Section 1: 8-K (8-K)

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): May 14, 2018

PennyMac Financial Services, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**001-35916**	**80-0882793**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

3043 Townsgate Road, Westlake Village, California	**91361**
(Address of principal executive offices)	(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 Citibank, N.A.

On May 14, 2018, PennyMac Financial Services, Inc. (the "Company"), through its indirect controlled subsidiary, PennyMac Loan Services, LLC ("PLS"), entered into an amendment (the "Citi Amendment") to its amended and restated master repurchase agreement, dated as of March 3, 2017, by and between Citibank, N.A. ("Citibank") and PLS (the "Citi Repurchase Agreement"), pursuant to which PLS may sell to, and later repurchase from, Citibank certain newly originated mortgage loans that are originated by PLS or purchased by it from correspondent sellers through a subsidiary of PennyMac Mortgage Investment Trust (NYSE: PMT) and, in either case, held by PLS pending sale and/or securitization. The termination date under the Citi Repurchase Agreement is June 8, 2018, and the obligations of PLS thereunder are fully guaranteed by Private National Mortgage Acceptance Company, LLC.

Under the terms of the Citi Amendment, the maximum aggregate purchase price provided for in the Citi Repurchase Agreement remains unchanged at $700 million; however, the committed amount was increased from $275 million to $350 million and the uncommitted amount was decreased from $425 million to $350 million. In addition, PLS now is required to maintain: (i) a minimum adjusted tangible net worth at all times greater than or equal to $500 million; (ii) a minimum in unrestricted cash, on a consolidated basis and as of the last day of the prior calendar month, of $40 million; (iii) a ratio of total indebtedness to adjusted tangible net worth at all times of less than 10:1; and (iv) profitability of at least $1.00 for at least one (1) of the previous two (2) fiscal quarters, as of the end of each fiscal quarter. The Company, through PLS, is required to pay Citibank all fees and out of pocket expenses associated with the preparation of the Citi Amendment. All other terms and conditions of the Citi Repurchase Agreement remain the same in all material respects.

The foregoing descriptions of the Citi 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 Citi Amendment, which has been filed with this Current Report on Form 8-K as Exhibit 10.1; (ii) the description of the Citi Repurchase Agreement in the Company's Current Report on Form 8-K as filed on March 8, 2017 and the full text of the Citi Repurchase Agreement attached thereto as Exhibit 10.1; (iii) the full text of the related guaranty, which was filed as Exhibit 10.61 to the Company's Annual Report on Form 10-K as filed on March 13, 2015; and (iv) the full text of all other amendments to the Citi Repurchase Agreement filed thereafter with the Securities and Exchange Commission.

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 Current Report on Form 8-K is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	**Description**
10.1	Amendment Number Five to the Amended and Restated Master Repurchase Agreement, dated as of May 14, 2018, among PennyMac Loan Services, LLC and Citibank, N.A.

EXHIBIT INDEX

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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: May 18, 2018

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

(Back To Top)

Section 2: EX-10.1 (EX-10.1)

Exhibit 10.1
EXECUTION VERSION

AMENDMENT NUMBER FIVE
to the
AMENDED AND RESTATED MASTER REPURCHASE AGREEMENT
Dated as of March 3, 2017,
by and between
PENNYMAC LOAN SERVICES, LLC
and
CITIBANK, N.A.

This AMENDMENT NUMBER FIVE (this "Amendment Number Five") is made this 14th day of May, 2018, by and between PENNYMAC LOAN SERVICES, LLC, as seller and servicer ("Seller"), and CITIBANK, N.A. ("Buyer"), to the Amended and Restated Master Repurchase Agreement, dated as of March 3, 2017, by and between Seller and Buyer, 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 and Buyer have agreed to amend the Agreement as more specifically set forth herein; and

WHEREAS, as of the date hereof, Seller represents to Buyer that the Seller Parties are in full compliance with all of the terms and conditions of the Agreement and each other Program Document and no Default or Event of Default has occurred and is continuing under the Agreement or any other Program 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. Amendment. Effective as of May 14, 2018 (the "Amendment Effective Date"), the Agreement is hereby amended as follows:

(a) Section 2 of the Agreement is hereby amended by deleting the definitions of "Adjusted Tangible Net Worth, "Committed Amount", "Fannie Mae Aged Loan", "Ginnie Mae Aged Loan, "Indebtedness", "Total Indebtedness" and "Uncommitted Amount" in their entirety and replacing them with the following:

"Adjusted Tangible Net Worth" means, for any Person, Net Worth of such Person

plus Subordinated Debt (provided that Subordinated Debt shall not be taken into account to the extent that it would cause Adjusted Tangible Net Worth to be comprised of greater than 25% Subordinated Debt), minus (a) intangibles (excluding in any event the value of any residual securities and the value of any owned or purchased mortgage servicing rights and owned or purchased excess mortgage servicing rights); (b) goodwill and (c) receivables from Affiliates.

"Committed Amount" shall mean $350,000,000.

"Fannie Mae Aged Loan" shall mean a Loan (i) in respect of which the related Takeout Investor is Fannie Mae and (ii) that (x) is subject to outstanding Transactions hereunder and/or (y) was subject to any REIT Agency Agreement Transaction, for between thirty-one (31) calendar days

(whether or not consecutive) and ninety (90) calendar days (whether or not consecutive) in the aggregate.

"Ginnie Mae Aged Loan" shall mean a Loan (i) in respect of which the related Takeout Investor is Ginnie Mae and (ii) that (x) is subject to outstanding Transactions hereunder and/or (y) was subject to any REIT Agency Agreement Transaction, for between thirty-one (31) calendar days (whether or not consecutive) and ninety (90) calendar days (whether or not consecutive) in the aggregate.

"Indebtedness" shall mean, for any Person: (a) obligations created, issued or incurred by such Person for borrowed money (whether by loan, the issuance and sale of debt securities or the sale of Property to another Person subject to an understanding or agreement, contingent or otherwise, to repurchase such Property from such Person); (b) obligations of such Person to pay the deferred purchase or acquisition price of Property or services, other than trade accounts payable (other than for borrowed money) arising, and accrued expenses incurred, in the ordinary course of business so long as such trade accounts payable are payable within 90 days of the date the respective goods are delivered or the respective services are rendered; (c) indebtedness of others secured by a Lien on the Property of such Person, whether or not the respective indebtedness so secured has been assumed by such Person; (d) obligations (contingent or otherwise) of such Person in respect of letters of credit or similar instruments issued or accepted by banks and other financial institutions for the account of such Person; (e) Capital Lease Obligations of such Person; (f) obligations of such Person under repurchase agreements or like arrangements; (g) indebtedness of others Guaranteed by such Person; (h) all obligations of such Person incurred in connection with the acquisition or carrying of fixed assets by such Person; (i) indebtedness of general partnerships of which such Person is a general partner; and (j) any other indebtedness of such Person by a note, bond, debenture or similar instrument, excluding Non-Recourse Debt, including securitization debt, and any debt classified as Intercompany Debt that is eliminated on the accompanying consolidating financial statements of Guarantor and its Subsidiaries.

"Total Indebtedness" shall mean with respect to any Person, for any period, the aggregate Indebtedness of such Person and its Subsidiaries during such period, less the amount of any nonspecific consolidated balance sheet reserves maintained in accordance with GAAP.

"Uncommitted Amount" shall mean $350,000,000.

(b) Section 2 of the Agreement is hereby amended by adding the definitions of "Intercompany Debt", "Net Worth", "Non-Recourse Debt" and "Subordinated Debt" in the appropriate alphabetical order as follows:

"Intercompany Debt" shall mean unsecured debt between Guarantor or any wholly owned, direct or indirect Subsidiary or Affiliate (as applicable) of Guarantor on the one hand and Guarantor or any other wholly owned, direct or indirect Subsidiary or Affiliate (as applicable) of Guarantor on the other; provided that for the avoidance of doubt any debt involving PennyMac Mortgage Investment Trust or any Affiliates or Subsidiaries of PennyMac Mortgage Investment Trust on the one hand and Seller or any other wholly owned Subsidiary or Affiliate (as applicable) of PennyMac Financial Services, Inc. on the other shall not qualify as Intercompany Debt.

"Net Worth" means, with respect to any Person, an amount equal to, on a consolidated basis, such Person's stockholder equity (determined in accordance with GAAP).

"Non-Recourse Debt" means Indebtedness payable solely from the assets sold or pledged to secure such Indebtedness and under which Indebtedness no party has recourse to a Seller, Servicer Guarantor or any of their Affiliates if such assets are inadequate or unavailable to pay off such Indebtedness, and neither Seller, Guarantor nor any of their Affiliates effectively has any obligation to directly or indirectly pay any such deficiency.

"Subordinated Debt" means, Indebtedness of a Seller Party which is (i) unsecured, (ii) no part of the principal of such Indebtedness is required to be paid (whether by way of mandatory sinking fund, mandatory redemption, mandatory prepayment or otherwise) prior to the date which is one year following the Termination Date and (iii) the payment of the principal of and interest on such Indebtedness and other obligations of Seller Party in respect of such Indebtedness are subordinated to the prior payment in full of the principal of and interest (including post-petition obligations) on the Transactions and all other obligations and liabilities of such Seller Party to Buyer hereunder on terms and conditions approved in writing by Buyer and all other terms and conditions of which are satisfactory in form and substance to Buyer.

(c) Section 2 of the Agreement is hereby amended by deleting the definition of "MSR Value Cap" in its entirety.

(d) Section 12 of the Agreement is hereby amended by deleting Section 12(p) in its entirety and replacing it with the following:

(p) Financial Representations and Warranties. (A) Seller's Adjusted Tangible Net Worth is greater than or equal to $500,000,000; (B) Seller's Liquidity on a consolidated basis is greater than or equal to $40,000,000 as of the last day of the prior calendar month; (C) the ratio of Seller's Total Indebtedness to Adjusted Tangible Net Worth is less than 10:1; and (D) Seller's consolidated Net Income was equal to or greater than $1.00 for at least one (1) of the previous two (2) fiscal quarters, as of the end of each fiscal quarter.

(e) Section 13 of the Agreement is hereby amended by deleting Section 13(q) in its entirety and replacing it with the following:

(q) Financial Covenants. (i) Seller covenants and agrees with Buyer that during the term of this Agreement: (A) Servicer's Adjusted Tangible Net Worth shall at all times be greater than or equal to $500,000,000; (B) Seller shall maintain Liquidity on a consolidated basis as of the last day of the prior calendar month in an amount of not less than $40,000,000; (C) the ratio of Seller's Total Indebtedness to Adjusted Tangible Net Worth shall at all times be less than 10:1; and (D) Seller's consolidated Net Income shall be equal to or greater than $1.00 for one (1) of the previous two (2) fiscal quarters, as of the end of each fiscal quarter.

(f) Section 13 of the Agreement is hereby amended by adding clause (ww) to the end of Section thereof as follows:

(ww) Early Buyout Loans. The Seller agrees to cooperate in good faith with Buyer in connection with negotiating and revising the definition of Eligible Loan to include a maximum concentration of early buyout loans subject to outstanding Transactions.

SECTION 2. Effectiveness. This Amendment Number Five shall become effective as of the date that Buyer shall have received:

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

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

SECTION 3. Fees and Expenses. Seller agrees to pay to Buyer all reasonable out of pocket costs and expenses incurred by Buyer in connection with this Amendment Number Five (including all reasonable fees and out of pocket costs and expenses of the Buyer's legal counsel) in accordance with Sections 23 and 25 of the Agreement.

SECTION 4. Representations. Seller hereby represents to Buyer that as of the date hereof, the Seller Parties are in full compliance with all of the terms and conditions of the Agreement and each other Program Document and no Default or Event of Default has occurred and is continuing under the Agreement or any other Program Document.

SECTION 5. Binding Effect; Governing Law. This Amendment Number Five shall be binding and inure to the benefit of the parties hereto and their respective successors and permitted assigns. THIS AMENDMENT NUMBER FIVE 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 SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW WHICH SHALL GOVERN).

SECTION 6. Counterparts. This Amendment Number Five 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 7. 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 Five 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]

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

PENNYMAC LOAN SERVICES, LLC,
(Seller and Servicer)

By: /s/ Andrew S. Chang
Name: Andrew S. Chang
Title: Senior Managing Director and Chief Financial Officer

CITIBANK, N.A.
(Buyer and Agent, as applicable)

By: /s/ Susan Mills
Name: Susan Mills
Title: Vice President
Citibank, N.A.

Acknowledged:

PRIVATE NATIONAL MORTGAGE ACCEPTANCE COMPANY, LLC

By: /s/ Andrew S. Chang
Name: Andrew S. Chang
Title: Senior Managing Director and Chief Financial Officer

(Back To Top)