

PENNYMAC FINANCIAL SERVICES, INC.

Form DEF 14A

April 17, 2018

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

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(s) 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)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:

- (2) Aggregate number of securities to which transaction applies:

- (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):

- (4) Proposed maximum aggregate value of transaction:

- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:

- (2) Form, Schedule or Registration Statement No.:

- (3) Filing Party:

- (4) Date Filed:

Table of Contents

PennyMac Financial Services, Inc.

3043 Townsgate Road

Westlake Village, California 91361

April 17, 2018

Dear Stockholder:

You are cordially invited to attend the 2018 Annual Meeting of Stockholders, or the Annual Meeting, of PennyMac Financial Services, Inc. to be held on Thursday, May 31, 2018, at 11:00 a.m. Pacific Time. The Annual Meeting will be held at our corporate offices located at 3043 Townsgate Road, Westlake Village, California 91361.

The Notice of 2018 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 Annual Meeting. We will transact no other business at the Annual Meeting, except for business properly brought before the Annual Meeting or any postponement or adjournment thereof by our Board of Directors. Only our stockholders of record at the close of business on April 2, 2018, the record date, are entitled to vote at the Annual Meeting.

Your vote is very important. Please carefully read the Notice of 2018 Annual Meeting of Stockholders and Proxy Statement so that you will know the matters on which we plan to vote at the Annual 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 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.

ANNUAL MEETING ADMISSION: In order to attend the Annual 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, we thank you for your participation and look forward to seeing you on May 31st.

Sincerely,

STANFORD L. KURLAND

Executive Chairman

DAVID A. SPECTOR

President and Chief Executive Officer

Table of Contents

PennyMac Financial Services, Inc.

3043 Townsgate Road

Westlake Village, California 91361

Notice of 2018 Annual Meeting of Stockholders

Date and Time: Thursday, May 31, 2018 at 11:00 a.m., Pacific Time

Location: PennyMac Financial Services, Inc.
3043 Townsgate Road
Westlake Village, California 91361

Record Date: April 2, 2018. Only stockholders of record at the close of business on the record date are entitled to receive notice of, and vote at, the 2018 Annual Meeting of Stockholders, or Annual Meeting, and any continuation, postponement or adjournment thereof.

Mailing Date: We intend to mail the Notice Regarding the Availability of Proxy Materials, or the Proxy Statement and proxy card, as applicable, on or about April 17, 2018 to our stockholders of record on the record date.

Items of Business: To elect the eleven (11) director nominees identified in the enclosed Proxy Statement to serve on our Board of Directors, each for a one-year term expiring at the 2019 annual meeting of stockholders;

To ratify the appointment of our independent registered public accounting firm for the fiscal year ending December 31, 2018;

To approve, by non-binding vote, our executive compensation;

To approve an amendment to the PennyMac Financial Services, Inc. 2013 Equity Incentive Plan; and

To transact such other business as may properly come before the Annual Meeting and any postponement or adjournment thereof.

Attendance: If you plan to attend the Annual Meeting, you will need to bring proof of ownership in order to be granted admission. Please read **INFORMATION CONCERNING VOTING AND SOLICITATION Who can attend the Annual Meeting?** in the accompanying Proxy Statement.

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.

By Order of the Board of Directors,

DEREK W. STARK

Secretary

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 31, 2018:**

This Notice of 2018 Annual Meeting of Stockholders, Proxy Statement and 2017 Annual Report to Stockholders, which includes our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, are available at www.proxyvote.com.

Table of Contents

TABLE OF CONTENTS

Table of Contents

| | |
|--------------------------------------------------------------------------------------------------------|-----------|
| <u>PROXY STATEMENT SUMMARY</u> | 1 |
| <u>CORPORATE GOVERNANCE</u> | 5 |
| <u>PROPOSAL I ELECTION OF DIRECTORS</u> | 14 |
| <u>Director Nominees</u> | 15 |
| <u>Non-Management Director Compensation</u> | 19 |
| <u>2017 Director Compensation Table</u> | 20 |
| <u>Non-Management Director Stock Ownership Guidelines</u> | 20 |
| <u>AUDIT MATTERS</u> | 21 |
| <u>Report of the Audit Committee</u> | 21 |
| <u>Relationship with Independent Registered Public Accounting Firm</u> | 22 |
| <u>Fees to Registered Public Accounting Firm for 2017 and 2016</u> | 22 |
| <u>Pre-Approval Policies and Procedures</u> | 22 |
| <u>PROPOSAL II RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u> | 23 |
| <u>SECURITY OWNERSHIP INFORMATION</u> | 24 |
| <u>Security Ownership of Executive Officers and Directors</u> | 24 |
| <u>Security Ownership of Other Beneficial Owners</u> | 26 |
| <u>EXECUTIVE OFFICERS AND EXECUTIVE COMPENSATION</u> | 28 |

| | |
|------------------------------------------------------------------------------------------------------------------------|------------|
| <u>Our Executive Officers</u> | 28 |
| <u>Report of the Compensation Committee</u> | 29 |
| <u>Compensation Discussion and Analysis</u> | 30 |
| <u>Compensation Tables</u> | 42 |
| <u>CEO Pay Ratio</u> | 49 |
| | |
| <u>PROPOSAL III ADVISORY (NON-BINDING) VOTE TO APPROVE EXECUTIVE COMPENSATION</u> | 50 |
| | |
| <u>Supporting Statement</u> | 50 |
| | |
| <u>PROPOSAL IV APPROVAL OF AN AMENDMENT TO THE PENNYMAC FINANCIAL SERVICES, INC. 2013 EQUITY INCENTIVE PLAN</u> | 51 |
| | |
| <u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u> | 58 |
| | |
| <u>ANNUAL REPORT ON FORM 10-K</u> | 71 |
| | |
| <u>OTHER MATTERS</u> | 71 |
| | |
| <u>INFORMATION CONCERNING VOTING AND SOLICITATION</u> | 72 |
| | |
| <u>ANNEX A</u> | A-1 |

Table of Contents

PROXY STATEMENT SUMMARY

Proxy Statement Summary

This summary contains highlights about our Board and the upcoming 2018 Annual Meeting of Stockholders, or Annual Meeting. This summary does not contain all of the information that you should consider in advance of the Annual Meeting and we encourage you to read the entire Proxy Statement before voting.

2018 Annual Meeting of Stockholders

Date and Time: Thursday, May 31, 2018, at 11:00 a.m. Pacific Time

Location: 3043 Townsgate Road, Westlake Village, California 91361

Record Date: April 2, 2018

Mail Date: April 17, 2018

Voting Matters and Board Recommendations

Matter**Our Board Vote Recommendation**

Proposal I: Election of eleven (11) directors to our Board of Directors FOR each Director Nominee identified in this Proxy Statement

Proposal II: Ratification of the appointment of our independent registered public accounting firm FOR

Proposal III: Approval, by non-binding vote, of our executive compensation FOR

Proposal IV: Approval of an amendment to the PennyMac Financial Services, Inc. 2013 Equity Incentive Plan FOR

Director Nominees

| Director Nominees | Age | Director Since | Principal Occupation / Key Experience | Committee Membership |
|----------------------------|------------|-----------------------|----------------------------------------------------------------------------|-----------------------------|
| Stanford L. Kurland | 65 | 2012 | Executive Chairman of PennyMac Financial Services, Inc. | None |
| David A. Spector | 55 | 2012 | President and Chief Executive Officer of PennyMac Financial Services, Inc. | None |

| | | | | |
|--------------------------|----|------|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| Anne D. McCallion | 63 | 2018 | Senior Managing Director and Chief Enterprise Operations Officer of PennyMac Financial Services, Inc. | None |
| Matthew Botein | 45 | 2012 | Managing Partner, Gallatin Point LLC | Compensation Finance |
| James K. Hunt* | 66 | 2013 | Former Managing Partner and CEO, Middle Market Credit at Kayne Anderson Capital Advisors LLC | Compensation Finance Governance and Nominating |
| Patrick Kinsella | 64 | 2014 | Adjunct Professor at USC Marshall School of Business and Retired Senior Audit Partner with KPMG, LLP | Audit Related-Party Matters Risk |

Audit Committee Financial Expert

* Independent Lead Director

Table of Contents**PROXY STATEMENT SUMMARY**

| Director Nominees | Age | Director Since | Principal Occupation / Key Experience | Committee Membership |
|--------------------------|------------|-----------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------|
| Joseph Mazzella | 65 | 2012 | Retired Managing Director and General Counsel of Highfields Capital Management LP | Governance and Nominating Related-Party Matters |
| Farhad Nanji | 39 | 2012 | Co-Founder of MFN Partners Management, L.P. | Compensation Finance |
| Theodore W. Tozer | 61 | 2017 | Former President of Government National Mortgage Association | Audit Risk |
| Mark Wiedman | 47 | 2012 | Global Head of BlackRock, Inc.'s iShares Business | Governance and Nominating Related-Party Matters |

Risk

| | | | | |
|-----------------------|----|------|-----------------------------------------------------------|-----------------------|
| Emily Youssouf | 66 | 2013 | Clinical Professor at NYU Schack Institute of Real Estate | Audit |
| | | | | Related-Party Matters |
| | | | | Risk |

We believe our Board possesses deep and broad skill sets and specific experience and expertise that facilitate strong oversight and strategic direction for us as a leading specialty financial services firm focused on the production and servicing of U.S. mortgage loans and the management of investments related to the U.S. mortgage market.

Age Diversity

Board Skills

| | | |
|-----------------------------------|--------------------------------------------------------------------------------------|----|
| Financial Expertise |  | 9 |
| Investment Banking Experience |  | 5 |
| Financial Industry Knowledge |  | 11 |
| Mortgage Banking/Agency Expertise |  | 4 |
| Legal Experience |  | 2 |



Table of Contents

PROXY STATEMENT SUMMARY

Corporate Governance Highlights

We continuously monitor developments, trends and best practices in corporate governance and consider feedback from stockholders and proxy advisory firms such as Institutional Shareholder Services, or ISS, as appropriate, when enhancing our governance, policies and structure.

Majority Voting Standard in the Election of Directors and Director Resignation Policy. Our Second Amended and Restated Bylaws provide for a majority voting standard for uncontested director elections and plurality voting standard for contested director elections.

Independent Lead Director. The independent directors of our Board elected James K. Hunt as our independent lead director for a three-year term that expires in February 2020.

Director Resignation Policy. Our Corporate Governance Guidelines include a requirement that any director nominee who fails to receive a majority vote, if required, for election or re-election will promptly tender his or her resignation to the Board.

Retirement Age. It is our general policy that no director having attained the age of 75 years shall be nominated for re-election or re-appointment to the Board.

Director Limitations on Number of Boards. A director who is currently serving as a chief executive officer of a public company, including our Chief Executive Officer, is not permitted to serve on more than two outside public company boards. No other director is permitted to serve on more than five outside public company boards.

Regular Executive Sessions. Our independent directors meet privately on a regular basis. Our independent lead director presides at such meetings.

Robust Stock Ownership Guidelines. We have robust stock ownership guidelines for our non-management directors (five times the base annual retainer) and executive officers (five times base salary for our Executive Chairman and our President and Chief Executive Officer; three times base salary for all other executive officers).

Regular Board Evaluation. The Governance and Nominating Committee sponsors an annual self-assessment of the Board's performance as well as the performance of each committee of the Board.

Stockholder Engagement. We value the perspectives of our stockholders and interact with stockholders through a variety of engagement activities.

Annual Elections. Our Board is not classified and, therefore, we conduct annual elections for all directors who serve on our Board.

2017 Business Highlights

A summary of our full-year financial highlights is as follows:

Full-Year 2017 Highlights ⁽¹⁾

Total net revenue of \$955.5 million, up 3 percent from the prior year

Pretax income was \$335.9 million; includes \$32.9 million benefit related to remeasurement of tax-related items

Diluted earnings per share of \$4.03 includes a benefit of \$1.83 resulting from the remeasurement of tax-related items

Loan production totaled \$68.5 billion in unpaid principal balance, or UPB, a decrease of 2 percent from record levels in the prior year; we were the 4th largest mortgage producer in the U.S. in 2017, according to *Inside Mortgage Finance*

Servicing portfolio reached \$245.8 billion in UPB, up 27 percent from December 31, 2016; we were the 8th largest servicer in the U.S. as of December 31, 2017, according to *Inside Mortgage Finance*

Investment management had \$1.6 billion of assets under management at year end, up 2% from December 31, 2016

Pretax return on equity for Private National Mortgage Acceptance Company, LLC, or PNMAC, was 18.6%

(1) For complete information regarding our Fiscal 2017 performance, stockholders should read Management's Discussion and Analysis of Financial Condition and Results of Operations and the audited consolidated financial statements and accompanying notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which was filed with the Securities and Exchange Commission, or the SEC, on March 9, 2018 and is being made available to stockholders with this Proxy Statement as a part of our 2017 Annual Report to Stockholders.

| 2018 Proxy Statement 3

Table of Contents

PROXY STATEMENT SUMMARY

A summary of the substantial growth in our book value per share and diluted earnings per share is provided below.

(1) Represents partial year.

(2) For more information regarding the impact of the new tax law, please refer to the slide presentation used in connection with our recorded presentation of financial results, which was furnished as Exhibit 99.2 to our Current Report on Form 8-K as filed with the SEC on February 9, 2018.

Executive Compensation Highlights

Our compensation governance best practices are summarized as follows:

What We Do

What We Don't Do

Heavy bias toward performance-based equity: Our Board seeks to ensure that our long-term equity incentive awards are significantly weighted toward performance-based equity vehicles.

No minimum level of total compensation. We do not provide for guaranteed minimum levels of performance-based cash bonuses or long-term equity awards in our employment agreements.

Minimum vesting periods: Our equity incentive plan provides that our equity awards are subject to a minimum vesting period of no less than one year on 95% of equity awards granted and our grants generally vest over three years, with approximately

No automatic salary increases: Our named executive officers are not entitled to automatic base salary increases and none of the employment agreements with our named executive officers contain such provisions.

equal annual installments on the first, second and third anniversaries of the grant date.

Clawback policy: Our Board maintains a clawback policy that allows us to recoup certain incentive compensation paid on the basis of erroneous financial statements that result in a material accounting restatement.

û **No single trigger cash severance and equity or excise tax gross-ups.** We do not provide for single trigger cash severance and equity vesting upon a Change in Control, if assumed. We also do not provide for excise tax gross-ups upon a Change in Control.

Balanced risk-taking approach to our compensation program: Our compensation program is designed to discourage excessive risk taking and encourage long-term decision making in alignment with the interests of our stockholders. We consult with our independent compensation consultant in this regard.

û **No excessive perks:** Our perquisites are limited to those with a clear business-related rationale.

Robust stock ownership guidelines: We impose robust stock ownership guidelines on our directors and executive officers to ensure that their interests are aligned with those of our stockholders.

û **No gross-ups for perks:** We do not provide excise tax gross-ups of perquisites for our executive officers.

Consideration of stockholder feedback: We engage in careful consideration of stockholder feedback regarding compensation.

û **No re-pricing:** Our equity incentive plan prohibits the re-pricing of stock options and stock appreciation rights without stockholder approval.

Stockholder engagement. We value the perspectives of our stockholders and interact with stockholders through a variety of engagement activities.

û **No speculative or short-term trading:** We prohibit our officers, employees and directors from engaging in speculative and short-term trading of our securities.

Comprehensive review of peer group: On an annual basis, we engage in a comprehensive review to assess

û **No hedging, pledging, short sales, or margin trading:** We prohibit our officers, employees and

and identify a relevant peer group of companies in our or a related industry.

directors from engaging in hedging, pledging, short sales, trading in publicly traded put or call options or trading on margin involving our securities.

Independent compensation consultant: We utilize the services of Pearl Meyer, which is engaged directly by the Compensation Committee as an outside independent compensation consultant to advise on executive compensation matters.

û **No supplemental executive retirement plans:** We do not maintain any supplemental executive retirement plans for named executive officers.

Table of Contents

CORPORATE GOVERNANCE

Corporate Governance

Director Qualification and Selection Criteria

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 composition of our Board. Final approval of director candidates is determined by the full Board, and invitations to join our Board are extended by our Executive Chairman 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 and real estate investment trust sectors 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 our 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.

Pursuant to separate stockholder agreements with BlackRock Mortgage Ventures, LLC, or BMV, and HC Partners LLC, or HCP, each of BMV and HCP has the right to nominate one or two individuals for election to our Board, depending on the percentage of the voting power of our outstanding shares of Class A and Class B common stock that it holds, and we are obligated to use our best efforts to cause the election of those nominees. BMV has elected to nominate two individuals, Matthew Botein and Mark Wiedman, for election to our Board. HCP has elected to nominate one individual, Joseph Mazzella, for election to our Board. Although HCP has chosen not to exercise its right to nominate a second director at this time, it reserves the right to do so in any and all future elections of directors as provided in the HCP stockholder agreement.

The Governance and Nominating Committee uses a variety of methods for identifying and evaluating nominees for director. The Governance and Nominating Committee assesses the appropriate size of our Board and whether any vacancies on our Board are expected due to retirement or otherwise. In connection with the appointments of Mr. Tozer and Ms. McCallion, we increased the size of our Board to eleven directors. In the event that a vacancy is anticipated,

or otherwise arises, the Governance and Nominating Committee considers whether to fill any such vacancy and, if so, identifies various potential candidates for director. These candidates are evaluated at regular or special meetings of the Governance and Nominating Committee, and may be considered at any point during the year. In evaluating such nominations, the Governance and Nominating Committee seeks to achieve a balance of knowledge, experience and capability on our Board.

Candidates may come to the attention of the Governance and Nominating Committee through current members of our Board, professional search firms or other persons. During 2017, the Governance and Nominating Committee did not retain an independent third party to assist in identifying appropriate director candidates for our Board. Mr. Tozer was identified and recommended to the Governance and Nominating Committee by our Executive Chairman and our President and Chief Executive Officer. Ms. McCallion was identified as a director candidate by both our Executive Chairman and the Governance and Nominating Committee. The Governance and Nominating Committee also will consider recommendations for nominees properly submitted by our stockholders. These recommendations should be submitted in writing to our Secretary at our principal executive offices located at 3043 Townsgate Road, Westlake Village, California 91361. If any materials are provided by a stockholder in connection with a recommendation for a director nominee, such materials are forwarded to the Governance and Nominating Committee. Following verification of the stockholder status of persons proposing candidates, recommendations will be aggregated and considered by the Governance and Nominating Committee, in the same manner as other recommendations, at its next regularly scheduled or special meeting.

Table of Contents

CORPORATE GOVERNANCE

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 has or had with us and our management.

As a result of this review, our Board, based upon the fact that none of our non-management directors have any material relationships with us other than as directors and holders of our common stock, affirmatively determined that eight of our directors are independent directors under NYSE rules. Our independent directors are Messrs. Botein, Hunt, Kinsella, Mazzella, Nanji, Tozer and Wiedman and Ms. Youssouf.

Board of Directors Leadership

Our Board leadership structure is currently comprised of our Executive Chairman, our President and Chief Executive Officer, our independent lead director, and our independent Board committees. We believe this structure, including the separation of the offices of the Executive Chairman and the President and Chief Executive Officer, provides a well-functioning and effective balance between strong management leadership and appropriate safeguards and oversight by non-management Board members. As Executive Chairman, Mr. Kurland is charged with leading our strategy, organizational development and governance and representing our Company with business partners, investors and other key external stakeholders, with a focus on advising and helping guide members of our senior management team in their respective areas of responsibility. As President and Chief Executive Officer, Mr. Spector has the in-depth focus and hands-on perspective of being ultimately responsible for the day-to-day management decisions and for leading our senior management team in the execution of our strategic initiatives.

Our Board believes that independent directors and management have different perspectives and roles in strategy development. Our independent directors bring experience, oversight and expertise from outside our Company and industry, while the Executive Chairman and President and Chief Executive Officer bring company-specific experience and expertise. We believe Mr. Kurland, as our former chief executive officer, is well situated to serve as Executive Chairman because we believe he is able to utilize the in-depth focus and perspective gained in running our 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 our Board's proper oversight of these issues.

Our Board believes that this leadership structure, which separates the Chief Executive Officer and Executive Chairman roles, is appropriate at this time in light of our evolving business and operating environment, our need to facilitate the efficient information flow between senior management and our Board, our desire to provide guidance to senior management, and our continued focus on promoting strategy development and execution, all of which are essential to effective governance.

Independent Lead Director

We believe our Board leadership structure is also strengthened through the appointment of an influential independent lead director with a strong voice. The Independent lead director works with our Executive Chairman 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 Executive Chairman and the independent directors, and chairs an executive session of the independent directors at each regularly scheduled Board meeting. Our Board has re-appointed Mr. Hunt as independent lead director for a three (3) year term that expires in February 2020.

Together, our Executive Chairman and the independent lead director provide leadership to and work with our Board to define its structure and activities in the fulfillment of its responsibilities.

Table of Contents**CORPORATE GOVERNANCE****The Role of the Board in Risk Oversight**

Our senior management is responsible for designing, implementing and maintaining an effective and appropriate approach for managing enterprise risk. Our Board and each of its committees, and in particular, the Risk Committee, have an active role in overseeing 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 our Company. The involvement of the full Board in determining our business strategy is a key part of its assessment of management's appetite for risk and determination of what constitutes an appropriate level of risk for our Company. While our Board has the ultimate oversight responsibility for the risk management process, particularly with respect to those risks inherent in the operation of our businesses and the implementation of our strategic plan, the committees of our Board also share responsibility for overseeing specific areas of risk management as follows:

| Committee | Primary Risk Oversight Responsibility |
|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit | The Audit Committee focuses on risks associated with internal controls and securities, financial and accounting compliance, and receives an annual risk assessment report from our internal auditors. |
| Compensation | The Compensation Committee focuses on oversight of our compensation policies and practices, including whether such policies and practices balance risk taking and rewards in an appropriate manner so as not to encourage excessive risk taking. |
| Finance | |

The Finance Committee focuses on risks relating to our Company's liquidity and capital resources and our investment policies and strategies.

Governance and Nominating

The Governance and Nominating Committee focuses on risks associated with proper board governance, including the independence of our directors and the assessment of the performance and effectiveness of each member and Committee of our Board.

Related-Party Matters

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 and its subsidiaries, (ii) PNMAC Mortgage Opportunity Fund Investors, LLC and two investment funds registered under the Investment Company Act of 1940, PNMAC Mortgage Opportunity Fund, LLC and PNMAC Mortgage Opportunity Fund, L.P., as well as an affiliate of the registered funds, or collectively, the Investment Funds, (iii) any other non-wholly-owned entity that we manage or over which we have control (whether through ownership, voting power, contract or otherwise), and (iv) any other identified related party, on the other hand.

Risk

The Risk Committee oversees our enterprise risk management function in relation to our business activities and focuses on credit risk, mortgage compliance risk and operational risk, including cybersecurity risk.

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.

Table of Contents**CORPORATE GOVERNANCE****Committees of the Board of Directors**

Our Board has established six principal committees: the Audit Committee, the Compensation Committee, the Finance Committee, the Governance and Nominating Committee, the Related-Party Matters Committee and the Risk Committee. Our Board committees have also adopted written charters that govern their conduct, each of which is available on our website at www.ir.pennymacfinancial.com.

The current chairs and members of the committees are identified in the following table:

| Directors | Audit | Compensation | Finance | Governance and Nominating | Related-Party Matters | Risk |
|---------------------------------|--------------|---------------------|----------------|----------------------------------|------------------------------|-------------|
| Non-Management Directors | | | | | | |
| Matthew Botein | | CC | X | | | |
| James K. Hunt* | | X | X | CC | | |
| Patrick Kinsella | CC | | | | X | X |

Joseph Mazzella

X

CC

Farhad Nanji

X

CC

Theodore W. Tozer

X

X

Mark Wiedman

X

X

CC

Emily Youssouf

X

X

X

Management Directors

Stanford L. Kurland

David A. Spector

Anne D. McCallion

Executive Chairman

* Independent Lead Director

CC Committee Chairperson

8 | *2018 Proxy Statement*

Table of Contents

CORPORATE GOVERNANCE

The primary responsibilities, membership and meeting information for the committees of our Board during 2017 are summarized below:

Audit Committee

Primary Responsibilities

Members:

The Audit Committee assists our Board in overseeing:

Patrick Kinsella

our accounting and financial reporting processes;

Theodore W. Tozer

Emily Youssouf

the integrity and audits of our financial statements;

Meetings in 2017: 10

Mr. Kinsella 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.

our internal control function;

our compliance with related legal and regulatory requirements;

the effectiveness of our compliance programs as they relate to applicable laws and regulations governing securities, financial and accounting matters;

Our Board has determined that all of the directors serving on the Audit Committee are independent under the applicable rules of the NYSE and SEC. For additional information on the Audit Committee, please see the section below entitled Report of the

the qualifications and independence of our independent registered public accounting firm; and

Audit Committee.

the performance of our independent registered public accounting firm and our internal auditors.

The Audit Committee is also responsible for preparing an audit committee report to be included in our annual proxy statement, reviewing and discussing management's discussion and analysis of financial condition and results of operation to be included in our SEC filings, 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.

| Compensation Committee | Primary Responsibilities |
|------------------------|--------------------------|
|------------------------|--------------------------|

Members:

The principal functions of the Compensation Committee are to:

Matthew Botein

evaluate the performance of our Chief Executive Officer and other executive officers;

James K. Hunt

Farhad Nanji

Meetings in 2017: 7

adopt and administer the compensation policies, plans and benefit programs for our executive officers and all other members of our executive team;

Our Board has determined that all of the directors serving on the Compensation Committee are independent under the applicable rules of the NYSE and SEC. For additional information on the Compensation Committee, please see the section below entitled Report of the Compensation Committee.

review and recommend to our Board compensation plans, policies and programs;

prepare the compensation committee report on executive compensation to be included in our annual proxy statement;

review and discuss our compensation discussion and analysis to be included in our annual proxy statement;

recommend to our Board the compensation for our independent directors;
and

administer the issuance of any securities under the PennyMac Financial Services, Inc. 2013 Equity Incentive Plan, or the 2013 Plan.

The Compensation Committee may form, and delegate authority to, subcommittees when it deems appropriate to the extent permitted under applicable law.

| *2018 Proxy Statement* 9

Table of Contents

CORPORATE GOVERNANCE

Finance Committee

Primary Responsibilities

Members:

Matthew Botein

James K. Hunt

Farhad Nanji

The Finance Committee is responsible for overseeing the financial objectives, policies, procedures and activities of our Company, including a review of our capital structure, sources of funds, liquidity and financial position. In connection with these responsibilities of the Finance Committee, its principal functions are to:

review, assess and monitor our capital structure, liquidity, capital adequacy and reserves;

Meetings in 2017: 4

review and assess any policies we may establish from time to time that relate to our liquidity management, capital structure and dividend approvals;

Our Board has determined that all of the directors serving on the Finance Committee are independent under the applicable rules of the NYSE.

review our short- and long-term investment strategy, investment policies and the performance of our investments;

monitor our capital budget; and

review our policies and procedures on derivatives transactions.

**Governance and Nominating
Committee**

Primary Responsibilities

Members:

The principal functions of the Governance and Nominating Committee are to:

James K. Hunt

Joseph Mazzella

Mark Wiedman

seek, consider and recommend to the full Board qualified candidates for election as directors and then recommend nominees for election as directors at the annual meeting of stockholders;

Meetings in 2017: 6

recommend to our Board individuals qualified to be appointed as our executive officers;

periodically prepare and submit to our Board for adoption the Governance and Nominating Committee's selection criteria for director nominees;

review and make recommendations to our Board on matters involving the general operation of our Board and our corporate governance guidelines;

Our Board has determined that all of the directors serving on the Governance and Nominating Committee are independent under the applicable rules of the NYSE.

annually recommend to our Board nominees for each of its committees; and

annually facilitate the assessment of the performance of the individual committees and our Board as a whole and reporting thereon to our Board.

Table of Contents

CORPORATE GOVERNANCE

Related-Party Matters Committee

Primary Responsibilities

Members:

The principal functions of the Related-Party Matters Committee are to:

Patrick Kinsella

Joseph Mazzella

Mark Wiedman

Emily Youssouf

establish policies and procedures related to the identification and management of certain transactions, and resolve other potential conflicts of interest, between our Company and any of our subsidiaries, on the one hand, and PMT and its subsidiaries, the Investment Funds and 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;

Meetings in 2017: 5

Our Board has determined that all of the directors serving on the Related-Party Matters Committee are independent under the applicable rules of the NYSE.

establish policies and procedures related to the identification of any other transactions in which certain related parties, including our directors, executive officers and their family members, have a direct or indirect interest;

oversee and administer all such policies; and

review and, if necessary, approve and/or make recommendations to the Board regarding all such transactions, including, but not limited to, our management agreement, flow servicing agreement, mortgage banking services agreement, MSR recapture agreement, and master spread acquisition and MSR servicing agreements with PMT, and any amendments of or extensions to such agreements.

Risk Committee

Primary Responsibilities

Members:

Patrick Kinsella

Theodore W. Tozer

Mark Wiedman

Emily Youssouf

The principal function of the Risk Committee is to assist our Board in fulfilling its oversight responsibilities relating to: (i) our Company's aggregate risk profile; (ii) specific risks expressly delegated to the Risk Committee, including credit risk, mortgage compliance risk, and operational risk; and (iii) management's approach for assessing, monitoring and controlling such aggregate and specific risks. In carrying out its duties, the responsibilities of the Risk Committee include, but are not limited to, the following:

Meetings in 2017: 4

reviewing, discussing and overseeing our management's establishment and operation of our enterprise risk management (and any significant changes thereto);

reviewing annually a schedule of all identified risks facing our Company and the alignment of such risks with our management committees and committees of our Board;

reviewing annually our enterprise risk management policy;

Our Board has determined that all of the directors serving on the Risk Committee are independent under the applicable rules of the NYSE.

reviewing and overseeing credit risk, mortgage compliance risk, and operational risk, including the establishment and operation of policies and procedures and remediation for any deficiencies with respect to such specific risks; and

directing management to evaluate the effectiveness of our risk management.

Table of Contents

CORPORATE GOVERNANCE

Board of Directors and Committee Meetings

During Fiscal 2017, our Board held 8 meetings. All directors are expected to make every effort to attend all meetings of the Board and meetings of the committees of which they are members. Each director attended at least 75% of the aggregate number of meetings held in Fiscal 2017 for the period during which such director served, with respect to meetings of our Board and each committee on which such director served.

Executive Sessions of the Independent Directors

Our Corporate Governance Guidelines require that our Board hold at least four regularly scheduled meetings each year and that our independent directors meet in executive session without management on a regularly scheduled basis. These executive sessions, which are designed to promote unfettered discussions among our independent directors, are presided over by the independent lead director, Mr. Hunt. During Fiscal 2017, our non-management directors, all of whom are independent, held four meetings in executive session.

Attendance by Members of our Board of Directors at the 2017 Annual Meeting of Stockholders

We expect each member of the Board to attend our annual meetings of stockholders except for absences due to causes beyond the reasonable control of the director. Eight of nine current members of our Board attended the 2017 annual meeting of stockholders. Mr. Tozer and Ms. McCallion did not join our Board until after the 2017 annual meeting of stockholders.

Board Evaluations and Refreshment

As described in our Corporate Governance Guidelines, it is our general policy that no director having attained the age of 75 years shall be nominated for re-election or re-appointment to the Board, although the Board may waive this policy in individual cases. In addition, as described above, the Governance and Nominating Committee annually facilitates the assessment of the effectiveness and performance of individual committees and our Board as a whole. The key areas of focus for the evaluation are Board operations, Board accountability and committee performance. The results of the evaluation are reviewed with the Governance and Nominating Committee and the full Board.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics, available on our website at www.ir.pennymacfinancial.com, 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, available on our website at www.ir.pennymacfinancial.com, which, in conjunction with the charters and key practices of the committees of our Board, provide the framework for the governance of our Company. In connection with the change to a majority voting standard in our recently adopted Second Amended and Restated Bylaws, our Board also amended and restated our Corporate Governance Guidelines to provide that if any nominee for director fails to receive a majority vote for election or re-election, if so required, the director will promptly tender to the Board for its consideration his or her offer to resign from the Board.

Table of Contents

CORPORATE GOVERNANCE

Corporate Sustainability and Social Responsibility

We strive not only to drive high operational and financial performance but also to serve a greater social purpose through our core businesses, which are centered around homeownership. Mortgage banking allows us to serve our customers throughout the country by facilitating home purchases, refinancings that make homes more affordable, and, when necessary, loss mitigation alternatives designed to avoid foreclosure and keep our customers and their families in their homes.

We also encourage and support principles of corporate sustainability through Board governance best practices, in our operations and throughout our communities. We believe these principles promote the sustainable, long-term growth of our organization for the benefit of our stockholders and the housing industry for the benefit of our customers, improving the environment in which we live. We hold ourselves accountable for managing our social, environmental, and economic impact through a number of initiatives.

The diversity of our Board results from our belief that having a Board that represents diverse experiences, backgrounds and insights is essential in promoting our long-term sustainable growth. We seek to operate our facilities in an environmentally sustainable manner that manages our impact on the environment by investing in sustainable products and services, committing to increased waste recycling, focusing on energy efficiency and engaging in conservative water consumption practices. In the same way that we set the highest of standards for our business operations, we apply the highest corporate responsibility standards and rigorous performance goals to these efforts. We believe that building a diverse and inclusive, high-performing workforce where our employees bring diverse perspectives and varied experiences to work every day allows us to develop better and more innovative solutions for our customers. We also partner with a third party to establish a comprehensive, fully integrated wellness program designed to enhance the productivity of our employees.

We believe that every small effort is a step in the right direction, and we are confident that our corporate sustainability initiatives have made and will continue to make a positive impact both in and beyond our business.

Communications with our Board of Directors

Our stockholders and other interested persons may send written communications to the Board, committees of the Board and individual directors (including our independent lead director or the independent/non-management directors as a group) by mailing those communications to:

[Specified Addressee]

c/o PennyMac Financial Services, Inc.

3043 Townsgate Road

Westlake Village, California 91361

Email: *PFSI_IR@pnmac.com*

Attention: Investor Relations

Generally, these communications are sent by us directly to the specified addressee. Any communication that is primarily commercial, offensive, illegal or otherwise inappropriate, or does not substantively relate to the duties and responsibilities of our Board, may not be forwarded.

Table of Contents**PROPOSAL I ELECTION OF DIRECTORS****PROPOSAL I ELECTION OF DIRECTORS**

We have eleven (11) directors. The Board has nominated Stanford L. Kurland, David A. Spector, Anne D. McCallion, Matthew Botein, James K. Hunt, Patrick Kinsella, Joseph Mazzella, Farhad Nanji, Theodore W. Tozer, Mark Wiedman and Emily Youssouf for election as directors, and each nominee has consented to being named in this Proxy Statement and has agreed to serve if elected. If our director nominees are elected at this year's Annual Meeting, they will serve until our annual meeting of stockholders in 2019 and their successors have been duly elected and qualified.

Because this is considered an uncontested election under our Second Amended and Restated Bylaws, a nominee for director is elected to the Board if the votes cast for such nominee's election exceed the votes cast against such nominee's election. Abstentions will not affect the election of directors. In tabulating the voting results for the election of directors, only FOR and AGAINST votes are counted. If an incumbent director fails to receive a majority of the vote for re-election, such director shall tender his or her resignation as provided in our Corporate Governance Guidelines. The Governance and Nominating Committee of the Board will then act on an expedited basis to determine whether to accept the director's tendered resignation and will submit such recommendation for prompt consideration by the Board. In considering whether to accept or reject the tendered resignation, the Governance and Nominating Committee and the Board will consider any factors they deem relevant.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR STANFORD L. KURLAND, DAVID A. SPECTOR, ANNE D. MCCALLION, MATTHEW BOTEIN, JAMES K. HUNT, PATRICK KINSELLA, JOSEPH MAZZELLA, FARHAD NANJI, THEODORE W. TOZER, MARK WIEDMAN AND EMILY YOUSOUF AS DIRECTORS TO SERVE UNTIL OUR 2019 ANNUAL MEETING OF STOCKHOLDERS AND UNTIL THEIR RESPECTIVE SUCCESSORS ARE DULY ELECTED AND QUALIFIED.

The following paragraphs provide the name and age (as of April 17, 2018) 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.

| Name | Age | Position |
|---------------------|-----|------------------------------|
| Stanford L. Kurland | 65 | Director, Executive Chairman |

David A. Spector 55 Director

Anne D. McCallion 63 Director

Matthew Botein 45 Director

James K. Hunt 66 Independent Lead Director

Patrick Kinsella 64 Director

Joseph Mazzella 65 Director

Farhad Nanji 39 Director

Theodore W. Tozer 61 Director

Mark Wiedman 47 Director

Emily Youssef 66 Director

14 | *2018 Proxy Statement*

Table of Contents**PROPOSAL I ELECTION OF DIRECTORS****Director Nominees****STANFORD L. KURLAND****Board Member Since:** 2012**Age:** 65

Mr. Kurland has been a member of our Board since our formation in December 2012 and has been our Executive Chairman since January 2017. Prior thereto, he had been our chairman of the board and chief executive officer from February 2013 through December 2016. Mr. Kurland also served as the chief executive officer of PNMAC from May 2013 through December 2016 and, prior thereto, served as chairman of the board and chief executive officer from its formation in January 2008 to May 2013. In addition, Mr. Kurland has been the executive chairman of PennyMac Mortgage Investment Trust, or PMT, since January 2017 and, prior thereto, had been the chairman of the board and chief executive officer of PMT from its formation in May 2009 through December 2016. He has also served as the chairman of PNMAC Capital Management, LLC, or PCM, since its formation in March 2008, and the chairman of PennyMac Loan Services, LLC, or PLS, since its formation in February 2008. Prior to PNMAC's 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 previous chief executive officer and as an accomplished financial services executive with more than 37 years of experience in the mortgage banking arena.

DAVID A. SPECTOR**Board Member Since:** 2012

Mr. Spector has been a member of our Board since our formation in December 2012 and has been our President and Chief Executive Officer since January 2017. He served as our executive managing director, president and chief operating officer from February 2016 through December 2016 and, prior thereto, as president and chief operating officer from February 2013 to February 2016. Mr. Spector also has been president and chief executive officer of PNMAC since January 2017 and, prior thereto, served in a variety of similar executive positions at PNMAC from January

Age: 55

2008 through December 2016. In addition, Mr. Spector has been a member of the board of PMT since its formation in May 2009 and chairman of the board of directors of PNMAC Mortgage Opportunity Fund, L.P. and PNMAC Mortgage Opportunity Fund, LLC since May 2008. Prior to joining PNMAC, 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 a member of our executive management team 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.

ANNE D. MCCALLION

Board Member Since: 2018

Age: 63

Ms. McCallion has been a member of our Board since February 2018. She has been our Senior Managing Director and Chief Enterprise Operations Officer since January 2017. Prior thereto, she served as our senior managing director and chief financial officer from February 2016 through December 2016 and as our chief financial officer from January 2013 to February 2016. Ms. McCallion also has served in a variety of similar executive positions at PNMAC since May 2009. Ms. McCallion is responsible for overseeing our enterprise operations function and has management responsibility for legal, regulatory relations, human resources, technology infrastructure and corporate administration. Prior to joining PNMAC, Ms. McCallion was employed by Countrywide (and Bank of America Corporation, as its successor), where she worked in a variety of executive positions, including deputy chief financial officer and senior managing director, finance, from 1991 to 2008. She also was a member of the technical staff at the Financial Accounting Standards Board. Ms. McCallion holds a BS degree from Gannon University and an MBA degree from Ashland University. She is also a Certified Public Accountant (inactive). We believe Ms. McCallion is qualified to serve on our Board because she is a seasoned executive with significant financial expertise and considerable experience in the financial and operational aspects of the mortgage banking business.

Table of Contents**PROPOSAL I ELECTION OF DIRECTORS****MATTHEW BOTEIN****Board Member Since:** 2012**Age:** 45**Committees:**

Compensation (Chair)

Finance

Mr. Botein has been a member of our Board since our formation in December 2012. Since January 2017, Mr. Botein has served as managing partner at Gallatin Point LLC, a private investment and advisory firm. Since January 2017, he also has served as a consultant to BlackRock, Inc., or BlackRock, a global investment management firm, as part of a two year initial term during which he will advise BlackRock on certain aspects of its alternative investment business. Prior thereto, from November 2009 to January 2017, he was employed at BlackRock and held 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, or Highfields, an investment management firm, from 2003 through June 2009. Mr. Botein currently serves on the boards of Northeast Bancorp, a bank holding company, and Aspen Insurance Holdings Limited, a specialty insurance and reinsurance provider. He formerly served on the boards of First American Corporation, PennyMac Mortgage Investment Trust and CoreLogic, Inc. 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

Independent Lead Director

Board Member Since: 2013**Age:** 66

Mr. Hunt has been a member of our Board since April 2013 and has been appointed to serve as our independent lead director. Mr. Hunt is currently retired. From November 2015 until his retirement in August 2016, Mr. Hunt served as the managing partner and CEO, middle market credit at Kayne Anderson Capital Advisors LLC, a leading alternative investment firm in the areas of energy, real estate, credit and specialty growth capital. From August 2014 to November 2015, Mr. Hunt served as non-executive chairman of the board of THL Credit, Inc., an externally-managed, non-diversified closed-end management investment company. Mr. Hunt served as chief executive officer and chief investment officer of THL Credit, Inc. and of THL Credit Advisors, a registered investment advisor that provides administrative services to THL Credit, Inc., from April 2010 to July 2014 and, prior thereto, held similar executive positions with predecessor entities since

| |
|--------------------------------------|
| Committees: |
| Compensation |
| Finance |
| Governance and Nominating (Chair) |

May 2007. Previously, Mr. Hunt was chief executive officer 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 currently serves on the board of CION Ares Diversified Credit Fund, a diversified, closed-end management investment company. Mr. Hunt formerly served on the boards of THL Credit, Inc., THL Credit Advisors, 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 Wharton School of the University of Pennsylvania. We believe Mr. Hunt is qualified to serve on our Board because of his experience in capital markets and in managing financial services companies.

| |
|---------------------------------|
| PATRICK KINSELLA |
| Board Member Since: 2014 |
| Age: 64 |
| Committees: |
| Audit (Chair) |
| Related-Party Matters |
| Risk |

Mr. Kinsella has been a member of our Board since July 2014. Mr. Kinsella has served as an adjunct professor at the USC Marshall School of Business since August 2011. Prior to his retirement as a senior audit partner with KPMG LLP, or KPMG, in May 2013, Mr. Kinsella spent over 35 years at KPMG serving clients generally concentrated in the financial services sector, including banks, thrifts, mortgage companies, automotive finance companies, alternative investment companies and real estate companies. Mr. Kinsella received a BS from California State University, Northridge and is a licensed certified public accountant in the State of California. We believe Mr. Kinsella is qualified to serve on our Board because of his extensive experience in providing professional accounting and auditing services to the financial services industry.

Table of Contents**PROPOSAL I ELECTION OF DIRECTORS****JOSEPH MAZZELLA****Board Member Since:** 2012**Age:** 65**Committees:**

Governance and Nominating

Related-Party Matters
(Chair)

Mr. Mazzella has been a member of our Board since our formation in December 2012. Mr. Mazzella retired in March 2017 after serving as the managing director and the general counsel of Highfields, 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 and 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 of his broad experience and strong business and legal backgrounds in the financial services industry.

FARHAD NANJI**Board Member Since:** 2012**Age:** 39**Committees:**

Compensation

Finance (Chair)

Mr. Nanji has been a member of our Board since our formation in December 2012. In December 2016, Mr. Nanji co-founded MFN Partners Management, L.P., a value-oriented investment management firm based in Boston, Massachusetts. Prior thereto, until December 2015, Mr. Nanji served as a managing director of Highfields, where he focused on portfolio investments in distressed securities, restructurings, structured credit and global financial services from 2006. 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.

THEODORE W. TOZER

Mr. Tozer has been a member of our Board since August 2017. Mr. Tozer served as the president of the Government National Mortgage Association, or Ginnie Mae, from February 2010 to January 2017. Before joining Ginnie Mae, Mr. Tozer served as senior vice president of capital markets at National City Mortgage Company. He

Board Member Since: 2017

Age: 61

Committees:

Audit

Risk

also has served as a charter member of the National Lender Advisory Boards of both Fannie Mae and Freddie Mac, chairman of the Capital Markets Committee of the Mortgage Bankers Association of America (MBA), and as a member of the Residential Board of Governors of the MBA. Mr. Tozer received a B.S. degree in Accounting and Finance from Indiana University in 1979, and is a Certified Public Accountant (inactive) and a Certified Management Accountant. We believe Mr. Tozer is qualified to serve on our Board because of his numerous years of experience in the mortgage and financial services businesses and his deep understanding of mortgage banking and agency relations.

Table of Contents**PROPOSAL I ELECTION OF DIRECTORS****MARK WIEDMAN****Board Member Since:** 2012**Age:** 47**Committees:**

Governance and Nominating

Related-Party Matters

Risk (Chair)

Mr. Wiedman has been a member of our Board since our formation in December 2012. Mr. Wiedman has been the global head of BlackRock's iShares business since September 2011 and is a member of BlackRock's global operating committee. Previously, Mr. Wiedman was the head of corporate strategy for BlackRock 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 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 YOUSOUF**Board Member Since:** 2013**Age:** 66**Committees:**

Audit

Ms. Youssouf has been a member of our Board since November 2013. Ms. Youssouf has served as a clinical professor at the NYU Schack Institute of Real Estate since 2009. Ms. Youssouf served as vice chair of the New York City Housing Development Corporation from 2011 to 2013 and as a member of its board from 2013 to 2014. 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. Youssouf has also held various senior positions at Natlis Settlements, LLC, Credit Suisse First Boston, Daiwa Securities America, Prudential Securities, Merrill Lynch and Standard & Poor's. Ms. Youssouf currently serves as a board member of numerous organizations, including the NYC Health and Hospitals Corporation, the NYC School Construction Authority, the NYS Job Development Authority, the TransitCenter, and JP Morgan Exchange-Traded Funds Trust. Ms. Youssouf is a

Related-Party Matters

Risk

graduate of Wagner College and holds an MA in Urban Affairs and Policy Analysis from The New School for Social Research. We believe Ms. Youssouf 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.

Table of Contents**PROPOSAL I ELECTION OF DIRECTORS****Non-Management Director Compensation**

The Compensation Committee reviews and recommends to our Board the form and level of director compensation and seeks outside advice from our independent compensation consultants on market practices when changes are contemplated. The compensation program for our non-management directors is intended to be competitive and fair so that we can attract the best talent to our Board, and recognize the time and effort required of a director given the size and complexity of our operations. In addition to cash compensation, we provide equity grants and have stock ownership guidelines to align the directors' interests with all of our stockholders' interests and to motivate our directors to focus on our long-term growth and success. Management directors who also serve as our executive officers are not paid any fees for serving on our Board or for attending Board meetings.

The following table summarizes the annual retainer fees paid to our non-management directors during Fiscal 2017:

| | |
|----------------------------------------------------|-----------|
| Base Annual Retainer, all non-management directors | \$ 75,000 |
|----------------------------------------------------|-----------|

| | |
|-------------------------------------------------|-----------|
| Base Annual Retainer, independent lead director | \$ 20,000 |
|-------------------------------------------------|-----------|

| | |
|-------------------------------------------------------------|--|
| Base Annual Retainer, all non-management committee members: | |
|-------------------------------------------------------------|--|

| | |
|-----------------|--|
| Audit Committee | |
|-----------------|--|