

PENNYMAC FINANCIAL SERVICES, INC.  
Form DEF 14A  
April 21, 2014  
**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No.        )

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12

**PennyMac Financial Services, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1. Title of each class of securities to which transaction applies:

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3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

PENNYMAC FINANCIAL SERVICES, INC.  
6101 CONDOR DRIVE  
MOORPARK, CALIFORNIA 93021

April 21, 2014

Dear Stockholder:

I would like to cordially invite you to attend the 2014 Annual Meeting of Stockholders (the "Meeting") of PennyMac Financial Services, Inc. to be held on Thursday, June 5, 2014, at 10:15 a.m. Pacific time. The Meeting will be held at our corporate offices located at 5898 Condor Drive, Moorpark, California 93021.

The Notice of 2014 Annual Meeting of Stockholders and Proxy Statement are attached to this letter and contain information about the matters on which you will be asked to vote at the Meeting. We will transact no other business at the Meeting, except for business properly brought before the Meeting or any adjournment thereof by our Board of Directors. Only our stockholders of record at the close of business on April 7, 2014, the record date, are entitled to vote at the Meeting.

Your vote is very important. Please carefully read the Notice of 2014 Annual Meeting of Stockholders and Proxy Statement so that you will know the matters on which we plan to vote at the Meeting, and then vote your shares by proxy by mail, by Internet or by telephone as soon as possible to make sure that your shares are represented at the Meeting. You may also cast your vote in person at the Meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct that firm or bank as to how to vote your shares.

**ANNUAL MEETING ADMISSION:** In order to attend the Meeting in person, you will need to present your admission ticket, or an account statement showing your ownership of our common stock as of the record date, and valid government-issued photo identification. The indicated portion of your proxy card will serve as your admission ticket.

On behalf of our Board of Directors, I thank you for your participation. We look forward to seeing you on June 5th.

Sincerely,

STANFORD L. KURLAND  
*Chairman of the Board*

PENNYMAC FINANCIAL SERVICES, INC.  
6101 CONDOR DRIVE  
MOORPARK, CALIFORNIA 93021

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Notice of 2014 Annual Meeting of Stockholders

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**Time and Date:** 10:15 a.m. Pacific time on Thursday, June 5, 2014

**Place:** PennyMac Financial Services, Inc.  
5898 Condor Drive

Moorpark, California 93021

**Items of Business:** To elect the nine (9) director nominees identified in the enclosed Proxy Statement to serve on our Board of Directors, each for a one-year term expiring at the 2015 annual meeting of stockholders;

To ratify the appointment of our independent registered public accounting firm for the fiscal year ending December 31, 2014; and

To transact such other business as may properly come before the annual meeting and any adjournment thereof.

**Record Date and Meeting Admission:** Only stockholders of record at the close of business on April 7, 2014, the record date, are entitled to attend the annual meeting.

**Proxy Voting:** Whether or not you plan to attend the annual meeting, we encourage you to vote your shares by proxy by mail, by Internet or by telephone as soon as possible to make sure that your shares are represented at the annual meeting. You may also cast your vote in person at the annual meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct that firm or bank as to how to vote your shares.

**Recommendations:** Our Board of Directors recommends that you vote "FOR" the election of each of the nominees as Director and "FOR" the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014.

**Mailing Date:** The Notice of Internet Availability of Proxy Materials is being mailed to you on or about April 21, 2014, and this Notice of 2014 Annual Meeting of Stockholders, the Proxy

Statement, the 2013 Annual Report to Security Holders, and the proxy card or voting instruction form are accessible to you online at [www.proxyvote.com](http://www.proxyvote.com). Hard copies of the proxy materials will be mailed to you upon your request.

By Order of the Board of Directors,

JEFFREY P. GROGIN  
*Secretary*

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 5, 2014:

The Notice of 2014 Annual Meeting of Stockholders, Proxy Statement and Annual Report on Form 10-K and the means to vote by Internet are available at [www.proxyvote.com](http://www.proxyvote.com).

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PENNYMAC FINANCIAL SERVICES, INC.  
6101 CONDOR DRIVE  
MOORPARK, CALIFORNIA 93021

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2014 Annual Meeting of Stockholders

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## **PROXY STATEMENT**

PennyMac Financial Services, Inc. (“we,” “our,” “us” or the “Company”) is furnishing this Proxy Statement in connection with our solicitation of proxies to be voted at our 2014 Annual Meeting of Stockholders (the “Meeting”). We will hold the Meeting at our corporate offices located at 5898 Condor Drive, Moorpark, California 93021, on Thursday, June 5, 2014 at 10:15 a.m. Pacific time, subject to any postponements or adjournments thereof. We are delivering this Proxy Statement and the proxy card to our stockholders commencing on or about April 21, 2014.

## **QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING**

What am I voting on?

You will be entitled to vote on the following scheduled proposals at the Meeting:

The election of nine (9) Directors, Stanford L. Kurland, David A. Spector, Matthew Botein, James K. Hunt, Joseph Mazzella, Farhad Nanji, John Taylor, Mark Wiedman and Emily Youssouf, each for a one-year term expiring at the 2015 annual meeting of stockholders; and

The ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014.

How does our Board of Directors recommend that I vote on these proposals?

Our Board of Directors (the “Board”) recommends that you vote “**FOR**” the election of each of the nominees as Directors and “**FOR**” the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014.

Who can attend the Meeting?

Our Board has set April 7, 2014 as the record date for the Meeting. If you were the stockholder of record of our Class A common stock or Class B common stock as of the close of business on the record date, you are entitled to attend the Meeting, although seating is limited. If you plan to attend, please check the appropriate box on your proxy card and return it as directed on the proxy card.

If you hold your common stock through a broker and you would like to attend, please either (1) write us at Investor Relations, PennyMac Financial Services, Inc., 6101 Condor Drive, Moorpark, California 93021, (2) email us at *PFSI\_IR@pnmac.com*, or (3) bring to the Meeting a copy of your brokerage account statement or an omnibus proxy (which you can get from your broker).

In addition, you must bring valid, government-issued photo identification, such as a driver’s license or a passport. No cameras or recording devices of any kind, or signs, placards, banners or similar materials, may be brought into the Meeting. Anyone who refuses to comply with these requirements will not be admitted.

Who is entitled to vote at the Meeting?

If you were the stockholder of record of our Class A common stock or Class B common stock as of the close of business on the record date, you are entitled to notice of, and to vote at, the Meeting and any adjournments thereof. As of the record date, 20,879,486 shares of Class A common stock were issued and outstanding, and 58 shares of Class B common stock were issued and held by owners of Class A units of Private National Mortgage Acceptance Company, LLC (“PNMAC”). If you were the record owner of our Class A common stock or Class B common stock at the close of business on the record date, you may vote at the Meeting. Each share of Class A common stock that you held on the record date entitles you to one vote on each proposal. If you held Class B common stock on the record date, you are entitled to a number of votes on each proposal equal to the number of Class A units of PNMAC that you held as of the record date, regardless of the number of shares of Class B common stock that you held as of the record date. All matters on the agenda for the Meeting will be voted on by the holders of our shares of Class A common stock and Class B common stock voting together as a single class.

How many shares must be present to hold the Meeting?

The presence of shares constituting a majority of all votes entitled to be cast constitutes a quorum, which is required in order to hold the Meeting and conduct business. Since there were 75,888,888 eligible votes as of the record date, we will need at least 37,944,445 votes present in person or by proxy at the Meeting for a quorum to exist. If a quorum is not present at the Meeting, we expect that the Meeting will be adjourned to solicit additional proxies.

What stockholder approvals are required to approve the proposals?

Directors will be elected by a plurality of the votes cast by the holders of our Class A common stock and Class B common stock voting in person or by proxy at the Meeting. Ratification of the appointment of our independent registered public accounting firm will require the affirmative vote of a majority of the votes cast by the holders of our Class A common stock and Class B common stock voting in person or by proxy at the Meeting.

How will voting on any other business be conducted?

Other than the two proposals described in this Proxy Statement, we know of no other business to be considered at the Meeting. If any other matters are properly presented at the Meeting, your signed proxy card or Internet or telephonic voting instructions will authorize Stanford L. Kurland, our Chairman of the Board and Chief Executive Officer, and Jeffrey P. Grogan, our Secretary, to vote on those matters according to their best judgment.

How do I vote my shares as a stockholder of record?

If you are a stockholder of record of our Class A common stock or Class B common stock, you may vote as instructed on the proxy card by using one of the following methods:

*By Mail.* If you received a printed copy of the proxy materials, please mark your selections on, and sign and date, the printed proxy card, and return the proxy card by mail in the postage-paid envelope provided.

*By Internet.* To vote by Internet, go to [www.proxyvote.com](http://www.proxyvote.com) and follow the instructions at that web site. Internet voting is available 24 hours a day, although your vote by Internet must be received by 11:59 p.m. Eastern Time, June 4, 2014. If you vote by Internet, do not return your proxy card or voting instruction card. If you are a registered stockholder, you will need to have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form. If you hold your shares in “street name,” please refer to the Notice of Internet Availability of Proxy Materials or voting instruction card provided to you by your broker, bank or other holder of record for Internet voting instructions.

*By Telephone.* To vote by telephone, registered stockholders should dial 800-690-6903 and follow the recorded instructions. Telephone voting is available 24 hours a day, although your vote by phone must be received by 11:59 p.m. Eastern Time, June 4, 2014. You will need the control number found either on the Notice of Internet Availability of Proxy Materials or on the proxy card if you are receiving a printed copy of these materials. If you vote by telephone, do not return your proxy card or voting instruction card. If you are a registered stockholder, you will need to have your proxy card in hand when you call and then follow the instructions. If you hold your shares in “street name,” please refer to the Notice of Internet Availability of Proxy Materials or voting instruction card provided to you by your broker, bank or other holder of record for telephone voting instructions.

*In Person.* If you attend the Annual Meeting and plan to vote in person, you will be provided with a ballot at the Annual Meeting. If your shares are registered directly in your name, you are considered the stockholder of record and you have the right to vote in person at the Annual Meeting. If your shares are held in “street name” and you wish to vote at the Annual Meeting, you must request a legal proxy by following the instructions at [www.proxyvote.com](http://www.proxyvote.com). Whether you are a stockholder of record or your shares are held in “street name,” you must bring valid, government-issued photo identification to gain admission to the Annual Meeting.

If you vote prior to the Meeting, it will assure that your vote is counted. Whether you vote by mail, by Internet, by telephone or in person at the Meeting, the proxies identified will vote the shares as to which you are the stockholder of record in accordance with your instructions. If a printed proxy card is signed and returned and no instructions are marked, the shares will be voted as recommended by our Board in this Proxy Statement.

What is the difference between a stockholder of record and a “street name” holder?

If your shares of Class A common stock or shares of Class B common stock are registered directly in your name, you are considered the stockholder of record with respect to those shares. If your shares of Class A common stock are held in a stock brokerage account or by a bank, trust or other nominee, then the broker, bank, trust or other nominee is considered to be the stockholder of record with respect to those shares. However, you still are considered the beneficial owner of those shares, and your shares are said to be held in “street name.” Street name holders generally cannot vote their shares directly and must instead instruct the broker, bank, trust or other nominee how to vote their shares.

If my broker holds my shares in “street name,” how do I vote my shares?

If you own your shares of Class A common stock in “street name,” you must vote your shares in the manner prescribed by your broker or other nominee. Your broker or other nominee has provided a voting instruction form for you to use in directing the broker or nominee how to vote your shares. Please follow the instructions provided on such voting instruction form.

How do I vote my shares in person at the Meeting?

If you are a stockholder of record of our Class A common stock or Class B common stock, to vote your shares at the Meeting you should bring the proxy card and valid government-issued photo identification. If you own your shares in “street name,” to vote your shares at the Meeting you must obtain a proxy from your broker or nominee and bring that proxy to the Meeting.

Even if you plan to attend the Meeting, we encourage you to vote in advance of the Meeting, so your vote will be counted if you later decide not to attend the Meeting.

What if I do not specify how I want my shares voted?

If you submit a signed proxy card and do not specify how you want to vote your shares, we will vote your shares as follows:

**FOR** the election of the Director nominees identified in this Proxy Statement to serve on our Board of Directors, each for a term expiring at the 2015 annual meeting of stockholders; and

**FOR** the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014.

May I revoke my proxy and change my vote after submitting my proxy?

Yes. You may revoke your proxy and change your vote before it is taken at the Meeting by (1) delivering a written notice of revocation to the attention of our Secretary at 6101 Condor Drive, Moorpark, California 93021, (2) delivering a duly executed proxy bearing a later date, or (3) attending the Meeting and voting in person. As noted above, if you own your shares through a brokerage account or in another nominee form, you cannot vote in person at the Meeting unless you obtain a proxy from your broker or nominee and bring that proxy to the Meeting.

What does it mean if I receive more than one proxy card?

It means that your shares may be registered differently and in more than one account. Sign and return all proxy cards to ensure that all your shares are voted.

How are votes counted?

You may either vote “**FOR**” or “**WITHHOLD**” authority to vote for each nominee for the Board. You may vote “**FOR**,” “**AGAINST**” or “**ABSTAIN**” on the proposal to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014. An abstention is the voluntary act of not voting by a stockholder who is present at a meeting in person or by proxy and entitled to vote.

If you submit your proxy but abstain from voting or withhold authority to vote on one or more matters, your shares will be counted as present at the Meeting for the purpose of determining a quorum. If you withhold authority to vote with respect to the election of some or all of the Directors, your shares will not be voted with respect to those nominees indicated. Abstentions and broker non-votes have no effect on the proposal relating to the election of Directors. Your shares also will be counted as present at the Meeting for the purpose of calculating the vote on the particular proposal with respect to which you abstained from voting or withheld authority to vote. However, because an abstention is not counted as a vote cast, if you abstain from voting with respect to the proposal to ratify the appointment of our independent registered public accounting firm, your abstention will have no effect on such proposal.

If you hold your shares in “street name” and do not provide voting instructions to your broker or other nominee, your shares will not be voted on any proposal on which your broker or other nominee does not have discretionary authority to vote under the rules of the New York Stock Exchange (“NYSE”). Under NYSE rules, brokers that hold our common stock in street name for customers that are the beneficial owners of those shares may not give a proxy to vote those shares on certain matters, including the election of Directors and our executive compensation, without specific instructions from those customers. When a broker lacks authority to vote under these circumstances, this is referred to as a “broker non-vote.” Broker non-votes will be counted as present at the Meeting for the purpose of determining a quorum but will not be considered votes cast and, accordingly, will have no effect on any proposal to be considered at the Annual Meeting.

Who will count the vote?

Representatives of Broadridge Financial Solutions, Inc. will count the votes for shares held in “street name” and the votes of stockholders of record. Representatives of the Company will serve as the Inspector of Elections.

How will we solicit proxies for the Meeting?

We are soliciting proxies from our stockholders by mailing the Notice of Internet Availability of Proxy Materials and providing internet access, at [www.proxyvote.com](http://www.proxyvote.com), to our Notice of 2014 Annual Meeting of Stockholders, Proxy Statement, 2013 Annual Report to Security Holders, and proxy card or voting instruction form. In addition, some of our Directors and officers may make additional solicitations by telephone or in person.

Who bears the cost of soliciting proxies?

The Company will pay the cost of the solicitation of proxies, including preparing and mailing the Notice of Internet Availability of Proxy Materials. To the extent any of our Directors or officers solicit proxies by telephone, facsimile transmission or other personal contact, such persons will receive no additional compensation. Brokerage houses and other nominees, fiduciaries and custodians who are stockholders of record of our Class A common stock will be requested to forward proxy soliciting materials to the beneficial owners of such shares and will be reimbursed by us for their charges and expenses in connection therewith at customary and reasonable rates.

Can I access the Company's proxy materials and Annual Report to Security Holders electronically?

This Proxy Statement and our 2013 Annual Report to Security Holders, which includes our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 ("Fiscal 2013"), are available at [www.proxyvote.com](http://www.proxyvote.com) and in the SEC Filings section of our Investor Relations website, [www.ir.pennymacfinancial.com](http://www.ir.pennymacfinancial.com).

When are stockholder proposals due for the 2014 Annual Meeting of Stockholders?

No stockholder proposals were received by us to be presented at the Meeting. We intend to hold next year's annual meeting of stockholders on approximately the same date as the Meeting. Accordingly, if you are submitting a proposal for possible inclusion in next year's Proxy Statement pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we must receive the proposal no later than December 5, 2014. If you are submitting a proposal to be brought before next year's annual meeting of stockholders other than pursuant to Rule 14a-8 of the Exchange Act, we must receive the proposal no earlier than February 5, 2015 and no later than March 6, 2015.

Who can help answer my questions?

If you have any questions or need assistance voting your shares or if you need additional copies of this Proxy Statement or the proxy card, you should contact:

PennyMac Financial Services, Inc.  
Attention: Investor Relations  
6101 Condor Drive

Moorpark, California 93021  
Phone: (818) 264-4907  
Email: [PFSI\\_IR@pnmac.com](mailto:PFSI_IR@pnmac.com)



**EXPLANATORY NOTE**

We are an “emerging growth company” under applicable federal securities laws and therefore permitted to take advantage of certain reduced public company reporting requirements. As an emerging growth company, we provide in this proxy statement the scaled disclosure permitted under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, including the compensation disclosures required of a “smaller reporting company,” as that term is defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934. In addition, as an emerging growth company, we are not required to conduct votes seeking approval, on an advisory basis, of the compensation of our named executive officers or the frequency with which such votes must be conducted. We will remain an “emerging growth company” until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of our initial public offering on May 9, 2013, (b) in which we have total annual gross revenue of at least \$1.0 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our Class A common stock that is held by non-affiliates exceeds \$700 million as of the prior June 30th, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period.

**OUR DIRECTORS****Director Nominees**

We have nine members of our Board. Our Directors to be elected at this year’s Meeting will serve until our annual meeting of stockholders in 2015 and their successors have been duly elected and qualified. The following paragraphs provide the name and age (as of April 7, 2014) of each Director, as well as each Director’s business experience over the last five years or more. Immediately following the description of each Director’s business experience is a description of the particular experience, skills and qualifications that were instrumental in the Governance and Nominating Committee’s determination that the Director should serve on our Board.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Stanford L. Kurland	61	Chairman of the Board
David A. Spector	51	Director
Matthew Botein	41	Director
James K. Hunt	62	Director
Joseph Mazzella	61	Director
Farhad Nanji	35	Director
John Taylor	63	Director
Mark Wiedman	42	Director
Emily Youssouf	62	Director

**Stanford L. Kurland.** Mr. Kurland, age 61, has been our chairman of the board and Chief Executive Officer since our formation and has been the Chairman and Chief Executive Officer of Private National Mortgage Acceptance Company, LLC, or PNMAC, since its formation in January 2008. In addition, Mr. Kurland has been the chairman of the board of PennyMac Mortgage Investment Trust, or PMT, since July 2009, the chairman of PCM since March 2008, and the chairman of PennyMac Loan Services, LLC, or PLS, since its formation in February 2008. Prior to our formation, Mr. Kurland served as a director and, from January 1979 to September 2006, held several executive positions, including president, chief financial officer and chief operating officer, at Countrywide Financial Corporation, or Countrywide, a diversified financial services company. Mr. Kurland holds a BS from California State University, Northridge. We believe Mr. Kurland is qualified to serve on our Board because of his experience as our Chief Executive Officer and as an accomplished financial services executive with more than 30 years of experience in the mortgage banking arena.

**David A. Spector.** Mr. Spector, age 51, has been a member of our Board and has been our President and Chief Operating Officer since our formation. Mr. Spector also has been President and Chief Investment Officer of PNMAC since January 2008. In addition, Mr. Spector has been a member of the Board of Trustees of PMT since May 2009 and chairman of the board of directors of both PNMAC Mortgage Opportunity Fund, LP and PNMAC Mortgage Opportunity Fund, LLC since May 2008. Prior to joining our Company, Mr. Spector was co-head of global residential mortgages for Morgan Stanley, a global financial services firm, based in London. Before joining Morgan Stanley in September 2006, Mr. Spector was the senior managing director, secondary marketing, at Countrywide, where he was employed from May 1990 to August 2006. Mr. Spector holds a BA from the University of California, Los Angeles. We believe Mr. Spector is qualified to serve on our Board because of his experience as our President and Chief Operating Officer and as an experienced executive with broad mortgage banking expertise in portfolio investments, interest rate and credit risk management, and capital markets activity that includes pricing, trading and hedging.

**Matthew Botein.** Mr. Botein, age 41, has been a member of our Board since our formation. Since November 2009, Mr. Botein has been employed at BlackRock, Inc., an investment management firm, where he currently holds the position of managing director and co-head of BlackRock Alternative Investors and the title of Chief Investment Officer for alternative investments. He previously served as chairman of Botein & Co., LLC, a private investment and advisory firm, from July 2009 through November 2009 and as a managing director of Highfields Capital Management LP, an investment management firm, from 2003 through June 2009. He also currently serves on the board of Northeast Bancorp, a bank holding company. Mr. Botein holds an AB from Harvard College and an MBA from the Harvard Business School. We believe Mr. Botein is qualified to serve on our Board because of his considerable experience in the financial services industry, where he has managed portfolio investments in the banking, insurance, asset management, capital markets, and financial processing sectors.

**James K. Hunt.** Mr. Hunt, age 62, has been a member of our Board since April 26, 2013. Mr. Hunt is also our Independent Lead Director. Mr. Hunt has served as chairman of the board, chief executive officer and chief investment officer of THL Credit, Inc., an externally-managed, non-diversified closed-end management investment company, and of THL Credit Advisors, a registered investment advisor that provides administrative services to THL Credit, Inc., since April 2010 and has held similar executive positions with predecessor entities since May 2007. Previously, Mr. Hunt was CEO and Managing Partner of Bison Capital Asset Management, LLC, a private equity firm, from 2001 to 2007. Prior to co-founding Bison Capital, Mr. Hunt was the President of SunAmerica Corporate Finance and Executive Vice President of SunAmerica Investments (subsequently, AIG SunAmerica). Mr. Hunt also serves as a director of THL Credit, Inc. and formerly served on the boards of Primus Guaranty, Ltd., Fidelity National Information Services, Inc. and Lender Processing Services, Inc. Mr. Hunt received a BBA from the University of Texas at El Paso and an MBA from the University of Pennsylvania's Wharton School. We believe Mr. Hunt is qualified to serve on our Board because of his experience in managing financial services companies and in capital markets.

**Joseph Mazzella.** Mr. Mazzella, age 61, has been a member of our Board since our formation. Mr. Mazzella is a Managing Director and the General Counsel of Highfields Capital Management LP, an investment management firm, which he joined in 2002. Prior to joining Highfields, Mr. Mazzella was a partner at the law firm of Nutter, McClennen & Fish, L.L.P., in Boston, Massachusetts. Prior to private practice, he was an attorney at the Securities & Exchange Commission from 1978 to 1980, and previously served as a law clerk in the Superior Court of the District of Columbia. Mr. Mazzella has served on multiple public company boards of directors, including Alliant Techsystems, Inc. and Data Transmission Networks Corporation, and he served as chairman of the board of Insurance Auto Auctions, Inc. Mr. Mazzella received a BA from City College of New York and a JD from Rutgers University School of Law. We believe Mr. Mazzella is qualified to serve on our Board because he is an experienced executive and director with strong business and legal backgrounds in the financial services industry.

**Farhad Nanji.** Mr. Nanji, age 35, has been a member of our Board since our formation. Mr. Nanji is a Managing Director of Highfields Capital Management LP, an investment management firm, which he joined in 2006 and where he focuses on portfolio investments in distressed securities, restructurings, structured credit and global financial services. Prior to joining Highfields, Mr. Nanji was an associate with HighVista Strategies, an investment management firm, and he also served as an engagement manager in the financial institutions group at McKinsey & Company, a global consulting firm. Mr. Nanji received an MBA from Harvard Business School and a B.Com. degree

from McGill University. We believe Mr. Nanji is qualified to serve on our Board because of his expertise in the mortgage and financial services businesses.

**John Taylor.** Mr. Taylor, age 63, has been a member of our Board since March 4, 2013. Prior to his retirement in September 2011, Mr. Taylor was a senior audit partner in KPMG LLP's financial services practice, where he served as the lead audit engagement partner for publicly held banking and finance clients for 25 years. He also currently serves on the board of directors of Wilshire Bancorp, Inc., a bank holding company, and Wilshire Bank, a California state-chartered commercial bank. Mr. Taylor received a BS from the University of Southern California, and is a licensed certified public accountant in the state of California. We believe Mr. Taylor is qualified to serve on our Board because of his extensive experience in providing professional accounting and auditing services to the financial services industry.

**Mark Wiedman.** Mr. Wiedman, age 42, has been a member of our Board since our formation. Mr. Wiedman has been the global head of BlackRock, Inc.'s iShares business since September 2011 and is a member of BlackRock, Inc.'s Global Operating Committee. Previously, Mr. Wiedman was the head of Corporate Strategy for BlackRock, Inc. and led the clients and advisory team within the Financial Markets Advisory Group in BlackRock Solutions, a group which advises financial institutions and governments on managing their capital markets exposures and businesses. Prior to joining BlackRock, Inc. in 2004, Mr. Wiedman, as executive director, led the global product development and strategy group at Morgan Stanley Investment Management. He previously was a management consultant at McKinsey & Company, advising financial institutions in the United States, Europe and Japan. He also served as senior advisor and chief of staff for the Under Secretary for Domestic Finance at the U.S. Treasury Department. He has taught as an adjunct associate professor of law at Fordham University in New York and Renmin University in Beijing. Mr. Wiedman earned an AB degree from Harvard College and a JD degree from Yale Law School. We believe Mr. Wiedman is qualified to serve on our Board because of his numerous years of experience in the financial industry and deep understanding of our business.

**Emily Youssef.** Ms. Youssef, age 62, has been a member of our Board since November 14, 2013. Ms. Youssef was appointed vice chair of the New York City Housing Development Corporation (HDC) in 2011. Ms. Youssef has served as a clinical professor at the NYU Schack Institute of Real Estate since 2009. Previously, she served as an independent consultant from 2008 to 2011, during which time her clients included Rockefeller Foundation, Washington Square Partners and various real estate investors. Prior thereto, she was a managing director with JPMorgan Securities, Inc., a broker-dealer, from 2007 to 2008 and the President of the NYC Housing Development Corporation from 2003 to 2007. Ms. Youssef has also held various senior positions at Credit Suisse First Boston, Daiwa Securities America, Prudential Securities, Merrill Lynch and Standard & Poor's. She currently serves as a trustee of JP Morgan Exchange-Traded Funds Trust and vice chair of the New York City Housing Authority. Ms. Youssef has an extensive investment banking background in housing finance, loan securitization, and structuring innovative financing strategies. Ms. Youssef is a graduate of Wagner College and holds an MA in Urban Affairs and Policy Analysis from The New School for Social Research. We believe Ms. Youssef is qualified to serve on our Board because of her numerous years of experience in the investment banking, finance and real estate industries and deep understanding of the housing market.

#### CORPORATE GOVERNANCE, DIRECTOR INDEPENDENCE, BOARD MEETINGS AND COMMITTEES

##### Corporate Governance

We believe that we have implemented effective corporate governance policies and observe good corporate governance procedures and practices. We have adopted a number of written policies, including our Corporate Governance Guidelines, our Code of Business Conduct and Ethics, and charters for the Audit Committee, Compensation Committee, Finance Committee, Governance and Nominating Committee, and Related-Party Matters Committee.

##### Independence of Our Directors

The NYSE rules require that at least a majority of our Directors be independent of our company and management. The rules also require that our Board affirmatively determine that there are no material relationships between a Director and us (either directly or as a partner, stockholder or officer of an organization that has a relationship with us) before such Director can be deemed independent. We have adopted independence standards consistent with NYSE rules and the rules of the SEC. Our Board has reviewed both direct and indirect transactions and relationships that each of our Directors had or maintained with us and our management.

As a result of this review, our Board, based upon the fact that certain of our non-management Directors do not have any material relationships with us other than as Directors and holders of our common stock, affirmatively determined

that seven of our Directors are independent Directors under NYSE rules. Our independent Directors are Messrs. Botein, Hunt, Mazzella, Nanji, Taylor and Wiedman and Ms. Youssouf.

#### Board Leadership Structure and Independent Lead Director

The positions of Chairman of the Board and Chief Executive Officer are currently held by Mr. Kurland, and we have determined not to separate the positions at this time. This determination is based, in part, on our belief that independent Directors and management have different perspectives and roles in strategy development. Our independent Directors bring experience, oversight and expertise from outside the Company and industry, while the Chief Executive Officer brings company-specific experience and expertise. We believe our Chief Executive Officer is thus better situated to serve as Chairman of the Board because he is able to utilize the in-depth focus and perspective gained in running the Company to effectively and efficiently lead our Board. As the Director most familiar with our business and industry, he is most capable of identifying new initiatives and businesses, strategic priorities and other critical and/or topical agenda items for discussion by our Board and then leading the discussion to ensure its proper oversight of these issues. Our Board believes that the combined role of Chairman of the Board and Chief Executive Officer promotes strategy development and execution, and facilitates information flow between management and our Board, all of which are essential to effective governance.

This determination is also based on what we consider to be a strong governance structure already in place, including the appointment of an influential Independent Lead Director with a strong voice. The Independent Lead Director works with our Chairman of the Board and other Directors to provide informed, independent oversight of our management and affairs. Among other things, the Independent Lead Director reviews and provides input on Board meeting agendas and materials, coordinates with committee chairs to ensure the committees are fulfilling the responsibilities set forth in their respective charters, serves as the principal liaison between our Chairman of the Board and the independent Directors, and chairs an executive session of the independent Directors at each regularly scheduled Board meeting. Our Board has appointed Mr. Hunt as Independent Lead Director for a three (3) year term that expires in April 2017.

Together, our Chairman of the Board and the Independent Lead Director provide leadership to our Board and work with our Board to define its structure and activities in the fulfillment of its responsibilities.

## Risk Oversight

Our Board and its committees oversee our risk management process, while supporting organizational objectives, improving long-term organizational performance and creating stockholder value. A fundamental part of risk management oversight is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the Company. The involvement of the full Board in our business strategy is a key part of its assessment of management's appetite for risk and also a determination of what constitutes an appropriate level of risk for the Company. While our Board has the ultimate oversight responsibility for the risk management process, particularly with respect to credit risk, interest rate risk, market risk, operational risk and other risks specific to our businesses, the committees of our Board also share responsibility for overseeing risk management. For example, the Audit Committee focuses on financial and accounting risk, including internal controls, and receives an annual risk assessment report from our internal auditors. The Finance Committee focuses on risks relating to the Company's liquidity and capital resources. The Governance and Nominating Committee focuses on risks associated with proper board governance, including the independence of our Directors. The Related-Party Matters Committee focuses on risks arising out of potential conflicts of interest between us or any of our subsidiaries, on the one hand, and (i) PMT, (ii) PNMAC Mortgage Opportunity Fund, LLC and PNMAC Mortgage Opportunity Fund, LP, both registered under the Investment Company Act of 1940, an affiliate of these funds and PNMAC Mortgage Opportunity Fund Investors, LLC, or collectively, the Investment Funds, and (iii) any other non-wholly-owned entity that we manage or over which we have control (whether through ownership, voting power, contract or otherwise), on the other hand. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about the nature of all such risks.

## Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics, which sets forth the basic principles and guidelines for resolving various legal and ethical questions that may arise in the workplace and in the conduct of our business. This code is applicable to all of our officers and Directors, as well as to the employees of PNMAC.

## Corporate Governance Guidelines

We have adopted Corporate Governance Guidelines which, in conjunction with the charters and key practices of the committees of our Board, provide the framework for the governance of our company.

## Committee Charters

Our Audit Committee, Compensation Committee, Finance Committee, Governance and Nominating Committee and Related-Party Matters Committee have also adopted written charters that govern their conduct.

#### Where You Can Find These Documents

Our Code of Business Conduct and Ethics, Corporate Governance Guidelines, Audit Committee Charter, Compensation Committee Charter, Finance Committee Charter, Governance and Nominating Committee Charter and Related-Party Matters Committee Charter are available in the Corporate Governance section of our website, [www.ir.pennymacfinancial.com](http://www.ir.pennymacfinancial.com). We will provide copies of these documents free of charge to any stockholder who sends a written request to Investor Relations, PennyMac Financial Services, Inc., 6101 Condor Drive, Moorpark, California 93021.

#### Committees of the Board of Directors

##### *Audit Committee*

Our Board has established an Audit Committee, which is comprised of three Directors, Messrs. Nanji and Taylor and Ms. Youssouf. Mr. Taylor chairs the Audit Committee, and he serves as an “audit committee financial expert,” as that term is defined by the SEC. Each of the members of the Audit Committee is “financially literate” under the rules of the NYSE. The Audit Committee assists our Board in overseeing:

- o our accounting and financial reporting processes;
- o the integrity and audits of our financial statements;
- o our internal control function;
- o our compliance with related legal and regulatory requirements;
- o the qualifications and independence of our independent registered public accounting firm; and
- o the performance of our independent registered public accounting firm and our internal auditors.

The Audit Committee is also responsible for the engagement, retention and compensation of our independent registered public accounting firm, reviewing with our independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by our independent registered public accounting firm, considering the range of audit and permissible non-audit fees, and reviewing the adequacy of our internal accounting controls.

Our Board has determined that Messrs. Nanji and Taylor and Ms. Youssouf are independent under the current NYSE independence requirements and SEC rules. The activities of the Audit Committee are described in greater detail below under the caption "Report of the Audit Committee."

#### *Compensation Committee*

Our Board has established a Compensation Committee, which is comprised of three Directors, Messrs. Botein, Hunt and Nanji. Mr. Botein chairs the Compensation Committee, the principal functions of which are to:

- o evaluate the performance of our Chief Executive Officer and other executive officers;
- o adopt and administer the compensation policies, plans and benefit programs for our executive officers and all other members of our executive team;
- o recommend to the Board the compensation for our independent Directors; and
- o administer the issuance of any securities under the PennyMac Financial Services, Inc. 2013 Equity Incentive Plan (the "2013 Equity Incentive Plan").

Our Board has determined that Messrs. Botein, Hunt and Nanji are independent under the current NYSE independence requirements and SEC rules. For additional information on the Compensation Committee, please see the section below entitled "Report of the Compensation Committee."

#### *Finance Committee*

Our Board has established a Finance Committee, which is comprised of Messrs. Botein, Hunt and Nanji. Mr. Nanji chairs the Finance Committee, the principal function of which is to oversee the financial objectives, policies, procedures and activities of the Company, including a review of the Company's capital structure, source of funds, liquidity and financial position. In connection with these responsibilities, the Finance Committee reviews the

Company's capital raising initiatives and monitors its liquidity management.

*Governance and Nominating Committee*

Our Board has established a Governance and Nominating Committee, which is comprised of three Directors, Messrs. Hunt, Mazzella and Wiedman. Mr. Hunt chairs the Governance and Nominating Committee, which is responsible for seeking, considering and recommending to the full Board qualified candidates for election as Directors and then recommending nominees for election as Directors at the annual meeting of stockholders. It also periodically prepares and submits to our Board for adoption the Governance and Nominating Committee's selection criteria for Director nominees. It reviews and makes recommendations on matters involving the general operation of our Board and our corporate governance, and annually recommends to our Board nominees for each of its committees. In addition, the Governance and Nominating Committee is responsible for annually facilitating the assessment of the performance of the individual committees and our Board as a whole and reporting thereon to our Board.

The Governance and Nominating Committee is responsible for developing the general criteria, subject to approval by the full Board, for use in identifying, evaluating and selecting qualified candidates for election or re-election to our Board. The Governance and Nominating Committee periodically reviews with our Board the appropriate skills and characteristics required of Directors in the context of the current make up of our Board. Final approval of Director nominees is determined by the full Board, and invitations to join our Board are extended by our Chairman of the Board on behalf of the entire Board.

The Governance and Nominating Committee, in accordance with our Corporate Governance Guidelines, seeks to create a board that is strong in its collective knowledge and has skills and experience with respect to accounting and finance, management and leadership, vision and strategy, business operations, business judgment, risk management, corporate governance, and knowledge of the mortgage industry and the global markets. The Governance and Nominating Committee also focuses on issues of diversity, such as diversity of gender, race and national origin, education, professional experience, and differences in viewpoints and skills. We do not have a formal policy with respect to diversity; however, our Board and Governance and Nominating Committee believe that it is essential that our Directors represent diverse viewpoints and backgrounds. In considering candidates for our Board, the Governance and Nominating Committee considers the entirety of each candidate's credentials in the context of these standards and in light of the needs of our Board and the Company at that time, given the then current mix of director attributes. The Governance and Nominating Committee also considers a candidate's accessibility and availability to serve effectively on our Board, and it conducts inquiries into the background and qualifications of potential candidates. With respect to the nomination of continuing directors for re-election, the individual's past contributions to our Board are also considered.