and records changes in fair value in current period income.

The Company is exposed to price risk relative to its mortgage loans acquired for sale as well as to the IRLCs it issues to correspondent lenders. The Company bears price risk from the time an IRLC is issued to a correspondent lender to the time the purchased mortgage loan is sold. The Company is exposed to loss if mortgage interest rates increase, because the value of the purchase commitment or mortgage loan acquired for sale decreases.

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The Company is also exposed to risk relative to the fair value of its MSRs. The Company is exposed to loss in fair value of its MSRs when interest rates decrease. The Company includes MSRs in its hedging activities.

The Company enters into Eurodollar futures contracts, which settle daily, to economically hedge net fair value changes of MBS at fair value and the related variable rate repurchase agreement liabilities indexed to LIBOR and a portion of fixed-rate mortgage loans at fair value held by its consolidated VIE. The Company uses the Eurodollar futures with the intention of moderating the risk of changing market interest rates that will result in unfavorable changes in the value of the Company s fixed-rate assets and economic performance of its LIBOR-indexed variable interest rate repurchase agreement liabilities.

The Company does not use derivative financial instruments for purposes other than in support of its risk management activities other than IRLCs, which are generated in the normal course of business when the Company commits to purchase mortgage loans acquired for sale.

The Company had the following derivative assets and liabilities and related margin deposits recorded within *Derivative assets* and *Derivative liabilities* on the consolidated balance sheets:

	June 30, 2015			December 31, 2014		
		Fair value			Fair value	
Instrument	Notional amount	Derivative assets	Derivative liabilities	Notional amount	Derivative assets	Derivative liabilities
			(in thousands)			
Derivatives not designated as hedging instruments:						
Free-standing derivatives:						
Interest rate lock commitments	1,503,814	$ 4,211	$ 4,478	695,488	$ 5,678	$ 17
Forward sales contracts	3,252,286	10,844	4,002	1,601,282	52	6,649
Forward purchase contracts	2,263,622	2,415	7,912	1,100,700	3,775	34
MBS put options	367,500	1,426		340,000	374	
MBS call options	40,000	169				
Eurodollar future sale contracts	5,984,000			7,426,000		
Eurodollar future purchase contracts				800,000		
Treasury future contracts	40,000	1,210	164	85,000		478
Call options on interest rate futures	1,135,000	3,557		1,030,000	3,319	
Put options on interest rate futures	1,273,000	1,659		275,000	193	
Total derivative instruments before netting		25,491	16,556		13,391	7,178
Netting		(11,541)	(9,738)		(2,284)	(4,748)
		$ 13,950	$ 6,818		$ 11,107	$ 2,430
Margin deposits with (collateral received from) derivatives counterparties		$ (1,803)			$ 2,465	

The following tables summarize the notional amount activity for derivative contracts used to hedge the Company s IRLCs, inventory of mortgage loans acquired for sale, MSRs, mortgage loans at fair value held in a VIE and MBS.

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Instrument	Balance, beginning of period	Additions	Dispositions/ expirations	Balance, end of period
	Quarter ended June 30, 2015 (in thousands)			
Forward sales contracts	2,958,492	14,047,534	(13,753,740)	3,252,286
Forward purchase contracts	2,132,616	9,885,504	(9,754,498)	2,263,622
MBS put options	190,000	587,500	(410,000)	367,500
MBS call options		140,000	(100,000)	40,000
Eurodollar future sale contracts	6,355,000	185,000	(556,000)	5,984,000
Treasury future contracts	85,000	65,000	(110,000)	40,000
Call option on interest rate futures	1,165,000	1,635,000	(1,665,000)	1,135,000
Put options on interest rate futures	1,020,000	1,548,000	(1,295,000)	1,273,000

Instrument	Balance, beginning of period	Additions	Dispositions/ expirations	Balance, end of period
	Quarter ended June 30, 2014 (in thousands)			
Forward purchase contracts	1,777,353	12,037,081	(10,755,830)	3,058,604
Forward sales contracts	2,497,960	15,317,583	(13,629,910)	4,185,633
MBS put options	260,000	412,500	(280,000)	392,500
MBS call options	35,000	95,000	(35,000)	95,000
Eurodollar future sale contracts	6,084,000	336,000	(858,000)	5,562,000
Eurodollar future purchase contracts		400,000	(400,000)	
Treasury future sale contracts	75,000	117,000	(107,000)	85,000
Treasury future purchase contracts	380,000	125,000	(380,000)	125,000
Put options on interest rate futures	90,000	230,000	(90,000)	230,000

Instrument	Balance, beginning of period	Additions	Dispositions/ expirations	Balance, end of period
	Six months ended June 30, 2015 (in thousands)			
Forward sales contracts	1,601,283	23,877,061	(22,226,058)	3,252,286
Forward purchase contracts	1,100,700	16,933,180	(15,770,258)	2,263,622
MBS put options	340,000	992,500	(965,000)	367,500
MBS call options		140,000	(100,000)	40,000
Eurodollar future sale contracts	7,426,000	285,000	(1,727,000)	5,984,000
Eurodollar future purchase contracts	800,000		(800,000)	
Treasury future contracts	85,000	161,500	(206,500)	40,000
Call options on interest rate futures	1,030,000	2,275,000	(2,170,000)	1,135,000
Put options on interest rate futures	275,000	2,668,000	(1,670,000)	1,273,000

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Instrument	Balance, beginning of period	Additions	Dispositions/ expirations	Balance, end of period
	Six months ended June 30, 2014			
	(in thousands)			
Forward purchase contracts	2,781,066	18,434,899	(18,157,361)	3,058,604
Forward sales contracts	3,588,027	23,986,522	(23,388,917)	4,185,633
MBS put option	55,000	842,500	(505,000)	392,500
MBS call option	110,000	155,000	(170,000)	95,000
Eurodollar future sale contracts	8,779,000	462,000	(3,679,000)	5,562,000
Eurodollar future purchase contracts		2,997,000	(2,997,000)	
Treasury future sale contracts	105,000	220,800	(240,800)	85,000
Treasury future purchase contracts	52,500	562,000	(489,500)	125,000
Put options on interest rate futures		380,000	(150,000)	230,000

Following are the net gains (losses) recognized by the Company on derivative financial instruments and the income statement line items where such gains and losses are included:

Hedged Item	Income statement line	Quarter ended June 30, 2015	Quarter ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
		(in thousands)			
Interest rate lock commitments and mortgage loans acquired for sale	Net gain on mortgage loans acquired for sale	$ 25,566	$ (28,802)	$ 10,456	$ (39,501)
Mortgage servicing rights	Net loan servicing fees	$ (16,272)	$ 4,286	$ (5,196)	$ 4,186
Fixed-rate assets and LIBOR-indexed repurchase agreements	Net gain on investments	$ (1,256)	$ 8,191	$ (11,294)	$ (13,802)

Note 10 Mortgage Loans at Fair Value

Following is a summary of the distribution of the Company s mortgage loans at fair value:

Loan type	June 30, 2015 Fair value	June 30, 2015 Unpaid principal balance	December 31, 2014 Fair value	December 31, 2014 Unpaid principal balance
	(in thousands)			
Nonperforming mortgage loans	$ 1,491,487	$ 2,103,796	$ 1,535,317	$ 2,246,585
Performing mortgage loans:				
Fixed interest rate	362,389	482,120	322,704	449,496
Adjustable-rate/hybrid	152,286	184,340	127,405	162,329
Interest rate step-up	240,620	344,418	213,999	323,350
Balloon	162	207	158	210
	755,456	1,011,085	664,266	935,385

Fixed interest rate jumbo loans held in a VIE	483,876	484,105	527,369	517,500
	$ 2,730,820	$ 3,598,986	$ 2,726,952	$ 3,699,470
Mortgage loans at fair value pledged to secure :				
Assets sold under agreements to repurchase	$ 2,460,678		$ 2,543,242	
FHLB advances	$ 106,303		$	
Asset-backed secured financing	$ 377,573		$ 527,369	

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Following is a summary of certain concentrations of credit risk in the portfolio of mortgage loans at fair value, excluding mortgage loans held in a VIE securing asset-backed financing:

Concentration	June 30, 2015	December 31, 2014
	(percentages are fair value)	
Portion of mortgage loans originated between 2005 and 2007	73%	75%
Percentage of fair value of mortgage loans with unpaid-principal balance-to-current-property-value in excess of 100%	50%	55%
Percentage of mortgage loans secured by California real estate	23%	22%
Additional states contributing 5% or more of mortgage loans	New York New Jersey Florida	New York New Jersey Florida

Note 11 Real Estate Acquired in Settlement of Loans

Following is a summary of financial information relating to REO:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Balance at beginning of period	$ 317,536	$ 172,987	$ 303,228	$ 138,942
Purchases				3,049
Transfers from mortgage loans at fair value and advances	71,963	105,245	158,078	174,147
Transfer of real estate acquired in settlement of mortgage loans to real estate held for investment	(1,293)		(1,293)	
Transfers from REO under forward purchase agreements		12,645		12,737
Results of REO:				
Valuation adjustments, net	(6,606)	(8,865)	(18,006)	(17,273)
Gain on sale, net	4,800	3,590	10,368	5,772
	(1,806)	(5,275)	(7,638)	(11,501)
Proceeds from sales	(62,122)	(45,131)	(128,097)	(76,903)
Balance at end of period	$ 324,278	$ 240,471	$ 324,278	$ 240,471
At period end:				
REO pledged to secure assets sold under agreements to repurchase	$ 55,420	$ 76,258		

REO held in a consolidated subsidiary whose stock is pledged to secure financings of such properties	$ 147,631	$ 31,426

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Note 12 Real Estate Acquired in Settlement of Loans Under Forward Purchase Agreements

The Company held no real estate acquired in settlement of loans under forward purchase agreements during the quarter and six months ended June 30, 2015. Following is a summary of the activity in REO under forward purchase agreements during the quarter and six months ended June 30, 2014:

	Quarter ended June 30, 2014	Six months ended June 30, 2014
	(in thousands)	
Balance at beginning of period	$ 13,890	$ 9,138
Purchases	29	68
Transfers from mortgage loans under forward purchase agreements at fair value and advances	2,542	9,369
Transfers to REO	(12,646)	(12,737)
Results of REO under forward purchase agreements:		
Valuation adjustments, net	(294)	(779)
Gain on sale, net	222	306
	(72)	(473)
Proceeds from sales	(3,743)	(5,365)
Balance at end of period	$	$

Note 13 Mortgage Servicing Rights

Carried at Fair Value:

Following is a summary of MSRs carried at fair value:

	Quarter ended June 30, 2015	Quarter ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
	(in thousands)			
Balance at beginning of period	$ 49,448	$ 36,181	$ 57,358	$ 26,452
Addition resulting from mortgage loan sales	1,589	15,385	3,495	27,142
Change in fair value:				
Due to changes in valuation inputs or assumptions used in valuation model (1)	8,088	(3,636)	(107)	(4,868)
Other changes in fair value (2)	(1,782)	(1,128)	(3,403)	(1,924)
	6,307	(4,764)	(3,510)	(6,792)
Balance at end of period	$ 57,343	$ 46,802	$ 57,343	$ 46,802

MSRs pledged to secure note payable	$ 57,343	$

(1) Principally reflects changes in pricing spread (discount rate) and prepayment speed inputs, primarily due to changes in interest rates.
(2) Represents changes due to realization of expected cash flows.

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Carried at Lower of Amortized Cost or Fair Value:

Following is a summary of MSRs carried at lower of amortized cost or fair value:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Amortized Cost:				
Balance at beginning of period	$ 323,806	$ 268,450	$ 308,137	$ 266,697
MSRs resulting from loan sales	30,587	13,356	56,141	22,474
Amortization	(9,988)	(7,696)	(19,580)	(15,061)
Application of valuation allowance to write down MSRs with other-than temporary impairment				
Sales			(293)	
Balance at end of period	344,405	274,110	344,405	274,110
Valuation Allowance:				
Balance at beginning of period	(14,093)	(3,204)	(7,714)	(2,577)
Reductions (Additions)	7,082	(2,224)	703	(2,851)
Application of valuation allowance to write down MSRs with other-than temporary impairment				
Balance at end of period	(7,011)	(5,428)	(7,011)	(5,428)
MSRs, net	$ 337,394	$ 268,682	$ 337,394	$ 268,682
Estimated fair value at beginning of period	$ 327,703	$ 289,934	$ 322,230	$ 289,737
Estimated fair value at end of period	$ 362,908	$ 289,226		
MSRs pledged to secure note payable	$ 337,394	$		

The following table summarizes the Company s estimate of future amortization of its existing MSRs carried at amortized cost. This estimate was developed with the inputs used in the June 30, 2015 valuation of MSRs. The inputs underlying the following estimate will change as market conditions and portfolio composition and behavior change, causing both actual and projected amortization levels to change over time.

Twelve months ended June 30,	Estimated MSR amortization (in thousands)
2015	$ 35,410
2016	35,115

2017		32,863
2018		30,287
2019		27,621
Thereafter		183,109
Total	$	344,405

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Servicing fees relating to MSRs are recorded in *Net loan servicing fees* on the Company s consolidated statements of income and are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Contractually-specified servicing fees	$ 24,490	$ 18,234	$ 46,077	$ 35,051

Note 14 Assets Sold Under Agreements to Repurchase

Following is a summary of financial information relating to assets sold under agreements to repurchase:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
During the period:				
Weighted-average interest rate (1)	2.25%	2.20%	2.25%	2.21%
Average balance	$ 3,172,806	$ 2,253,127	$ 3,061,923	$ 2,025,678
Total interest expense	$ 20,210	$ 15,143	$ 39,122	$ 27,682
Maximum daily amount outstanding	$ 3,511,918	$ 2,814,572	$ 3,842,167	$ 2,814,572
At period end:				
Amount outstanding	$ 3,501,925	$ 2,702,642		
Unamortized debt issuance costs	(1,356)	(887)		
Balance	$ 3,500,569	$ 2,701,755		
Weighted-average interest rate	2.25%	2.09%		
Available borrowing capacity:				
Committed	$ 242,310	$ 344,923		
Uncommitted	129,723	828,885		
	$ 372,033	$ 1,173,808		
Margin deposits placed with counterparties	$ 12,848	$ 4,469		
Fair value of assets securing agreements to repurchase:				
Mortgage-backed securities	$ 278,305	$ 198,899		
Mortgage loans acquired for sale at fair value	1,422,166	905,044		
Mortgage loans at fair value	2,460,678	2,407,821		
Real estate acquired in settlement of loans	203,051	107,684		

	$ 4,364,200	$ 3,619,448

(1) Excludes the effect of amortization of commitment fees and issuance costs of $2.2 million and $4.9 million for the quarter and six months ended June 30, 2015 and $2.6 million and $5.2 million for the quarter and six months ended June 30, 2014, respectively.

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Following is a summary of maturities of outstanding assets sold under agreements to repurchase by facility maturity date:

Remaining Maturity at June 30, 2015	Balance (in thousands)
Within 30 days	$ 143,919
Over 30 to 90 days	1,329,621
Over 90 days to 180 days	1,096,036
Over 180 days to 1 year	490,783
Over 1 year to 2 year	441,566
	$ 3,501,925
Weighted average maturity (in months)	5.6

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. Margin deposits are included in *Other assets* in the consolidated balance sheets.

The amount at risk (the fair value of the assets pledged plus the related margin deposit, less the amount advanced by the counterparty and interest payable) and maturity information relating to the Company s assets sold under agreements to repurchase is summarized by counterparty below as of June 30, 2015:

Mortgage loans acquired for sale, mortgage loans and REO sold under agreements to repurchase

Counterparty	Amount at risk (in thousands)	Mortgage loans acquired for sale weighted-average repurchase agreement maturity	Facility maturity
Credit Suisse First Boston Mortgage Capital LLC	$ 170,684	September 18, 2015	October 30, 2015
Bank of America, N.A.	$ 442,604	September 19, 2015	January 29, 2016
Morgan Stanley	$ 15,200	August 22, 2015	December 17, 2015
Citibank, N.A.	$ 333,424	July 29, 2015	September 7, 2015
JPMorgan Chase & Co.	$ 177,811	-	January 26, 2017

Securities sold under agreements to repurchase

Counterparty	Amount at risk (in thousands)	Maturity
Daiwa Capital Markets America Inc.	$ 5,415	August 2, 2015

JPMorgan Chase & Co.	$	3,820	July 29, 2015
Bank of America, N.A.	$	12,528	August 16, 2015
Citibank, N.A.	$	416	September 30, 2015

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The following is a summary of the tangible net worth and minimum required amounts for the Company and certain of its subsidiaries at June 30, 2015 to comply with the debt covenants contained in the borrowing agreements:

Entity	Tangible net worth at June 30, 2015 Balance	Minimum required
	(in thousands)	
PennyMac Mortgage Investment Trust	$ 1,525,297	$ 860,000
Operating Partnership	$ 1,579,016	$ 700,000
PennyMac Holdings, LLC	$ 873,495	$ 250,000
PennyMac Corp	$ 412,488	$ 150,000

Note 15 Mortgage Loan Participation and Sale Agreement

One of the borrowing facilities secured by mortgage loans acquired for sale is in the form of a mortgage loan participation and sale agreement. Participation certificates, each of which represents an undivided beneficial ownership interest in a pool of mortgage loans that have been pooled with Fannie Mae or Freddie Mac, are sold to the lender pending the securitization of such mortgage loans and the sale of the resulting security. A commitment between the Company and a non-affiliate to sell such security 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 and 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 and sale agreement is summarized below:

	Quarter ended June 30, 2015	Six months ended June 30, 2015
	(dollars in thousands)	
During the period:		
Weighted-average interest rate (1)	1.43%	1.43%
Average balance	$ 60,363	$ 52,001
Total interest expense	$ 266	$ 473
Maximum daily amount outstanding	$ 148,032	$ 148,032
At period end:		
Amount outstanding	$ 70,627	
Unamortized debt issuance costs	(15)	
Balance	$ 70,612	
Weighted-average interest rate	1.44%	
	$ 72,819	

Mortgage loans pledged to secure mortgage loan participation and sale agreement

(1) Excludes the effect of amortization of commitment fees of $47,000 and $99,000 for the quarter and six months ended June 30, 2015.

Note 16 Federal Home Loan Bank Advances

In June 2015, the Company entered into a collateral, pledge, and security agreement with the FHLB with no specified termination date. The Company may request advances up to a maximum of $400.0 million. At June 30, 2015, outstanding advances and the maximum outstanding for the quarter and six-month period then ended were $138.4 million with a weighted average interest rate of 0.24% and maturities of 30 days from the day of the advance. The Company pledged MBS of $9.3 million, mortgage loans at fair value of $106.3 million, and mortgage loans acquired for sale of $48.6 million as collateral for these borrowings. The Company is required to comply with certain financial covenants and must also maintain capital stock of 4%.

Note 17 Credit Risk Transfer Financing

On May 11, 2015, the Company, through its wholly-owned subsidiary, PennyMac Corp. (PMC), entered into a credit risk transfer financing arrangement (the CRT Financing Agreement) with Fannie Mae, pursuant to which PMC may sell up to $1.1 billion in unpaid principal balance (UPB) of pools of mortgage loans while retaining a portion of the credit risk underlying such mortgage loans.

Transfers of mortgage loans subject to the CRT Financing Agreement receive sale accounting treatment upon completion of the CRT Financing Agreement s aggregation period and the sale to nonaffiliates of the MBS and a related interest-only stripped security resulting from the mortgage loans. At June 30, 2015, the aggregation period had not been completed. Accordingly, transfers of mortgage loans subject to the CRT Financing Agreement were not derecognized from the Company s consolidated balance sheet and the transfers of mortgage loans subject to the CRT Financing Agreement were accounted for as non-recourse secured financings.

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As of June 30, 2015, the Company had pooled all mortgage loans under the CRT Financing Agreement with an aggregate fair value of $656.4 million, which is included in *Mortgage loans acquired for sale at fair value* on the Company s consolidated balance sheets and has asset-backed financing with an aggregate fair value of $649.1 million, which is included in *Credit risk transfer financing at fair value* on the Company s consolidated balance sheets.

Note 18 Note Payable

On March 31, 2015, the Company, through its wholly-owned subsidiary PennyMac Corp. entered into a Loan and Security Agreement with Citibank, N.A., pursuant to which PMC may finance certain of its mortgage servicing rights relating to mortgage loans pooled into Fannie Mae and/or Freddie Mac MBS in an aggregate loan amount not to exceed $250 million. The note matures on March 29, 2016.

Following is a summary of financial information relating to the note payable:

	Quarter ended June 30, 2015	Six months ended June 30, 2015
	(dollars in thousands)	
During the period:		
Weighted-average interest rate	4.18%	4.18%
Average balance	$ 104,797	$ 52,981
Total interest expense	$ 994	$ 994
Maximum daily amount outstanding	$ 192,352	$ 192,352
At period end:		
Amount outstanding		
Balance	$ 192,352	
Weighted-average interest rate	4.18%	
Mortgage servicing rights pledged to secure note payable	$ 394,737	

Note 19 Asset-Backed Secured Financing of the Variable Interest Entity at Fair Value

Following is a summary of financial information relating to the asset-backed secured financing of the VIE:

	Quarter ended June 30, 2015	Quarter ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
	(dollars in thousands)			
During the period:				
Weighted-average fair value	$ 159,236	$ 165,495	$ 162,361	$ 166,190
Interest expense	$ 1,301	$ 1,561	$ 2,885	$ 3,178
Weighted-average effective interest rate	3.23%	3.73%	3.53%	3.80%
At period end:				
Balance	$ 151,489	$ 170,201		
Interest rate	3.50%	3.50%		

The Asset-backed secured financing of the variable interest entity is a non-recourse liability and secured solely by the assets of the consolidated VIE and not by any other assets of the Company. The assets of the VIE are the only source of funds for repayment of the certificates.

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Note 20 Exchangeable Senior Notes

PMC issued in a private offering $250 million aggregate principal amount of the Exchangeable Notes due May 1, 2020. The Exchangeable Notes bear interest at a rate of 5.375% per year, payable semiannually. The Exchangeable Notes are exchangeable into common shares of the Company at a rate of 33.8667 common shares per $1,000 principal amount of the Exchangeable Notes as of June 30, 2015, which exchange rate increased from the initial exchange rate of 33.5149. The increase in the calculated exchange rate was the result of cash dividends exceeding the dividend threshold amount of $0.57 per share as provided in the related indenture.

Following is financial information relating to the Exchangeable Notes:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
During the period:				
Weighted-average unpaid principal balance	$ 250,000	$ 250,000	$ 250,000	$ 250,000
Interest expense (1)	$ 3,601	$ 3,587	$ 7,198	$ 7,171
At period end:				
Carrying value:				
Unpaid principal balance	$ 250,000	$ 250,000		
Unamortized issuance costs	(5,441)	(6,388)		
	$ 244,559	$ 243,612		

(1) Total interest expense includes amortization of debt issuance costs of $242,000 and $481,000 during the quarter and six months ended June 30, 2015, respectively, and $228,000 and $453,000 during the quarter and six months ended June 2014, respectively.

Note 21 Borrowings under Forward Purchase Agreements

There were no borrowings under forward purchase agreements during the quarter and six months ended June 30, 2015. Following is a summary of financial information relating to borrowings under forward purchase agreements:

	Quarter ended June 30, 2014	Six months ended June 30, 2014
	(dollars in thousands)	
During the period:		
Weighted-average effective interest rate	2.82%	2.84%
Weighted-average balance	$ 109,793	$ 165,471
Interest expense	$ 783	$ 2,363
Maximum daily amount outstanding	$ 226,847	$ 226,847

At period end:	
Balance	$
Interest rate	0.00%
Fair value of underlying loans and REO	$

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Note 22 Liability for Losses Under Representations and Warranties

Following is a summary of the Company s liability for losses under representations and warranties:

	Quarter ended June 30, 2015	Quarter ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
	(in thousands)			
Balance, beginning of period	$ 15,379	$ 10,854	$ 14,242	$ 10,110
Provision for losses	1,419	1,022	2,344	1,766
Losses incurred	(84)		(102)	
Recoveries			230	
Balance, end of period	$ 16,714	$ 11,876	$ 16,714	$ 11,876
Unpaid principal balance of mortgage loans subject to representations and warranties at period end	$ 37,431,575	$ 29,806,058		

Note 23 Commitments and Contingencies

Litigation

From time to time, the Company may be involved in various proceedings, claims and legal actions arising in the ordinary course of business. As of June 30, 2015, the Company was not involved in any such proceedings, claims or legal actions that in management s view would reasonably be likely to have a material adverse effect on the Company.

Mortgage Loan Commitments

The following table summarizes the Company s outstanding contractual loan commitments:

	June 30, 2015
	(in thousands)
Commitments to purchase mortgage loans:	
Mortgage loans acquired for sale at fair value	$ 1,503,814

Note 24 Shareholders Equity

At June 30, 2015, the Company had approximately $106.9 million of common shares available for issuance under its ATM Equity Offering Sales Agreement[SM]. During the quarter ended June 30, 2015, the Company did not sell any common shares under the agreement.

At June 30, 2014, the Company had approximately $115.0 million of common shares available for issuance under its ATM Equity Offering Sales Agreement[SM]. During the six months ended June 30, 2014, the Company sold a total of 3,447,022 of its common shares at a weighted average price of $23.92 per share, providing net proceeds to the Company of approximately $81.6 million, net of sales commissions of $889,000.

Note 25 Net Interest Income

Net interest income is summarized below:

	Quarter ended June 30, 2015	Quarter ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
	(in thousands)			
Interest income:				
From nonaffiliates:				
Short-term investments	$ 82	$ 172	$ 302	$ 324
Mortgage-backed securities	2,505	1,961	5,139	3,722
Mortgage loans acquired for sale at fair value	10,315	5,574	17,416	9,199
Mortgage loans at fair value	22,171	30,813	43,725	54,099
Mortgage loans at fair value held by VIE	4,429	5,418	9,842	10,913
Mortgage loans under forward purchase agreements		1,430		3,584
Other	13	12	24	22
	39,515	45,380	76,448	81,863
From PennyMac Financial Services, Inc:				
Excess servicing spread purchased from PFSI, at fair value	5,818	3,138	9,570	6,001
	45,333	48,518	86,018	87,864
Interest expense:				
From nonaffiliates:				
Assets sold under agreements to repurchase	20,208	15,143	39,120	27,682
Mortgage loans participation and sale agreement	266		473	
Credit risk transfer financing at fair value	1,113		1,113	
Asset-backed secured financing	1,301	1,561	2,884	3,178
Federal Home Loan Bank advances	2		2	
Exchangeable senior notes	3,601	3,587	7,198	7,171
Borrowings under forward purchase agreements		783		2,363
Note payable	994		994	
Interest shortfall on repayments of mortgage loans serviced for Agency securitizations	1,291	461	2,464	700
Interest on mortgage loan impound deposits	430	330	704	546
	29,206	21,865	54,952	41,640
From PennyMac Financial Services, Inc:				
Note payable to PennyMac Financial Services, Inc.	533		533	
	29,739	21,865	55,485	41,640
Net interest income	$ 15,594	$ 26,653	$ 30,533	$ 46,224

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Note 26 Net Gain on Mortgage Loans Acquired for Sale

Net gain on mortgage loans acquired for sale is summarized below:

	Quarter ended June 30, 2015	Quarter ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
	(in thousands)			
Cash (loss) gain:				
Sales proceeds, net	$ (51,218)	$ (3,173)	$ (58,762)	$ (6,067)
Hedging activities	18,713	(18,749)	6,186	(22,299)
	(32,505)	(21,922)	(52,576)	(28,366)
Non cash gain:				
Receipt of MSRs in loan sale transactions	32,176	28,741	59,636	49,616
Provision for losses relating to representations and warranties provided in loan sales	(1,419)	(1,022)	(2,344)	(1,766)
Change in fair value of IRLCs, mortgage loans and hedging derivatives held at period end:				
IRLCs	(8,481)	7,816	(5,927)	9,838
Mortgage loans	14,551	6,660	18,277	8,073
Hedging derivatives	6,853	(10,051)	4,269	(17,202)
	12,923	4,425	16,619	709
	$ 11,175	$ 10,222	$ 21,335	$ 20,193

Note 27 Net Gain on Investments

Net gain on investments is summarized below:

	Quarter ended June 30, 2015	Quarter ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
	(in thousands)			
Net gain (loss) on investments:				
From nonaffiliates:				
Mortgage-backed securities	$ (6,702)	$ 4,265	$ (5,186)	$ 6,917
Mortgage loans	30,068	73,595	47,254	113,512
Mortgage loans held in a VIE	(12,077)	16,177	(10,277)	27,484
Asset-backed secured financing	3,991	(5,175)	3,222	(7,954)
Hedging derivatives	(1,255)	(8,191)	(11,294)	(13,802)

	14,025	80,671	23,719	126,157
From PennyMac Financial Services, Inc:				
Excess servicing spread purchased from PFSI	8,589	(7,537)	2,342	(10,438)
	$ 22,614	$ 73,134	$ 26,061	$ 115,719

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Note 28 Net Loan Servicing Fees

Net loan servicing fees are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Servicing fees (1)	$ 25,887	$ 19,156	$ 48,516	$ 36,688
MSR recapture fee receivable from PFSI		1		9
Effect of MSRs:				
Carried at lower of amortized cost or fair value Amortization	(9,987)	(7,696)	(19,580)	(15,061)
Reversal of (provision for) impairment	7,082	(2,224)	703	(2,851)
Gain on sale			83	
Carried at fair value - change in fair value	6,307	(4,764)	(3,510)	(6,792)
(Losses) gains on hedging derivatives	(16,272)	4,285	(5,193)	4,186
	(12,870)	(10,399)	(27,497)	(20,518)
Net loan servicing fees	$ 13,017	$ 8,758	$ 21,019	$ 16,179
Average servicing portfolio	$ 35,742,835	$ 28,230,295	$ 35,215,677	$ 27,417,841

(1) Includes contractually specified servicing and ancillary fees.

Note 29 Share-Based Compensation Plans

On June 30, 2015 and 2014, the Company had one share-based compensation plan. The Company recognized compensation expense of $1.1 million and $3.7 million for the quarter and six months ended June 30, 2015, compared to $1.6 million and $4.1 million for the same periods in 2014. The Company granted 294,684 and 300,131 restricted share units with a grant date fair value of $6.3 million and $6.0 million during the six months ended June 30, 2015 and the quarter and six months ended June 30, 2014, respectively. No restricted share units were granted during the quarter ended June 30, 2015. The Company had vestings of 226,700 and 301,763 restricted share units during the quarter and six months ended June 30, 2015, compared to 149,529 and 230,216 units for the same periods in 2014.

Note 30 Other Expenses

Other expenses are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014

	(in thousands)			
Common overhead allocation from PFSI (1)	$ 2,546	$ 2,638	$ 4,937	$ 5,216
Servicing and collection costs	3,182	3,114	4,627	3,745
Loan origination	1,176	397	2,129	435
Insurance	302	252	675	491
Technology	311	227	603	474
Other expenses	861	526	1,708	860
	$ 8,378	$ 7,154	$ 14,679	$ 11,221

(1) For the quarter ended June 30, 2015, in accordance with the terms of the management agreement, PCM provided the Company a discretionary waiver of $700,000 of overhead expenses that otherwise would have been allocable to the Company.

Note 31 Income Taxes

The Company had a tax benefit of $3.0 million and $14.3 million for the quarter and six months ended June 30, 2015, as compared to a tax benefit of $1.9 million and $3.5 million for the same periods in 2014. The Company s effective tax rate is (11.9)% and (67.3)% for the quarter and six months ended June 30, 2015, as compared to (2.6)% and (3.2)% for the same periods in 2014. The increase in the Company s tax benefit is due primarily to an increased loss incurred at the Company s taxable REIT subsidiary for the quarter and six months ended June 30, 2015 as compared to the same periods in 2014. The primary difference between the Company s effective tax rate and the statutory tax rate is due to non-taxable REIT income resulting from the dividends paid deduction.

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In general, cash dividends declared by the Company will be considered ordinary income to shareholders for income tax purposes. Some portion of the dividends may be characterized as capital gain distributions or a return of capital.

Note 32 Segments and Related Information

The Company has two segments: correspondent production and investment activities.

The correspondent production segment represents the Company s operations aimed at serving as an intermediary between mortgage lenders and the capital markets by purchasing, pooling and reselling newly originated prime credit quality mortgage loans either directly or in the form of MBS, using the services of PFSI.

Most of the loans the Company has acquired in its correspondent production activities have been eligible for sale to government-sponsored entities such as Fannie Mae and Freddie Mac or through government agencies such as Ginnie Mae.

The investment activities segment represents the Company s investments in mortgage-related assets, which include distressed mortgage loans, REO, MBS, MSRs and ESS. The Company seeks to maximize the fair value of the distressed mortgage loans that it acquires through proprietary loan modification programs, special servicing or other initiatives focused on keeping borrowers in their homes. Where this is not possible, such as in the case of many nonperforming mortgage loans, the Company seeks to effect property resolution in a timely, orderly and economically efficient manner, including through the use of resolution alternatives to foreclosure.

Financial highlights by operating segment are summarized below:

Quarter ended June 30, 2015	**Correspondent production**	**Investment activities**	**Intersegment elimination & other**	**Total**
		(in thousands)		
Net investment income:				
Net gain on mortgage loans acquired for sale	$ 11,175	$	$	$ 11,175
Net gain on investments		22,614		22,614
Net interest income				
Interest income	8,997	36,336		45,333
Interest expense	(4,763)	(24,976)		(29,739)
	4,234	11,360		15,594
Net loan servicing fees		13,017		13,017
Other income (loss)	7,352	13		7,365
	22,761	47,004		69,765
Expenses:				

Loan fulfillment, servicing and management fees payable to PennyMac Financial Services, Inc.	15,785	17,463		33,248
Other	1,754	9,675		11,429
	17,539	27,138		44,677
Pre-tax income	$ 5,222	$ 19,866	$	$ 25,088
Total assets at period end	$ 2,243,570	$ 4,433,804	$	$ 6,677,374

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Quarter ended June 30, 2014	Correspondent production	Investment activities	Intersegment elimination & other	Total
		(in thousands)		
Net investment income:				
Net gain on mortgage loans acquired for sale	$ 10,222	$	$	$ 10,222
Net gain on investments		73,134		73,134
Net interest income				
Interest income	5,585	44,434	(1,501)	48,518
Interest expense	(4,881)	(18,485)	1,501	(21,865)
	704	25,949		26,653
Net loan servicing fees		8,758		8,758
Other income (loss)	4,485	(2,696)		1,789
	15,411	105,145		120,556
Expenses:				
Loan fulfillment, servicing and management fees payable to PennyMac Financial Services, Inc.	12,749	22,776		35,525
Other	265	11,462		11,727
	13,014	34,238		47,252
Pre-tax income	$ 2,397	$ 70,907	$	$ 73,304
Total assets at period end	$ 927,849	$ 3,941,896	$	$ 4,869,745

Six months ended June 30, 2015	Correspondent production	Investment activities	Intersegment elimination & other	Total
		(in thousands)		
Net investment income:				
Net gain on mortgage loans acquired for sale	$ 21,335	$	$	$ 21,335
Net gain on investments		26,061		26,061
Net interest income				
Interest income	16,109	69,909		86,018
Interest expense	(8,583)	(46,902)		(55,485)
	7,526	23,007		30,533
Net loan servicing fees		21,019		21,019
Other income (loss)	12,703	(4,229)		8,474
	41,564	65,858		107,422
Expenses:				

Loan fulfillment, servicing and management fees payable to PennyMac Financial Services, Inc.	28,956	34,831		63,787
Other	2,938	19,429		22,367
	31,894	54,260		86,154
Pre-tax income	$ 9,670	$ 11,598	$	$ 21,268
Total assets at period end	$ 2,243,570	$ 4,433,804	$	$ 6,677,374

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Six months ended June 30, 2014	Correspondent production	Investment activities	Intersegment elimination & other	Total
		(in thousands)		
Net investment income:				
Net gain on mortgage loans acquired for sale	$ 20,193	$	$	$ 20,193
Net gain on investments		115,719		115,719
Net interest income				
Interest income	9,220	81,032	(2,388)	87,864
Interest expense	(8,536)	(35,492)	2,388	(41,640)
	684	45,540		46,224
Net loan servicing fees		16,179		16,179
Other income (loss)	6,841	(8,005)		(1,164)
	27,718	169,433		197,151
Expenses:				
Loan fulfillment, servicing and management fees payable to PennyMac Financial Services, Inc.	21,821	45,271		67,092
Other	353	20,114		20,467
	22,174	65,385		87,559
Pre-tax income	$ 5,544	$ 104,048	$	$ 109,592
Total assets at period end	$ 927,849	$ 3,941,896	$	$ 4,869,745

Note 33 Supplemental Cash Flow Information

	Six months ended June 30, 2015	2014
	(in thousands)	
Cash paid for interest	$ 53,449	$ 50,926
Income tax paid (refund)	$ 401	$ (6,775)
Non-cash investing activities:		
Transfer of mortgage loans and advances to real estate acquired in settlement of loans	$ 158,078	$ 174,147
Purchase of mortgage loans financed through forward purchase agreements	$	$ 1,386
Transfer of mortgage loans under forward purchase agreements to mortgage loans at fair value	$	$ 205,903
Transfer of mortgage loans under forward purchase agreements and advances to REO under forward purchase agreements	$	$ 9,369

Receipt of MSRs as proceeds from sales of loans	$ 59,636	$ 49,616
Purchase of REO financed through forward purchase agreements	$	$ 68
Receipt of ESS pursuant to recapture agreement with PFSI	$ 2,565	$ 3,475
Transfer of REO under forward purchase agreements to REO	$	$ 12,737
Non-cash financing activities:		
Purchase of mortgage loans financed through forward purchase agreements	$	$ 1,386
Purchase of REO financed through forward purchase agreements	$	$ 68
Transfer of real estate acquired in settlement of mortgage loans to real estate held for investment	$ 1,548	$
Transfer of mortgage loans at fair value financed through agreements to repurchase to REO financed under agreements to repurchase	$ 24,972	$ 2,123
Dividends payable	$ 46,074	$ 43,743

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Note 34 Regulatory Net Worth

PMC is a seller-servicer for Fannie Mae and Freddie Mac. To retain its status as an approved seller-servicer, PMC is required to meet Fannie Mae s and Freddie Mac s capital standards, which are a minimum net worth of $61.3 million and $35.8 million, respectively. Management believes that PMC complies with Fannie Mae s and Freddie Mac s net worth requirements as of June 30, 2015.

Note 35 Recently Issued Accounting Pronouncements

In April of 2015, the FASB issued ASU No. 2015-03. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. ASU 2015-03 should be applied on a retrospective basis and is effective for the Company for financial statements issued for fiscal years and interim periods within those fiscal years beginning after December 15, 2015.

The Company adopted ASU 2015-03 during the quarter ended June 30, 2015. As a result of the adoption of ASU 2015-03, the Company reclassified $6.8 million in debt issuance costs from *Other* assets and allocated such costs in the amount of $1.3 million to *Mortgage loans sold under agreements to repurchase*; $15,000 to *Mortgage loan participation and sale agreement*; and $5.4 million to *Exchangeable senior notes*. There were no changes to the Company s consolidated statements of income or consolidated statements of cash flows as a result of the Company s adoption of ASU 2015-03.

Note 36 Subsequent Events

Management has evaluated all events and transactions through the date the Company issued these consolidated financial statements. During this period:

- On July 27, 2015, the Company, through PennyMac Corp., entered into an amendment to its master repurchase agreement with Morgan Stanley Bank, N.A. (Morgan Stanley). The primary purpose of the amendment was to temporarily increase the maximum aggregate transaction limit from $300 million to $400 million, until December 1, 2015, with such $100 million increase on an uncommitted basis. The Company, through PMC, is required to pay Morgan Stanley certain costs and expenses associated with the preparation of the amendment. All other terms and conditions of the repurchase agreement remain the same in all material respects.

- On July 31, 2015, the Company, through the Operating Partnership, entered into an amendment to its master repurchase agreement with Bank of America, N.A (BANA). The primary purpose of the amendment was to temporarily increase the maximum aggregate transaction limit from $550 million to $650 million, until September 30, 2015, with such $100 million increase on an uncommitted basis. The Company, through the Operating Partnership, is required to pay BANA a facility fee relating to the increase in the aggregate transaction limit, as well as certain other costs and expenses associated with the preparation of the amendment. All other terms and conditions of the repurchase agreement remain the same in all material respects.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Statements

The following discussion and analysis of financial condition and results of operations should be read with the consolidated financial statements and the related notes of PennyMac Mortgage Investment Trust (PMT) included within this Quarterly Report on Form 10-Q.

Statements contained in this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors, which may cause actual results to be materially different from those expressed or implied in such statements. You can identify these forward-looking statements by words such as may, will, should, expect, anticipate, believe, estimate, intend, plan and other similar expressions. You should consider our forward-looking statements in light of the risks discussed under the heading Risk Factors, as well as our consolidated financial statements, related notes, and the other financial information appearing elsewhere in this Quarterly Report on Form 10-Q and our other filings with the United States Securities and Exchange Commission (SEC). The forward-looking statements contained in this Quarterly Report on Form 10-Q are made as of the date hereof and we assume no obligation to update or supplement any forward-looking statements.

The following discussion and analysis provides information that we believe is relevant to an assessment and understanding of our consolidated results of operations and financial condition. Unless the context indicates otherwise, references in this Quarterly Report on Form 10-Q to the words we, us, our and the Company refer to PM

Our Company

We are a specialty finance company that invests primarily in residential mortgage loans and mortgage-related assets. Our objective is to provide attractive risk-adjusted returns to our investors over the long-term, primarily through dividends and secondarily through capital appreciation. We have achieved this objective largely by investing in distressed mortgage assets and acquiring, pooling and selling newly originated prime credit quality residential mortgage loans (correspondent production) and retaining the MSRs.

We are externally managed by PCM, an investment adviser that specializes in and focuses on, residential mortgage loans. Most of our mortgage loan portfolio is serviced by PLS.

We invest in distressed mortgage loans through direct acquisitions of mortgage loan portfolios from institutions such as banks and mortgage companies. A substantial portion of the nonperforming loans we have purchased has been acquired from or through one or more subsidiaries of Citigroup Inc.

We seek to maximize the value of the distressed mortgage loans that we acquire using means that are appropriate for the particular loan, including both proprietary and nonproprietary loan modification programs, special servicing and other initiatives focused on avoiding foreclosure, when possible. When we are unable to effect a cure for a mortgage delinquency, our objective is to effect timely acquisition and/or liquidation of the property securing the loan through the use, in part, of short sales and deed-in-lieu of foreclosure programs. During the quarter and six months ended June 30, 2015 we acquired distressed mortgage loans with fair values totaling $242.0 million, and we received proceeds from liquidation, payoffs and sales from our portfolio of distressed mortgage loans and REO, totaling $128.7 million and $240.5 million, respectively. During the quarter and six months ended June 30, 2014 we acquired distressed mortgage loans with fair values totaling $27.2 million and $287.5 million, respectively, and we received proceeds from liquidation, payoffs and sales from our portfolio of distressed mortgage loans and REO totaling $187.0

million and $470.7 million, respectively.

During the quarter and six months ended June 30, 2015, we purchased newly originated prime credit quality loans with fair values totaling $12.5 billion and $20.8 billion, respectively, in furtherance of our correspondent production business compared to $7.3 billion and $12.3 billion for the quarter and six months ended June 30, 2014, respectively. To the extent that we purchase mortgage loans that are insured by the U.S. Department of Housing and Urban Development (HUD) through the FHA or insured or guaranteed by the VA or USDA, we and PLS have agreed that PLS will fulfill and purchase such mortgage loans, as PLS is a Ginnie Mae-approved issuer and servicer and we are not. This arrangement has enabled us

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to compete with other correspondent lenders that purchase both government and conventional mortgage loans. We receive a sourcing fee from PLS of three basis points on the unpaid principal balance (UPB) of each mortgage loan that we sell to PLS under such arrangement, and earn interest income on the loan for the time period we hold the mortgage loan prior to the sale to PLS. We received sourcing fees totaling $2.4 million and $3.8 million relating to $8.5 billion and $13.5 billion of mortgage loans at fair value that we sold to PLS for the quarter and six months ended June 30, 2015, respectively, compared to $1.1 million and $2.0 million relating to $3.7 billion and $6.7 billion of loans at fair value that we sold to PLS for the quarter and six months ended June 30, 2014, respectively.

We supplement these activities through participation in other mortgage-related activities, which are in various stages of analysis, planning or implementation, including:

- Acquisition of excess servicing spread (ESS) from mortgage servicing rights (MSRs) acquired by PLS. We believe that ESS is an attractive long-term investment that allows us to leverage the mortgage loan servicing and origination capabilities of PLS. In addition, ESS can offset against the interest-rate sensitivity of other assets, such as MBS or the inventory of our correspondent production business. During the quarter and six months ended June 30, 2015, we purchased ESS with fair values totaling $140.9 million and $187.3 million, respectively, and received $1.3 million and $2.6 million, respectively, pursuant to a recapture agreement with PFSI. During the quarter and six months ended June 30, 2014, we purchased ESS with fair values totaling $52.9 million and $73.4 million, respectively, and received $2.4 million and $3.5 million, respectively, pursuant to a recapture agreement with PFSI.

We also intend to continue to retain the MSRs that we receive as a portion of the proceeds from our sale or securitization of mortgage loans through our correspondent production operation. During the quarter and six months ended June 30, 2015, we received MSRs with fair values at initial recognition totaling $32.1 million and $59.6 million, respectively, compared to $28.7 million and $49.6 million during the quarter and six months ended June 30, 2014.

- To the extent that we transfer correspondent production loans into private label securitizations, retention of a portion of the securities created in the securitization transaction.

- Acquisition of REIT-eligible mortgage-backed or mortgage-related securities. We purchased MBS with fair values totaling $25.1 million during the quarter and six months ended June 30, 2015.

- Acquisition of small balance (typically under $10 million) commercial mortgage loans.

- Providing inventory financing of mortgage loans for mortgage lenders. We believe this activity may result in attractive investment assets and will supplement and make our correspondent production business more attractive to lenders from which we acquire newly originated loans.

Investing in the credit risk on mortgage loans we deliver to the Agencies. In July of 2015, we completed the delivery of $1.1 billion of mortgage loans into a credit risk transfer transaction through which we will receive a participation in the credit risk of the mortgage loans we delivered. Our interest will be in the form of a certificated security that can be efficiently financed.

We conduct substantially all of our operations, and make substantially all of our investments, through our Operating Partnership and its subsidiaries. We are the sole limited partner and one of our subsidiaries is the sole general partner of our Operating Partnership.

We believe that we qualify to be taxed as a REIT. We believe that we will not be subject to federal income tax on that portion of our income that is distributed to shareholders as long as we meet certain asset, income and share ownership tests. If we fail to qualify as a REIT, and do not qualify for certain statutory relief provisions, our profits will be subject to income taxes and we may be precluded from qualifying as a REIT for the four tax years following the year we lose our REIT qualification. A portion of our activities, including our correspondent production business, is conducted in our TRS, which is subject to corporate federal and state income taxes. Accordingly, we have made a provision for income taxes with respect to the operations of our TRS. We expect that the effective rate for the provision for income taxes may be volatile in future periods. Our goal is to manage the business to take full advantage of the tax benefits afforded to us as a REIT.

Observations on Current Market Conditions

Our business is affected by macroeconomic conditions in the United States, including economic growth, unemployment rates, the residential housing market and interest rate levels and expectations. The U.S. economy continues to grow as reflected in recent economic data. During the second quarter of 2015, real U.S. gross domestic product expanded at an annual rate of 2.3% compared to a 4.6% increase for the second quarter of 2014 and a revised 0.6% increase for the first quarter of 2015. The national unemployment rate was 5.3% at June 30, 2015 compared to 5.5% at March 31, 2015 and 6.1% at June 30, 2014. Delinquency rates on residential real estate loans remain elevated compared to historical rates, but have been steadily declining. As reported by the Federal Reserve Bank, during the first quarter of 2015, the delinquency rate on residential real estate loans held by commercial banks was 6.14%, a reduction from 7.81% during the first quarter of 2014.

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Residential real estate activity appears to be improving. The seasonally adjusted annual rate of existing home sales for June 2015 was 9.6% higher than for June 2014, and the national median existing home price for all housing types was $236,400, a 6.5% increase from June 2014. On a national level, foreclosure filings during June of 2015 increased by 9% as compared to June of 2014. Foreclosure activity is expected to remain above historical average levels through 2015 and beyond.

Changes in fixed-rate residential mortgage loan interest rates generally follow changes in long-term U.S. Treasury yields. Thirty-year fixed mortgage interest rates ranged from a low of 3.65% to a high of 4.09% during the second quarter of 2015 while during the second quarter of 2014, thirty-year fixed mortgage interest rates ranged from a low of 4.12% to a high of 4.41% (Source: the Federal Home Loan Mortgage Corporation s Weekly Primary Mortgage Market Survey). Attachment

Mortgage lenders originated an estimated $445 billion of home loans during the second quarter of 2015, up 52% from the second quarter of 2014. Although the low interest rate environment in the first quarter of 2015 led to an increase in the volume of borrowers seeking to refinance, we expect purchase-money loans to constitute a greater proportion of mortgage originations in the future. Mortgage originations are forecast to remain relatively flat, with current industry estimates for 2015 totaling $1.4 trillion (Source: average of Fannie Mae, Freddie Mac and Mortgage Bankers Association forecasts). We expect efforts to expand GSE product offerings (including 97% loan-to-value loans) and a recent reduction in FHA mortgage insurance premiums to make mortgage credit more affordable. In our correspondent production business we continue to see increased competition from new and existing market participants.

We believe there is significant long-term market opportunity in non-Agency jumbo mortgage loans, however current investor demand from institutional investors and large banks remains limited. The prime jumbo MBS securitization market was active during the second quarter of 2015, with issuances totaling $2.8 billion in UPB as compared with $1.2 billion during the second quarter of 2014. During the second quarter of 2015, we produced approximately $26 million in UPB of jumbo loans compared to $81 million in UPB of jumbo loans produced during the second quarter of 2014.

Our Manager continues to see a robust market for distressed residential mortgage loans (sales of loan pools that consist of either non-performing loans, troubled but performing loans or a combination thereof) offered for sale. During 2014, the pool of sellers expanded to include new programmatic sellers, such as HUD and Freddie Mac. During the second quarter of 2015, our Manager reviewed 24 mortgage loan pools totaling approximately $7.3 billion in UPB. This compares to our Manager s review of 43 mortgage loan pools totaling approximately $10.4 billion in UPB during the second quarter of 2014. During the six months ended June 30, 2015, we acquired distressed loans with fair value totaling $242 million compared to $287.5 million during the same period in 2014. While we expect to see a continued supply of distressed whole loans, we believe the pricing for recent transactions has been less attractive for buyers. We remain patient and selective in making new investments in distressed whole loans and we continue to monitor the market to assess best execution opportunities for distressed portfolio investments.

Results of Operations

The following is a summary of our key performance measures:

	Quarter ended June 30, 2015	Quarter ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
	(in thousands except per share amounts)			
Net investment income	$ 69,765	$ 120,556	$ 107,422	$ 197,151
Expenses	44,677	47,252	86,154	87,559
Benefit from income taxes	(2,983)	(1,907)	(14,311)	(3,492)
Net income	$ 28,071	$ 75,211	$ 35,579	$ 113,084
Pre-tax income by segment:				
Correspondent production	$ 5,222	$ 2,397	$ 9,670	$ 5,544
Investment activities	19,866	70,907	11,598	104,048
	$ 25,088	$ 73,304	$ 21,268	$ 109,592
Earnings per share:				
Basic	$ 0.37	$ 1.01	$ 0.46	$ 1.54
Diluted	$ 0.36	$ 0.93	$ 0.46	$ 1.44
Dividends per share:				
Declared & paid	$ 0.61	$ 0.59	$ 1.22	$ 1.18
Investment activities:				
Distressed mortgage loans and REO:				
Purchases	$	$ 27,233	$ 241,981	$ 287,520
Cash proceeds from liquidation activities	$ 128,657	$ 200,764	$ 240,538	$ 486,324
MBS:				
Purchases	$	$ 19,638	$ 25,129	$ 19,638
Cash proceeds from repayment and sales	$ 21,942	$ 3,441	$ 39,744	$ 5,419
ESS:				
Purchases from PFSI	$ 140,875	$ 52,867	$ 187,287	$ 73,393
Cash proceeds from repayments	$ 18,352	$ 9,081	$ 31,083	$ 16,494
Per share prices during the period:				
High	$ 21.76	$ 24.15	$ 22.99	$ 24.44
Low	$ 17.43	$ 20.78	$ 17.43	$ 20.78
At period end	$ 17.43	$ 21.94	$ 17.43	$ 21.94
At period end:				
Total assets	$ 6,677,374	$ 4,869,745		
Book value per share	$ 20.39	$ 21.27		

During the quarter and six months ended June 30, 2015, we recorded net income of $28.1 million and $35.6 million, or $0.36 and $0.46 per diluted share, respectively. Our net income for the quarter and six months ended June 30, 2015 reflects net interest income of $15.6 million and $30.5 million, supplemented by net gains on our investments in financial instruments totaling $33.8 million and $47.4 million (comprised of net gain on investments and net gain on mortgage loans acquired for sale), including $15.1 and $32.3 million of valuation gains on mortgage loans at fair value and mortgage loans at fair value held by variable interest entity (VIE). During the quarter and six months ended June 30, 2015, we purchased $12.5 billion and $20.8 billion in fair value of newly originated mortgage loans. We recognized gains on such loans totaling approximately $11.2 million and $21.3 million, including $32.2 million and $59.6 million of MSRs retained upon securitization or sale of such loans. At June 30, 2015, we held mortgage loans acquired for sale with fair values totaling $2.2 billion, including $830.3 million that were pending sale to PLS.

During the quarter and six months ended June 30, 2014, we recorded net income of $75.2 million and $113.1 million, or $0.93 and $1.44 per diluted share, respectively. Our net income for the quarter and six months ended June 30, 2014 reflects net gains on our investments in financial instruments (comprised of net gain on investments and net gain on mortgage loans acquired for sale) totaling $83.4 million and $135.9 million, including $63.7 million and $96.9 million of valuation gains on mortgage loans at fair value, and mortgage loans under forward purchase agreements at fair value. These gains were supplemented by $26.7 million and $46.2 million of net interest income, respectively. During the quarter and six months ended June 30, 2014, we purchased $7.3 billion and $12.3 billion in fair value of newly originated mortgage loans. We recognized gains on such loans totaling approximately $10.2 million and $20.2 million. At June 30, 2014, we held mortgage loans acquired for sale with fair values totaling $909.1 million, including $304.7 million that were pending sale to PLS.

Our net income decreased during the quarter and six months ended June 30, 2015 compared to the quarter and six months ended June 30, 2014 primarily due to a decrease in pretax income in our investment activities segment. During the quarter ended June 30, 2015, we recognized net investment income totaling approximately $47.0 million in our investment activities segment, a decrease of $58.1 million, or 55%, from $105.1 million during the quarter ended June 30, 2014. During the six months ended June 30, 2015, we recognized net investment income totaling approximately $65.8 million in our investment activities segment, a decrease of $103.6 million, or 61%, from $169.4 million during the quarter ended June 30, 2014. In our investment activities, our average investment portfolio was approximately $3.5 billion during the quarter ended June 30, 2015, an increase of $180.8 million, or 5.5%, over the quarter ended June 30, 2014.

In our correspondent production activities, we received proceeds of $3.7 billion and $5.7 billion during the quarter and six months ended June 30, 2015, respectively, from the sale of mortgage loans to non-affiliates. We issued $4.4 billion and $7.9 billion of IRLCs relating to Agency and jumbo mortgage loans during the quarter and six months ended June 30, 2015, an increase of $738.0 million, or 20%, and an increase of $2.0 billion, or 34%, from the same periods in 2014. We sold approximately 30% more loans to nonaffiliates during the quarter ended June 30, 2015 as compared to the same period in 2014 but our net gain on mortgage loans acquired for sale decreased by $10.2 million, or 48%. The increased demand for mortgage loans notwithstanding, continuing competition in the conventional conforming mortgage market has decreased margins in our net gain on mortgage loans acquired for sale.

Net Investment Income

During the quarter and six months ended June 30, 2015, we recorded net investment income of $69.8 million and $107.4 million, respectively, comprised primarily of net interest income of $15.6 million and $30.5 million, $11.2 million and $21.3 million of net gain on mortgage loans acquired for sale, $13.0 million and $21.0 million of net loan servicing fees, $7.3 million and $12.6 million of loan origination fees, and $22.6 million and $26.1 million of net gain on investments, partially offset by losses from results of REO of $1.8 million and $7.6 million. During the quarter and six months ended June 30, 2014, we recorded net investment income of $120.6 million and $197.2 million, respectively, comprised primarily of net gain on investments of $73.1 million and $115.7 million, supplemented by $26.7 million and $46.2 million of net interest income, $10.2 million and $20.2 million of net gain on mortgage loans acquired for sale, $8.8 million and $16.2 million of net loan servicing fees, and $4.5 million and $6.8 million of loan origination fees, partially offset by $5.3 million and $12.0 million of losses from results of REO, respectively

Net investment income includes non-cash fair value adjustments. Because we have elected to record our financial assets (comprised of MBS, mortgage loans acquired for sale at fair value, mortgage loans at fair value and ESS) at fair value, a substantial portion of the income we record with respect to such assets results from non-cash changes in fair value. Net investment income also includes non-cash fair value adjustments related to IRLCs and the derivatives we use to hedge our financial assets and liabilities and MSRs, non-cash interest income arising from capitalization of delinquent interest on mortgage loans upon completion of the modification of such loans, accrual of unearned discounts relating to mortgage loans held in a consolidated VIE and amortization of issuance costs and premiums relating to our asset-backed financings.

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The amounts of non-cash fair value and interest income adjustments are as follows:

	Quarter ended June 30, 2015	Quarter ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
	(in thousands)			
Net gain on mortgage loans acquired for sale				
Mortgage loans acquired for sale	$ 14,551	$ 6,660	$ 18,277	$ 8,073
IRLCs	(8,481)	7,816	(5,927)	9,838
Hedging derivatives	6,853	(10,051)	4,269	(17,202)
	12,923	4,425	16,619	709
Net interest income				
Capitalization of interest pursuant to mortgage loan modifications	9,921	17,883	20,130	30,353
Accrual of unearned discounts and amortization of premiums on MBS, mortgage loans and asset-backed financing	(287)	223	116	553
	9,634	18,106	20,246	30,906
Net gain (loss) on investments				
Mortgage-backed securities:				
Agency	(4,288)	4,081	(3,180)	6,734
Non Agency	(2,414)	184	(2,007)	184
Mortgage loans:				
at fair value	27,175	61,869	42,602	96,421
at fair value held in a variable interest entity	(12,078)	16,177	(10,277)	27,484
at fair value under forward purchase agreements		1,842		463
Excess servicing spread	8,589	(7,537)	2,342	(10,438)
Asset-backed secured financing	3,991	(5,175)	3,222	(7,954)
	20,975	71,441	32,702	112,894
Net loan servicing fees - MSR valuation adjustments	15,170	(5,860)	680	(7,720)
	$ 58,702	$ 88,112	$ 70,247	$ 136,789

Cash is generated when mortgage loan investments are monetized through payoffs or sales, when payment of principal and interest occurs on such loans, generally after they are modified, or when the property securing a mortgage loan that has been settled through acquisition of the property securing the mortgage loan has been sold. We receive proceeds on the sale of mortgage loans acquired for sale that include both cash and our estimate of the fair value of MSRs and we recognize a liability for potential losses relating to representations and warranties created in the loan sales transactions. Cash flows relating to hedging instruments are generally produced when the instruments mature or when we effectively cancel the transactions through an offsetting trade. With respect to MSRs and ESS, negative valuation adjustments generally arise from increased prepayment expectations. To the extent that such expectations result from decreasing interest rates, increased loan production and recapture of MSRs and ESS may occur.

The following table illustrates the net gain in fair value that we accumulated over the period during which we owned the liquidated mortgage loan investments and REO, as compared to the proceeds actually received and the additional net gain realized upon liquidation of such assets:

	Quarter ended June 30,					
	2015			2014		
	Proceeds	Accumulated gains (2)	Gain on liquidation (3)	Proceeds	Accumulated gains (2)	Gain on liquidation (3)
	(in thousands)					
Mortgage loans (1)	$ 66,535	$ 7,108	$ 2,893	$ 142,255	$ 27,580	$ 9,883
REO	62,122	2,089	4,800	48,874	3,229	3,811
	$ 128,657	$ 9,197	$ 7,693	$ 191,129	$ 30,809	$ 13,694

	Six months ended June 30,					
	2015			2014		
	Proceeds	Accumulated gains (2)	Gain on liquidation (3)	Proceeds	Accumulated gains (2)	Gain on liquidation (3)
	(in thousands)					
Mortgage loans (1)	$ 112,440	$ 12,729	$ 4,651	$ 394,316	$ 80,822	$ 16,629
REO	128,098	3,051	10,368	82,268	6,202	6,078
	$ 240,538	$ 15,780	$ 15,019	$ 476,584	$ 87,024	$ 22,707

(1) For the quarter and six months ended June 30, 2015, the amounts include sales of reperforming mortgage loans with sale proceeds of $939,000, accumulated losses of $186,000, and $284,000 loss on liquidation, respectively. For the quarter and six months ended June 30, 2014, the amounts include sales of reperforming mortgage loans with sale proceeds of $70.3 million and $264.3 million, accumulated gains of $18.6 million and $62.8 million, and $2.4 million and $3.5 million gain on liquidation, respectively.
(2) Represents valuation gains and losses recognized during the period we held the respective asset but excludes the gain or loss recorded upon sale or repayment of the respective asset.
(3) Represents the gain or loss recognized upon sale or repayment of the respective asset.

The amounts included in accumulated gains and gains on liquidation do not include the cost of managing the liquidated assets, which may be substantial depending on the collection status of the loan at acquisition on our success in working with the borrower to resolve the distress in the loan and the amount of time we hold such asset. Accumulated gains include the amount of accumulated valuation gains and losses recognized throughout the holding period and, in the case of REO, include direct transaction costs incurred in the sale of the property. Accordingly, the preceding amounts do not represent periodic earnings on a cash basis and the amount of gain will have accumulated over varying periods depending on the holding periods and liquidation speed for individual assets.

The primary expenses incurred at a loan level in managing our portfolio of distressed assets are servicing and activity fees. From the time of acquisition of the distressed assets through their deboarding dates, we incurred aggregate servicing and activity fees of $4.4 million and $10.1 million with respect to assets liquidated during the quarter and six months ended June 30, 2015, respectively, compared to $3.1 million and $8.1 million for the quarter and six months ended June 30, 2014.

The decrease in net investment income during the quarter ended June 30, 2015 as compared to the quarter ended June 30, 2014 primarily reflects the decrease in net fair value gains in our investments in mortgage loans at fair value, along with losses recognized on our investment in MBS and mortgage loans held by VIE partially offset by increased gains in our investment in ESS. Decreases in gain on our investments in mortgage loans are due to moderation in both actual and projected real estate values relating to the properties securing our distressed loans, reduced appreciation of our performing mortgage loans resulting from observed increased market place demand, and slower than expected transitions of loans toward resolution as compared to the quarter ended June 30, 2014.

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Net Interest Income

Net interest income is summarized below:

	Quarter ended June 30, 2015				
	Interest income/expense				Annualized %
	Coupon	Discount/ fees (1)	Total	Average balance	interest yield/cost
	(dollars in thousands)				
Assets:					
Correspondent production:					
Mortgage loans acquired for sale at fair value	$ 10,315	$	$ 10,315	$ 1,014,883	4.02%
Investment activities:					
Short-term investments	82		82	46,542	0.70%
Mortgage -backed securities:					
Agency	1,545	(4)	1,541	185,932	3.28%
Non-Agency prime jumbo	983	(19)	964	117,694	3.24%
	2,528	(23)	2,505	303,626	3.26%
Mortgage loans:					
at fair value	22,171		22,171	2,295,807	3.82%
at fair value held by variable interest entity	4,739	(310)	4,429	504,309	3.47%
	26,910	(310)	26,600	2,800,116	3.76%
Excess servicing spread from affiliates	5,818		5,818	311,579	7.39%
Total investment activities	35,338	(333)	35,005	3,461,863	4.00%
Other	13		13		
	$ 45,666	$ (333)	$ 45,333	$ 4,476,746	4.01%
Liabilities:					
Assets sold under agreements to repurchase	$ 18,032	$ 2,176	$ 20,208	$ 3,171,653	2.52%
Mortgage loans participation and sale agreement	219	47	266	60,363	1.74%
Credit risk transfer financing at fair value	1,113		1,113		%
Federal Home Loan Bank advances	2		2	1,154	.24%
Asset-backed secured financing	1,353	(52)	1,301	159,236	3.23%
Exchangeable senior notes	3,359	242	3,601	250,000	5.70%
	24,078	2,413	26,491	3,642,406	2.88%
Note payable	641	353	994	104,797	3.75%
Note payable to PennyMac Financial Services, Inc		533	533		

Interest shortfall on repayments of mortgage loans serviced for Agency securitizations	1,291		1,291		
Interest on mortgage loan impound deposits	430		430		
	26,440	3,299	29,739	$ 3,747,203	3.02%
Net interest income	$ 19,226	$ (3,632)	$ 15,594		
Net interest margin					1.38%
Net interest spread					0.98%

(1) Amounts in this column represent accrual of unearned discounts for assets and amortization of facility commitment fees and issuance costs for liabilities.

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	Quarter ended June 30, 2014				
	Interest income/expense				Annualized %
	Coupon	Discount/ fees(1)	Total	Average balance	interest yield/cost
	(dollars in thousands)				
Assets:					
Correspondent lending:					
Mortgage loans acquired for sale at fair value	$ 5,574	$	$ 5,574	$ 519,357	4.25%
Investment activities:					
Short-term investments	172		172	136,116	0.50%
Mortgage-backed securities					
Agency	1,712	83	1,795	199,395	3.56%
Non-Agency prime jumbo	95	71	166	19,668	3.34%
	1,807	154	1,961	219,063	3.54%
Mortgage loans:					
at fair value	30,813		30,813	2,133,587	5.71%
at fair value held by variable interest entity	5,195	223	5,418	537,752	3.99%
under forward purchase agreements at fair value	1,430		1,430	99,067	5.71%
	37,438	223	37,661	2,770,406	5.38%
Excess servicing spread	3,139		3,139	155,515	7.98%
Total investment activities	42,556	377	42,933	3,281,100	5.18%
Other	11		11		
	$ 48,141	$ 377	$ 48,518	$ 3,800,457	5.05%
Liabilities:					
Assets sold under agreements to repurchase	$ 12,547	$ 2,596	$ 15,143	$ 2,253,127	2.66%
Borrowings under forward purchase agreements	783		783	109,793	2.82%
Asset backed secured financing	1,481	80	1,561	165,495	3.73%
Exchangeable senior notes	3,359	228	3,587	250,000	5.68%
	18,170	2,904	21,074	2,778,415	3.03%
Interest shortfall on repayments of mortgage loans serviced for Agency securitizations	461		461		
Interest on mortgage loan impound deposits	330		330		
	18,961	2,904	21,865	$ 2,778,415	3.11%
Net interest income	$ 29,180	$ (2,527)	$ 26,653		
Net interest margin					2.77%
Net interest spread					1.94%

(1) Amounts in this column represent accrual of unearned discounts for assets and amortization of facility commitment fees and issuance costs for liabilities.

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	Six months ended June 30, 2015				
	Interest income/expense				Annualized %
	Coupon	Discount/ fees (1)	Total	Average balance	interest yield/cost
	(dollars in thousands)				
Assets:					
Correspondent production:					
Mortgage loans acquired for sale at fair value	$ 17,416	$	$ 17,416	$ 887,660	3.90%
Investment activities:					
Short-term investments	302		302	67,961	0.88%
Mortgage -backed securities:					
Agency	3,161	58	3,219	190,207	3.37%
Non-Agency prime jumbo	1,915	5	1,920	115,204	3.31%
	5,076	63	5,139	305,411	3.35%
Mortgage loans:					
at fair value	43,725		43,725	2,303,080	3.78%
at fair value held by variable interest entity	9,663	179	9,842	514,879	3.80%
	53,388	179	53,567	2,817,959	3.78%
Excess servicing spread from affiliates	9,570		9,570	255,899	7.44%
Total investment activities	68,336	242	68,578	3,447,230	3.96%
Other	24		24		
	$ 85,776	$ 242	$ 86,018	$ 4,334,890	3.95%
Liabilities:					
Assets sold under agreements to repurchase	$ 34,653	$ 4,467	$ 39,120	$ 3,061,346	2.54%
Mortgage loans participation and sale agreement	374	99	473	52,001	1.81%
Credit risk transfer financing at fair value	1,113		1,113		%
Federal Home Loan Bank advances	2		2	577	0.24%
Asset-backed secured financing	2,763	121	2,884	162,361	4.90%
Exchangeable senior notes	6,718	480	7,198	250,000	5.73%
	45,623	5,167	50,790	3,526,285	2.86%
Note payable	641	353	994	52,981	7.42%
Note payable to PennyMac Financial Services, Inc.		533	533		
Interest shortfall on repayments of mortgage loans serviced for Agency securitizations	2,464		2,464		
Interest on mortgage loan impound deposits	704		704		
	49,432	6,053	55,485	$ 3,579,266	3.02%

Net interest income	$ 36,344	$ (5,811)	$ 30,533	
Net interest margin				1.40%
Net interest spread				0.93%

(1) Amounts in this column represent accrual of unearned discounts for assets and amortization of facility commitment fees and issuance costs for liabilities.

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	Six months ended June 30, 2014				
	Interest income/expense				Annualized %
	Coupon	Discount/ fees(1)	Total	Average balance	interest yield/cost
	(dollars in thousands)				
Assets:					
Correspondent production:					
Mortgage loans acquired for sale at fair value	$ 9,199	$	$ 9,199	$ 428,941	4.27%
Investment activities:					
Short-term investments	324		324	116,458	0.55%
Mortgage-backed securities					
Agency	3,440	116	3,556	199,531	3.54%
Non-Agency prime jumbo	95	71	166	19,668	1.68%
	3,535	187	3,722	219,199	3.38%
Mortgage loans:					
at fair value	54,099		54,099	2,042,362	5.27%
at fair value held by variable interest entity	10,360	553	10,913	534,254	4.06%
under forward purchase agreements at fair value	3,584		3,584	153,265	4.65%
	68,043	553	68,596	2,729,881	5.00%
Excess servicing spread	6,001		6,001	145,891	8.18%
Total investment activities	77,903	740	78,643	3,211,429	4.87%
Other	22		22		
	$ 87,124	$ 740	$ 87,864	$ 3,640,370	4.80%
Liabilities:					
Assets sold under agreements to repurchase	$ 22,462	$ 5,220	$ 27,682	$ 2,025,678	2.72%
Borrowings under forward purchase agreements	2,363		2,363	165,471	2.84%
Asset backed secured financing	2,974	204	3,178	166,190	3.80%
Exchangeable senior notes	6,718	453	7,171	250,000	5.71%
	34,517	5,877	40,394	2,607,339	3.08%
Interest shortfall on repayments of mortgage loans serviced for Agency securitizations	700		700		
Interest on mortgage loan impound deposits	546		546		
	35,763	5,877	41,640	$ 2,607,339	3.18%
Net interest income	$ 51,361	$ (5,137)	$ 46,224		
Net interest margin					2.53%
Net interest spread					1.62%

(1) Amounts in this column represent accrual of unearned discounts for assets and amortization of facility commitment fees and issuance costs for liabilities.

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The effects of changes in the composition of our investments on our interest income are summarized below:

	Quarter ended June 30, 2015 vs. Quarter ended June 30, 2014 Increase (decrease) due to changes in			Six months ended June 30, 2015 vs. Six months ended June 30, 2014 Increase (decrease) due to changes in		
	Rate	Volume	Total change	Rate	Volume	Total change
	(in thousands)					
Correspondent production:						
Mortgage loans acquired for sale at fair value	$ (1,048)	$ 5,789	$ 4,741	$ (845)	$ 9,062	$ 8,217
Investment activities:						
Short-term investments	135	(225)	(90)	146	(168)	(22)
Agency debt security		(166)	(166)			
Mortgage -backed securities:						
Agency	(137)	(117)	(254)	(175)	(162)	(337)
Non-Agency prime jumbo		964	964	293	1,460	1,753
	(137)	847	710	118	1,298	1,416
Mortgage loans:						
at fair value	(14,609)	5,967	(8,642)	(16,672)	6,298	(10,374)
at fair value held by variable interest entity	(666)	(323)	(989)	(1,034)	(37)	(1,071)
under forward purchase agreements at fair value		(1,430)	(1,430)		(3,584)	(3,584)
Total mortgage loans	(15,275)	4,214	(11,061)	(17,706)	2,677	(15,029)
Excess servicing spread purchased from PennyMac Financial Services, Inc	(684)	3,363	2,679	(589)	4,158	3,569
Total investment activities	(15,961)	8,033	(7,928)	(18,031)	7,965	(10,066)
Other interest		2	2		3	3
	(17,009)	13,824	(3,185)	(18,876)	17,030	(1,846)
Assets sold under agreements to repurchase	(2,167)	7,230	5,063	(1,805)	13,243	11,438
Mortgage loan participation and sale agreement		266	266		473	473
Federal Home Loan Bank advances		2	2		2	2
Credit risk transfer financing at fair value		1,113	1,113		1,113	1,113
Asset backed secured financing	(203)	(57)	(260)	(222)	(72)	(294)
Borrowings under forward purchase agreement		(783)	(783)		(2,363)	(2,363)
Exchangeable senior notes	14		14	27		27

Facility servicing advance		994	994		994	994
Excess servicing spread purchased from Penny Mac Financial Services, Inc		535	535		535	535
Interest bearing liabilities		829	829		1,763	1,763
Other interest - servicing		99	99		157	157
	(2,356)	10,228	7,872	(2,000)	15,845	13,845
Net interest income	$ (14,653)	$ 3,596	$ (11,057)	$ (16,876)	$ 1,185	$ (15,691)

During the quarter and six months ended June 30, 2015, we earned net interest income of $15.6 million and $30.5 million, respectively, compared to $26.7 million and $46.2 million for the same periods in 2014. The decrease in net interest income between the periods was primarily due to a reduction in the yield of our investment in mortgage loans at fair value and mortgage loans at fair value acquired for sale and an increase in the average balance of our assets sold under agreements to repurchase for the quarter ended June 30, 2015 as compared to the same periods in 2014.

We earned interest income on our portfolio of MBS totaling $2.5 million and $5.1 million for the quarter and six months ended June 30, 2015, respectively, and $2.0 million and $3.7 million for the quarter and six months ended June 30, 2014. The increase in interest income was due to growth in our average investment in MBS in 2015 as compared to 2014 as we have made selective investments in MBS and increased our average investment in MBS from $219.1 million and $219.2 million during the quarter and six months ended June 30, 2014, respectively, to $303.6 million and $305.4 million during the quarter and six months ended June 30, 2015.

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During the quarter and six months ended June 30, 2015, we recognized interest income on mortgage loans at fair value and mortgage loans at fair value held by VIE totaling $26.6 million and $53.6 million, including $9.9 million and $20.1 million of interest capitalized pursuant to loan modifications, which compares to $37.7 million and $68.6 million, respectively, including $18.1 million and $30.4 million, respectively, of interest capitalized pursuant to loan modifications, in the quarter and six months ended June 30, 2014. Loan modifications decreased due to a higher volume of liquidation resolutions for non-performing mortgage loans, reduced opportunities from a lower non-performing mortgage loan portfolio, and a lower response rate to modification initiatives in 2015 compared to 2014. In addition, the weighted average note interest rate of our portfolio of performing mortgage loans decreased from 3.79% at June, 2014 to 3.47% at June 30, 2015.

At June 30, 2015, approximately 66% of the fair value of our distressed mortgage loan portfolio was nonperforming, as compared to 72% at June 30, 2014. We do not accrue interest on nonperforming loans and generally do not recognize revenues during the period we hold REO. We calculate the yield on our mortgage loan portfolio based on the portfolio s average fair value, which most closely reflects our investment in the mortgage loans. Accordingly, the yield we realize on our performing distressed mortgage loans is substantially higher than would be recorded based on the loans unpaid principal balances as we typically purchase our distressed mortgage loans at substantial discounts to their UPB.

Nonperforming loans and REO generally take longer to generate cash flow than performing loans due to the time required to work with borrowers to resolve payment issues either through our modification programs or through the acquisition and liquidation of the property securing the mortgage loans. The value and returns we realize from these assets are determined by our ability to assist borrowers in curing defaults, or when curing of borrower defaults is not a viable solution, by our ability to effectively manage the resolution process. As a participant in HAMP, we are required to comply with the process specified by the HAMP program before liquidating a loan, and this may extend the resolution process. At June 30, 2015, we held $1.5 billion in fair value of nonperforming loans and $324.3 million in carrying value of REO.

During the quarter and six months ended June 30, 2015, we incurred interest expense totaling $29.7 million and $55.5 million, respectively, as compared to $21.9 million and $41.6 million, respectively, during the quarter and six months ended June 30, 2014. Our interest cost on interest bearing liabilities was 2.88% and 2.86% for the quarter and six months ended June 30, 2015, respectively, as compared to 3.03% and 3.08% during the quarter and six months ended June 30, 2014. The increase in interest expense for the quarter ended June 30, 2015 as compared to the same period in 2014 reflects our increased use of assets sold under agreements to repurchase, notes payable and asset-backed financing agreements in support of growth of our balance sheet.

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Net Gain on Mortgage Loans Acquired for Sale

Our net gain on mortgage loans acquired for sale is summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Cash (loss) gain:				
Sales proceeds, net	$ (51,218)	$ (3,173)	$ (58,762)	$ (6,067)
Hedging activities	18,713	(18,749)	6,186	(22,299)
	(32,505)	(21,922)	(52,576)	(28,366)
Non cash gain:				
Receipt of MSRs in loan sale transactions	32,176	28,741	59,636	49,616
Provision for losses relating to representations and warranties provided in loan sales	(1,419)	(1,022)	(2,344)	(1,766)
Change in fair value of IRLCs, mortgage loans and hedging derivatives held at period end:				
IRLCs	(8,481)	7,816	(5,927)	9,838
Mortgage loans	14,551	6,660	18,277	8,073
Hedging derivatives	6,853	(10,051)	4,269	(17,202)
	12,923	4,425	16,619	709
	$ 11,175	$ 10,222	$ 21,335	$ 20,193
Purchases of mortgage loans acquired for sale to non affiliates:				
At fair value	$ 3,693,398	$ 3,092,225	$ 6,681,133	$ 5,069,239
Unpaid principal balance	$ 3,579,078	$ 2,991,765	$ 6,469,209	$ 4,911,343
Fair value of mortgage loans acquired for sale held at period end:				
Conventional mortgage loans	1,383,544	604,378		
Government-insured or guaranteed mortgage loans	830,330	304,707		
	$ 2,213,874	$ 909,085		

Our net gain on mortgage loans acquired for sale includes both cash and non-cash elements. We receive proceeds on sale that include both cash and our estimate of the fair value of MSRs. We also recognize a liability for potential losses relating to representations and warranties created in the loan sales transactions.

The increase in net gain on mortgage loans acquired for sale is due to an increase in volume partially offset by continuing margin pressures resulting from price competition.

Provision for Losses on Representations and Warranties

We provide for our estimate of the future losses that we may be required to incur as a result of our breach of representations and warranties to the purchasers of the loans we sell. Our agreements with the Agencies include representations and warranties related to the loans we sell to the Agencies. The representations and warranties require adherence to Agency 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 mortgage loans with the identified defects or indemnify the investor or insurer. In such cases, we bear any subsequent credit loss on the mortgage loans. Our credit loss may be reduced by any recourse we have to correspondent lenders that, in turn, had sold such mortgage 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 lender.

The method used to estimate the liability for representations and warranties is a function of estimated future defaults, loan repurchase rates, the potential severity of loss in the event of defaults and the probability of reimbursement by the correspondent loan seller. We establish a liability at the time loans are sold and review our liability estimate on a periodic basis.

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

	Quarter ended June 30, 2015	Quarter ended June 30, 2014	Six month ended June 30, 2015	Six month ended June 30, 2014
	(in thousands) (unpaid principal balance of mortgage loans)			
Indemnification activity				
Mortgage loans indemnified by PMT at beginning of period	$ 4,008	$	$ 3,644	$
New indemnifications	1,582	2,726	1,946	2,726
Indemnified mortgage loans repurchased				
Less: Indemnified mortgage loans repaid or refinanced	199		199	
Mortgage loans indemnified by PMT at end of period	$ 5,391	$ 2,726	$ 5,391	$ 2,726
Indemnified mortgage loans collateralized with deposits placed by correspondent lenders at end of period	$ 972	$ 759	$ 972	$ 759
Repurchase activity				
Total mortgage loans repurchased by PMT	$ 5,264	$ 2,623	$ 13,096	$ 4,411
Less: mortgage loans repurchased by correspondent lenders	5,986	1,922	11,084	2,811
Less: Mortgage loans repaid by borrowers				
Mortgage loans repurchased by PMT with losses chargeable to liability for representations and warranties	$ (722)	$ 701	$ 2,012	$ 1,400
Losses charged to liability for representations and warranties, net of recoveries	$ 84	$	$ (128)	$
At end of period:				
Unpaid principal balance of mortgage loans subject to representations and warranties	$ 37,431,575	$ 29,806,058		
Liability for representations and warranties	$ 16,714	$ 11,876		

During the quarter and six months ended June 30, 2015, we repurchased mortgage loans with UPB totaling $5.3 million and $13.1 million, respectively, and charged losses for representations and warranties against the liability totaling $84,000 and a net recovery of $128,000, respectively. During the quarter and six months ended June 30, 2014, we repurchased mortgage loans with UPB totaling $2.6 million and $4.4 million, respectively, and there were no charged losses for representations and warranties against the liability. As a result of our ability to recover from the selling correspondent lenders most of the losses inherent in the repurchased mortgage loans, the amount of losses that we recorded was moderated. As the outstanding balance of loans we purchase and sell subject to representations and warranties increases and the loans sold season, we expect the level of repurchase activity and corresponding losses to increase.

The level of the liability for representations and warranties is difficult to estimate and requires considerable management judgment. The level of mortgage loan repurchase losses is dependent on economic factors, investor loss mitigation strategies, our ability to recover any losses inherent in the repurchased loan from the selling correspondent lender and other external conditions that may change over the lives of the underlying loans.

As economic fundamentals change, as investor and Agency evaluations of their loss mitigation strategies (including claims under representations and warranties) change and as economic conditions affect our correspondent lenders ability or willingness to fulfill their recourse obligations to us, the level of repurchase activity and ensuing losses will change, and we may be required to record adjustments to our recorded liability for losses on representations and warranties which may be material to our financial condition and results of operations. We recorded no such adjustments for the quarters ended June 30, 2015 and 2014. Such adjustments would be included as a component of our *Net gain on mortgage loans acquired for sale*.

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Loan Origination Fees

Loan origination fees represent fees we charge correspondent lenders relating to our purchase of loans from those lenders. The increase in fees during the quarter and six months ended June 30, 2015 compared to the same periods in 2014 is due to an increase in production of mortgage loans we sell to unaffiliated entities.

Net Gain on Investments

Net gain on investments is summarized below:

	Quarter ended June 30, 2015	Quarter ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
	(in thousands)			
From nonaffiliates:				
Mortgage-backed securities	$ (6,702)	$ 4,265	$ (5,186)	$ 6,917
Mortgage loans	30,068	73,595	47,254	113,512
Mortgage loans held in a VIE	(12,077)	16,177	(10,277)	27,484
Asset-backed secured financing	3,991	(5,175)	3,222	(7,954)
Hedging derivatives	(1,255)	(8,191)	(11,294)	(13,802)
	14,025	80,671	23,719	126,157
From PennyMac Financial Services, Inc:				
Excess servicing spread purchased from PFSI	8,589	(7,537)	2,342	(10,438)
	$ 22,614	$ 73,134	$ 26,061	$ 115,719

During the quarter and six months ended June 30, 2015, we recorded net gain on investments totaling $22.6 million and $26.1 million compared to net gain on investments totaling $73.1 million and $115.7 million during the quarter and six months ended June 30, 2014. The decrease is largely due to decreased valuation gains in our portfolio of mortgage loans, primarily the result of moderation in both actual and projected real estate values relating to the properties securing our distressed loans as well as a slower than expected transition of loans toward resolution as compared to the same periods in 2014. The average portfolio balance of distressed mortgage loan investments (mortgage loans at fair value excluding mortgage loans at fair value held in VIE) increased by $63.1 million and $107.5 million, or 2.8% and 4.9%, during the quarter and six months ended June 30, 2015 as compared to the same periods in 2014. MBS and mortgage loans held in VIE were negatively affected by increasing interest rates at the end of the reporting period. These losses were partially offset by the gains on ESS which benefited from the increasing interest rates.

Mortgage-Backed Securities

During the quarter and six months ended June 30, 2015, we recognized a net valuation loss on MBS of $6.7 million and $5.2 million, respectively, compared to a valuation gain of $4.3 million and $6.9 million for the quarter and six months ended June 30, 2014. The loss recognized during the quarter ended June 30, 2015, reflects the increase in mortgage market interest rates from December 31, 2014.

ESS Purchased from PFSI

We recognized fair value gains relating to our investment in ESS totaling $8.6 million and $2.3 million for the quarter and six months ended June 30, 2015 compared to fair value losses of $7.5 million and $10.4 million for the quarter and six months ended June 30, 2014. Mortgage interest rates increased at the end of the quarter ended June 30, 2015 causing our estimate of future prepayments to decrease as compared to 2014, resulting in an increase in fair value. The effect of this increase in fair value was compounded by growth in our investment in ESS. Our average investment in ESS increased from $155.5 million and $145.9 million for the quarter and six months ended June 30, 2014 to $311.6 million and $255.9 million for the quarter and six months ended June 30, 2015.

Mortgage Loans at Fair Value

Net gain on mortgage loans at fair value and mortgage loans under forward purchase agreements at fair value are summarized below:

	Quarter ended June 30, 2015	2014	Six months ended June 30, 2015	2014
	(in thousands)			
Valuation changes:				
Performing loans	$ 3,308	$ 39,123	$ 16,068	$ 38,882
Nonperforming loans	23,867	24,587	26,534	58,001
	27,175	63,710	42,602	96,883
Gain on payoffs	2,628	7,490	4,671	13,109
Gain (loss) on sales	265	2,395	(19)	3,520
	$ 30,068	$ 73,595	$ 47,254	$ 113,512

The decrease in our net gain on mortgage loans at fair value is primarily the result of moderation in both actual and projected real estate values relating to the properties securing our distressed loans as well as slower than expected transitions of loans toward resolution as compared to the quarter and six months ended June 30, 2014.

The valuation changes on performing mortgage loans reflect the effects of capitalization of delinquent interest on mortgage loans we modify. When we capitalize interest in a mortgage loan modification, we increase the carrying value of the loan. However, the modification generally may not result in an immediate increase in the mortgage loan s fair value. Valuation gains on mortgage loans with capitalized interest generally accrue as the borrower demonstrates performance in the periods following the capitalization. During the quarter and six months ended June 30, 2015, we capitalized interest totaling including $9.9 million and $20.1 million, as compared to $18.1 million and $30.4 million for the quarter and six months ended June 30, 2014. Loans modifications decreased due to a higher volume of liquidation resolutions for non-performing mortgage loans, reduced opportunities from a lower non-performing mortgage loan portfolio, and a lower response rate to modification initiatives in 2015 compared to 2014. In addition, the weighted average note interest rate of our portfolio of performing mortgage loans decreased from 3.79% at June, 2014 to 3.47% at June 30, 2015.

During the quarter and six months ended June 30, 2015 and 2014, we recognized gains on mortgage loan payoffs as summarized below:

	Quarter ended June 30, 2015	2014	Six months ended June 30, 2015	2014
	(dollars in thousands)			
Number of loans	331	353	482	681
Unpaid principal balance	$ 70,677	$ 98,360	$ 120,565	$ 178,076
Gain recognized at payoff	$ 2,629	$ 7,489	$ 4,671	$ 13,109

Gains on sales of distressed mortgage loans are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Number of loans	8	396	39	1,362
Unpaid principal balance	$ 1,005	$ 81,294	$ 3,154	$ 313,420
Gain (loss) recognized at sale	$ 264	$ 2,395	$ (19)	$ 3,520

We recognized valuation gains to reflect the commitment price of the mortgage loans subject to the mortgage loan sale at the time we entered into the commitment to sell such loans. Therefore, the gain (loss) recognized on sale of mortgage loans generally reflects the difference between net proceeds from sale of the mortgage loans and the commitment price of sale.

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There can be no assurance that this form of monetization will continue to be a reliable means of liquidating reperforming mortgage assets in the future. We continue to monitor and explore the market for loan sales or securitizations backed by reperforming and modified mortgage loans as a means of recovering our investment in such loans.

Absent sale or securitization of reperforming and modified mortgage loans, and unlike liquidation of a defaulted mortgage loan, we expect that recovery of our investment in a performing modified mortgage loan will take place generally over a period of several years, during which we earn and collect interest income on such loan. Our current expectation is that we will receive cash on modified mortgage loans through monthly borrower payments, incentive payments earned pursuant to HAMP, payoffs or acquisition of the property securing the loans and liquidation of the property in the event the borrower subsequently defaults.

Large-scale refinancing of modified mortgage loans is not expected to occur for an extended period. Borrowers who have recently modified their mortgage loans typically have credit profiles that do not qualify them for refinancing or have mortgage loans on properties whose loan-to-value ratios exceed current underwriting guidelines for new mortgage loans. Further, modified mortgage loans require a period of acceptable borrower performance, generally 12 months of timely mortgage payments, before becoming eligible for consideration in most Agency refinance programs.

Certain programs such as the FHA s Negative Equity Refinance Program allow homeowners whose modified mortgage amount exceeds the value of the property securing the loan to refinance immediately following a modification. We continue to explore methods of accelerating recovery of our investment of modified mortgage loans through solicitations of refinancings of such loans into Agency-eligible loans which result in a full or partial repayment of our investment.

The following table presents a summary of loan modifications completed:

	Quarter ended June 30,				Six months ended June 30,			
	2015		2014		2015		2014	
Modification type (1)	**Number of loans**	**Balance of loans (2)**	**Number of loans**	**Balance of loans (2)**	**Number of loans**	**Balance of loans (2)**	**Number of loans**	**Balance of loans (2)**
	(dollars in thousands)							
Rate reduction	129	$ 33,588	412	$ 100,752	278	$ 67,266	766	$ 180,641
Term extension	168	$ 42,791	482	$ 122,371	337	$ 83,475	870	$ 216,040
Capitalization of interest and fees	208	$ 54,733	615	$ 155,083	404	$ 100,986	1,116	$ 273,352
Principal forbearance	52	$ 16,484	218	$ 65,245	96	$ 29,629	369	$ 112,172
Principal reduction	100	$ 25,854	288	$ 73,228	198	$ 49,545	542	$ 137,046
Total (1)	208	$ 54,733	615	$ 155,083	404	$ 100,986	1,116	$ 273,352
Defaults of mortgage loans modified in the prior year period		$ 4,611		$ 2,388		$ 17,849		$ 6,197
As a percentage of balance of loans before modification		4%		6%		9%		9%
		$ 12,216		$ 21,140		$ 48,632		$ 49,648

Defaults during the period of mortgage loans modified since acquisitions (3)				
As a percentage of balance of loans before modification	3%	7%	10%	18%
Repayments and sales of mortgage loans modified in the prior year period	$ 1,467	$ 13,153	$ 2,907	$ 36,654
As a percentage of balance of loans before modification	1%	25%	1%	37%

(1) Modification type categories are not mutually exclusive and a modification of a single loan may be counted in multiple categories. The total number of modifications noted in the table is therefore lower than the sum of all of the categories.

(2) Before modification.

(3) Represents defaults of mortgage loans during the period that have been modified by us at any point since acquisition.

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The following table summarizes the average impact of the modifications noted above to the terms of the loans modified:

	Quarter ended June 30,				Six months ended June 30,			
	2015		2014		2015		2014	
Category	Before modification	After modification	Before modification	After modification	Before modification	After modification	Before modification	After modification
	(dollars in thousands)							
Loan balance	$ 263	$ 278	$ 252	$ 256	$ 250	$ 262	$ 245	$ 246
Remaining term (months)	334	426	327	417	326	426	323	417
Interest rate	4.94%	3.39%	5.30%	3.68%	5.20%	3.45%	5.44%	3.71%
Forbeared principal	$	$ 13	$	$ 15	$	$ 11	$	$ 13

Net Loan Servicing Fees

When we sell mortgage loans, we generally enter into a contract to service the mortgage loans and recognize the fair value of such contracts as MSRs. Under these contracts, we are required to perform loan servicing functions in exchange for fees and the right to other compensation. The servicing functions, which are performed on our behalf by PLS, typically include, among other responsibilities, collecting and remitting loan payments; responding to borrower inquiries; accounting for principal and interest, holding custodial (impound) funds for payment of property taxes and insurance premiums; counseling delinquent mortgagors; and supervising foreclosures and property dispositions.

Net loan servicing fees are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Servicing fees (1)	$ 25,887	$ 19,156	$ 48,516	$ 36,688
MSR recapture fee receivable from PFSI		1		9
Effect of MSRs:				
Carried at lower of amortized cost or fair value				
Amortization	(9,987)	(7,696)	(19,580)	(15,061)
Reversal of (provision for) impairment	7,082	(2,224)	703	(2,851)
Gain on sale			83	
Carried at fair value - change in fair value	6,307	(4,764)	(3,510)	(6,792)
(Losses) gains on hedging derivatives	(16,272)	4,285	(5,193)	4,186
	(12,870)	(10,399)	(27,497)	(20,518)
Net loan servicing fees	$ 13,017	$ 8,758	$ 21,019	$ 16,179
Average servicing portfolio	$ 35,742,835	$ 28,230,295	$ 35,215,677	$ 27,417,841

(1) Includes contractually specified servicing and ancillary fees.

Net loan servicing fees increased $4.3 million and $4.8 million during the quarter and six months ended June 30, 2015 compared to the same periods in 2014. The increase was primarily due to a $6.7 million and $11.8 million, or 35% and 32%, increase in servicing fees, offset by a $2.5 million and $7.0 million negative increase in the effect of MSRs on net loan servicing fees.

The increase in servicing fees is attributable to an increase in our average servicing portfolio of 27% and 28% for the quarter and six months ended June 30, 2015 as compared to the same periods in 2014. The improvement in the provision for impairment and change in fair value during 2015 as compared to 2014 is due to the effect of rising mortgage interest rates at the end of the periods ended June 30, 2015 as compared to decreasing interest rates at the end of the periods ended June 30, 2014. Decreasing interest rates generally encourage increased refinancing activity which negatively affects the life and therefore fair value of MSRs, while increasing interest rates generally discourage refinancing activity which positively influences the fair value of MSRs. The performance of the MSRs was partially offset in each period by results of hedging derivatives.

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We have entered into an MSR recapture agreement that requires PLS to transfer to us the MSRs with respect to new mortgage loans originated in refinancing transactions where PLS refinances a mortgage loan for which we previously held the MSRs. PLS is generally required to transfer MSRs relating to such mortgage loans (or, under certain circumstances, other mortgage loans) that have an aggregate unpaid principal balance that is not less than 30% of the aggregate unpaid principal balance of all the loans so originated. Where the fair value of the aggregate MSRs to be transferred for the applicable month is less than $200,000, PLS may, at its option, settle in cash with us in an amount equal to such fair market value in place of transferring such MSRs. We did not recognize MSR recapture during the quarter and six months ended June 30, 2015 and recognized approximately $1,000 and $9,000 of such income during the quarter and six months ended June 30, 2014.

Amortization, impairment and changes in fair value of MSRs have a significant effect on net loan servicing fees, driven primarily by our monthly estimation of the fair value of MSRs. As our investment in MSRs grows, we expect that the effect of amortization, impairment and changes in fair value will have an increasing influence on our net income.

We account for MSRs at either the asset s fair value with changes in fair value recorded in current period earnings or using the amortization method with the MSRs carried at the lower of estimated amortized cost or fair value based on the class of MSR. We have identified two classes of MSRs: originated MSRs backed by mortgage loans with initial interest rates of less than or equal to 4.5%; and MSRs backed by mortgage loans with initial interest rates of more than 4.5%. The Company s subsequent accounting for MSRs is based on the class of MSRs. Originated MSRs backed by mortgage loans with initial interest rates of less than or equal to 4.5% are accounted for using the amortization method. Originated MSRs backed by loans with initial interest rates of more than 4.5% are accounted for at fair value with changes in fair value recorded in current period income. Our MSRs are summarized by the basis on which we account for the assets below:

	June 30, 2015	**December 31, 2014**
	(in thousands)	
MSRs carried at fair value	$ 57,343	$ 57,358
MSR carried at lower of amortized cost or fair value:		
Amortized cost	$ 344,405	$ 308,137
Valuation allowance	(7,011)	(7,715)
Carrying value	$ 337,394	$ 300,422
Fair value	$ 362,908	$ 322,230
Total MSR:		
Carrying value	$ 394,737	$ 357,780
Fair value	$ 420,251	$ 379,588
Unpaid principal balance of mortgage loans underlying MSRs	$ 36,448,945	$ 34,285,473

Average servicing fee rate (in basis points)		
MSRs carried at lower of amortized cost or fair value	26	26
MSRs carried at fair value	25	25
Average note interest rate		
MSRs carried at lower of amortized cost or fair value	3.81%	3.80%
MSRs carried at fair value	4.77%	4.78%

Results of Real Estate Acquired in Settlement of Loans

Results of REO includes the gains or losses we record upon sale of the properties as well as valuation adjustments we record during the period we hold those properties. During the quarter and six months ended June 30, 2015, we recorded net losses of $1.8 million and $7.6 million, respectively, in *Results of real estate acquired in settlement of loans* as compared to net losses of $5.3 million and $12.0 million, respectively, for the quarter and six months ended June 30, 2014.

Results of REO are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
During the period:				
Proceeds from sales of REO	$ 62,122	$ 48,874	$ 128,097	$ 82,268
Results of real estate acquired in settlement of loans:				
Valuation adjustments, net	(6,606)	(9,159)	(18,006)	(18,052)
Gain on sale, net	4,800	3,811	10,368	6,078
	$ (1,806)	$ (5,348)	$ (7,638)	$ (11,974)
Number of properties sold	359	489	845	813
Average carrying value of REO	$ 317,324	$ 214,652	$ 314,489	$ 190,582
Period end:				
Carrying value	$ 325,822	$ 240,471		
Number of properties in inventory	1,681	1,619		

The decrease in losses from REOs during the quarter and six months ended June 30, 2015 compared to the same periods in 2014 was due to recognition of larger gain on sale realized on the sale of the properties offset by larger valuation adjustments from the growing inventory of properties. We recognize valuation losses on properties where decreases in fair value are indicated but are generally unable to record fair value increases until the date of sale of properties.

Expenses

Our expenses are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Expenses payable to PFSI:				
Loan fulfillment fees	$ 15,333	$ 12,433	$ 28,199	$ 21,335
Loan servicing fees	12,136	14,180	22,806	28,771
Management fees	5,779	8,912	12,782	16,986
Compensation	1,389	1,883	4,198	4,825
Professional services	1,662	2,690	3,490	4,421
Other	8,378	7,154	14,679	11,221
	$ 44,677	$ 47,252	$ 86,154	$ 87,559

(1) For the quarter ended June 30, 2015, in accordance with the terms of the management agreement, PCM provided the Company a discretionary waiver of $700,000 of overhead expenses that otherwise would have been allocable to the Company.

Expenses decreased $2.6 million, or 5%, and $1.4 million, or 2%, during the quarter and six months ended June 30, 2015, compared to the same periods in 2014. This decrease was primarily a result of servicing fees reflecting a decrease in activity-based fees and decreased management fees from lower net income, partially offset by increased fulfillment fees, reflecting increased correspondent production activities.

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Loan Fulfillment Fees

Loan fulfillment fees represent fees we pay to PFSI for the services it performs on our behalf in connection with our acquisition, packaging and sale of mortgage loans. The fee is calculated as a percentage of the UPB of the mortgage loans purchased. Loan fulfillment fees and related fulfillment volume are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Fulfillment fee expense	$ 15,333	$ 12,433	$ 28,199	$ 21,335
UPB of loans fulfilled by PLS	$ 3,579,078	$ 2,991,764	$ 6,469,210	$ 4,911,342
Average fulfillment fee rate (in basis points)	43	42	44	43

The increase in loan fulfillment fees of $2.9 million and $6.9 million during the quarter and six months ended June 30, 2015 compared to the same periods in 2014 is primarily due to the increase in the volume of Agency-eligible mortgage loans we purchased in our correspondent production activities.

Loan Servicing Fees

Loan servicing fees decreased by $2.0 million, or 14%, and $6.0 million, or 21% during the quarter and six months ended June 30, 2015, respectively, compared to the same periods in 2014, primarily as result of reduced activity-based liquidation fees on distressed mortgage loans. We incur loan servicing fees primarily in support of our investment in mortgage loans at fair value and our loan servicing portfolio. During the quarter and six months ended June 30, 2015, our average investment in mortgage loans was largely unchanged as compared to the same periods in 2014. During the quarter and six months ended June 30, 2015, our average servicing portfolio increased 26% and 28% to $35.7 billion and $35.2 billion, respectively, from $28.2 billion and $27.4 billion as compared to the same periods in 2014.

Activity-based fees decreased by $2.6 million and $6.1 million during the quarter and six months ended June 30, 2015, as compared to same periods in 2014 generally relating to the decrease in loan resolution activities. Included in the base servicing fee we pay PFSI is a supplemental servicing fee. Supplemental servicing fees are a component of the total base servicing fee and compensate PFSI for providing certain services that servicers generally do not provide but are required by us because we have no employees or infrastructure. We amended our servicing agreement with PFSI effective January 1, 2014, to limit the supplemental fees we pay PFSI to no more than $700,000 per quarter. During the quarters and six months ended June 30, 2015 and 2014, we paid PFSI $700,000 and $1,400,000, respectively, in supplemental servicing fees relating to our MSR servicing portfolio.

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Loan servicing fees payable to PFSI and subsidiaries are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Mortgage loans acquired for sale at fair value:				
Base	$ 42	$ 29	$ 68	$ 46
Activity-based	59	51	90	77
	101	80	158	123
Distressed mortgage loans:				
Base	4,183	4,975	8,215	9,941
Activity-based	3,093	5,746	5,988	12,132
	7,276	10,721	14,203	22,073
MSRs:				
Base	4,654	3,323	8,310	6,471
Activity-based	105	56	135	104
	4,759	3,379	8,445	6,575
	$ 12,136	$ 14,180	$ 22,806	$ 28,771
Average investment in:				
Mortgage loans acquired for sale at fair value	$ 1,014,883	$ 519,357	$ 887,660	$ 428,941
Distressed mortgage loans	$ 2,295,807	$ 2,133,587	$ 2,303,080	$ 2,042,362
Average mortgage loans servicing portfolio	$ 35,742,835	$ 28,230,295	$ 35,215,677	$ 27,417,841

Management Fees

The components of our management fee payable to PFSI are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Base	$ 5,709	$ 5,838	$ 11,439	$ 11,359
Performance incentive	70	3,074	1,343	5,627

Total management fee incurred during the period	$ 5,779	$ 8,912	$ 12,782	$ 16,986

Management fees decreased by $3.1 million and $4.2 million during the quarter and six months ended June 30, 2015 as compared to the same periods in 2014, primarily due to the decrease in our income which reduced our performance incentive fee.

We expect our management fees to fluctuate in the future based on: (1) changes in our shareholders equity with respect to our base management fee; and (2) the level of our profitability in excess of the return thresholds specified in our management agreement with respect to the performance incentive fee.

Compensation

Compensation expense decreased by $494,000 and $627,000 during the quarter and six months ended June 30, 2015, respectively, as compared to the quarter and six months ended June 30, 2014, primarily due to decreased allocations of compensation expenses from our Manager during the periods ended June 30, 2015 as compared to the periods ended June 30, 2014 as well as decreased stock-based compensation expense, reflecting the effects of decreasing share price of the Company s stock on the portion of the Company s share grants that are accounted for using variable accounting.

Other Expenses

Other expenses are summarized below:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Common overhead allocation from PFSI (1)	$ 2,546	$ 2,638	$ 4,937	$ 5,216
Servicing and collection costs	3,182	3,114	4,627	3,745
Loan origination	1,176	397	2,129	435
Insurance	302	252	675	491
Technology	311	227	603	474
Other expenses	861	526	1,708	860
	$ 8,378	$ 7,154	$ 14,679	$ 11,221

(1) For the quarter ended June 30, 2015, in accordance with the terms of the management agreement, PCM provided the Company a discretionary waiver of $700,000 of overhead expenses that otherwise would have been allocable to the Company.

Other expenses increased during the quarter and six months ended June 30, 2015 as compared to the quarter and six months ended June 30, 2014 by $1.2 million and $3.5 million primarily due to loan origination expenses, reflecting increased mortgage loan production volume.

Income Taxes

We have elected to treat PMC as a TRS. Income from a TRS is only included as a component of REIT taxable income to the extent that the TRS makes dividend distributions of income to the REIT. No such dividend distributions have been made to date. A TRS is subject to corporate federal and state income tax. Accordingly, a provision for income taxes for PMC is included in the accompanying *Consolidated Statements of Income*.

The Company had a tax benefit of $3.0 million and $14.3 million for the quarter and six months ended June 30, 2015, as compared to a tax benefit of $1.9 million and $3.5 million for the same periods in 2014. The Company s effective tax rate is (11.9)% and (67.3)% for the quarter and six months ended June 30, 2015, as compared to (2.6)% and (3.2)% for the same periods in 2014. The increase in the Company s tax benefit is due primarily to an increased loss incurred at the Company s taxable REIT subsidiary for the quarter and six months ended June 30, 2015 as compared to the same periods in 2014. The primary difference between the Company s effective tax rate and the statutory tax rate is due to non-taxable REIT income resulting from the dividends paid deduction.

In general, cash dividends declared by us will be considered ordinary income to shareholders for income tax purposes. Some portion of the dividends may be characterized as capital gain distributions or a return of capital.

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Balance Sheet Analysis

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

	June 30, 2015	December 31, 2014
	(in thousands)	
Assets		
Cash	$ 114,698	$ 76,386
Investments:		
Short-term investments	32,417	139,900
Mortgage-backed securities	287,626	307,363
Mortgage loans acquired for sale at fair value	2,213,874	637,722
Mortgage loans at fair value	2,730,820	2,726,952
Excess servicing spread	359,102	191,166
Derivative assets	13,950	11,107
Real estate acquired in settlement of loans	324,278	303,228
Real estate held for investment	1,544	
Mortgage servicing rights	394,737	357,780
	6,358,348	4,675,218
Other assets	204,328	145,654
Total assets	$ 6,677,374	$ 4,897,258
Liabilities		
Borrowings:		
Assets sold under agreements to repurchase and mortgage loan participation and sale agreement	$ 3,571,181	$ 2,749,249
Federal Home Loan Bank advances	138,400	
Credit risk transfer financing at fair value	649,120	
Note payable	192,352	
Note payable to PennyMac Financial Services, Inc.	52,526	
Asset-backed secured financing of the variable interest entity	151,489	165,920
Exchangeable senior notes	244,559	244,079
	4,999,627	3,159,248
Other liabilities	152,450	159,838
Total liabilities	5,152,077	3,319,086
Shareholders equity	1,525,297	1,578,172
Total liabilities and shareholders equity	$ 6,677,374	$ 4,897,258

Total assets increased by approximately $1.8 billion, or 36%, during the period from December 31, 2014 through June 30, 2015, primarily due to a $1.6 billion increase in mortgage loans acquired for sale at fair value, a $167.9 million increase in ESS, a $37.0 million increase in MSRs and a $21.1 million increase in REO, partly offset by a $69.2 million decrease in cash and short-term investments. Our asset acquisitions are summarized below.

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Asset Acquisitions

Correspondent Production

Following is a summary of our correspondent production acquisitions at fair value:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Correspondent mortgage loan purchases:				
Government-insured or guaranteed	$ 8,761,085	$ 4,209,932	$ 14,139,919	$ 7,276,142
Agency-eligible	3,666,578	3,010,028	6,593,996	4,974,383
Jumbo	26,820	82,197	87,137	94,856
	$ 12,454,483	$ 7,302,157	$ 20,821,052	$ 12,345,381
UPB of correspondent mortgage loans purchased	$ 11,895,426	$ 6,982,688	$ 19,895,426	$ 11,815,719
Gain on mortgage loans acquired for sale	$ 11,175	$ 10,222	$ 21,335	$ 20,193
Fair value of correspondent loans in inventory at period end	$ 2,213,874	$ 909,085		

During the quarter and six months ended June 30, 2015, we purchased for sale $12.5 billion and $20.8 billion, respectively, in fair value of correspondent production loans compared to $7.3 billion and $12.3 billion, respectively, in fair value of correspondent production loans during the quarter and six months ended June 30, 2014. The increase in correspondent purchases is a result of the effects of lower interest rates that have prevailed during the quarter ended June 30, 2015 as compared to those that prevailed during the quarter ended June 30, 2014.

Our ability to expand our correspondent production business is subject to, among other factors, our ability to source additional mortgage loan volume, our ability to obtain additional inventory financing and our ability to fund the portion of the loans not financed, either through cash flows from business activities or the raising of additional equity capital. There can be no assurance that we will be successful in increasing mortgage loan purchase volume, increasing our borrowing capacity or in obtaining the additional capital necessary to fund the portion of the loans not financed.

Investment Portfolio

Following is a summary of our acquisitions of mortgage investments other than correspondent production acquisitions as shown in the preceding table:

	Quarter ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
MBS	$	$ 19,638	$ 25,129	$ 19,638
Distressed mortgage loans (1)				

Performing		735		735
Nonperforming		26,002	241,981	282,282
		26,737	241,981	283,017
REO		29		3,117
MSRs received in mortgage loan sales	32,176	28,741	59,636	49,616
ESS purchased from PennyMac Financial Services, Inc.	140,875	52,867	187,287	73,393
	$ 173,050	$ 128,012	$ 514,033	$ 428,781

(1) Performance status as of the date of acquisition

Our acquisitions during the quarter ended June 30, 2015 and during the quarter ended June 30, 2014 were financed through the use of a combination of proceeds from liquidations of existing investments, equity and borrowings. We continue to identify additional means of increasing our investment portfolio through cash flow from our business operations, existing investments, borrowings, and transactions that minimize current cash outlays. However, we expect that, over time, our ability to continue our investment activities portfolio growth will depend on our ability to raise additional equity capital.

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Investment Portfolio Composition

Mortgage-Backed Securities

Following is a summary of our MBS holdings:

	June 30, 2015					December 31, 2014				
			Average					Average		
	Fair value	Unpaid principal balance	Life (in years)	Coupon	Market yield	Fair value	Unpaid principal balance	Life (in years)	Coupon	Market yield
	(dollars in thousands)									
Agency:										
Freddie Mac	$ 126,933	$ 123,534	7.29	3.50%	3.04%	$ 139,577	$ 133,964	6.46	3.50%	2.70%
Fannie Mae	51,389	49,913	7.75	3.50%	3.02%	55,941	53,559	7.13	3.50%	2.73%
	178,322	173,447	7.42	3.50%	3.03%	195,518	187,523	6.65	3.50%	2.71%
Non-Agency Prime Jumbo	109,304	110,530	5.51	3.46%	3.64%	111,845	111,270	4.77	3.49%	3.31%
	$ 287,626	$ 283,977	6.68	3.48%	3.27%	$ 307,363	$ 298,793	5.97	3.50%	3.00%

Mortgage Loans

The relationship of the fair value of our mortgage loans at fair value (excluding mortgage loans acquired for sale at fair value and mortgage loans at fair value held by VIE) to the fair value of the real estate collateral underlying the mortgage loans is summarized below:

	June 30, 2015		December 31, 2014	
	Loan	Collateral	Loan	Collateral
	(in thousands)			
Fair values:				
Performing mortgage loans	$ 755,456	$ 1,089,017	$ 664,266	$ 935,383
Nonperforming mortgage loans	1,491,488	2,105,375	1,535,317	2,246,585
	$ 2,246,944	$ 3,194,392	$ 2,199,583	$ 3,181,968

The collateral values presented above do not represent our assessment of the amount of future cash flows to be realized from the mortgage loans and/or underlying collateral. Future cash flows will be influenced by, among other considerations, our asset disposition strategies with respect to individual loans, the costs and expenses we incur in the disposition process, changes in borrower performance and underlying collateral values.

The collateral values summarized above are estimated and may change over time due to various factors including our level of access to the properties securing the loans, changes in the real estate market or the condition of individual properties. The collateral values presented do not include any costs that would typically be incurred in obtaining the property in settlement of the loan, readying the property for sale or in the sale of a property.

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Following is a summary of the distribution of our mortgage loans at fair value (excluding mortgage loans acquired for sale at fair value and mortgage loans at fair value held by VIE):

	June 30, 2015						December 31, 2014					
	Performing loans			Nonperforming loans			Performing loans			Nonperforming loans		
oan type	Fair value	% total	Average note rate	Fair value	% total	Average note rate	Fair value	% total	Average note rate	Fair value	% total	Averag note rate
	(dollars in thousands)											
xed	$ 362,389	48%	4.47%	$ 588,326	39%	5.71%	$ 322,704	49%	4.81%	$ 653,313	43%	5.88
RM/Hybrid	152,287	20%	3.26%	858,895	58%	4.80%	127,405	19%	3.28%	846,282	55%	5.01
terest rate ep-up	240,620	32%	2.17%	42,573	3%	2.31%	213,999	32%	2.29%	34,854	2%	2.30
lloon	160	0%	1.97%	1,694	0%	4.55%	158	0%	1.97%	868	0%	5.16
	$ 755,456	100%	3.47%	$ 1,491,488	100%	5.07%	$ 664,266	100%	3.68%	$ 1,535,317	100%	5.31

	June 30, 2015						December 31, 2014					
	Performing loans			Nonperforming loans			Performing loans			Nonperforming loans		
en position	Fair value	% total	Average note rate	Fair value	% total	Average note rate	Fair value	% total	Average note rate	Fair value	% total	Averag note rate
	(dollars in thousands)											
t lien	$ 754,833	100%	3.46%	$ 1,491,299	100%	5.07%	$ 663,686	100%	3.67%	$ 1,535,139	100%	5.30
d lien	623	0%	4.45%	$ 189	0%	8.43%	580	0%	4.53%	178	0%	8.72
nsecured		0%	0.00%		0%	0.00%		0%	0.00%		0%	0.00
	$ 755,456	100%	3.47%	$ 1,491,488	100%	5.07%	$ 664,266	100%	3.68%	$ 1,535,317	100%	5.31

	June 30, 2015						December 31, 2014					
	Performing loans			Nonperforming loans			Performing loans			Nonperforming loans		
ccupancy	Fair value	% total	Average note rate	Fair value	% total	Average note rate	Fair value	% total	Average note rate	Fair value	% total	Averag note rate
	(dollars in thousands)											
wner cupied	$ 593,141	79%	3.54%	$ 813,479	55%	5.06%	$ 524,833	79%	3.78%	$ 926,637	60%	5.21
vestment operty	159,372	21%	3.19%	677,046	45%	5.10%	137,347	21%	3.27%	607,086	40%	5.45
her	2,943	0%	4.17%	963	0%	5.53%	2,086	0%	4.22%	1,594	0%	5.44
	$ 755,456	100%	3.47%	$ 1,491,488	100%	5.07%	$ 664,266	100%	3.68%	$ 1,535,317	100%	5.31

	June 30, 2015						December 31, 2014					
	Performing loans			Nonperforming loans			Performing loans			Nonperforming loans		
oan age	Fair value	% total	Average note rate	Fair value	% total	Average note rate	Fair value	% total	Average note rate	Fair value	% total	Averag note rate
						(dollars in thousands)						
ess than 12 onths	$ 75	0%	3.51%	$	0%	4.50%	$ 167	0%	4.51%	$	0%	4.63
- 35 onths	1,384	0%	4.33%	57	0%	3.96%	401	0%	4.01%	38	0%	3.86
- 59 onths	11,213	2%	3.35%	10,050	1%	3.30%	18,061	3%	3.67%	22,136	1%	3.31
months or ore	742,784	98%	3.47%	1,481,381	99%	5.09%	645,637	97%	3.67%	1,513,143	99%	5.34
	$ 755,456	100%	3.47%	$ 1,491,488	100.0%	5.07%	$ 664,266	100%	3.68%	$ 1,535,317	100%	5.31

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	June 30, 2015						December 31, 2014				
	Performing loans			Nonperforming loans			Performing loans			Nonperforming loa	
ation			Average			Average			Average		A
core	Fair value	% total	note rate	Fair value	% total	note rate	Fair value	% total	note rate	Fair value	% total
	(dollars in thousands)										
an 600	$ 182,352	24%	3.84%	$ 249,538	17%	5.18%	$ 166,135	25%	4.14%	$ 249,049	16%
)	146,974	20%	3.63%	284,698	19%	4.98%	133,681	20%	3.90%	263,560	17%
)	188,417	25%	3.43%	446,001	30%	5.06%	167,970	25%	3.61%	455,709	30%
)	173,939	23%	3.08%	369,643	25%	5.10%	143,759	22%	3.14%	408,162	27%
greater	63,774	8%	3.08%	141,608	9%	5.06%	52,721	8%	3.17%	158,837	10%
	$ 755,456	100%	3.47%	$ 1,491,488	100%	5.07%	$ 664,266	100%	3.68%	$ 1,535,317	100%

	June 30, 2015						December 31, 2014				
	Performing loans			Nonperforming loans			Performing loans			Nonperforming loa	
			Average			Average			Average		A
t loan-to-value (1)	Fair value	% total	note rate	Fair value	% total	note rate	Fair value	% total	note rate	Fair value	% total
	(dollars in thousands)										
an 80%	$ 197,433	26%	4.20%	$ 361,796	24%	5.08%	$ 143,964	22%	4.37%	$ 297,061	19%
9.99%	185,059	25%	3.67%	390,501	26%	5.02%	168,140	25%	3.73%	389,938	25%
119.99%	166,262	22%	3.31%	345,313	23%	5.11%	204,820	31%	3.53%	382,264	26%
r greater	206,702	27%	2.99%	393,878	27%	5.08%	147,342	22%	3.37%	466,054	30%
	$ 755,456	100%	3.47%	$ 1,491,488	100%	5.07%	$ 664,266	100%	3.68%	$ 1,535,317	100%

(1) Current loan-to-value is calculated based on the unpaid principal balance of the mortgage loan and our estimate of the value of the mortgaged property.

	June 30, 2015						December 31, 2014					
	Performing loans			Nonperforming loans			Performing loans			Nonperforming loans		
Geographic			Average			Average			Average			Average
distribution	Fair value	% total	note rate	Fair value	% total	note rate	Fair value	% total	note rate	Fair value	% total	note rate
	(dollars in thousands)											
California	$ 224,925	30%	3.11%	$ 282,347	19%	4.31%	$ 188,307	28%	3.06%	$ 293,219	19%	4.50%
New York	75,586	10%	3.19%	327,720	22%	5.55%	61,785	9%	3.48%	321,176	21%	5.76%
Florida	52,683	7%	3.09%	156,769	11%	5.51%	47,890	7%	3.54%	167,722	11%	5.79%
New Jersey	38,442	5%	2.71%	193,632	13%	5.31%	31,698	5%	3.03%	195,648	13%	5.54%
Other	363,820	48%	3.87%	531,020	35%	4.91%	334,586	51%	4.14%	557,552	36%	5.20%

$	755,456	100%	3.47%	$	1,491,488	100%	5.07%	$	664,266	100%	3.68%	$ 1,535,317	100%	5.31%

* Not included in the states representing the largest percentages as of the dates presented.

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	June 30, 2015						December 31, 2014					
	Performing loans			Nonperforming loans			Performing loans			Nonperforming loans		
yment status	Fair value	% total	Average note rate	Fair value	% total	Average note rate	Fair value	% total	Average note rate	Fair value	% total	Averag note rate
	(dollars in thousands)						(dollars in thousands)					
rrent	$ 570,222	75%	3.32%	$	0%	0.00%	$ 477,773	72%	3.53%	$	0%	0.00%
days linquent	120,895	16%	3.99%		0%	0.00%	114,179	17%	4.16%		0%	0.00%
days linquent	64,339	9%	3.75%		0%	0.00%	72,314	11%	3.88%		0%	0.00%
days or more		0%	0.00%		0%	0.00%		0%	0.00%			
linquent		0%	0.00%	597,860	40%	4.55%		0%	0.00%	608,144	40%	4.76%
foreclosure		0%	0.00%	893,628	60%	5.42%		0%	0.00%	927,173	60%	5.66%
	$ 755,456	100%	3.47%	$ 1,491,488	100%	5.07%	$ 664,266	100%	3.68%	$ 1,535,317	100%	5.31%

We believe that our current fair value estimates are representative of fair value at the reporting date. However, the market for distressed mortgage assets is illiquid with a limited number of participants. Furthermore, our business strategy is to enhance value during the period in which the loans are held. Therefore, any resulting appreciation or depreciation in the fair value of the loans is recorded during such holding period and ultimately realized at the end of the holding period.

Following is a comparison of the valuation techniques and key inputs we use in the valuation of our financial assets using Level 3 inputs:

Key inputs	June 30, 2015	December 31, 2014
Mortgage loans at fair value		
Discount rate		
Range	2.3% 15.0%	2.3% 15.0%
Weighted average	7.2%	7.7%
Twelve-month projected housing price index change		
Range	1.9% 5.2%	4.0% 5.3%
Weighted average	3.9%	4.8%
Prepayment speed (1)		
Range	0.1% 5.1%	0.0% 6.5%
Weighted average	3.6%	3.1%
Total prepayment speed (2)		
Range	3.6% 29.6%	0.0% 27.9%
Weighted average	20.9%	21.6%

(1) Prepayment speed is measured using Life Voluntary CPR.
(2) Total prepayment speed is measured using Life Total CPR.

We monitor and value our investments in pools of distressed mortgage loans either by acquisition date or by payment status of the loans. Most of the measures we use to value and monitor the loan portfolio, such as projected prepayment and default speeds and discount rates, are applied or output at the pool level. The characteristics of the individual loans, such as loan size, loan-to-value ratio and current delinquency status, can vary widely within a pool.

The weighted average discount rate used in the valuation of mortgage loans at fair value decreased from 7.7% at December 31, 2014 to 7.2% at June 30, 2015 due to a greater proportion of performing loans in the portfolio, whose valuation utilizes lower discount rates than non-performing loans, and adjustments due to observations of lower market returns for similar assets during the period.

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The weighted average twelve-month projected housing price index (HPI) change decreased from 4.8% at December 31, 2014 to 3.9% at June 30, 2015 due to moderating forecasts of home price appreciation in various geographic areas.

The total prepayment speed expected for our portfolio of mortgage loans at fair value decreased from 21.6% at December 31, 2014, to 20.9% at June 30, 2015 due to a greater proportion of performing loans in the portfolio, which will typically run off at slower speeds than non-performing loans.

Real Estate Acquired in Settlement of Loans

Following is a summary of our REO by attribute:

	June 30, 2015		December 31, 2014	
Property type	**Fair value**	**% total**	**Fair value**	**% total**
	(dollars in thousands)			
1 - 4 dwelling units	$ 235,243	72%	$ 212,728	70%
Planned unit development	57,330	18%	51,124	17%
Condominium/Co-op	29,139	9%	31,948	11%
5+ dwelling units	2,566	1%	7,428	2%
	$ 324,278	100%	$ 303,228	100%

	June 30, 2015		December 31, 2014	
Geographic distribution	**Fair value**	**% total**	**Fair value**	**% total**
	(dollars in thousands)			
California	$ 78,554	24%	$ 85,213	28%
Florida	60,186	19%	47,421	16%
Maryland	33,680	10%	34,427	11%
New Jersey	27,478	8%	*	*
New York	19,854	6%	*	*
Illinois	17,895	6%	14,963	5%
Other	86,631	27%	121,204	40%
	$ 324,278	100%	$ 303,228	100%

* Not included in the states representing the largest percentages as of the dates presented.
Following is a summary of the status of our portfolio of acquisitions by quarter acquired:

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	Acquisitions for the quarter ended							
	March 31, 2015		December 31, 2014		September 30, 2014		June 30, 2014	
	At purchase	June 30, 2015	At purchase	June 30, 2015	At purchase	June 30, 2015	At purchase	June 30, 2015
	(dollars in millions)							
Unpaid principal balance	$ 310.2	$ 294.0	$ 330.8	$ 313.4	$ 0.0	$ 0.0	$ 37.9	$ 32.8
Pool factor (1)	1.00	0.95	1.00	0.95			1.00	0.87
Collection status:								
Delinquency								
Current	1.8%	4.0%	1.6%	12.1%	0.0%	0.0%	0.7%	23.2%
30 days	0.3%	0.3%	1.6%	4.5%	0.0%	0.0%	0.6%	3.8%
60 days	0.1%	1.1%	7.1%	4.4%	0.0%	0.0%	1.4%	2.9%
over 90 days	66.7%	30.5%	52.7%	41.6%	0.0%	0.0%	59.0%	32.7%
In foreclosure	31.1%	61.0%	36.9%	33.9%	0.0%	0.0%	38.2%	28.4%
REO	0.0%	3.0%	0.0%	3.3%	0.0%	0.0%	0.0%	9.0%

(1) Ratio of unpaid principal balance remaining to unpaid principal balance at acquisition.

	Acquisitions for the quarter ended							
	March 31, 2014		December 31, 2013		September 30, 2013		June 30, 2013	
	At purchase	June 30, 2015	At purchase	June 30, 2015	At purchase	June 30, 2015	At purchase	June 30, 2015
	(dollars in millions)							
Unpaid principal balance	$ 439.0	$ 373.8	$ 507.3	$ 420.3	$ 929.5	$ 671.0	$ 397.3	$ 283.3
Pool factor (1)	1.00	0.85	1.00	0.83	1.00	0.72	1.00	0.71
Collection status:								
Delinquency								
Current	6.2%	15.0%	1.4%	13.1%	0.8%	19.4%	4.8%	27.1%
30 days	0.7%	2.7%	0.2%	0.6%	0.3%	2.8%	7.4%	6.5%
60 days	0.7%	1.3%	0.0%	0.9%	0.7%	1.3%	7.6%	3.7%
over 90 days	37.5%	18.2%	38.3%	19.3%	58.6%	22.6%	45.3%	23.4%
In foreclosure	53.8%	48.2%	60.0%	48.1%	39.6%	34.5%	34.9%	26.6%
REO	1.1%	14.6%	0.0%	18.1%	0.0%	19.4%	0.0%	12.7%

(1) Ratio of unpaid principal balance remaining to unpaid principal balance at acquisition.

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	Acquisitions for the quarter ended							
	March 31, 2013		December 31, 2012		September 30, 2012		June 30, 2012	
	At purchase	June 30, 2015	At purchase	June 30, 2015	At purchase	June 30, 2015	At purchase	June 30, 2015
	(dollars in millions)							
Unpaid principal balance	$ 366.2	$ 205.6	$ 290.3	$ 155.2	$ 357.2	$ 169.3	$ 402.5	$ 137.0
Pool factor (1)	1.00	0.56	1.00	0.53	1.00	0.47	1.00	0.34
Collection status:								
Delinquency								
Current	1.6%	44.2%	3.1%	32.1%	0.0%	23.6%	45.0%	37.0%
30 days	1.5%	8.7%	1.3%	8.9%	0.0%	3.1%	4.0%	10.7%
60 days	3.5%	5.1%	5.4%	4.6%	0.1%	1.8%	4.3%	7.2%
over 90 days	82.2%	19.4%	57.8%	16.6%	49.1%	18.7%	31.3%	22.6%
In foreclosure	11.2%	14.4%	32.4%	21.5%	50.8%	31.2%	15.3%	15.8%
REO	0.0%	8.2%	0.0%	16.3%	0.0%	21.7%	0.1%	6.7%

(1) Ratio of unpaid principal balance remaining to unpaid principal balance at acquisition.

	Acquisitions for the quarter ended							
	March 31, 2012		December 31, 2011		September 30, 2011		June 30, 2011	
	At purchase	June 30, 2015	At purchase	June 30, 2015	At purchase	June 30, 2015	At purchase	June 30, 2015
	(dollars in millions)							
Unpaid principal balance	$ 0.0	$ 0.0	$ 49.0	$ 24.0	$ 542.6	$ 140.8	$ 259.8	$ 82.7
Pool factor (1)			1.00	0.49	1.00	0.26	1.00	0.32
Collection status:								
Delinquency								
Current	0.0%	0.0%	0.2%	31.7%	0.6%	28.1%	11.5%	24.6%
30 days	0.0%	0.0%	0.1%	3.5%	1.3%	4.8%	6.5%	10.0%
60 days	0.0%	0.0%	0.2%	4.2%	2.0%	2.9%	5.2%	5.8%
over 90 days	0.0%	0.0%	70.4%	32.8%	22.6%	21.9%	31.2%	23.7%
In foreclosure	0.0%	0.0%	29.0%	17.9%	73.0%	27.7%	43.9%	21.8%
REO	0.0%	0.6%	0.0%	9.9%	0.4%	14.7%	1.7%	14.0%

(1) Ratio of unpaid principal balance remaining to unpaid principal balance at acquisition.

Cash Flows

Our cash flows for the six months ended June 30, 2015 and 2014 are summarized below:

	Six months ended June 30, 2015	Six months ended June 30, 2014	Change
	(in thousands)		
Operating	$ (1,660,413)	$ (565,789)	$ (1,094,624)
Investing	(46,706)	112,754	(159,460)
Financing	1,745,431	463,526	1,281,905
Net cash flows	$ 38,312	$ 10,491	$ 27,821

Our cash flows resulted in a net increase in cash of $38.3 million during the six months ended June 30, 2015. The increase was due to cash provided by financing activities exceeding cash used by our operating and investing activities.

Operating activities

Cash used by operating activities totaled $1.7 billion during the six months ended June 30, 2015 compared to cash used by operating activities of $565.8 million during the six months ended June 30, 2014. Cash used by operating activities in 2015 is primarily attributable to growth in our inventory of mortgage loans acquired for sale and the receipt of MSRs as a portion of the proceeds on sale of mortgage loans acquired for sale.

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Investing activities

Net cash used by our investing activities was $46.7 million for the six months ended June 30, 2015 and reflects new investment acquisitions in excess of liquidations. This compares with cash provided by investing activities totaling $112.8 million for the six months ended June 30, 2014 as a result of growth in our investment portfolio. We used cash to purchase MBS, mortgage loans at fair value and ESS of $454.4 million and increased our margin deposits by $36.0 million. We realized cash inflows from a decrease in short-term investments, repayments of MBS, sales and repayments of mortgage loans, repayment of ESS, and sales of REO totaling $453.9 million.

Approximately 29% of our investments, comprised of short-term investments, MBS, mortgage loans, ESS, REO and MSRs, were nonperforming assets as of June 30, 2015. Nonperforming assets include mortgage loans delinquent 90 or more days and REO. Accordingly, we expect that these assets will require a longer period to produce cash flow and the timing and amount of cash flows from these assets is less certain than for performing assets. During the six months ended June 30, 2015, we transferred $158.1 million of mortgage loans to REO and realized cash proceeds from the sales and repayments of mortgage loans at fair value and REO totaling $275.6 million.

As discussed above, our investing activities include the purchase of long-term assets which are not presently cash flowing or are at risk of interruption of cash flows in the near future. Furthermore, much of the investment income we recognize is in the form of valuation adjustments we record recognizing our estimates of the net appreciation in fair value of the assets as we work with borrowers to either modify their loans or acquire the property securing their loans in settlement thereof. Accordingly, the cash associated with a substantial portion of our revenues is often realized as part of the proceeds of the liquidation of the assets, either through payoff or sale of the mortgage loan or through acquisition and subsequent sale of the property securing the loans, many months after we record the revenues.

Financing activities

Net cash provided by financing activities was $1.7 billion for the six months ended June 30, 2015, which was primarily used to fund the increase in our inventory of mortgage loans acquired for sale and mortgage loans at fair value. This compares with cash provided by financing activities totaling $463.5 million for the six months ended June 30, 2014. The increase in cash flows from financing activities reflects increased financing needs to purchase inventory of mortgage loans acquired for sale at fair value, including $649.1 million relating to mortgage loans included in a credit risk transfer transaction, $192.4 million in advances from a note payable, and $138.4 million in advances from FHLB, and acquisitions of distressed mortgage assets during 2015 as compared to 2014. We do not raise equity or enter into borrowings for the purpose of financing the payment of dividend distributions. We believe that our cash flows from the liquidation of our investments, which include accumulated gains recorded during the periods we hold those investments, along with our cash earnings, are adequate to fund our operating expenses and dividend payment requirements. As our business continues to grow, we manage our liquidity in the aggregate and are reinvesting our cash flows in new investments as well as using such cash to fund our dividend requirements.

Liquidity and Capital Resources

Our liquidity reflects our ability to meet our current obligations (including the purchase of loans from correspondent lenders, our operating expenses and, when applicable, retirement of, and margin calls relating to, our debt and derivatives positions), make investments as our Manager identifies them and make distributions to our shareholders. We generally need to distribute at least 90% of our taxable income each year (subject to certain adjustments) to our shareholders to qualify as a REIT under the Internal Revenue Code. This distribution requirement limits our ability to retain earnings and thereby replenish or increase capital to support our activities.

We expect our primary sources of liquidity to be proceeds from liquidations from our portfolio of distressed assets, cash earnings on our investments, cash flows from business activities, and proceeds from borrowings and/or additional equity offerings. We do not expect repayments from contractual cash flows from our investments to be a primary source of liquidity as the majority of our distressed asset investments are nonperforming. Our portfolio of distressed mortgage loans was acquired with the expectation that the majority of the cash flows associated with these investments would result from liquidation of the property securing the loan, rather than from scheduled principal and interest payments. Our mortgage loans acquired for sale are generally held for fifteen days or less and, therefore, are not expected to generate significant cash flows from principal repayments.

Our current leverage strategy is to finance our assets where we believe such borrowing is prudent, appropriate and available. We have made collateralized borrowings in the form of borrowings under forward purchase agreements, sales of assets under agreements to repurchase, a mortgage loan participation and sale agreement, notes payable and FHLB advances. Copper Insurance, LLC, our wholly-owned captive insurance subsidiary, was granted membership with the Federal Home Loan Bank of Des Moines. As a member of the FHLB, we have access to a variety of products and services offered by the FHLB, including secured advances. Our membership to the FHLB, however, is contingent upon the continued membership eligibility of captive insurance companies. To the extent available to us, we expect in the future to obtain long-term financing for assets with estimated future lives of more than one year; this may include term financing and securitization of performing (including newly purchased jumbo mortgage loans), nonperforming and/or reperforming mortgage loans.

We will continue to finance most of our assets on a short-term basis until long-term financing becomes more available. Our short-term financings will be primarily in the form of agreements to repurchase and other secured lending and structured finance facilities, pending the ultimate disposition of the assets, whether through sale, securitization or liquidation. Because a significant portion of our current debt facilities consists 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.

Our repurchase agreements represent the sales of assets together with agreements for us to buy back the assets at a later date. Following is a summary of the activities in our repurchase agreements financing:

Assets sold under agreements to repurchase	Quarter ended June 30, 2015	Quarter ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
	(in thousands)			
Average balance outstanding (1)	$ 3,172,806	$ 2,253,127	$ 3,061,923	$ 2,025,678
Maximum daily balance outstanding (1)	$ 3,511,918	$ 2,814,572	$ 3,842,167	$ 2,814,572
Ending balance	$ 3,500,569	$ 2,701,755		

(1) Excludes the effect of unamortized commitment fees and issuance costs.

The difference between the maximum and average daily amounts outstanding was due to increasing volume and the timing of loan purchases and sales in our correspondent acquisition business and timing of distressed loan acquisitions. The total facility size of our assets sold under agreements to repurchase was approximately $4.3 billion at June 30, 2015.

As of June 30, 2015 and December 31, 2014, we financed our investments in MBS, our inventory of mortgage loans acquired for sale at fair value, mortgage loans at fair value, mortgage loans at fair value held by VIE, mortgage servicing rights, and REO under agreements to repurchase and forward purchase agreements as follows:

	June 30, 2015	December 31, 2014
	(dollars in thousands)	
Assets financed	$ 6,162,985	$ 3,797,580
Total assets in classes of assets financed	$ 6,311,981	$ 3,975,265
Borrowings	$ 4,755,068	$ 2,916,286
Percentage of invested assets pledged	98%	96%
Advance rate against pledged assets	77%	77%
Leverage ratio (1)	3.12x	2.01x

(1) All borrowings divided by shareholders equity at period end.

As discussed above, all of our repurchase agreements and forward purchase agreements and our mortgage loan participation and sale agreement have short-term maturities:

- The transactions relating to mortgage loans and REO under agreements to repurchase generally provide for terms of approximately one year and, in one instance, two years.

- The transactions relating to mortgage loans under forward purchase agreements settled in full during the second quarter of the year ended December 31, 2014.

- The transactions relating to mortgage loans under mortgage loan participation and sale agreement provide for terms of approximately one year.

On March 31, 2015, we entered into an agreement with Citibank, N.A., whereby we may finance certain of our mortgage servicing rights relating to mortgage loans pooled into Fannie Mae and/or Freddie Mac MBS in an aggregate loan amount not to exceed $250 million. We have, in turn, pledged MSRs to secure the financing. At June 30, 2015 we had outstanding $192.4 million in advances under this facility.

Beginning in April of 2015, we entered into an agreement with PFSI whereby we are able to borrow up to $150 million from PFSI for the purpose of financing ESS. PFSI has, in turn, pledged its MSRs underlying the ESS to secure financing of the MSRs. At June 30, 2015 we had outstanding $52.5 million in advances under this facility.

As of June 30, 2015 leverage on MSR and ESS has limited availability due to the requirement of each Agency that its rights and interest in the MSRs remain senior to those of any lender extending credit. As we continue to aggregate MSRs and ESS, the limited availability of financing could place stress on our capital and liquidity positions or require us to forego attractive investment opportunities.

Our debt financing agreements require us and certain of our subsidiaries to comply with various financial covenants. As of the filing of this Report, these financial covenants include the following:

- profitability at the Company for at least one (1) of the previous two consecutive fiscal quarters, as of the end of each fiscal quarter, and for both the prior two (2) calendar quarters, and at the Company and our Operating Partnership for the prior three (3) calendar quarters;
- a minimum of $40 million in unrestricted cash and cash equivalents among the Company and/or our subsidiaries; a minimum of $40 million in unrestricted cash and cash equivalents among our Operating Partnership and its consolidated subsidiaries; a minimum of $25 million in unrestricted cash and cash equivalents between PMC and PennyMac Holdings, LLC (PMH); and a minimum of $10 million in unrestricted cash and cash equivalents at each of PMC and PMH;
- a minimum tangible net worth for the Company of $860 million; a minimum tangible net worth for our Operating Partnership of $700 million; a minimum tangible net worth for PMH of $250 million; and a minimum tangible net worth for PMC of $150 million;
- a maximum ratio of total liabilities to tangible net worth of less than 10:1 for PMC and PMH and 5:1 for the Company and our Operating Partnership; and
- at least two warehouse or repurchase facilities that finance amounts and assets similar to those being financed under our existing debt financing agreements.

Although these financial covenants limit the amount of indebtedness we may incur and impact 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.

PLS is also subject to various financial covenants, both as a borrower under its own financing arrangements and as our Servicer under certain of our debt financing agreements. The most significant of these financial covenants currently include the following:

- positive net income during each calendar quarter;

- a minimum in unrestricted cash and cash equivalents of $20 million;
- a minimum tangible net worth of $90 million; and
- a maximum ratio of total liabilities to tangible net worth of 10:1.

Our transactions relating to securities sold under agreements to repurchase contain margin call provisions that, upon notice from the applicable lender at its option, require us to transfer cash or additional securities in an amount sufficient to eliminate any margin deficit. A margin deficit will generally result from any decrease in the market value (as determined by the applicable lender) of the assets subject to an agreement to repurchase, although in some instances we may agree with the lender upon certain thresholds (in dollar amounts or percentages based on the market value of the assets) that must be exceeded before a margin deficit will arise. 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.

The transactions relating to mortgage loans and/or equity interests in special purpose entities holding real property under agreements to repurchase contain margin call provisions that, upon notice from the applicable lender at its option, require us to transfer cash or additional mortgage loans or real property, as applicable, in an amount sufficient to eliminate any margin deficit. A margin deficit will generally result from any decrease in the market value (as determined by the applicable lender) of the assets subject to an agreement to repurchase. 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.

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Our Manager continues to explore a variety of additional means of financing our continued growth, including debt financing through bank warehouse lines of credit, additional repurchase agreements, term financing, securitization transactions and additional equity offerings. However, there can be no assurance as to how much additional financing capacity such efforts will produce, what form the financing will take or that such efforts will be successful.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Off-Balance Sheet Arrangements

As of June 30, 2015, we have not entered into any off-balance sheet arrangements.

Contractual Obligations

As of June 30, 2015, we had on-balance sheet contractual obligations comprised of borrowings totaling $5.0 billion.

All agreements to repurchase assets that matured between June 30, 2015 and the date of this Report have been renewed, extended or repaid and are described in Note 14 *Assets Sold Under Agreements to Repurchase* in the accompanying consolidated financial statements.

Payment obligations under these agreements, including expected interest payments on debt agreements, are summarized below:

		Payments due by period			
Contractual obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
		(in thousands)			
Commitments to purchase mortgage loans from correspondent lenders	$ 1,503,814	$ 1,503,814	$	$	$
Assets sold under agreements to repurchase	3,501,925	3,501,925			
Mortgage loan participation and sale agreement	70,627	70,627			
FHLB advances	138,400	138,400			
Credit risk transfer financing at fair value	656,377	656,377			
Note payable	192,352	192,352			
Note payable to PennyMac Financial Services, Inc.	52,526	52,526			
Asset-backed secured financing	151,489				151,489
Exchangeable senior notes	250,000				250,000
Interest on long term debt	229,622	18,867	37,385	83,786	89,584
Total	$ 6,747,132	$ 6,134,888	$ 37,385	$ 83,786	$ 491,073

The amount at risk (the fair value of the assets pledged plus the related margin deposit, less the amount advanced by the counterparty and interest payable) relating to the Company s assets sold under agreements to repurchase is summarized by counterparty below as of June 30, 2015:

Counterparty	**Amount at risk (in thousands)**
Citibank, N.A.	$ 333,840
Credit Suisse First Boston Mortgage Capital LLC	170,684
JPMorgan Chase & Co.	181,631
Bank of America, N.A.	455,132
Morgan Stanley Bank, N.A.	15,200
Daiwa Capital Markets America Inc.	5,415
	$ 1,161,902

Management Agreement. We are externally managed and advised by our Manager pursuant to a management agreement, which was amended and restated effective February 1, 2013. Our management agreement requires our Manager to oversee our business affairs in conformity with the investment policies that are approved and monitored by our board of trustees. Our Manager is responsible for our day-to-day management and will perform such services and activities related to our assets and operations as may be appropriate.

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Pursuant to our management agreement, our Manager collects a base management fee and may collect a performance incentive fee, both payable quarterly and in arrears. The term of our management agreement expires on February 1, 2017, subject to automatic renewal for additional 18-month periods, unless terminated earlier in accordance with the terms of the agreement.

The base management fee is calculated at a defined annualized percentage of shareholders equity. Our shareholders equity is defined as the sum of the net proceeds from any issuances of our equity securities since our inception (weighted for the time outstanding during the measurement period); plus our retained earnings at the end of the quarter; less any amount that we pay for repurchases of our common shares (weighted for the time held during the measurement period); and excluding one-time events pursuant to changes in GAAP and certain other non-cash charges after discussions between our Manager and our independent trustees and approval by a majority of our independent trustees.

Pursuant to our management agreement, the base management fee is equal to the sum of (i) 1.5% per annum of shareholders equity up to $2 billion, (ii) 1.375% per annum of shareholders equity in excess of $2 billion and up to $5 billion, and (iii) 1.25% per annum of shareholders equity in excess of $5 billion. The base management fee is paid in cash.

The performance incentive fee is calculated at a defined annualized percentage of the amount by which net income, on a rolling four-quarter basis and before deducting the incentive fee, exceeds certain levels of return on equity. For the purpose of determining the amount of the performance incentive fee, net income is defined as net income or loss computed in accordance with GAAP and certain other non-cash charges determined after discussions between our Manager and our independent trustees and approval by a majority of our independent trustees. For this purpose, equity is the weighted average of the issue price per common share of all of our public offerings, multiplied by the weighted average number of common shares outstanding (including restricted share units) in the four-quarter period.

The performance incentive fee is calculated quarterly and escalates as net income (stated as a percentage of return on equity) increases over certain thresholds. On each calculation date, the threshold amounts represent a stated return on equity, plus or minus a high watermark adjustment. The performance fee payable for any quarter is equal to: (a) 10% of the amount by which net income for the quarter exceeds (i) an 8% return on equity plus the high watermark, up to (ii) a 12% return on equity; plus (b) 15% of the amount by which net income for the quarter exceeds (i) a 12% return on equity plus the high watermark, up to (ii) a 16% return on equity; plus (c) 20% of the amount by which net income for the quarter exceeds a 16% return on equity plus the high watermark.

The high watermark is the quarterly adjustment that reflects the amount by which the net income (stated as a percentage of return on equity) in that quarter exceeds or falls short of the lesser of 8% and the Fannie Mae MBS Yield (the target yield) for such quarter. The high watermark starts at zero and is adjusted quarterly. 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 amounts required for our Manager to earn a performance incentive fee are adjusted cumulatively based on the performance of our 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 performance incentive fee may be paid in cash or in our common shares (subject to a limit of no more than 50% paid in common shares), at our option.

Under our management agreement, our Manager is entitled to reimbursement of its organizational and operating expenses, including third-party expenses, incurred on our behalf. Our Manager may also be entitled to a termination fee under certain circumstances. Specifically, the termination fee is payable for (1) our termination of our management agreement without cause, (2) our Manager s termination of our management agreement upon a default by us in the performance of any material term of the agreement that has continued uncured for a period of 30 days after receipt of written notice thereof or (3) our Manager s termination of the agreement after the termination by us without cause (excluding a non-renewal) of our MBWS agreement, our MSR recapture agreement, or our servicing agreement (each as described and/or defined below). The termination fee is equal to three times the sum of (a) the average annual base management fee and (b) the average annual (or, if the period is less than 24 months, annualized) performance incentive fee, in each case earned by our Manager during the 24-month period before termination.

Our management agreement also provides that, prior to the undertaking by our Manager or its affiliates of any new investment opportunity or any other business opportunity requiring a source of capital with respect to which our

Manager or its affiliates will earn a management, advisory, consulting or similar fee, our Manager shall present to us such new opportunity and the material terms on which our Manager proposes to provide services to us before pursuing such opportunity with third parties.

Servicing Agreement. We have entered into a servicing agreement with our Servicer pursuant to which our Servicer provides servicing for our portfolio of residential mortgage loans. The loan servicing provided by our Servicer includes collecting principal, interest and escrow account payments, if any, with respect to mortgage loans, as well as managing loss mitigation, which may include, among other things, collection activities, loan workouts, modifications, foreclosures and short sales. Our Servicer also engages in certain loan origination activities that include refinancing mortgage loans and financings that facilitate sales of real estate owned properties, or REOs. The term of our servicing agreement, as amended, expires on February 1, 2017, subject to automatic renewal for additional 18-month periods, unless terminated earlier in accordance with the terms of the agreement.

The base servicing fees for distressed whole loans are calculated based on a monthly per-loan dollar amount, with the actual dollar amount for each loan based on the delinquency, bankruptcy and/or foreclosure status of such loan or the related underlying real estate. Presently, the base servicing fees for distressed whole loans range from $30 per month for current loans up to $125 per month for loans that are in foreclosure.

The base servicing fees for loans subserviced by our Servicer on our behalf are also calculated through a monthly per-loan dollar amount, with the actual dollar amount for each loan based on whether the mortgage loan is a fixed-rate or adjustable-rate loan. The base servicing fees for loans subserviced on our behalf are $7.50 per month for fixed-rate loans and $8.50 per month for adjustable-rate mortgage loans. To the extent that these loans become delinquent, our Servicer is entitled to an additional servicing fee per loan falling within a range of $10 to $75 per month and based on the delinquency, bankruptcy and foreclosure status of the loan or the related underlying real estate. Our Servicer is also entitled to customary ancillary income and certain market-based fees and charges, including boarding and deboarding fees, liquidation and disposition fees, and assumption, modification and origination fees.

Except as otherwise provided in our MSR recapture agreement, when our Servicer effects a refinancing of a loan on our behalf and not through a third-party lender and the resulting loan is readily saleable, or our Servicer originates a loan to facilitate the disposition of the real estate acquired by us in settlement of a loan, our Servicer is entitled to receive from us market-based fees and compensation consistent with pricing and terms our Servicer offers unaffiliated third parties on a retail basis.

To the extent that our Servicer participates in HAMP (or other similar mortgage loan modification programs), our Servicer is entitled to retain any incentive payments made to it and to which it is entitled under HAMP, provided that, with respect to any incentive payments paid to our Servicer in connection with a mortgage loan modification for which we previously paid our Servicer a modification fee, our Servicer is required to reimburse us an amount equal to the incentive payments.

In addition, because we do not have any employees or infrastructure, our Servicer is required to provide a range of services and activities significantly greater in scope than the services provided in connection with a customary servicing arrangement. For these services, our Servicer receives a supplemental servicing fee of $25 per month for each distressed whole loan and $3.25 per month for each other subserviced loan; provided, however, that from and after January 1, 2014, the aggregate supplemental servicing fees for all loans that are owned by a third party investor and with respect to which we have acquired the related servicing rights (and that are not distressed whole loans) shall not exceed $700,000 in any fiscal quarter. Our Servicer is entitled to reimbursement for all customary, bona fide reasonable and necessary out-of-pocket expenses incurred by our Servicer in connection with the performance of its servicing obligations.

Mortgage Banking and Warehouse Services Agreement. We have also entered into a mortgage banking and warehouse services agreement (the MBWS agreement), pursuant to which our Servicer provides us with certain mortgage banking services, including fulfillment and disposition-related services, with respect to loans acquired by us from correspondent lenders, and certain warehouse lending services, including fulfillment and administrative services, with respect to loans financed by us for our warehouse lending clients. The term of our MBWS agreement expires on February 1, 2017, subject to automatic renewal for additional 18-month periods, unless terminated earlier in accordance with the terms of the agreement.

Under our MBWS agreement, our Servicer has agreed to provide the mortgage banking services exclusively for our benefit, and our Servicer and its affiliates are prohibited from providing such services for any other third party. However, such exclusivity and prohibition shall not apply, and certain other duties instead will be imposed upon our Servicer, if we are unable to purchase or finance mortgage loans as contemplated under our MBWS agreement for any reason.

In consideration for the mortgage banking services provided by our Servicer with respect to our acquisition of mortgage loans, our Servicer is entitled to a fulfillment fee based on the type of mortgage loan that we acquire and equal to a percentage of the unpaid principal balance of such mortgage loan. Presently, the applicable percentages are (i) 0.50% for conventional mortgage loans, (ii) 0.88% for loans sold in accordance with the Ginnie Mae Mortgage-Backed Securities Guide, (iii) 0.80% for HARP mortgage loans with a loan-to-value ratio of 105% or less, (iv) 1.20% for HARP mortgage loans with a loan-to-value ratio of greater than 105%, and (v) 0.50% for all other mortgage loans not contemplated above; provided, however, that our Servicer may, in its sole discretion, reduce the amount of the applicable fulfillment fee and credit the amount of such reduction to the reimbursement otherwise due as described below. This reduction may only be credited to the reimbursement applicable to the month in which the related mortgage was funded.

We do not hold the Ginnie Mae approval required to issue Ginnie Mae MBS and act as a servicer. Accordingly, under our MBWS agreement, our Servicer currently purchases loans saleable in accordance with the Ginnie Mae Mortgage-Backed Securities Guide as is and without recourse of any kind from us at cost less an administrative fee paid by the correspondent to us plus accrued interest and a sourcing fee of three basis points.

In the event that we purchase mortgage loans with an aggregate unpaid principal balance in any month greater than $2.5 billion, our Servicer has agreed to discount the amount of such fulfillment fees by reimbursing us an amount equal to the product of (i) 0.025%, and (ii) the amount of unpaid principal balance in excess of $2.5 billion and less than or equal to $5.0 billion, plus (b) the product of (i) 0.05%, and (ii) the amount of unpaid principal balance in excess of $5 billion.

In consideration for the mortgage banking services provided by our Servicer with respect to our acquisition of mortgage loans under our Servicer s early purchase program, our Servicer is entitled to fees accruing (i) at a rate equal to $25,000 per annum, and (ii) in the amount of $50 for each mortgage loan that we acquire. In consideration for the warehouse services provided by our Servicer with respect to mortgage loans that we finance for our warehouse lending clients, with respect to each facility, our Servicer is entitled to fees accruing (i) at a rate equal to $25,000 per annum, and (ii) in the amount of $50 for each mortgage loan that we finance thereunder. Where we have entered into both an early purchase agreement and a warehouse lending agreement with the same client, our Servicer shall only be entitled to one $25,000 per annum fee and, with respect to any mortgage loan that becomes subject to both such agreements, only one $50 per loan fee.

Notwithstanding any provision of our MBWS agreement to the contrary, if it becomes reasonably necessary or advisable for our Servicer to engage in additional services in connection with post-breach or post-default resolution activities for the purposes of a correspondent agreement, a warehouse agreement or a re-warehouse agreement, then we have generally agreed with our Servicer to negotiate in good faith for additional compensation and reimbursement of expenses to be paid to our Servicer for the performance of such additional services.

MSR Recapture Agreement. Effective February 1, 2013, we entered into an MSR recapture agreement with our Servicer. Pursuant to the terms of our MSR recapture agreement, if our Servicer refinances via its retail lending business loans for which we previously held the MSRs, our Servicer is generally required to transfer and convey to us, without cost to us, the MSRs with respect to new mortgage loans originated in those refinancings (or, under certain circumstances, other mortgage loans) that have an aggregate unpaid principal balance that is not less than 30% of the aggregate unpaid principal balance of all the loans so originated. Where the fair market value of the aggregate MSRs to be transferred for the applicable month is less than $200,000, our Servicer may, at its option, wire cash to us in an amount equal to such fair market value in lieu of transferring such MSRs. The initial term of our MSR recapture agreement expires, unless terminated earlier in accordance with the terms of the agreement, on February 1, 2017, subject to automatic renewal for additional 18-month periods, unless terminated in accordance with the terms of the agreement.

Spread Acquisition and MSR Servicing Agreements. Effective February 1, 2013, we entered into a master spread acquisition and MSR servicing agreement (the 2/1/13 Spread Acquisition Agreement), pursuant to which we may acquire from our Servicer the rights to receive certain ESS arising from MSRs acquired by our Servicer from banks and other third party financial institutions. Our Servicer is generally required to service or subservice the related mortgage loans for the applicable agency or investor. To date, we have only used the 2/1/13 Spread Acquisition Agreement for the purpose of acquiring ESS relating to Fannie Mae MSRs. The terms of each transaction under the 2/1/13 Spread Acquisition Agreement are subject to the terms thereof, as modified and supplemented by the terms of a confirmation executed in connection with such transaction.

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To the extent our Servicer refinances any of the mortgage loans relating to the ESS we have acquired, the 2/1/13 Spread Acquisition Agreement contains recapture provisions requiring that our Servicer transfer to us, at no cost, the ESS relating to a certain percentage of the unpaid principal balance of the newly originated mortgage loans. To the extent the fair market value of the aggregate ESS to be transferred for the applicable month is less than $200,000, our Servicer may, at its option, wire cash to us in an amount equal to such fair market value in lieu of transferring such ESS.

On December 30, 2013, we entered into a second master spread acquisition and MSR servicing agreement with our Servicer (the 12/30/13 Spread Acquisition Agreement). The terms of the 12/30/13 Spread Acquisition Agreement are substantially similar to the terms of the 2/1/13 Spread Acquisition Agreement, except that we only intend to purchase ESS relating to Ginnie Mae MSRs under the 12/30/13 Spread Acquisition Agreement.

To the extent our Servicer refinances any of the mortgage loans relating to the ESS we have acquired, the 12/30/13 Spread Acquisition Agreement also contains recapture provisions requiring that our Servicer transfer to us, at no cost, the ESS relating to a certain percentage of the unpaid principal balance of the newly originated mortgage loans. However, under the 12/30/13 Spread Acquisition Agreement, in any month where the transferred ESS relating to newly originated Ginnie Mae mortgage loans is not equivalent to at least 90% of the product of the excess servicing fee rate and the unpaid principal balance of the refinanced mortgage loans, our Servicer is also required to transfer additional ESS or cash in the amount of such shortfall. Similarly, in any month where the transferred ESS relating to modified Ginnie Mae mortgage loans is not equivalent to at least 90% of the product of the excess servicing fee rate and the unpaid principal balance of the modified mortgage loans, the 12/30/13 Spread Acquisition Agreement contains provisions that require our Servicer to transfer additional ESS or cash in the amount of such shortfall. To the extent the fair market value of the aggregate ESS to be transferred for the applicable month is less than $200,000, our Servicer may, at its option, wire cash to us in an amount equal to such fair market value in lieu of transferring such ESS.

In connection with our entry into the 12/30/13 Spread Acquisition Agreement, we were also required to enter into a Security and Subordination Agreement (the Security Agreement) with CSFB. Under the terms of the Security Agreement, we pledged to CSFB our rights under the 12/30/13 Spread Acquisition Agreement and our interest in any ESS purchased thereunder. The Security Agreement was required as a result of a separate loan and security agreement between our Servicer and CSFB (the LSA), pursuant to which our Servicer pledged to CSFB all of its rights and interests in the Ginnie Mae MSRs it owns or acquires, and a separate acknowledgement agreement with respect thereto, by and among Ginnie Mae, CSFB and our Servicer. As a condition to permitting our Servicer to transfer to us the ESS relating to a portion of those pledged Ginnie Mae MSRs, CSFB required such transfer to be subject to CSFB s continuing lien on the ESS, the pledge and acknowledgement of which were effected pursuant to the Security Agreement. CSFB s lien on the ESS remains subordinate to the rights and interests of Ginnie Mae pursuant to the provisions of the 12/30/13 Spread Acquisition Agreement and the terms of the acknowledgement agreement.

The Security Agreement contains representations, warranties and covenants by us that are substantially similar to those contained in our other financing arrangements with CSFB. The Security Agreement also permits CSFB to liquidate our ESS along with the related MSRs to the extent there exists an event of default under the LSA, and it contains certain trigger events, including breaches of representations, warranties or covenants and defaults under other of our credit facilities, that would require our Servicer to either (i) repay in full the outstanding loan amount under the LSA or (ii) repurchase the ESS from us at fair market value. To the extent our Servicer is unable to repay the loan under the LSA or repurchase our ESS, an event of default would exist under the LSA, thereby entitling CSFB to liquidate the ESS and the related MSRs. In the event our ESS is liquidated as a result of certain actions or inactions of our Servicer, we generally would be entitled to seek indemnity under the 12/30/13 Spread Acquisition Agreement.

On December 19, 2014, we entered into a third master spread acquisition and MSR servicing agreement with our Servicer (the 12/19/14 Spread Acquisition Agreement). The terms of the 12/19/14 Spread Acquisition Agreement are substantially similar to the terms of the 2/1/13 Spread Acquisition Agreement, except that we only intend to purchase ESS relating to Freddie Mac MSRs under the 12/19/14 Spread Acquisition Agreement.

To the extent our Servicer refinances any of the mortgage loans relating to the ESS we have acquired, the 12/19/14 Spread Acquisition Agreement also contains recapture provisions requiring that our Servicer transfer to us, at no cost, the ESS relating to a certain percentage of the unpaid principal balance of the newly originated mortgage loans. To the extent the fair market value of the aggregate ESS to be transferred for the applicable month is less than $200,000, our Servicer may, at its option, wire cash to us in an amount equal to such fair market value in lieu of transferring such ESS.

On April 30, 2015, PFSI entered into a lending facility, pursuant to which it may finance certain of its MSRs and servicing advance receivables with a lender. The maximum loan amount under the lending facility was increased from $257 million to $407 million for the purpose of facilitating our financing of ESS. In connection with PFSI s lending facility, we and PFSI also entered into an underlying loan and security agreement on April 30, 2015. We have provided a guaranty for the payment of the aggregate loan amount outstanding under the lending facility and relating to PFSI advances outstanding with us.

Pursuant to the underlying loan and security agreement, we granted to PFSI a security interest in all of its right, title and interest in, to and under the ESS pledged to secure loans. We and PFSI have agreed that we are required to repay PFSI the principal amount of such borrowings plus accrued interest to the date of such repayment, and PFSI is required to repay its lender the corresponding amount under its lending facility. Borrowings of $52.5 million on the underlying loan and security agreement between us and PFSI were outstanding as of June 30, 2015, which are included in *Note payable to PennyMac Financial Services, Inc.* on our consolidated balance sheet.

Reimbursement Agreement. In connection with the initial public offering of our common shares (IPO), on August 4, 2009, we entered into an agreement with our Manager pursuant to which we agreed to reimburse our Manager for the $2.9 million payment that it made to the underwriters for the IPO (the Conditional Reimbursement) if we satisfied certain performance measures over a specified period of time. Effective February 1, 2013, we amended the terms of the reimbursement agreement to provide for the reimbursement of our Manager of the Conditional Reimbursement if we are required to pay our Manager performance incentive fees under our management agreement at a rate of $10 in reimbursement for every $100 of performance incentive fees earned. The reimbursement of the Conditional Reimbursement is subject to a maximum reimbursement in any particular 12-month period of $1.0 million and the maximum amount that may be reimbursed under the agreement is $2.9 million. The reimbursement agreement also provides for the payment to the IPO underwriters of the payment that we agreed to make to them at the time of the IPO if we satisfied certain performance measures over a specified period of time. As our Manager earns performance incentive fees under our management agreement, the IPO underwriters will be paid at a rate of $20 of payments for every $100 of performance incentive fees earned by our Manager. The payment to the underwriters is subject to a maximum reimbursement in any particular 12-month period of $2.0 million and the maximum amount that may be paid under the agreement is $5.9 million.

In the event the termination fee is payable to our Manager under our management agreement and our Manager and the underwriters have not received the full amount of the reimbursements and payments under the reimbursement agreement, such amount will be paid in full. The term of the reimbursement agreement expires on February 1, 2019.

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 real estate risk, credit risk, interest rate risk, prepayment risk, inflation risk and market value risk. A substantial portion of our investments are comprised of nonperforming loans. We believe that such assets fair values respond primarily to changes in the fair value of the real estate securing such loans.

The following table summarizes the estimated change in fair value of our portfolio of distressed mortgage loans (comprised of mortgage loans at fair value, excluding mortgage loans at fair value held by VIE) as of June 30, 2015, given several hypothetical (instantaneous) changes in home values from those used in estimating fair value:

Property value shift in %	**-15%**	**-10%**	**-5%**	**+5%**	**+10%**	**+15%**
				(dollars in thousands)		
Fair value	$ 2,034,577	$ 2,110,514	$ 2,180,142	$ 2,301,865	$ 2,354,117	$ 2,401,025
Change in fair value:						
$	$ (209,312)	$ (133,375)	$ (63,747)	$ 57,976	$ 110,228	$ 157,136
%	(9.33)%	(5.94)%	(2.84)%	2.58%	4.91%	7.00%

The following table summarizes the estimated change in fair value of our mortgage loans at fair value held by VIE as of June 30, 2015, net of the effect of changes in fair value of the related asset-backed secured financing of the VIE at fair value, given several hypothetical (instantaneous) changes in interest rates and parallel shifts in the yield curve:

Interest rate shift in basis points	**-200**	**-100**	**-50**	**50**	**100**	**200**
				(dollar in thousands)		
Fair value	$ 358,884	$ 351,239	$ 343,215	$ 321,178	$ 309,363	$ 285,711
Change in fair value:						

$	$ 26,502	$ 18,857	$ 10,833	$ (11,204)	$ (23,019)	$ (46,671)
%	7.97%	5.67%	3.26%	(3.37)%	(6.93)%	(14.04)%

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Mortgage Servicing Rights

The following tables summarize the estimated change in fair value of MSRs accounted for using the amortization method as of June 30, 2015, given several shifts in pricing spreads, prepayment speed and annual per-loan cost of servicing:

Pricing spread shift in %	**-20%**	**-10%**	**-5%**	**+5%**	**+10%**	**+20%**
			(dollars in thousands)			
Fair value	$ 391,696	$ 376,793	$ 369,728	$ 356,311	$ 349,936	$ 337,806
Change in fair value:						
$	$ 28,792	$ 13,889	$ 6,824	$ (6,593)	$ (12,968)	$ (25,098)
%	7.93%	3.83%	1.88%	(1.82)%	(3.57)%	(6.92)%

Prepayment speed shift in %	**-20%**	**-10%**	**-5%**	**+5%**	**+10%**	**+20%**
			(dollars in thousands)			
Fair value	$ 392,508	$ 377,224	$ 369,949	$ 356,080	$ 349,467	$ 336,838
Change in fair value:						
$	$ 29,604	$ 14,320	$ 7,045	$ (6,824)	$ (13,437)	$ (26,066)
%	8.16%	3.95%	1.94%	(1.88)%	(3.70)%	(7.18)%

Per-loan servicing cost shift in %	**-20%**	**-10%**	**-5%**	**+5%**	**+10%**	**+20%**
			(dollars in thousands)			
Fair value	$ 371,157	$ 367,031	$ 364,967	$ 360,841	$ 358,777	$ 354,651
Change in fair value:						
$	$ 8,253	$ 4,127	$ 2,063	$ (2,063)	$ (4,127)	$ (8,253)
%	2.27%	1.14%	0.57%	(0.57)%	(1.14)%	(2.27)%

The following tables summarize the estimated change in fair value of MSRs accounted for using the fair value option method as of June 30, 2015, given several shifts in pricing spreads, prepayment speed and annual per-loan cost of servicing:

Pricing spread shift in %	**-20%**	**-10%**	**-5%**	**+5%**	**+10%**	**+20%**
			(dollars in thousands)			
Fair value	$ 61,666	$ 59,430	$ 58,369	$ 56,351	$ 55,392	$ 53,564
Change in fair value:						
$	$ 4,323	$ 2,087	$ 1,026	$ (992)	$ (1,951)	$ (3,779)
%	7.54%	3.64%	1.79%	(1.73)%	(3.40)%	(6.59)%

Prepayment speed shift in %	**-20%**	**-10%**	**-5%**	**+5%**	**+10%**	**+20%**
			(dollars in thousands)			
Fair value	$ 63,286	$ 60,201	$ 58,745	$ 55,993	$ 54,691	$ 52,227
Change in fair value:						
$	$ 5,943	$ 2,858	$ 1,402	$ (1,350)	$ (2,652)	$ (5,116)
%	10.36%	4.98%	2.44%	(2.35)%	(4.62)%	(8.92)%

Per-loan servicing cost shift in %	-20%	-10%	-5%	+5%	+10%	+20%
			(dollars in thousands)			
Fair value	$ 58,765	$ 58,054	$ 57,699	$ 56,988	$ 56,632	$ 55,921
Change in fair value:						
$	$ 1,422	$ 711	$ 356	$ (356)	$ (711)	$ 1,422
%	2.48%	1.24%	0.62%	(0.62)%	(1.24)%	(2.48)%

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Excess servicing spread

The following tables summarize the estimated change in fair value of our ESS as of June 30, 2015, given several shifts in pricing spreads and prepayment speed:

Pricing spread shift in %	-20%	-10%	-5%	+5%	+10%	+20%
	(dollars in thousands)					
Fair value	$ 378,190	$ 368,409	$ 363,698	$ 354,617	$ 350,239	$ 341,789
Change in fair value:						
$	$ 19,087	$ 9,306	$ 4,596	$ (4,485)	$ (8,864)	$ (17,313)
%	5.32%	2.59%	1.28%	(1.25)%	(2.47)%	(4.82)%

Prepayment speed shift in %	-20%	-10%	-5%	+5%	+10%	+20%
	(dollars in thousands)					
Fair value	$ 394,010	$ 375,874	$ 367,327	$ 351,184	$ 343,557	$ 329,117
Change in fair value:						
$	$ 34,907	$ 16,772	$ 8,224	$ (7,918)	$ (15,545)	$ (29,985)
%	9.72%	4.67%	2.29%	(2.20)%	(4.33)%	(8.35)%

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In response to this Item 3, the information set forth on pages 99 through 101 is incorporated herein by reference.

Item 4. 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 Securities Exchange Act of 1934 (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 Rules 13a-15 and 15d-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.

Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended June 30, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

From time to time, we may be involved in various legal proceedings, claims and actions arising in the ordinary course of business. As of June 30, 2015, we were not involved in any such legal proceedings, claims or actions that management believes would be reasonably likely to have a material adverse effect on us.

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Item 1A. ***Risk Factors***

There are no material changes from the risk factors set forth under Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on March 2, 2015.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

None

Item 3. ***Defaults Upon Senior Securities***

None

Item 4. ***Mine Safety Disclosures***

Not applicable

Item 5. ***Other Information***

None

Item 6. Exhibits

Exhibit Number	Exhibit Description
3.1	Declaration of Trust of PennyMac Mortgage Investment Trust, as amended and restated (incorporated by reference to Exhibit 3.1 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009).
3.2	Amended and Restated Bylaws of PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 3.1 of the Company s Current Report on Form 8-K filed on August 13, 2013).
4.1	Specimen Common Share Certificate of PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 4.1 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009).
4.2	Indenture for Senior Debt Securities, dated as of April 30, 2013, among PennyMac Corp., PennyMac Mortgage Investment Trust and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.1 of the Company s Current Report on Form 8-K filed on April 30, 2013).
4.3	First Supplemental Indenture, dated as of April 30, 2013, among PennyMac Corp., PennyMac Mortgage Investment Trust and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.2 of the Company s Current Report on Form 8-K filed on April 30, 2013).
4.4	Form of 5.375% Exchangeable Senior Notes due 2020 (included in Exhibit 4.3).
10.1	Amended and Restated Limited Partnership Agreement of PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.2 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009).
10.2	Registration Rights Agreement, dated as of August 4, 2009, among PennyMac Mortgage Investment Trust, Stanford L. Kurland, David A. Spector, BlackRock Holdco II, Inc., Highfields Capital Investments LLC and Private National Mortgage Acceptance Company, LLC (incorporated by reference to Exhibit 10.1 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009).
10.3	Amended and Restated Underwriting Fee Reimbursement Agreement, dated as of February 1, 2013, by and among PennyMac Mortgage Investment Trust, PennyMac Operating Partnership, L.P. and PNMAC Capital Management, LLC (incorporated by reference to Exhibit 1.6 of the Company s Current Report on Form 8-K filed on February 7, 2013).
10.4	Amended and Restated Management Agreement, dated as of February 1, 2013, among PennyMac Mortgage Investment Trust, PennyMac Operating Partnership, L.P. and PNMAC Capital Management, LLC (incorporated by reference to Exhibit 1.1 of the Company s Current Report on Form 8-K filed on February 7, 2013).
10.5	Second Amended and Restated Flow Servicing Agreement, dated as of March 1, 2013, between PennyMac Operating Partnership, L.P. and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.14 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013).
10.6	

	Amendment No. 1 to Second Amended and Restated Flow Servicing Agreement, dated as of November 14, 2013, between PennyMac Operating Partnership, L.P. and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed on November 20, 2013).
10.7	Amendment No. 2 to Second Amended and Restated Flow Servicing Agreement, dated as of June 1, 2014, between PennyMac Operating Partnership, L.P. and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.8 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014).
10.8	Amendment No. 3 to Second Amended and Restated Flow Servicing Agreement, dated as of December 11, 2014, between PennyMac Operating Partnership, L.P. and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.8 of the Company s Annual Report on Form 10-K for the year ended December 31, 2014).
10.9	Amendment No. 4 to Second Amended and Restated Flow Servicing Agreement, dated as of March 31, 2015, between PennyMac Loan Services, LLC and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.9 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).

Exhibit Number	Exhibit Description
10.10	PennyMac Mortgage Investment Trust 2009 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009).
10.11	Form of Restricted Share Unit Award Agreement under the PennyMac Mortgage Investment Trust 2009 Equity Incentive Plan (incorporated by reference to Exhibit 10.8 to Amendment No. 3 to the Company s Registration Statement on Form S-11, filed with the SEC on July 24, 2009).
10.12	Amended and Restated Master Repurchase Agreement, dated as of June 1, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed June 5, 2013).
10.13	Amendment No. 1 to Amended and Restated Master Repurchase Agreement, dated as of August 29, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed September 5, 2013).
10.14	Amendment No. 2 to Amended and Restated Master Repurchase Agreement, dated as of October 1, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.31 of the Company s Annual Report on Form 10-K for the year ended December 31, 2013).
10.15	Amendment No. 3 to Amended and Restated Master Repurchase Agreement, dated as of December 27, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed January 3, 2014).
10.16	Amendment No. 4 to Amended and Restated Master Repurchase Agreement, dated as of December 31, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.33 of the Company s Annual Report on Form 10-K for the year ended December 31, 2013).
10.17	Amendment No. 5 to Amended and Restated Master Repurchase Agreement, dated as of January 10, 2014, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.33 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014).
10.18	Amendment No. 6 to Amended and Restated Master Repurchase Agreement, dated as of February 21, 2014, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.3 of the Company s Current Report on Form 8-K filed on February 24, 2014).
10.19	Amendment No. 7 to Amended and Restated Master Repurchase Agreement, dated as of May 22, 2014, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.33 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014).
10.20	Amendment No. 8 to Amended and Restated Master Repurchase Agreement, dated as of October 31, 2014, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.24

	of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
10.21	Amendment No. 9 to Amended and Restated Master Repurchase Agreement, dated as of December 23, 2014, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.20 of the Company s Annual Report on Form 10-K for the year ended December 31, 2014).
10.22	Amendment No. 10 to Amended and Restated Master Repurchase Agreement, dated as of April 30, 2015, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.22 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.23	Amendment No. 11 to Amended and Restated Master Repurchase Agreement, dated as of July 27, 2015, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P.

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Exhibit Number	Exhibit Description
10.24	Guaranty, dated as of November 2, 2010, by PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. and Credit Suisse First Boston Mortgage Capital LLC (incorporated by reference to Exhibit 10.14 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2010).
10.25	Master Repurchase Agreement, dated as of December 9, 2010, among PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC, and PennyMac Loan Services, LLC, and Citibank, N.A. (incorporated by reference to Exhibit 1.1 of the Company s Current Report on Form 8-K filed on December 15, 2010).
10.26	Amendment Number One to the Master Repurchase Agreement, dated as of February 25, 2011, by and among Citibank, N.A. and PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 1.1 of the Company s Current Report on Form 8-K filed on March 3, 2011).
10.27	Amendment Number Two to the Master Repurchase Agreement, dated as of December 8, 2011, by and among Citibank, N.A. and PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.28 of the Company s Annual Report on Form 10-K for the year ended December 31, 2011).
10.28	Amendment Number Three to the Master Repurchase Agreement, dated as of February 24, 2012, by and among Citibank, N.A. and PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.30 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012).
10.29	Amendment Number Four to the Master Repurchase Agreement, dated as of April 13, 2012, by and among Citibank, N.A. and PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.32 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2012).
10.30	Amendment Number Five to the Master Repurchase Agreement, dated as of April 20, 2012, by and among Citibank, N.A. and PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.33 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2012).
10.31	Amendment Number Six to the Master Repurchase Agreement, dated as of May 31, 2012, by and among Citibank, N.A. and PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 1.1 of the Company s Current Report on Form 8-K filed on June 5, 2012).
10.32	Amendment Number Seven to the Master Repurchase Agreement, dated as of November 13, 2012, by and among Citibank, N.A. and PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.39 of the Company s Annual Report on Form 10-K for the year ended December 31, 2012).
10.33	Amendment Number Eight to the Master Repurchase Agreement, dated as of December 31, 2012, by and among Citibank, N.A. and PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.40 of the Company s Annual Report on Form 10-K for the year ended December 31, 2012).

10.34	Amendment Number Nine to the Master Repurchase Agreement, dated as of March 12, 2013, by and among Citibank, N.A. and PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 1.1 of the Company s Current Report on Form 8-K filed on March 13, 2013).
10.35	Amendment Number Ten to the Master Repurchase Agreement, dated as of April 19, 2013, by and among Citibank, N.A. and PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.47 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013).
10.36	Amendment Number Eleven to the Master Repurchase Agreement, dated as of June 25, 2013, by and among Citibank, N.A. and PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.48 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013).

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Exhibit Number	Exhibit Description
10.37	Amendment Number Twelve to the Master Repurchase Agreement, dated as of July 25, 2013, by and among Citibank, N.A. and PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 1.1 of the Company s Current Report on Form 8-K filed on July 31, 2013).
10.38	Amendment Number Thirteen to the Master Repurchase Agreement, dated as of September 26, 2013, by and among Citibank, N.A. and PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.48 of the Company s Annual Report on Form 10-K for the year ended December 31, 2013).
10.39	Amendment Number Fourteen to the Master Repurchase Agreement, dated as of February 5, 2014, by and among Citibank, N.A. and PennyMac Corp., PennyMac Holdings, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.11 of the Company s Current Report on Form 8-K filed on February 6, 2014).
10.40	Amendment Number Fifteen to the Master Repurchase Agreement, dated as of May 13, 2014, by and among Citibank, N.A. and PennyMac Corp., PennyMac Holdings, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.50 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014).
10.41	Amendment Number Sixteen to the Master Repurchase Agreement, dated as of July 24, 2014, by and among Citibank, N.A. and PennyMac Corp., PennyMac Holdings, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.42 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
10.42	Amendment Number Seventeen to the Master Repurchase Agreement, dated as of August 7, 2014, by and among Citibank, N.A. and PennyMac Corp., PennyMac Holdings, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.43 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
10.43	Amendment Number Eighteen to the Master Repurchase Agreement, dated as of September 8, 2014, by and among Citibank, N.A. and PennyMac Corp., PennyMac Holdings, LLC and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.44 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
10.44	Amendment Number Nineteen to the Master Repurchase Agreement, dated as of July 6, 2015, by and among Citibank, N.A. and PennyMac Corp., PennyMac Holdings, LLC and PennyMac Loan Services, LLC.
10.45	Guaranty Agreement, dated as of December 9, 2010, by PennyMac Mortgage Investment Trust in favor of Citibank, N.A. (incorporated by reference to Exhibit 1.2 of the Company s Current Report on Form 8-K filed on December 15, 2010).
10.46	Amended and Restated Master Repurchase Agreement, dated as of August 25, 2011, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.28 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011).
10.47	Amendment No. 1 to Amended and Restated Master Repurchase Agreement, dated as of June 6, 2012, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage

	Investment Trust Holdings I, LLC and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.38 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2012).
10.48	Amendment No. 2 to Amended and Restated Master Repurchase Agreement, dated as of March 28, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.50 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013).
10.49	Amendment No. 3 to Amended and Restated Master Repurchase Agreement, dated as of May 8, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.51 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013).

Exhibit Number	Exhibit Description
10.50	Amendment No. 4 to Amended and Restated Master Repurchase Agreement, dated as of October 1, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Mortgage Investment Trust Holdings I, LLC and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.54 of the Company s Annual Report on Form 10-K for the year ended December 31, 2013).
10.51	Amendment No. 5 to Amended and Restated Master Repurchase Agreement, dated as of December 27, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Holdings, LLC and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.3 of the Company s Current Report on Form 8-K filed on January 3, 2014).
10.52	Amendment No. 6 to Amended and Restated Master Repurchase Agreement, dated as of December 31, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Holdings, LLC and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.56 of the Company s Annual Report on Form 10-K for the year ended December 31, 2013).
10.53	Amendment No. 7 to Amended and Restated Master Repurchase Agreement, dated as of February 21, 2014, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Holdings, LLC and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.53 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
10.54	Amendment No. 8 to Amended and Restated Master Repurchase Agreement, dated as of October 31, 2014, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Corp., PennyMac Holdings, LLC and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.54 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
10.55	Master Repurchase Agreement, dated as of November 7, 2011, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 1.1 of the Company s Current Report on Form 8-K filed on November 14, 2011).
10.56	Amendment No. 1 to Master Repurchase Agreement, dated as of August 17, 2012, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.45 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012).
10.57	Amendment No. 2 to Master Repurchase Agreement, dated as of January 3, 2013, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 1.1 of the Company s Current Report on Form 8-K filed on January 7, 2013).
10.58	Amendment No. 3 to Master Repurchase Agreement, dated as of March 28, 2013, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 1.1 of the Company s Current Report on Form 8-K filed on April 3, 2013).
10.59	Amendment No. 4 to Master Repurchase Agreement, dated as of January 31, 2014, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed on February 6, 2014).

10.60	Amendment No. 5 to Master Repurchase Agreement, dated as of March 27, 2014, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.64 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014).
10.61	Amendment No. 6 to Master Repurchase Agreement, dated as of July 9, 2014, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.3 of the Company s Current Report on Form 8-K filed on July 14, 2014).
10.62	Master Repurchase Agreement, dated as of March 29, 2012, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Mortgage Investment Trust Holdings I, LLC, PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 1.1 of the Company s Current Report on Form 8-K filed on April 4, 2012).

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Exhibit Number	Exhibit Description
10.63	Amendment No. 1 to Master Repurchase Agreement, dated as of July 25, 2012, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Mortgage Investment Trust Holdings I, LLC, PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 1.2 of the Company s Current Report on Form 8-K filed on July 31, 2012).
10.64	Amendment No. 2 to Master Repurchase Agreement, dated as of September 26, 2012, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Mortgage Investment Trust Holdings I, LLC, PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 1.2 of the Company s Current Report on Form 8-K filed on October 1, 2012).
10.65	Amendment No. 3 to Master Repurchase Agreement, dated as of October 29, 2012, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Mortgage Investment Trust Holdings I, LLC, PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 1.2 of the Company s Current Report on Form 8-K filed on October 31, 2012).
10.66	Amendment No. 4 to Master Repurchase Agreement, dated as of June 1, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Mortgage Investment Trust Holdings I, LLC, PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K filed on June 5, 2013).
10.67	Amendment No. 5 to Master Repurchase Agreement, dated as of August 29, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Mortgage Investment Trust Holdings I, LLC, PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K filed on September 5, 2013).
10.68	Amendment No. 6 to Master Repurchase Agreement, dated as of September 27, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Mortgage Investment Trust Holdings I, LLC, PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.75 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013).
10.69	Amendment No. 7 to Master Repurchase Agreement, dated as of October 1, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Mortgage Investment Trust Holdings I, LLC, PennyMac Operating Partnership, L.P. and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.69 of the Company s Annual Report on Form 10-K for the year ended December 31, 2013).
10.70	Amendment No. 8 to Master Repurchase Agreement, dated as of December 27, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Holdings, LLC, PennyMac Operating Partnership, L.P. and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K filed on January 3, 2014).
10.71	Amendment No. 9 to Master Repurchase Agreement, dated as of December 31, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Holdings, LLC, PennyMac Operating Partnership, L.P. and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.71 of the Company s Annual Report on Form 10-K for the year ended December 31, 2013).
10.72	Amendment No. 10 to Master Repurchase Agreement, dated as of January 10, 2014, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Holdings, LLC, PennyMac Operating Partnership, L.P. and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.76

of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014).

10.73	Amendment No. 11 to Master Repurchase Agreement, dated as of February 21, 2014, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Holdings, LLC, PennyMac Operating Partnership, L.P. and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.4 of the Company s Current Report on Form 8-K filed on February 24, 2014).
10.74	Amendment No. 12 to Master Repurchase Agreement, dated as of May 22, 2014, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Holdings, LLC, PennyMac Operating Partnership, L.P. and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.79 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014).

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Exhibit Number	Exhibit Description
10.75	Amendment No. 13 to Master Repurchase Agreement, dated as of October 31, 2014, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Holdings, LLC, PennyMac Operating Partnership, L.P. and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.76 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
10.76	Amendment No. 14 to Master Repurchase Agreement, dated as of December 23, 2014, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Holdings, LLC, PennyMac Operating Partnership, L.P. and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed on December 24, 2014).
10.77	Guaranty, dated as of March 29, 2012, by PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. in favor of Credit Suisse First Boston Mortgage Capital LLC (incorporated by reference to Exhibit 1.2 of the Company s Current Report on Form 8-K filed on March 29, 2012).
10.78	Master Repurchase Agreement, dated as of May 24, 2012, among Citibank, N.A., PennyMac Corp. and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 1.1 of the Company s Current Report on Form 8-K filed on May 30, 2012).
10.79	Amendment Number One to the Master Repurchase Agreement, dated as of October 15, 2012, among Citibank, N.A., PennyMac Corp. and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 1.1 of the Company s Current Report on Form 8-K filed on October 16, 2012).
10.80	Amendment Number Two to the Master Repurchase Agreement, dated as of November 13, 2012, among Citibank, N.A., PennyMac Corp. and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.62 of the Company s Annual Report on Form 10-K for the year ended December 31, 2012).
10.81	Amendment Number Three to the Master Repurchase Agreement, dated as of December 31, 2012, among Citibank, N.A., PennyMac Corp. and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.72 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013).
10.82	Amendment Number Four to the Master Repurchase Agreement, dated as of May 23, 2013, among Citibank, N.A., PennyMac Corp. and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.77 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013).
10.83	Amendment Number Five to the Master Repurchase Agreement, dated as of June 25, 2013, among Citibank, N.A., PennyMac Corp. and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.78 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013).
10.84	Amendment Number Six to the Master Repurchase Agreement, dated as of July 25, 2013, among Citibank, N.A., PennyMac Corp. and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 1.2 of the Company s Current Report on Form 8-K filed on July 31, 2013).
10.85	Amendment Number Seven to the Master Repurchase Agreement, dated as of February 5, 2014, among Citibank, N.A., PennyMac Corp. and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.12 of the Company s Current Report on Form 8-K filed on February 6, 2014).
10.86	Amendment Number Eight to the Master Repurchase Agreement, dated as of July 24, 2014, among Citibank, N.A., PennyMac Corp. and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.86 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30,

	2014).
10.87	Amendment Number Nine to the Master Repurchase Agreement, dated as of August 7, 2014, among Citibank, N.A., PennyMac Corp. and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.87 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
10.88	Amendment Number Ten to the Master Repurchase Agreement, dated as of September 8, 2014, among Citibank, N.A., PennyMac Corp. and PennyMac Loan Services, LLC (incorporated by reference to Exhibit 10.88 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
10.89	Amendment Number Eleven to the Master Repurchase Agreement, dated as of July 6, 2015, among Citibank, N.A., PennyMac Corp. and PennyMac Loan Services, LLC.
10.90	Guaranty, dated as of May 24, 2012, by PennyMac Mortgage Investment Trust in favor of Citibank, N.A. (incorporated by reference to Exhibit 1.2 of the Company s Current Report on Form 8-K filed on May 30, 2012).

Exhibit Number	Exhibit Description
10.91	Master Repurchase Agreement, dated as of September 28, 2012, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Operating Partnership, L.P. and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 1.1 of the Company s Current Report on Form 8-K filed on October 3, 2012).
10.92	Amendment No. 1 to Master Repurchase Agreement, dated as of May 8, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Operating Partnership, L.P. and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.80 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013).
10.93	Amendment No. 2 to Master Repurchase Agreement, dated as of December 31, 2013, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Operating Partnership, L.P. and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.90 of the Company s Annual Report on Form 10-K for the year ended December 31, 2013).
10.94	Amendment No. 3 to Master Repurchase Agreement, dated as of January 10, 2014, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Operating Partnership, L.P. and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.98 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014).
10.95	Amendment No. 4 to Master Repurchase Agreement, dated as of October 31, 2014, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Operating Partnership, L.P. and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.97 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
10.96	Amendment No. 5 to Master Repurchase Agreement, dated as of April 14, 2015, among Credit Suisse First Boston Mortgage Capital LLC, PennyMac Operating Partnership, L.P. and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.96 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.97	Guaranty, dated as of September 28, 2012, by PennyMac Mortgage Investment Trust in favor of Credit Suisse First Boston Mortgage Capital LLC (incorporated by reference to Exhibit 1.2 of the Company s Current Report on Form 8-K filed on October 3, 2012).
10.98	Master Repurchase Agreement, dated as of November 20, 2012, among PennyMac Corp., Morgan Stanley Bank, N.A. and Morgan Stanley Mortgage Capital Holdings LLC (incorporated by reference to Exhibit 1.1 of the Company s Current Report on Form 8-K filed on November 26, 2012).
10.99	Amendment Number One to the Master Repurchase Agreement, dated as of August 20, 2013, among PennyMac Corp., Morgan Stanley Bank, N.A. and Morgan Stanley Mortgage Capital Holdings LLC (incorporated by reference to Exhibit 10.96 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013).
10.100	Amendment Number Two to the Master Repurchase Agreement, dated as of August 26, 2013, among PennyMac Corp., Morgan Stanley Bank, N.A. and Morgan Stanley Mortgage Capital Holdings LLC (incorporated by reference to Exhibit 10.97 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013).
10.101	Amendment Number Three to the Master Repurchase Agreement, dated as of November 14, 2013, among PennyMac Corp., Morgan Stanley Bank, N.A. and Morgan Stanley Mortgage Capital Holdings LLC

(incorporated by reference to Exhibit 10.95 of the Company s Annual Report on Form 10-K for the year ended December 31, 2013).

10.102	Amendment Number Four to the Master Repurchase Agreement, dated as of December 19, 2013, among PennyMac Corp., Morgan Stanley Bank, N.A. and Morgan Stanley Mortgage Capital Holdings LLC (incorporated by reference to Exhibit 10.96 of the Company s Annual Report on Form 10-K for the year ended December 31, 2013).
10.103	Amendment Number Five to the Master Repurchase Agreement, dated as of December 18, 2014, among PennyMac Corp., Morgan Stanley Bank, N.A. and Morgan Stanley Mortgage Capital Holdings LLC (incorporated by reference to Exhibit 10.101 of the Company s Annual Report on Form 10-K for the year ended December 31, 2014).
10.104	Amendment Number Six to the Master Repurchase Agreement, dated as of July 27, 2015, among PennyMac Corp., Morgan Stanley Bank, N.A. and Morgan Stanley Mortgage Capital Holdings LLC (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed on July 30, 2015).

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Exhibit Number	Exhibit Description
10.105	Guaranty, dated as of November 20, 2012, by PennyMac Mortgage Investment Trust in favor of Morgan Stanley Bank, N.A. and Morgan Stanley Mortgage Capital Holdings LLC (incorporated by reference to Exhibit 1.2 of the Company s Current Report on Form 8-K filed on November 26, 2012).
10.106	Mortgage Banking and Warehouse Services Agreement, dated as of February 1, 2013, by and between PennyMac Loan Services, LLC and PennyMac Corp. (incorporated by reference to Exhibit 1.3 of the Company s Current Report on Form 8-K filed on February 7, 2013).
10.107	Amendment No. 1 to Mortgage Banking and Warehouse Services Agreement, dated as of March 1, 2013, by and between PennyMac Loan Services, LLC and PennyMac Corp. (incorporated by reference to Exhibit 10.85 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013).
10.108	Amendment No. 2 to Mortgage Banking and Warehouse Services Agreement, dated as of August 14, 2013, by and between PennyMac Loan Services, LLC and PennyMac Corp. (incorporated by reference to Exhibit 1.1 of the Company s Current Report on Form 8-K filed on August 19, 2013).
10.109	MSR Recapture Agreement, dated as of February 1, 2013, by and between PennyMac Loan Services, LLC and PennyMac Corp. (incorporated by reference to Exhibit 1.4 of the Company s Current Report on Form 8-K filed on February 7, 2013).
10.110	Amendment No. 1 to MSR Recapture Agreement, dated as of August 1, 2013, by and between PennyMac Loan Services, LLC and PennyMac Corp. (incorporated by reference to Exhibit 10.103 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013).
10.111	Master Spread Acquisition and MSR Servicing Agreement, dated as of February 1, 2013, by and between PennyMac Loan Services, LLC and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 1.5 of the Company s Current Report on Form 8-K filed on February 7, 2013).
10.112	Amendment No. 1 to Master Spread Acquisition and MSR Servicing Agreement, dated as of September 30, 2013, by and between PennyMac Loan Services, LLC and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.105 of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013).
10.113	Amendment No. 2 to Master Spread Acquisition and MSR Servicing Agreement, dated as of November 14, 2013, by and between PennyMac Loan Services, LLC and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.105 of the Company s Annual Report on Form 10-K for the year ended December 31, 2013).
10.114	Amendment No. 3 to Master Spread Acquisition and MSR Servicing Agreement, dated as of March 19, 2014, by and between PennyMac Loan Services, LLC and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.114 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014).
10.115	Amendment No. 4 to Master Spread Acquisition and MSR Servicing Agreement, dated as of March 3, 2015, by and between PennyMac Loan Services, LLC, PennyMac Operating Partnership, L.P., and PennyMac Holdings, LLC (incorporated by reference to Exhibit 10.114 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.116	Master Spread Acquisition and MSR Servicing Agreement, dated as of December 30, 2013, by and between PennyMac Loan Services, LLC and PennyMac Holdings, LLC (incorporated by reference to

	Exhibit 10.4 of the Company s Current Report on Form 8-K filed on January 3, 2014).
10.117	Amendment No. 1 to Master Spread Acquisition and MSR Servicing Agreement, dated as of June 1, 2014, by and between PennyMac Loan Services, LLC and PennyMac Holdings, LLC (incorporated by reference to Exhibit 10.114 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014).
10.118	Amendment No. 2 to Master Spread Acquisition and MSR Servicing Agreement, dated as of March 3, 2015, by and between PennyMac Loan Services, LLC and PennyMac Holdings, LLC (incorporated by reference to Exhibit 10.117 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.119	Amended and Restated Master Spread Acquisition and MSR Servicing Agreement, dated as of April 30, 2015, between PennyMac Loan Services, LLC and PennyMac Holdings, LLC (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed on May 6, 2015).

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Exhibit Number	Exhibit Description
10.120	Security and Subordination Agreement, dated as of December 30, 2013, between Credit Suisse First Boston Mortgage Capital LLC and PennyMac Holdings, LLC (incorporated by reference to Exhibit 10.5 of the Company s Current Report on Form 8-K filed on January 3, 2014).
10.121	Amended and Restated Security and Subordination Agreement, dated as of April 30, 2015, between PennyMac Holdings, LLC and Credit Suisse First Boston Mortgage Capital LLC (incorporated by reference to Exhibit 10.4 of the Company s Current Report on Form 8-K filed on May 6, 2015).
10.122	Master Spread Acquisition and MSR Servicing Agreement, dated as of December 19, 2014, by and between PennyMac Loan Services, LLC, PennyMac Holdings, LLC and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed on December 24, 2014).
10.123	Amendment No 1. to Master Spread Acquisition and MSR Servicing Agreement, dated as of March 3, 2015, by and between PennyMac Loan Services, LLC, PennyMac Operating Partnership, L.P., and PennyMac Holdings, LLC (incorporated by reference to Exhibit 10.122 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.124	Master Repurchase Agreement, dated as of February 18, 2014, between The Royal Bank of Scotland PLC, PennyMac Corp., PennyMac Holdings, LLC, and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed on February 24, 2014).
10.125	Guaranty, dated as of February 18, 2014, of PennyMac Mortgage Investment Trust in favor of The Royal Bank of Scotland PLC (incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K filed on February 24, 2014).
10.126	Amended and Restated Confidentiality Agreement, dated as of March 1, 2013, between Private National Mortgage Acceptance Company, LLC and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.89 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013).
10.127	Mortgage Loan Participation Purchase and Sale Agreement, dated as of December 23, 2011, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K filed on February 6, 2014).
10.128	Amendment No. 1 to Mortgage Loan Participation Purchase and Sale Agreement, dated as of August 17, 2012, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.3 of the Company s Current Report on Form 8-K filed on February 6, 2014).
10.129	Amendment No. 2 to Mortgage Loan Participation Purchase and Sale Agreement, dated as of October 29, 2012, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.4 of the Company s Current Report on Form 8-K filed on February 6, 2014).
10.130	Amendment No. 3 to Mortgage Loan Participation Purchase and Sale Agreement, dated as of December 5, 2012, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.5 of the

Company s Current Report on Form 8-K filed on February 6, 2014).

10.131	Amendment No. 4 to Mortgage Loan Participation Purchase and Sale Agreement, dated as of January 3, 2013, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.6 of the Company s Current Report on Form 8-K filed on February 6, 2014).
10.132	Amendment No. 5 to Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 28, 2013, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.7 of the Company s Current Report on Form 8-K filed on February 6, 2014).

Exhibit Number	Exhibit Description
10.133	Amendment No. 6 to Mortgage Loan Participation Purchase and Sale Agreement, dated as of January 2, 2014, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.8 of the Company s Current Report on Form 8-K filed on February 6, 2014).
10.134	Amendment No. 7 to Mortgage Loan Participation Purchase and Sale Agreement, dated as of January 31, 2014, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.9 of the Company s Current Report on Form 8-K filed on February 6, 2014).
10.135	Amendment No. 8 to Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 27, 2014, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.130 of the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014).
10.136	Amendment No. 9 to Mortgage Loan Participation Purchase and Sale Agreement, dated as of January 30, 2015, among Bank of America, N.A., PennyMac Corp., PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. (incorporated by reference to Exhibit 10.130 of the Company s Annual Report on Form 10-K for the year ended December 31, 2014).
10.137	Guaranty, dated as of December 23, 2011, by PennyMac Mortgage Investment Trust and PennyMac Operating Partnership, L.P. in favor of Bank of America, N.A. (incorporated by reference to Exhibit 10.10 of the Company s Current Report on Form 8-K filed on February 6, 2014).
10.138	Master Repurchase Agreement, dated as of July 9, 2014, among Bank of America, N.A., PennyMac Operating Partnership, L.P. and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed on July 14, 2014).
10.139	Amendment No. 1 to Master Repurchase Agreement, dated as of July 9, 2014, among Bank of America, N.A., PennyMac Operating Partnership, L.P. and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.133 of the Company s Annual Report on Form 10-K for the year ended December 31, 2014).
10.140	Guaranty, dated as of July 9, 2014, by PennyMac Mortgage Investment Trust in favor of Bank of America, N.A. (incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K filed on July 14, 2014).
10.141	Master Repurchase Agreement, dated as of January 27, 2015, among JPMorgan Chase Bank, National Association, PennyMac Corp., PennyMac Operating Partnership, L.P., PennyMac Holdings, LLC, PMC REO Trust 2015-1, TRS REO Trust 1-A, and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K filed on February 2, 2015).
10.142	Amendment No. 1 to Master Repurchase Agreement, dated as of March 27, 2015, among JPMorgan Chase Bank, National Association, PennyMac Corp., PennyMac Operating Partnership, L.P., PennyMac Holdings, LLC, PMC REO Trust 2015-1, TRS REO Trust 1-A, and PennyMac Mortgage Investment Trust (incorporated by reference to Exhibit 10.143 of the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).
10.143	Guaranty, dated as of January 27, 2015, by PennyMac Mortgage Investment Trust in favor of JPMorgan Chase Bank, National Association (incorporated by reference to Exhibit 10.2 of the Company s Current

Report on Form 8-K filed on February 2, 2015).

10.144 Loan and Security Agreement, dated as of March 31, 2015, between PennyMac Corp. and Citibank, N.A. (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K as filed with the SEC on April 3, 2015).

10.145 Amendment Number One to the Loan and Security Agreement, dated as of May 13, 2015, between PennyMac Corp. and Citibank, N.A.

10.146 Amendment Number Two to the Loan and Security Agreement, dated as of July 6, 2015, between PennyMac Corp. and Citibank, N.A.

10.147 Guaranty, dated as of March 31, 2015, by PennyMac Mortgage Investment Trust in favor of Citibank, N.A. (incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K as filed with the SEC on April 3, 2015).

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Exhibit Number	Exhibit Description
10.148	Loan and Security Agreement, dated as of April 30, 2015, among PennyMac Loan Services, LLC and PennyMac Holdings, LLC (incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K as filed with the SEC on May 6, 2015).
10.149	Guaranty, dated as of April 30, 2015, by PennyMac Mortgage Investment Trust in favor of Credit Suisse First Boston Mortgage Capital LLC (incorporated by reference to Exhibit 10.3 of the Company s Current Report on Form 8-K filed on May 6, 2015).
10.150	Advances, Pledge and Security Agreement, dated as of June 16, 2014, between PMT Insurance, LLC and the Federal Home Loan Bank of Des Moines.
10.151	Affiliate Collateral Pledge and Security Agreement, dated as of May 26, 2015, by and among PennyMac Securities Holding, LLC, PMT Insurance, LLC, and the Federal Home Loan Bank of Des Moines.
10.152	Affiliate Collateral Pledge and Security Agreement, dated as of May 26, 2015, by and among PennyMac Corp., PMT Insurance, LLC, and the Federal Home Loan Bank of Des Moines.
10.153	Affiliate Collateral Pledge and Security Agreement, dated as of May 26, 2015, by and among PennyMac Holdings, LLC, PMT Insurance, LLC, and the Federal Home Loan Bank of Des Moines.
10.154	Guaranty, dated as of April 9, 2015, by PennyMac Mortgage Investment Trust in favor of Federal Home Loan Bank of Des Moines.
10.155	Flow Sale Agreement, dated as of June 16, 2015, by and between PennyMac Corp. and PennyMac Loan Services, LLC.
31.1	Certification of Stanford L. Kurland pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Anne D. McCallion pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Stanford L. Kurland 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.
32.2*	Certification of Anne D. McCallion 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.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of June 30, 2015 and 2014, (ii) the Consolidated Statements of Income for the quarters ended June 30, 2015 and 2014, (iii) the Consolidated Statements of Changes in Shareholders Equity for the quarters ended June 30, 2015 and 2014, (iv) the Consolidated Statements of Cash Flows for the quarters ended June 30, 2015 and 2014, and (v) the Notes to the Consolidated Financial Statements.

* 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.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

	PENNYMAC MORTGAGE INVESTMENT TRUST	
	(Registrant)	
Dated: August 10, 2015	By:	/s/ STANFORD L. KURLAND Stanford L. Kurland *Chairman of the Board and Chief Executive Officer*
Dated: August 10, 2015	By:	/s/ ANNE D. MCCALLION Anne D. McCallion *Chief Financial Officer*