

Strengthening The Foundation Of Homeownership

An Interview with David A. Spector, Chairman and Chief Executive Officer, PennyMac Financial Services, Inc.

EDITORS' NOTE David Spector has been a member of the Board since December 2012 and has been Chairman and Chief Executive Officer since February 2021. Prior, he served as President and Chief Executive Officer from January 2017 through February 2021, and as Executive Managing Director, President and Chief Operating Officer from February 2016 through December 2016. Spector has also served in a variety of similar executive positions at Private National Mortgage Acceptance Company, LLC ("PNMAC") since its founding in January 2008. In addition, he has been a member of the board of PMT since its formation in May 2009 and has served as its Chairman since February 2021. Prior to joining PNMAC, Spector was Co-Head of Global Residential Mortgages for Morgan Stanley based in London. Before joining Morgan Stanley, he was the Senior Managing Director, Secondary Marketing, at Countrywide Financial Corporation, where he was employed from May 1990 to August 2006. Spector holds a BA degree from the University of California, Los Angeles.



David A. Spector

FIRM BRIEF PennyMac Financial Services, Inc. (pennymac.com) is a specialty financial services firm with a comprehensive mortgage platform and integrated business focused on the production and servicing of U.S. mortgage loans and the management of investments related to the U.S. mortgage market. PFSI also acts as the external manager of, and enjoys a synergistic partnership with, PennyMac Mortgage Investment Trust, a publicly-traded mortgage real estate investment trust (REIT). PMT is a tax efficient vehicle for investing in mortgage-related assets that are created through its industry-leading correspondent production activities. The management and services agreements between PFSI and PMT allow for a synergistic partnership that benefits from PFSI's best-in-class management team and operating platform as well as PMT's tax-efficient structure.

As one of the nation's top mortgage lenders, how does Pennymac contribute to shaping the future of homeownership in America?

Pennymac is focused on one thing: empowering the future of homeownership in America. Our integrated business model allows us to

create a seamless experience for customers and partners. By aligning our operations from loan origination to servicing, we build lasting relationships and consistently meet our customers' needs. We operate through three distinct origination channels – correspondent, broker, and consumer direct – a multi-channel strategy that is fundamental to serving a broad spectrum of the national housing market.

As the nation's largest aggregator in the correspondent channel, we provide vital capital and infrastructure that enables over 800 lenders, from community banks to national independent mortgage banks, to sell their loans into the secondary market. This ensures broad access to mortgage credit and helps make homeownership more attainable. In the broker channel, we are the fastest-growing player, equipping independent mortgage brokers with advanced technology like our Power+ platform. This approach empowers our partners to offer borrowers a genuine choice of products, personalized service, and competitive rates.

A key differentiator for Pennymac is our commitment to being a mortgage partner for life. With over 2.7 million customers in our servicing portfolio, we never sell our servicing rights. This

means we are consistently present for our customers, guiding them from origination through future needs like refinancing or a new home purchase. We proactively identify opportunities for payment savings and offer initiatives like homeowners insurance options that provide comprehensive value. Our dedication extends to supporting our nation's heroes through VA loans and prioritizing the recruitment of military employees.

In a dynamic market, we take a proactive stance. We work closely with industry stakeholders, including policymakers and regulators, to advocate for responsible lending practices and ensure stability and accessibility in the housing market. Our aim is to strengthen the foundation of homeownership for years to come.

What is your long-term vision for Pennymac, and how are you positioning the company to lead through both market challenges and opportunities?

Our long-term vision for Pennymac is clear – be the most trusted partner for home. This vision is bigger than market share; it's about a deep dedication to our customers, employees, and stakeholders. We are driven to provide a best-in-class experience at every step of the homeownership journey.

Technology is at the heart of our strategy. We are resolute in our ambition to be a tech

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leader in the mortgage space, and our significant scale allows us to effectively deploy next-generation technologies across all our businesses. This strategic investment leads to greater efficiencies, elevates the customer experience, and enables us to swiftly adapt to market shifts. Our multidimensional production strategy combines cutting-edge technology, streamlined processes, and the brightest talent in the business.

- For our correspondent partners, we offer unwavering reliability and cultivate strong relationships, solidifying our role as an essential link to the broader market.
- In the broker channel, our emphasis is on making brokers successful by giving them the tools they need to expand our reach and diversify our origination streams.
- Our consumer direct channel supports customers directly, providing educational resources and tailored loan products to meet their unique needs.

By focusing on these core areas, we are positioned to lead through any market challenge and seize new opportunities, reinforcing our long-term leadership.

Today's homebuyers are more informed and digitally engaged than ever. How is Pennymac evolving to meet the expectations of this new generation of consumers?

Today's homebuyers are more informed and digitally engaged, and we're meeting their expectations by deeply integrating advanced technology across our operations. We are at the forefront of digital transformation and AI integration, while never losing sight of the personal touch our customers expect. To meet the demand for self-service and mobile-first experiences, we are making significant investments in our digital and mobile capabilities. This empowers customers to handle more on their own, 24/7, and allows them to manage how they hear from us. Our enhanced digital tools also enable personalized communication across all channels, with a strong focus on mobile. For our existing customers, this evolution also extends to recapture efforts. We've introduced an AI-enabled chatbot in our servicing system that can pull information and facilitate basic transactions quickly and efficiently.

Beyond platform enhancements, we're prioritizing investment in Artificial Intelligence. Our dedicated AI Accelerator Team is deploying solutions that leverage our partnerships with AWS and Google. This automates complex workflows, such as document processing, transforming tasks that once took hours into minutes. These efforts, supported by strategic AI leadership hires, ensure technology drives efficiency and speed for our partners and operations, ultimately providing a more comprehensive and supportive homeownership experience.

How do you approach leadership during times of transformation, and what principles guide your decision-making as CEO?

Our success is affirmed in our ability to not just weather, but truly lead through periods of significant market transformation. Our

decision-making is guided by the core principles of being accountable, reliable, and ethical in all that we do. We built Pennymac with the inherent agility to pivot quickly in response to unforeseen market shifts. A great example of this future readiness was our early adoption of the Veterans Affairs Servicing Purchase (VASP) program. This program was designed to provide a last-resort option for veterans facing foreclosure, allowing the VA to purchase and modify delinquent loans to more affordable terms. Our early adoption supports our commitment to vital community initiatives and our nation's veterans and their families.

Navigating a volatile market and rapid technological evolution presents challenges, but our ability to overcome them fundamentally relies on the strength and expertise of our team. Our strength lies in our people. We invest in continuous learning and development, ensuring our teams are not just reactive, but proactive in anticipating and shaping future trends. While we lead with a deep understanding of market data, we view everything through the lens of our long-term vision for the company and our dedication to customers, employees, shareholders, and partners. This guides every decision, ensuring Pennymac's relevance and capacity for innovation while prioritizing the sustained success of all our stakeholders.

Where do you see the greatest opportunities for growth in the mortgage space, and how is Pennymac uniquely positioned to capture them?

We see the greatest opportunity for growth in the mortgage space within the Third-Party Origination (TPO) channel, specifically with mortgage brokers. Brokers serve an important role by providing consumers with a wide array of options and personalized solutions, and we believe they are essential to the future of the industry. Pennymac TPO's differentiation stems from our primary focus on empowering brokers with genuine choice, backed by our substantial

scale, strong reputation, and robust capital. Our expertise in capital markets translates into highly competitive pricing and a diverse product range, including successful ventures into the Jumbo loan market. We also provide state-of-the-art technology solutions designed specifically for brokers, such as our Power+ platform.

Additionally, another distinguishing feature is our retention of loan servicing from broker-originated loans. This aligns with our shared dedication to customer care and positions us to gain significant market share. While we remain adaptable to regulatory and economic changes, our long-term focus on low-cost servicing and origination, coupled with our strategic evaluation of future offerings like Non-Qualified Mortgages (Non-QM), reinforces our stability. Our disciplined approach and strategic investments ensure we're not just ready for the future of the mortgage industry – we're actively shaping it.

Looking back on your career, what lessons have proven most valuable in leading a large-scale financial organization, and what advice would you offer to emerging leaders in the industry?

The most valuable lesson I've learned is the indispensable role mentorship plays and how important it is to surround yourself with the right people. I was incredibly fortunate to have a great mentor in Stanford Kurland, during both my time at Countrywide and our founding of Pennymac. Stan, who later bravely battled brain cancer before his passing, exemplified the kind of leader from whom you can truly learn.

It's about having individuals who think like you, share your core values, and can clearly see the end goal as you do, all driven by a shared vision of success. And yes, a good sense of humor doesn't hurt either, as it definitely helps you navigate the cyclical nature of the industry. Ultimately, being highly competitive and smart, along with truly valuing the people you work with, are the absolute backbone to achieving greatness. ●

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