

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

**PENNYMAC FINANCIAL SERVICES, INC.**

CIK: [1568669](#) | IRS No.: **800882793** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **8-K** | Act: **34** | File No.: [001-35916](#) | Film No.: **181042930**  
SIC: **6162** Mortgage bankers & loan correspondents

Mailing Address  
3043 TOWNSGATE ROAD  
WESTLAKE VILLAGE CA  
91361

Business Address  
3043 TOWNSGATE ROAD  
WESTLAKE VILLAGE CA  
91361  
(818) 224-7442

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): August 24, 2018**

**PennyMac Financial Services, Inc.**

(Exact name of registrant as specified in its charter)

<b>Delaware</b> (State or other jurisdiction of incorporation)	<b>001-35916</b> (Commission File Number)	<b>80-0882793</b> (IRS Employer Identification No.)
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**3043 Townsgate Road, Westlake Village,  
California**

(Address of principal executive offices)

**91361**  
(Zip Code)

**(818) 224-7442**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.



## **Item 1.01 Entry into a Material Definitive Agreement.**

### *Repurchase Agreement with Morgan Stanley*

On August 24, 2018, PennyMac Financial Services, Inc. (the “Company”), through its indirect controlled subsidiary, PennyMac Loan Services, LLC (“PLS”), entered into an amendment (the “Amendment”) to its Master Repurchase Agreement, dated as of July 2, 2013, by and among Morgan Stanley Bank, N.A., as buyer (“Morgan Stanley”), Morgan Stanley Mortgage Capital Holdings LLC, as agent, and PLS, as seller (the “Repurchase Agreement”). Pursuant to the terms of the Repurchase Agreement, PLS may sell to, and later repurchase from, Morgan Stanley certain newly originated mortgage loans that are originated by PLS or purchased by PLS from correspondent sellers directly or through a subsidiary of PennyMac Mortgage Investment Trust (NYSE: PMT) and, in either case, held by PLS pending sale and/or securitization. The obligations of PLS under the Repurchase Agreement are fully guaranteed by Private National Mortgage Acceptance Company, LLC and the mortgage loans are serviced by PLS.

Under the terms of the Amendment, the committed amount available for purchases provided for in the Repurchase Agreement was decreased from \$175 million to \$100 million. In addition, the termination date for the Repurchase Agreement was extended to August 23, 2019. All other terms and conditions of the Repurchase Agreement, including the \$500 million maximum aggregate purchase price, remain the same in all material respects. The Company, through PLS, is required to pay Morgan Stanley a commitment fee, as well as certain other costs and expenses associated with the preparation of the amendment.

The foregoing descriptions of the Amendment, the Repurchase Agreement and the related guaranty do not purport to be complete and are qualified in their entirety by reference to (i) the full text of the Amendment, which has been filed with this Current Report on Form 8-K as Exhibit 10.1; (ii) the descriptions of the Repurchase Agreement and the related guaranty in the Company’s Current Report on Form 8-K as filed on July 8, 2013; (iii) the full text of the Repurchase Agreement and the related guaranty attached thereto as Exhibit 1.1 and Exhibit 1.2, respectively; and (iv) the full text of all other amendments to the Repurchase Agreement filed thereafter with the SEC.

## **Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

The information set forth under Item 1.01 of this report is incorporated herein by reference.

## **Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
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10.1	<a href="#"><u>Amendment Number Twelve to the Master Repurchase Agreement, dated as of August 24, 2018, among PennyMac Loan Services, LLC, Morgan Stanley Bank, N.A. and Morgan Stanley Mortgage Capital Holdings LLC</u></a>
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**SIGNATURE**

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 hereunto duly authorized.

PENNYMAC FINANCIAL SERVICES, INC.

Dated: August 29, 2018

/s/ Andrew S. Chang  
Andrew S. Chang  
Senior Managing Director and Chief Financial  
Officer

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**Exhibit 10.1**  
**EXECUTION VERSION**

AMENDMENT NUMBER TWELVE  
to the  
MASTER REPURCHASE AGREEMENT  
Dated as of July 2, 2013,  
among  
PENNYMAC LOAN SERVICES, LLC,  
MORGAN STANLEY BANK, N.A.  
and  
MORGAN STANLEY MORTGAGE CAPITAL HOLDINGS LLC

This AMENDMENT NUMBER TWELVE (this "Amendment Number Twelve") is made this 24<sup>th</sup> day of August, 2018, among PENNYMAC LOAN SERVICES, LLC a Delaware limited liability company, as seller ("Seller"), MORGAN STANLEY BANK, N.A., a national banking association, as buyer ("Buyer") and MORGAN STANLEY MORTGAGE CAPITAL HOLDINGS LLC, a New York limited liability company, as agent for Buyer ("Agent"), to the Master Repurchase Agreement, dated as of July 2, 2013, among Seller, Buyer and Agent, as such agreement may be amended from time to time (the "Agreement"). Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Agreement.

RECITALS

WHEREAS, Seller, Buyer and Agent have agreed to amend the Agreement as more specifically set forth herein; and

WHEREAS, as of the date hereof, Seller represents to Buyer and Agent that Seller is in full compliance with all of the terms and conditions of the Agreement and each other Repurchase Document and no Default or Event of Default has occurred and is continuing under the Agreement or any other Repurchase Document.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and for the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Amendments. Effective as of August 24, 2018 (the "Amendment Effective Date"),

(a) the defined term "Committed Amount" in Section 1.01 of the Agreement is hereby amended and restated in its entirety as follows:

"**Committed Amount**" shall mean \$100,000,000."

(b) the defined term "Uncommitted Amount" in Section 1.01 of the Agreement is hereby amended and restated in its entirety as follows:

"**Uncommitted Amount**" shall mean \$400,000,000."

(c) Section 1.01 of the Agreement is hereby amended by adding the following new defined term "LPMI Policy" immediately following the definition of "Loan Loss Reserves":

““**LPMI Policy**” shall mean a policy of mortgage guaranty insurance issued by a Qualified Insurer or an Agency in which the Seller is responsible for the premiums associated with such mortgage insurance policy.”

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(d) the defined term “Termination Date” in Section 1.01 of the Agreement is hereby amended and restated in its entirety as follows:

“**“Termination Date”** shall mean August 23, 2019 or such earlier date on which this Repurchase Agreement shall terminate in accordance with the provisions hereof or by operation of law.”

(e) Section 5.02 of the Agreement is hereby amended by adding the following sub-section (o) immediately following sub-section (n) thereof:

“(o) Maintenance of Profitability. Buyer shall have received evidence in form and substance satisfactory to Buyer showing compliance by Seller with Section 7.16 hereof.”

(f) Section 8 of the Agreement is hereby amended by deleting sub-section (d) thereof in its entirety and replacing it with the following:

“(d) the Seller, the Servicer or the Guarantor, as applicable, shall fail to comply with the requirements of Section 7.03(a), Section 7.04, Section 7.05, Section 7.06, any of Sections 7.10 through 7.15, Section 7.18, any of Sections 7.20 through 7.23, Section 7.25 (other than the first sentence of such Section 7.25), Section 7.30, Section 7.32, Section 7.33 or Section 7.35 hereof; or the Seller shall otherwise fail to comply with the requirements of Section 7.29 or Section 7.36 hereof and such default shall continue unremedied for a period of one (1) Business Day; or the Seller shall otherwise fail to comply with the requirements of Section 7.09, Section 7.26 or Section 7.31 hereof and such default shall continue unremedied for a period of three (3) Business Days; or the Seller shall otherwise fail to comply with the requirements of Section 7.17, Section 7.19, Section 7.24, the first sentence of Section 7.25, Section 7.27, or Section 7.34 hereof and such default shall continue unremedied for a period of five (5) Business Days; or the Seller, the Servicer or the Guarantor, as applicable, shall fail to comply with the requirements of Section 7.01, Section 7.02, Section 7.03(b), (c), (d), (e), and (f), or Section 7.07 and such default or failure shall continue unremedied for a period of seven (7) Business Days; or the Seller, the Servicer or the Guarantor, as applicable, shall fail to observe or perform any other covenant or agreement contained in this Repurchase Agreement or any other Repurchase Document (excluding Section 7.16 hereof) and such default or failure to observe or perform shall continue unremedied for a period of seven (7) Business Days; or”

(g) Part I of Schedule 1 to the Agreement is hereby amended by deleting sub-section (d) thereof in its entirety and replacing it with the following:

“(d) Original Terms Unmodified. The terms of the Mortgage Note and Mortgage have not been impaired, waived, altered or modified in any respect, from the date of origination; except by a written instrument which has been recorded, if necessary to protect the interests of the Buyer, and which has been delivered to the Custodian and the terms of which are reflected in the Mortgage Loan Schedule. The substance of any such waiver, alteration or modification has been approved by the insurer under the Primary Insurance Policy or LPMI Policy, if any, and the title insurer, to the extent required, and, with respect to the FHA, RHS and VA Loans, has been approved by the FHA,



to the extent required by the FHA Insurance Contract, the RHS to the extent required of the Rural Housing Service Guaranty or the VA, to the extent of the VA Guaranty Agreement, and its terms are reflected on the Mortgage Loan Schedule. No Mortgagor in respect of the Mortgage Loan has been released, in whole or in part, except in connection with an

assumption agreement approved by the insurer under the Primary Insurance Policy or LPMI Policy, if any, and the title insurer, to the extent required by such policy and with respect to any FHA Loan, the FHA to the extent required by the FHA Insurance Contract or FHA Regulations, or with respect to any VA Loan, the VA to the extent of the VA Guaranty Agreement, or with respect to any RHS Loan, the RHS to the extent of the Rural Housing Service Guaranty, and which assumption agreement is part of the Mortgage File delivered to the Custodian and the terms of which are reflected in the Mortgage Loan Schedule.”

(h) Part I of Schedule 1 to the Agreement is hereby amended by deleting the last sentence of sub-section (o) thereof in its entirety and replacing it with the following:

“If a Mortgage Loan is identified on the Mortgage Loan Schedule as subject to an LPMI Policy, such policy insures that portion of the Mortgage Loan set forth in the LPMI Policy. All provisions of any such LPMI Policy have been and are being complied with, such policy is in full force and effect, and all premiums due thereunder have been paid. Any Mortgage subject to any such LPMI Policy obligates the Seller to maintain such insurance and to pay all premiums and charges in connection therewith. The Mortgage Interest Rate for the Mortgage Loan does not include the insurance premium for any LPMI Policy.”

SECTION 2. Defined Terms. Any terms capitalized but not otherwise defined herein shall have the respective meanings set forth in the Agreement.

SECTION 3. Effectiveness. This Amendment Number Twelve shall become effective as of the date that the Agent shall have received:

(a) counterparts hereof duly executed by each of the parties hereto, and

(b) counterparts of that certain Amendment Number Thirteen to the Pricing Side Letter, dated as of the date hereof, duly executed by each of the parties thereto.

SECTION 4. Fees and Expenses. Seller agrees to pay to Buyer and Agent all reasonable out of pocket costs and expenses incurred by Buyer or Agent in connection with this Amendment Number Twelve (including all reasonable fees and out of pocket costs and expenses of Buyer’s or Agent’s legal counsel) in accordance with Section 13.04 and 13.06 of the Agreement.

SECTION 5. Representations. Seller hereby represents to Buyer and Agent that as of the date hereof and taking into account the terms of this Amendment Number Twelve, Seller is in full compliance with all of the terms and conditions of the Agreement and each other Repurchase Document and no Default or Event of Default has occurred and is continuing under the Agreement or any other Repurchase Document.

SECTION 6. Binding Effect; Governing Law. THIS AMENDMENT NUMBER TWELVE SHALL BE BINDING AND INURE TO THE BENEFIT OF THE PARTIES HERETO AND THEIR RESPECTIVE SUCCESSORS AND PERMITTED ASSIGNS. THIS AMENDMENT NUMBER TWELVE SHALL BE CONSTRUED IN

ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF (EXCEPT FOR SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW WHICH SHALL GOVERN).

SECTION 7. Counterparts. This Amendment Number Twelve may be executed by each of the parties hereto on any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

SECTION 8. Limited Effect. Except as amended hereby, the Agreement shall continue in full force and effect in accordance with its terms. Reference to this Amendment Number Twelve need not be made in the Agreement or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to, or with respect to, the Agreement, any reference in any of such items to the Agreement being sufficient to refer to the Agreement as amended hereby.

[Signature Page Follows]

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IN WITNESS WHEREOF, Seller, Buyer and Agent have caused this Amendment Number Twelve to be executed and delivered by their duly authorized officers as of the Amendment Effective Date.

PENNYMAC LOAN SERVICES, LLC  
(Seller)

By: /s/ Pamela Marsh  
Name: Pamela Marsh  
Title: Managing Director, Treasurer

MORGAN STANLEY BANK, N.A.  
(Buyer)

By: /s/ Todor Glogov  
Name: Todor Glogov  
Title: Authorized Signatory

MORGAN STANLEY MORTGAGE  
CAPITAL HOLDINGS LLC  
(Agent)

By: /s/ Christopher Schmidt  
Name: Christopher Schmidt  
Title: Vice President

Amendment Number Twelve to Master Repurchase  
Agreement

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