



Servicing Systems Environment Frequently Asked Questions

Updated as of November 14, 2019

1. What is the litigation against Black Knight about?

There are two lawsuits: *Black Knight Servicing Technologies, Inc. v. PennyMac Loan Services, LLC* (Circuit Court, Fourth Judicial Circuit, in and for Duval County, Florida), filed November 5, 2019; and *PennyMac Loan Services, LLC v. Black Knight, Inc.* (United States District Court for the Central District of California), filed November 6, 2019. Black Knight essentially alleges in its lawsuit that PennyMac copied Black Knight's mortgage servicing platform known as MSP in creating its Servicing Systems Environment ("SSE") platform. PennyMac's lawsuit, on the other hand, asserts that Black Knight is a monopolist that committed antitrust violations and engaged in unfair competition in order to protect and expand its monopoly. (Black Knight, by its own admission, controls over 62% of the first lien loan market.)

2. Why did PennyMac decide to build its own mortgage servicing platform?

MSP is founded on an outdated, mainframe "green screen" technology designed decades ago for a broader market. It also is a highly expensive system notwithstanding inadequate technology improvements. To address MSP's limitations, Black Knight encourages its servicer clients to use its products to download from and upload to MSP customer loan data owned by the servicers so they can conduct their loan transactions and customer communications using their own or vendor-hosted solutions more efficiently than through MSP. Black Knight separately charges its clients for this ability to use its products to exchange their loan data with MSP.

Since our earliest years, we have continuously developed proprietary solutions that work with Black Knight products to exchange data with MSP and support our servicing operational needs, including our unique workflow and regulatory requirements. As our development efforts expanded, it ultimately made more sense for us to rely on our own solutions and software rather than wasting precious resources on an inadequate system. Our efforts resulted in literally hundreds of modern customized solutions that are aligned with our workflow processes and utilize intuitive user interfaces that together comprise our overall SSE platform. This effort was supported by our industry-leading business and technology teams that have decades of deep experience developing mortgage servicing systems.

PennyMac stands committed to progress and to continuously improving the quality and efficiency of its servicing operations to the benefit of our customers, investors and partners and, to that end, we will vigorously defend Black Knight's misplaced attacks on those efforts.

3. Was Black Knight aware of your technology efforts?

Yes. For many years, we were continuously building and releasing new modules with Black Knight's knowledge. As discussed above, Black Knight encourages and even charges its clients (including PennyMac) to download from and upload data to MSP to enable proprietary or third party servicer solutions.

Moreover, rather than waiting until our contract deadline of 6 months to inform Black Knight of our intention to leave MSP, we gave Black Knight advance notice of *more than 18 months* that we were not renewing our contract and instead were moving to our own system. We also disclosed our development efforts to our public stockholders, as well as our investors, regulators and business partners over an extended period as we slowly transitioned to our own module-based platform.

4. Who owns the loan data stored and processed on MSP?

PennyMac owns its customer loan data, not Black Knight, and we have continually stored our data in our proprietary databases as we rolled out each module over many years.

5. Is SSE a copy of MSP?

No. For one thing, MSP is a platform exclusively hosted by Black Knight, and thus PennyMac did not have access to MSP source code or other confidential aspects of MSP or related Black Knight products.

Further, the various and numerous applications that comprise SSE are new and different, and were developed specifically for PennyMac's needs. While those differences are too significant to list in these FAQs, the underlying architecture and design of our platform are entirely different, including the way our servicing associates interface with the system, and our system is cloud-based, unlike the mainframe computer technology of MSP. Our technology is modern, and the resulting workflows are dramatically more expanded, improved and customized based on PennyMac's unique needs. Our module-based platform also offers numerous capabilities that we do not believe exist in any known Black Knight products. SSE fully leverages cloud-based infrastructure and real-time processing and enables us to reduce costs, increase scalability and decrease response times to changes in regulations and the market environment.