Risk Factors Comparison 2024-02-21 to 2023-02-22 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

We are subject to a number of risks that, if realized, could have a material adverse effect on our business, financial condition, liquidity, results of operations and our ability to make distributions to our stockholders. Some of our more significant challenges and risks include, but are not limited to, the following, which are described in greater detail below: ● Our business is significantly impacted by changes in interest rates. Changes in prevailing interest rates, rising inflation rates, U. S. monetary policies or other macroeconomic conditions that affect interest rates may have a detrimental effect on our business and earnings. ● Our ~~mortgage banking~~ revenues are highly dependent on macroeconomic factors and real estate market, mortgage market and financial market conditions. ● We may not be able to effectively manage significant increases or decreases in our loan production volume, which could negatively affect our business, financial condition, liquidity and results of operations. ● **Increases in delinquencies and defaults may adversely affect our business, financial condition, liquidity and results of operations. ● We are required to make servicing advances that can be subject to delays in recovery or may not be recoverable due to delinquencies, defaults and foreclosures that could adversely affect our business, financial condition, liquidity and results of operations. ●** We have a substantial amount of indebtedness, which may limit our financial and operating activities, expose us to substantial increases in costs due to interest rate fluctuations, expose us to the risk of default under our debt obligations and may adversely affect our ability to incur additional debt to fund future needs. ● We rely on external financial arrangements to fund mortgage loans and operate our business and our inability to refinance or enter new financial arrangements could be detrimental to our business. ● ~~Increases in delinquencies and defaults may adversely affect our business, financial condition, liquidity and results of operations. ● We are required to make servicing advances that can be subject to delays in recovery or may not be recoverable due to delinquencies, defaults and foreclosures that could adversely affect our business, financial condition, liquidity and results of operations. ●~~ Our acquisition and ownership of mortgage servicing rights exposes us to significant risks. ● A disruption in the MBS market could materially and adversely affect our business, financial condition, liquidity and results of operations. ● We may be required to indemnify the purchasers of loans that we originate, acquire or assist in the fulfillment of, or repurchase those loans, if those loans fail to meet certain criteria or characteristics or under other circumstances and we may be unable to seek indemnity or require our counterparties to repurchase loans if they breach representations and warranties they make to us. ● ~~Failure to successfully modify, resell or refinance early buyout loans (" EBO ") or defaults of EBO loans beyond expected levels may adversely affect our business, financial condition, liquidity and results of operations. ●~~ We depend on counterparties and vendors to provide services that are critical to our business, which subjects us to a variety of risks **. ● Our failure to appropriately address various issues that may give rise to reputational risk could cause harm to our business and adversely affect our earnings. ● Cybersecurity risks, cyber incidents and technology failures may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information or the personal information of our customers, and / or damage to our business relationships, all of which could negatively impact our financial results. ● Technology disruptions or failures, including a failure in our information systems or those of third parties with whom we do business, could disrupt our business, cause legal or reputational harm and adversely impact our results of operations and financial condition** . ● Climate change, adverse weather conditions, man- made or natural disasters, pandemics, terrorist attacks, and other long term physical and environmental changes and conditions could adversely impact properties that we own or that collateralize loans we own or service, as well as geographic areas where we conduct business ~~. ● Our failure to appropriately address various issues that may give rise to reputational risk could cause harm to our business and adversely affect our earnings~~ . ● We operate in a highly regulated industry and the continually changing federal, state and local laws and regulations could materially and adversely affect our business, financial condition, liquidity and results of operations. ● New CFPB or state rules and regulations or more stringent enforcement of existing rules and regulations by these regulators could result in enforcement actions, fines, penalties and the inherent reputational risk that results from such actions. ● We are highly dependent on U. S. government- sponsored entities and government agencies, and any organizational or pricing changes at such entities or their regulators could materially and adversely affect our business, liquidity, financial condition and results of operations. ● We are required to have various Agency approvals and state licenses in order to conduct our business and there is no assurance we will be able to obtain or maintain those Agency approvals or state licenses ~~. ● Our business, financial condition and results of operations may be adversely affected by the long term impact of the COVID- 19 pandemic~~ . ● We rely on PennyMac Mortgage Investment Trust (" PMT ") as a significant source of financing for, and revenue related to, our mortgage banking business, and the termination of, or material adverse change in, the terms of this relationship, or a material adverse change to PMT or its operations, could adversely affect our business, financial condition, liquidity and results of operations. ● A significant portion of our loan servicing operations are conducted pursuant to subservicing contracts with PMT, and any termination by PMT of these contracts, or a material change in the terms thereof that is adverse to us, would adversely affect our business, financial condition, liquidity and results of operations. ● ~~Market conditions could reduce the fair value of the assets that we manage, which would reduce our management and incentive fees. ●~~ Our failure to comply with the extensive amount of regulation applicable to our investment management segment could materially and adversely affect our business, financial condition, liquidity and results of operations. ● We may encounter conflicts of interest in trying to appropriately allocate our time and services between activities for our own account and for PMT, or in trying to appropriately allocate investment opportunities among ourselves and for PMT. ● Our risk management efforts may not be effective. ● Initiating new business activities, developing new products or significantly expanding existing business activities may expose us to new risks and increase our cost of doing business. ● ~~Cybersecurity risks, cyber incidents and technology failures may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and / or damage to our business relationships, all of which could negatively impact our financial results. ●~~ We operate in a highly competitive market and decreased margins resulting from increased competition or our inability to compete successfully could adversely affect our business, financial condition, liquidity and results of operations. Risk FactorsIn addition to the other information set forth in this Report, you should carefully consider the following factors, which could materially adversely affect our business, financial condition, liquidity and results of operations in future periods. The risks described below are not the only risks that we face. Additional risks not presently known to us or that we currently deem immaterial may also materially adversely affect our business, financial condition, liquidity and results of operations in future periods. Risks Related to ~~Our~~ Mortgage ~~Banking SegmentMarket~~ **Production and Servicing Market** and Financial RisksOur business is significantly impacted by changes in interest rates. Changes in prevailing interest rates, rising inflation rates, U. S. monetary policies or other macroeconomic conditions that affect interest rates may have a detrimental effect on our business and earnings. 18Our operations, financial performance and earnings are affected by factors including prevailing interest rates, United States monetary policies or other macroeconomic conditions such as inflation fluctuations, recessions, consumer confidence and demand. For example, **the Federal Reserve' s federal fund rate increases in 2022 and 2023 to address rising inflation negatively impacted our business and,** as ~~interest rates have risen in 2022, our loan production volumes have decreased as compared to 2021 as fewer loans were originated or refinanced. As~~ a result, our net revenues decreased from $ 3. 2 billion in fiscal year 2021 to $ ~~2~~ **1** . ~~0~~ **4** billion in fiscal year ~~2022~~ **2023** ~~. Inflation rates also increased in 2022 and may continue to rise~~ . In addition, ~~interest rates and~~ the liquidity of the MBS market may be impacted by **future sales and reallocations of** the Federal Reserve ~~increasing~~ **' s MBS portfolio. The future reduction of** the ~~federal~~ **Federal** ~~funds~~ **Reserve' s balance sheet or MBS portfolio may result in higher interest** rate ~~, tapering MBS purchases~~ **volatility and wider mortgage- backed security spreads that could negatively impact** ~~or~~ **our investments** ~~selling MBS~~ . Our financial performance and profitability ~~is~~ **are** directly affected by changes in prevailing interest rates. An increase in prevailing interest rates could: ● adversely affect our loan production volume, as refinancing an existing loan would be less attractive and qualifying for a loan may be more difficult; ● adversely affect our Ginnie Mae **early buyout ("** ~~EBOs~~ **EBO ") loans** because ~~loan~~ modifications would become less economically feasible; and ● increase the cost of servicing our outstanding debt, including debt related to servicing assets and loan production. A decrease in prevailing interest rates could: ● cause an increase in the expected volume of loan refinancings, which would require us to record decreases in fair value on our MSRs; and ● reduce our earnings from our custodial deposit accounts. Furthermore, borrowings under our warehouse lines of credit, and MSR and servicing advance facilities are **[generally]** at variable rates of interest, which ~~also expose~~ **exposes** us to interest rate risk. If interest rates increase, our debt service obligations on certain of our variable- rate indebtedness will increase even though the amount borrowed remains the same, and our earnings and cash flows may correspondingly decrease. An event of default, a negative ratings agency action, the perception of financial weakness, an adverse action by a regulatory authority, a lengthening of foreclosure timelines or a general deterioration in the economy that constricts the availability of credit may increase our cost of funds and make it difficult for us to refinance existing debt and borrow additional funds. In addition, we may not be able to adjust our operational capacity and staffing in a timely manner, or at all, in response to increases or decreases in loan production volume resulting from changes in prevailing interest rates. Any of the increases or decreases discussed above could have a material adverse effect on our business, financial condition, liquidity and results of operations. Our ~~mortgage banking~~ revenues are highly dependent on macroeconomic factors and real estate market, mortgage market and financial market conditions. The success of our business strategies and our results of operations are materially affected by current or future conditions in the real estate market, mortgage markets, financial markets and the economy generally. Factors such as ~~the COVID- 19 pandemic,~~ inflation, deflation, unemployment, personal and business income taxes, healthcare, energy costs, ~~domestic political issues,~~ government shutdowns **, pandemics** , climate change and the availability and cost of credit may contribute to increased volatility and unclear expectations for the economy in general and the real estate, mortgage market and financial markets in particular going forward **. A significant deterioration in macroeconomic conditions could reduce the amount of disposable income consumers have and negatively impact consumers' ability to take out new loans and repay existing loans** . A destabilization of the real estate market, mortgage market and financial markets or deterioration in these markets also could reduce our loan production volume, reduce the profitability of servicing mortgages or adversely affect our ability to sell mortgage loans that we originate or acquire, either at a profit or at all. Inflation and future expectations of inflation could **also** increase our operating expenses and may affect our profitability if the additional operating costs are not recoverable through increased revenues or profit margins. Any of the foregoing could materially and adversely affect our business, financial condition, liquidity and results of operations. 19We may not be able to effectively manage significant increases or decreases in our loan production volume, which could negatively affect our business, financial condition, liquidity and results of operations. If we do not effectively manage loan production volumes and are unable to consistently maintain quality of execution, our reputation and existing relationships with mortgage lenders and brokers could be damaged, we may not be able to maintain PMT' s existing relationships or develop new relationships with mortgage lenders and brokers, our new mortgage products may not gain widespread acceptance and the quality of our correspondent production, consumer direct lending and wholesale broker lending operations could suffer, all of which could negatively affect our brand and operating results. Our loan production segment is also subject to overall market factors that could adversely impact our loan production volumes. For example, increased competition from new and existing market participants, reductions in the overall level of refinancing activity or a decrease in home purchase activity can decrease our loan production volumes. We may be forced to accept lower margins in our respective businesses to continue to compete and keep our loan production volumes consistent with past or projected levels or be forced to reduce our levels of production activity. In addition, we may not be able to adjust our operational capacity and staffing in a timely manner, or at all, in response to increases or decreases in loan production volume resulting from changes in prevailing interest rates. ~~could have a material adverse effect on our business,financial condition,liquidity and results of operations.~~ Increases in delinquencies and defaults may adversely affect our business,financial condition,liquidity and results of operations.Delinquencies can result from many factors including unemployment,weak economic conditions or real estate values,or catastrophic events such as man- made or natural disasters,pandemics,war or terrorist attacks.A decrease in home prices may result in higher loan- to- value ratios (" LTVs "),lower recoveries in foreclosure and an increase in loss severities above those that would have been realized had property values **not decreased** ~~remained the same or continued to increase~~ .Some borrowers do not have sufficient equity in their homes to permit them to refinance their existing loans,which may reduce the volume of our loan production business.This may also provide borrowers with an incentive to default on their mortgage loans even if they have the ability to make principal and interest payments. ~~26Increased~~ -- **Increased** mortgage delinquencies,defaults and foreclosures may result in lower revenue for loans that we service for the Agencies because we only collect servicing fees from the Agencies for performing loans,and our failure to service delinquent and defaulted loans in accordance with the applicable servicing guidelines could result in our failure to benefit from available monetary incentives and / or expose us to monetary penalties and curtailments.Additionally,while increased delinquencies generate higher ancillary fees,including late fees,these fees may not be recoverable if the related loan is liquidated or due to ~~CARES Act restrictions or~~ other **regulatory or investor** requirements ~~or as a result of the COVID- 19 pandemic~~ .In addition,an increase in delinquencies lowers the interest income that we receive on cash held in collection and other accounts because there is less cash in those accounts.Also,increased mortgage defaults may ultimately reduce the number of mortgages that we service.Increased mortgage delinquencies,defaults and foreclosures will also result in a higher cost to service those loans due to the increased time and effort required to collect payments from delinquent borrowers and to acquire and liquidate the properties securing the loans or otherwise resolve loan defaults if payment collection is unsuccessful,and only a portion of these increased costs are recoverable under our servicing agreements.Increased mortgage delinquencies,defaults and foreclosures may also result in an increase in servicing advances we are obligated to make to fulfill our obligations to MBS holders and to protect our investors' interests in the properties securing the delinquent mortgage loans.An increase in required advances also may cause an increase in our interest expense and affect our liquidity as a result of increased borrowings under our financing agreements to fund any such increase in the advances. ~~We~~ **20We** are required to make servicing advances that can be subject to delays in recovery or may not be recoverable due to delinquencies,defaults and foreclosures that could adversely affect our business,financial condition,liquidity and results of operations.During any period in which a borrower is not making payments,we may be required under our servicing agreements in respect of our MSRs to advance our own funds to pay property taxes and insurance premiums,legal expenses and other protective advances,and may be required to advance **scheduled** principal and interest payments to security holders of the MBS into which the loans are sold.We also advance funds under these agreements to maintain,repair and market real estate properties on behalf of investors.As home values change,we may have to reconsider certain of the assumptions underlying our decisions to make advances and,in certain situations,our contractual obligations may require us to make advances for which we may not be reimbursed.In addition,if a loan serviced by us is in default or becomes delinquent,the repayment to us of the advance may be delayed until the loan is repaid or refinanced or a liquidation occurs.Federal,state or local regulatory actions may also result in an increase in the amount of servicing advances that we are required to make,lengthen the time it takes for us to be reimbursed for such advances and increase the costs incurred while the loan is delinquent.A delay in our ability to collect advances may adversely affect our liquidity,and our inability to be reimbursed for advances could have a material adverse effect on our business,financial condition,liquidity,results of operations and ability to make distributions to our stockholders.In addition,increased mortgage delinquencies,defaults and foreclosures will also result in a higher cost to service those loans due to the increased time and effort required to collect payments from delinquent borrowers,to foreclose on the loan and to liquidate properties or otherwise resolve loan defaults if payment collection is unsuccessful.Any significant increases in delinquencies,defaults and foreclosures on loans that we service in respect of FHA,VA,and USDA related MSRs could result in an increase in servicing expenses as well as losses since the loans may not be fully insured or guaranteed under each of the VA,the FHA and the USDA government loan programs.● FHA Insurance- FHA loans are insured for the entire unpaid principal balance of the loan.However,if the FHA loan defaults or goes into foreclosure,the servicer is only compensated for two- thirds of its incurred foreclosure costs.In addition,the servicer is only reimbursed for any interest accrued and unpaid from a date 60 days after the borrower' s first uncorrected failure to perform,and the interest is reimbursed at the HUD debenture interest rate that may be lower than the actual loan rate. ~~27~~ ● VA and USDA Guarantees- VA and USDA loans are only partially guaranteed by the government and if such loan defaults or goes into foreclosure,the VA or USDA guarantees may not fully cover all principal,interest and other fees and advances we may have incurred on the outstanding VA or USDA loan,and we may suffer a loss.We may also be subject to additional curtailments to servicing and advance reimbursements if we have not satisfied VA,USDA or FHA timing,service and other regulatory **or investor** requirements during the foreclosure and conveyance process. ~~We~~ **Any significant increase in delinquencies,defaults and foreclosures on loans that increase our servicing advances,reduce property value or otherwise delay our ability to dispose of the properties underlying the loan could** have **a material adverse effect on our business** ~~MSR and MSL servicing agreements of $ 253.0 billion of UPB consisting of FHA~~ , **financial condition,liquidity and results of operations.** We have a substantial amount of indebtedness, which may limit our financial and operating activities, expose us to substantial increases in costs due to interest rate fluctuations, expose us to the risk of default under our debt obligations and may adversely affect our ability to incur additional debt to fund future needs. As of December 31, ~~2022~~ **2023** , we had $ ~~7~~ **8** . ~~0~~ **6** billion of total indebtedness outstanding (approximately $ ~~5~~ **6** . ~~2~~ **1** billion of which was secured) and up to $ 6. ~~5~~ **8** billion of additional capacity under our secured borrowings and other secured debt financing arrangements. This substantial indebtedness and any future indebtedness we incur could have adverse consequences and, for example, could: **21** ● require us to dedicate a substantial portion of cash flow from operations to the payment of principal and interest on indebtedness, including indebtedness we may incur in the future, thereby reducing the funds available for operations, capital expenditures and other general corporate purposes; ● make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including any restrictive covenants, could result in an event of default under the indentures governing the unsecured senior notes or under the agreements governing our other indebtedness which, if not cured or waived, could result in the acceleration of our indebtedness under our other debt instruments or the unsecured senior notes; ● subject us to increased sensitivity to interest rate increases; ● make us more vulnerable to economic downturns, adverse industry conditions or catastrophic events ~~, including the COVID- 19 pandemic and climate change~~ ; ● reduce our flexibility in planning for or responding to changing business, industry and economic conditions; and / or ● place us at a competitive disadvantage to competitors that have relatively less debt than we have. In addition, our substantial level of indebtedness could limit our ability to obtain additional financing on acceptable terms, or at all, for working capital and general corporate purposes. Our liquidity needs vary significantly from time to time and may be affected by general economic conditions, industry trends, performance and many other factors outside our control. ~~20We~~ **We** rely on external financial arrangements to fund mortgage loans and operate our business and our inability to refinance or enter new financial arrangements could be detrimental to our business. Our ability to finance our business operations and repay maturing obligations rests in large part on our ability to borrow money. Unlike some of our competitors who fund mortgage loans through bank deposits, we generally fund our mortgage loans through borrowings under warehouse facilities and other financing arrangements ~~as well as~~ **from banking institutions and private equity firms and with** funds from our operations. Our borrowings are generally repaid with the proceeds we receive from mortgage loan sales. We require new and continued financing to fund mortgage loans and operate our business. We are generally required to renew many of our financing arrangements on a regular basis, which exposes us to refinancing and interest rate risks. Our ability to refinance our existing financial obligations and borrow additional funds is affected by a variety of factors beyond our control including: ● limitations imposed on us under our financing agreements that contain restrictive covenants and borrowing conditions, which may limit our ability to raise additional debt; ● restrictions imposed upon us by regulatory agencies that mandate certain minimum capital and liquidity requirements ~~and additional scrutiny from such regulatory agencies~~ ; ● liquidity in the credit markets; ● prevailing interest rates; ● the strength of the lenders from which we borrow, and the regulatory environment in which they operate, including ~~proposed~~ **changing** capital ~~strengthening~~ requirements; ● limitations on borrowings from financing arrangements imposed by the amount of eligible collateral pledged, which may be less than the borrowing capacity of the credit facility; and ● accounting changes that may impact calculations of covenants in our financing arrangements. We are also dependent on a limited number of banking institutions ~~that~~ **and private equity firms to** extend us credit on terms that we have determined to be commercially reasonable. These banking institutions **and private equity firms** are subject to their own ~~regulatory supervision, liquidity and capital requirements,~~ risk management frameworks, profitability and risk thresholds and tolerances, any of which may change materially and negatively impact their business strategies, including their extension of credit to us specifically or mortgage lenders and servicers generally. Certain ~~banking institutions~~ **financial firms** have already exited **the mortgage lending market** , and others **financial firms** may **decide to exit the mortgage lending business** in the future ~~decide to exit the mortgage business~~ . Such actions may increase our cost of capital and limit or otherwise eliminate our access to capital, in which case our business, financial condition, liquidity and results of operations would be materially and adversely affected. ~~In~~ **22In** the event that any of our financial arrangements is terminated or is not renewed, or if the principal amount that may be drawn under our funding agreements that provide for immediate funding at closing were to significantly decrease, we may be unable to find replacement financing on commercially favorable terms, or at all, which could be detrimental to our business. ~~21We~~ **We** finance our loans **, MSRs** and other assets under secured financing agreements and utilize various other sources of borrowings, which exposes us to significant risk and may materially and adversely affect our business, financial condition, liquidity and results of operations. We finance and, to the extent available, we intend to continue to leverage the loans produced through our loan production businesses with borrowings under repurchase agreements. When we enter into repurchase agreements, we sell mortgage loans to lenders, which are the repurchase agreement counterparties, and receive cash from the lenders. The lenders are obligated to resell the same assets back to us at the end of the term of the transaction. Because the cash that we receive from a lender when we initially sell the assets to that lender is less than the fair value of those assets (this difference is referred to as the haircut or margin), if the lender defaults on its obligation to resell the same assets back to us we could incur a loss on the transaction equal to the amount of the haircut or margin reduced by interest accrued on the repurchase agreement (assuming that there was no change in the fair value of the assets). Repurchase agreements generally allow the counterparties, to varying degrees, to determine a new fair value of the collateral to reflect current market conditions. If a counterparty lender determines that the fair value of the collateral has decreased, it may initiate a margin call and require us to either post additional collateral to cover such decrease or repay a portion of the outstanding borrowing. Should this occur, in order to obtain cash to satisfy a margin call, we may be required to liquidate assets at a disadvantageous time, which could cause us to incur further losses. If we are unable to satisfy a margin call, our counterparty may sell the collateral, which may result in significant losses to us. In addition, we invest in certain assets, including MSRs and EBOs, for which financing has historically been difficult to obtain. We currently leverage certain of our MSRs and EBOs under secured financing arrangements. Freddie Mae MSRs are pledged through a special purpose entity to secure borrowings under a master repurchase agreement. Fannie Mae and Ginnie Mae MSRs are pledged to special purpose entities, each of which issues variable funding notes **, term loans** and term notes that are secured by such Fannie Mae or Ginnie Mae assets, as applicable, and repaid through the servicing cash flows. Some of our EBOs are contributed to a special purpose entity, which issues participation certificates pledged to secure borrowings under a master repurchase agreement. In each case, similar to our repurchase agreements, the cash that we receive under these secured financing arrangements is less than the fair value of the assets and a decrease in the fair value of the pledged collateral can result in a margin call. Should a margin call occur, we may be required to liquidate assets at a disadvantageous time, which could cause us to incur further losses. If we are unable to satisfy a margin call, the secured parties may sell the collateral, which may result in significant losses to us. **Our** ~~Each of the~~ secured financing arrangements **are** ~~pursuant to which we finance MSRs is further~~ subject to the terms of an acknowledgement agreement with Fannie Mae, Freddie Mac or Ginnie Mae, as applicable, pursuant to which our and the secured parties' rights are subordinate in all respects to the rights of the applicable Agency. Accordingly, the exercise by any of Fannie Mae, Freddie Mac or Ginnie Mae of its rights under the applicable acknowledgment agreement could result in the extinguishment of our and the secured parties' rights in the related collateral and result in significant losses to us. We may in the future utilize other sources of borrowings, including ~~term loans,~~ bank credit facilities and structured financing arrangements, among others. The amount of leverage we employ varies depending on the asset class being financed, our available capital, our ability to obtain and access financing arrangements with lenders and the lenders' and rating agencies' estimate of, among other things, the stability of our cash flows. We can provide no assurance that we will have access to any debt or equity capital on favorable terms or at the desired times, or at all. Our inability to raise such capital or obtain financing on favorable terms could materially and adversely impact our business, financial condition, liquidity and results of operations. ~~22Our~~ **23Our** financing agreements contain financial and restrictive covenants that could adversely affect our business, financial condition, liquidity and results of operations. Our various financing agreements require us and / or our subsidiaries to comply with various restrictive covenants, including those relating to tangible net worth, profitability and our ratio of total liabilities to tangible net worth. Incurring substantial debt subjects us to the risk that our cash flows from operations may be insufficient to repurchase the assets that we have sold under our repurchase agreements or otherwise service the debt incurred under our other financing agreements. Our lenders also require us to maintain minimum amounts of cash or cash equivalents sufficient to maintain a specified liquidity position. In addition, the repayment of the unsecured senior notes will depend in part on our restricted subsidiaries' generation of cash flow and our restricted subsidiaries' ability to make such cash available to us, by dividend, debt repayment or other means. The unsecured senior note indentures contain additional restrictive covenants that **may** limit our and our restricted subsidiaries' ability to engage in specified types of transactions, including our ability and / or the ability of our restricted subsidiaries to: ● pay dividends or distributions, redeem or repurchase equity, prepay subordinated debt and make certain loans or investments; ● merge or consolidate with another ~~person~~ **company** or sell all or substantially all of our assets ~~to another person~~ ; ● transfer, sell or otherwise dispose of certain assets including capital stock of subsidiaries; ● enter into transactions with affiliates; and ● allow to exist certain restrictions on the ability of non- guarantor restricted subsidiaries to pay dividends or make other payments to us. If we fail to comply with the restrictive covenants and are unable to obtain a waiver or amendment, an event of default would result under the terms of our financing arrangement or could limit our ability to obtain additional financing on acceptable terms, or at all, for working capital and general corporate purposes. If an event of default occurs, our financing arrangements could be immediately due and payable, requiring us to apply all available cash to repay our financing arrangements, and if we were unable to repay or refinance our financial arrangements then any collateral securing the financial ~~arrangements~~ **borrowing** may be sold by our lenders ~~. We are subject to risks associated with the discontinuation of LIBOR. As of December 31, 2021, one- week and two- month United States Dollar LIBOR (and certain non- U. S. dollar LIBOR settings) were discontinued, while the remaining non- U. S. dollar LIBOR settings ceased to be representative and thereafter began to be published only on a " synthetic basis ". In addition, the UK Financial Conduct Authority (the " FCA "), which is the regulator of the LIBOR administrator, has announced that the principal United States Dollar LIBOR tenors (overnight and one, three, six and 12 months) will cease to be published by any administrator or will no longer be representative as of June 30, 2023. In addition, despite the expected publication of the principal United States Dollar LIBOR settings through June 30, 2023, the FCA has prohibited the firms it regulates from using such settings in new contracts (subject to limited exceptions). Accordingly, many LIBOR obligations have transitioned to another benchmark or will soon do so. Different types of financial products have transitioned, or are expected to transition, to different benchmarks; and there is no assurance that any alternative benchmark will be the economic equivalent of any LIBOR setting. For some existing LIBOR- based obligations, the contractual consequences of the discontinuation of LIBOR may not be clear. Although the foregoing reflects the timing (or expected timing) of LIBOR discontinuation and certain consequences, there is no assurance that LIBOR, of any particular currency or tenor, will continue to be published until any particular date or in any particular form, and there is no assurance regarding the consequences of LIBOR discontinuation. Uncertainty as to the foregoing and the nature of alternative reference rates may adversely impact the availability and costs of borrowings. 23The discontinuation of LIBOR could have a significant impact on the financial markets and our business activities. The cost of borrowing under certain of our financing arrangements is based on LIBOR. We also may hold assets and instruments used to hedge the value of certain assets with values or cash flows determined by reference to LIBOR. We expect to face challenges during the transition away from LIBOR for all of our LIBOR based financing arrangements, regardless of whether their maturity dates (as applicable) fall before or after the discontinuation date after June 30, 2023. These challenges include, but are not limited to, amending agreements or instruments underlying our existing and / or new LIBOR- based assets, financing arrangements, securities and liabilities with appropriate fallback language in such a way as to ensure economic equivalence with our LIBOR- based assets, financing arrangements and securities prior to the discontinuation of LIBOR, and the possibility that LIBOR may deteriorate as a viable benchmark to ensure a fair cost of funds for our LIBOR- linked liabilities, interest income for our LIBOR- linked assets, and / or the determination of fair value for certain of our assets and hedges using LIBOR as a benchmark rate or used to develop a market discount rate. In addition, the transition to using any new benchmark rate or other financial metric may require changes to existing transaction data, products, systems, models, operations and pricing processes. We also anticipate additional risks to our current business activities as they relate to the discontinuation of LIBOR. We may service LIBOR- based adjustable rate mortgages for which the underlying mortgage notes incorporate fallback provisions, but we cannot anticipate the response of our borrowers or note holders to such risks. We may also incorporate LIBOR base rates for financial planning and reporting in~~

~~our financial models. In the United States, there have been efforts to identify alternative reference interest rates to replace United States Dollar LIBOR. The Alternative Reference Rates Committee has recommended that U. S. dollar LIBOR be replaced by rates based on the Secured Overnight Financing Rate (" SOFR ") plus, in the case of existing LIBOR contracts and obligations, a spread adjustment. The derivatives markets are also expected to use SOFR- based rates to replace U. S. dollar LIBOR. SOFR is intended to be a broad measure of the cost of borrowing funds overnight in transactions that are collateralized by U. S. Treasury securities. LIBOR is intended to be an unsecured rate that represents interbank funding costs for different short- term tenors and, other than its overnight setting, reflects expectations regarding future interest rates. Thus, LIBOR is generally intended to be sensitive to bank credit risk and to short- term interest rate expectations and SOFR is intended to be insensitive to credit risk and to risks related to interest rates other than overnight rates. These fundamental differences between LIBOR and SOFR mean we are unable to clearly assess the risk of transitioning from LIBOR to SOFR for any of our LIBOR- based liabilities or assets. Due to these risks, we expect that both the impending and actual discontinuation of LIBOR could affect our interest expense and earnings, our cost of capital, and the fair value of certain of our assets and the instruments we use to hedge their fair value. For the same reason, we also can provide no assurance that changes in the fair value of our hedge instruments will effectively offset changes in the fair value of the assets they are expected to hedge. Furthermore, the transition away from widely used benchmark rates like LIBOR could result in customers or other market participants challenging the determination of their interest or dividend payments, disputing the interpretations or implementation of contract or instrument " fallback " provisions and other transition related changes. Our inability to manage these risks effectively may adversely affect our business, financial condition, liquidity and results of operations~~ . Hedging against interest rate exposure may materially and adversely affect our **business, financial condition, liquidity and** results of operations ~~and cash flows~~ . We pursue hedging strategies primarily in an effort to mitigate the effect of changes in interest rates on the fair value of our assets. To manage this price risk, we use derivative financial instruments acquired with the intention of moderating the risk that changes in market interest rates will result in unfavorable changes in the fair value of our assets, primarily prepayment exposure on our MSR investments as well as interest rate lock commitments (" IRLCs ") and our inventory of loans held for sale. For example, with respect to our IRLCs and inventory of loans held for sale, we may use MBS forward sale contracts to lock in the price at which we will sell the mortgage loans or resulting MBS, and MBS put options to mitigate the risk of our IRLCs not closing at the rate we expect. In addition, with respect to our MSRs, we may use MBS forward purchase and sale contracts to address exposures to smaller interest rate shifts with Treasury and interest rate swap futures, and use options and swaptions to achieve target coverage levels for larger interest rate shocks. ~~24Our~~ -- **Our** hedging activity will vary in scope based on the risks being mitigated, the level of interest rates, the type of investments held, and other changing market conditions ~~such as those resulting from the long term impact of the COVID- 19 pandemic~~ . Hedging instruments involve risk because they often are not traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U. S. or foreign governmental authorities, and our interest rate hedging may fail to protect or could adversely affect us because, among other things: ● interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates; ● available interest rate hedging **instruments** may not correspond directly with the interest rate risk for which protection is sought; ● the duration of the hedge may not match the duration of the related liability or asset; ● the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; ~~and~~ **and24** ● the hedging counterparty owing the money in the hedging transaction may default on its obligation to pay. In addition, we may fail to recalculate, re- adjust and execute hedges in an efficient manner. Any hedging activity, which is intended to limit losses, may materially and adversely affect our ~~results of~~ **financial position,** operations and cash flows. Therefore, while we may enter into such transactions seeking to reduce interest rate risk, unanticipated changes in interest rates may result in worse overall investment performance than if we had not engaged in any such hedging transactions. A liquid secondary market may not exist for a hedging instrument purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in significant losses. **The** ~~In addition, the degree of correlation between price movements of the instruments used in hedging strategies and price movements in the portfolio positions or liabilities being hedged may vary materially. Moreover, for a variety of reasons, we may not establish an effective correlation between such hedging instruments and the portfolio positions or liabilities being hedged. Any such ineffective correlation may prevent us from achieving the intended hedge and expose us to risk of loss. Numerous regulations currently apply to hedging and any new regulations or changes in existing regulations may significantly increase our administrative or compliance costs. Our derivative agreements generally provide for the daily mark to market of our hedge exposures. If a hedge counterparty determines that its exposure to us exceeds its exposure threshold, it may initiate a margin call and require us to post collateral. If we are unable to satisfy a margin call, we would be in default of our agreement, which could have a material adverse effect on our business, financial condition, liquidity and results of operations. We utilize derivative financial instruments, which could subject us to risk of loss. We utilize derivative financial instruments for hedging purposes, which may include swaps, options and futures; however, the prices of derivative financial instruments are highly volatile. As a result, the~~ cost of utilizing derivatives may reduce our income that would otherwise be available for distribution to stockholders or for other purposes, and the derivative instruments that we utilize may fail to effectively hedge our positions. We are also subject to credit risk with regard to the counterparties involved in the derivative transactions. **The** ~~We are exposed to a number of risks relating to holding derivative instruments. A liquid secondary market may not exist for a hedging instrument purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in significant losses. In addition, the~~ degree of correlation between price movements of the instruments used in hedging strategies and price movements in the portfolio positions or liabilities being hedged may vary materially ~~. Moreover, for a variety of reasons, we may not establish an effective correlation between such hedging instruments and the portfolio positions or liabilities being hedged~~ . Any such ineffective correlation may prevent us from achieving the intended hedge and expose us to risk of loss. Numerous regulations currently apply to hedging and any new regulations or changes in existing regulations may significantly increase our administrative or compliance costs. Our derivative agreements generally provide for the daily mark to market of our hedge exposures. If a hedge counterparty determines that its exposure to us exceeds its exposure threshold, it may initiate a margin call and require us to post collateral. If we are unable to satisfy a margin call, we would be in default of our agreement, which could have a material adverse effect on our business, financial condition, liquidity and results of operations. ~~25The use of derivative instruments is also subject to an increasing number of laws and regulations, including the Dodd- Frank Act and other federal regulations. These laws and regulations are complex, compliance with them may be costly and time consuming, and our failure to comply with any of these laws and regulations could subject us to lawsuits or government actions and damage our reputation, which could materially and adversely affect our business, financial condition, liquidity, results of operations and ability to make distributions to our stockholders.~~ We use estimates in determining the fair value of our ~~MSRs~~ **investments and for credit decisions. If our estimates prove to be inaccurate** , ~~which are highly volatile assets with continually changing~~ **we may be required to write down the** fair values ~~. If~~ **of our investments** ~~our~~ - **or suffer a loss that** ~~estimates of their value prove to be inaccurate, we may be required to write down the fair values of the MSRs which~~ could adversely affect our business, financial condition, liquidity and results of operations. Our estimates of the fair value of our ~~MSRs~~ - **MSR investment** is based on the cash flows projected to result from the servicing of the related mortgage loans and continually fluctuates due to a number of factors. These factors include prepayment speeds, interest rate changes, costs to service the loans and other market conditions. We use internal financial models that utilize our understanding of inputs used by market participants to value our MSRs **to** ~~for purposes of financial reporting and for purposes of determining~~ **determine** the price that we pay for portfolios of MSRs and to acquire loans for which we will retain MSRs. These models are complex and use asset- specific collateral data and market inputs for interest and discount rates. In addition, the modeling requirements of MSRs are complex because of the high number of variables that drive cash flows associated with MSRs. Even if the general accuracy of our valuation models is validated, valuations are highly dependent upon the reasonableness of our inputs and the results of the models. If loan delinquencies or prepayment speeds are different than anticipated or other factors perform differently than modeled, the recorded fair value of certain of our MSRs may change. Significant differences in performance could increase the chance that we do not adequately estimate the effect of these factors on our valuations which could result in misstatements of our financial results, restatements of our financial statements, or otherwise materially and adversely affect our business, financial condition, liquidity and results of operations. **Our credit decision models are based on estimates and algorithms that evaluate a number of factors, including behavioral data, transactional data and employment information, which may not effectively predict future loan losses.** ~~The~~ **These credit decision models are continuously updated based on new data and changing macroeconomic conditions. If our credit decisioning models contain programming or other errors, are ineffective or the data provided by borrowers or third parties is incorrect or stale, or if we are unable to obtain accurate data from borrowers or third parties, our loan process could be negatively affected, resulting in mispriced or misclassified loans or incorrect approvals or denials of loans, resulting in loan losses. 25The** geographic concentration of our servicing portfolio may be affected by weaker economic conditions or adverse events specific to certain regions which could decrease the fair value of our MSRs and adversely affect our business, financial condition, liquidity and results of operations. A decline in the economy ~~, the long term impact of the COVID- 19 pandemic~~ or other ~~difficulties~~ **negative macroeconomic events** in certain real estate markets may cause a decline in the **fair** value of residential ~~and commercial~~ properties. To the extent that certain states in which we have greater concentrations of business in the future experience weaker economic conditions or greater rates of decline in real estate values than the United States generally, such concentration may disproportionately decrease the fair value of our MSRs and adversely affect our loan production businesses. The impact of property value declines may increase in magnitude and it may continue for a long period of time. Additionally, if states in which we have greater concentrations of business were to change their licensing or other regulatory requirements to make our business cost- prohibitive, we may be required to stop doing business in those states or may be subject to a higher cost of doing business in those states, which could have a material adverse effect on...... dispose of the properties underlying the loan could have a material adverse effect on our business, financial condition, liquidity and results of operations. Our acquisition and ownership of mortgage servicing rights exposes us to significant risks. MSRs arise from contractual agreements between us and the investors (or their agents) in loans and MBS that we service on their behalf. We generally acquire MSRs in connection with our sale of loans to the Agencies where we assume the obligation to service such loans on their behalf. Any MSRs we acquire are initially recorded at fair value on our balance sheet. The determination of the fair value of MSRs requires our management to make numerous estimates and assumptions. Such estimates and assumptions include, without limitation, estimates of future cash flows associated with MSRs based upon assumptions involving interest rates as well as the prepayment rates, delinquencies and foreclosure rates of the underlying serviced loans. The ultimate realization of the MSRs may be materially different than the values of such MSRs as may be reflected in our consolidated balance sheet as of any particular date. Different persons in possession of the same facts may reasonably arrive at different conclusions as to the inputs and assumptions used to determine MSR fair value. The use of different estimates or assumptions in connection with the valuation of these assets could produce materially different fair values for such assets, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Prepayment speeds significantly affect MSRs. Prepayment speed is the measurement of how quickly borrowers pay down the unpaid principal balance of their loans or how quickly loans are otherwise brought current, modified, liquidated or charged off. We base the price we pay for MSRs on, among other things, our projection of the cash flows from the related pool of loans. Our expectation of prepayment speeds is a significant input to our cash flow projections. If prepayment speed expectations increase significantly, the fair value of the MSRs could decline and we may be required to record a non- cash charge that would have a negative impact on our financial results. Furthermore, a significant increase in prepayment speeds could materially reduce the cash flows we receive from MSRs, and we could ultimately receive substantially less than what we paid for such assets. Delinquency rates have a significant impact on the valuation of MSRs. An increase in delinquencies generally results in lower revenue because typically we only collect servicing fees from Agencies or mortgage owners when we collect payments from the borrower. Our expectation of delinquencies is also a significant input underlying our cash flow projections. If delinquencies are significantly greater than we expect, the estimated fair value of the MSRs could be diminished. When the estimated fair value of MSRs is reduced, we could suffer a loss, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make distributions to our stockholders. ~~28Changes~~ **26Changes** in interest rates are a key driver of the performance of MSRs. Historically, the fair value of MSRs has increased when interest rates increase and decrease when interest rates decrease due to the effect those changes in interest rates have on prepayment estimates. We may pursue various hedging strategies to seek to reduce our exposure to adverse changes in fair value resulting from changes in interest rates. Our hedging activity will vary in scope based on the level and volatility of interest rates ~~, the type of assets held~~ and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us. To the extent we do not utilize derivative financial instruments to hedge against changes in fair value of MSRs or the derivatives we use in our hedging activities do not perform as expected, our business, financial condition, liquidity, results of operations and ability to make distributions to our stockholders would be more susceptible to volatility due to changes in the fair value of, or cash flows from, MSRs as interest rates change. ~~Furthermore,~~ MSRs and the related servicing activities are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions imposing various requirements and restrictions on our business. ~~For example, the CARES Act allows borrowers with federally- backed loans to request temporary payment forbearance in response to the increased borrower hardships resulting from the long term impact of the COVID- 19 pandemic.~~ Our failure to comply, or the failure of the servicer to comply, with the laws, rules or regulations to which we or they are subject by virtue of ownership of MSRs, whether actual or alleged, could expose us to fines, penalties or potential litigation liabilities, including costs, settlements and judgments, any of which could have a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make distributions to our stockholders ~~be adversely affected.We~~ may not realize all of the anticipated benefits of potential future acquisitions of MSRs,which could adversely affect our business,financial condition,liquidity and results of operations.Our ability to realize the anticipated benefits of potential future acquisitions of servicing portfolios will depend,in part,on our ability to appropriately service any such assets.The process of acquiring these assets may disrupt our business and may not result in the full benefits expected.The risks associated with these acquisitions include,among others,unanticipated issues in integrating information regarding the new loans to be serviced into our information technology systems,and the diversion of management' s attention from other ongoing business concerns.Moreover,if we inappropriately value the assets that we acquire or the fair value of the assets that we acquire declines after we acquire them,the resulting charges may negatively affect both the carrying value of the assets on our balance sheet and our earnings.Furthermore,if we incur additional indebtedness to finance an acquisition,the acquired servicing portfolio may not be able to generate sufficient cash flows to service that additional indebtedness.Unsuitable or unsuccessful acquisitions could have a material adverse effect on our business,financial condition,liquidity and **results of operations.We** . A disruption in the MBS market could materially and adversely affect our business, financial condition, liquidity and results of operations. Most of the loans that we produce are pooled into MBS issued by Fannie Mae or Freddie Mac or guaranteed by Ginnie Mae. In addition, ~~interest rates and~~ the liquidity of the MBS market ~~could~~ **may** be impacted by **future sales and reallocations of the** Federal Reserve **' s** ~~increasing the federal funds rate, tapering future~~ MBS ~~purchases or selling MBS~~ **portfolio resulting in wider mortgage- backed security spreads** . Any significant disruption or period of illiquidity in the general MBS market would directly affect our own liquidity because no existing alternative secondary market would likely be willing and able to accommodate on a timely basis the volume of loans that we typically sell in any given period. Furthermore, we would remain contractually obligated to fund loans under our ~~outstanding~~ **27outstanding** IRLCs without being able to sell our existing inventory of mortgage loans. Accordingly, if the MBS market experiences a period of illiquidity, we might be prevented from selling the loans that we produce into the secondary market in a timely manner or at favorable prices and we would be required to hold a larger inventory of loans than we have committed facilities to fund or we may be required to repay a portion of the debt secured by these assets, which could materially and adversely affect our business, financial condition and results of operations. We may be required to indemnify the purchasers of loans that we originate, acquire or assist in the fulfillment of, or repurchase those loans, if those loans fail to meet certain criteria or characteristics or under other circumstances and we may be unable to seek indemnity or require our counterparties to repurchase loans if they breach representations and warranties they make to us. Our ~~contracts with purchasers of newly originated loans that we fund or acquire through our loan production business contain provisions that require us to indemnify the purchaser of the related loans or repurchase such loans under certain circumstances. Our~~ loan sale agreements with purchasers, including the Agencies, contain provisions that generally require us to indemnify or repurchase these loans if our representations and warranties concerning loan quality and loan characteristics are inaccurate; or the loans fail to comply with the respective Agency' s underwriting or regulatory requirements. ~~29When~~ -- **When** we purchase mortgage loans, our counterparty typically makes customary representations and warranties to us about such loans and we may be entitled to seek indemnity or demand repurchase or substitution of the loans in the event our counterparty breaches a representation or warranty given to us. However, there can be no assurance that our loan purchase agreements will contain appropriate representations and warranties, that we will be able to enforce our contractual right to demand repurchase or substitution, or that our counterparty will remain solvent or otherwise be willing and able to honor its obligations under our loan purchase agreements. Depending on the volume of repurchase and indemnification requests, some of these mortgage lenders may not be able to financially fulfill their obligation to indemnify us or repurchase the affected loans. If a material amount of recovery cannot be obtained from these mortgage lenders, our business, financial condition, liquidity and results of operations could be materially and adversely affected. Repurchased loans typically can only be financed at a steep discount to their repurchase price, if at all. Although our indemnification and repurchase exposure cannot be quantified with certainty, to recognize these potential indemnification and repurchase losses, we have recorded a liability of $ ~~32~~ **30. 8 million relating to $ 354** . 4 ~~million~~ **billion in UPB of loans subject to representations and warranties** as of December 31, ~~2022~~ **2023** ~~. Because of the increase in our loan production over time, we expect that indemnification and repurchase requests are also likely to increase~~ . Should home values decrease and negatively impact the related loan values, our realized loan losses from indemnifications and repurchases may increase as well. As such, our indemnification and repurchase costs may increase well beyond our current expectations. In addition, our mortgage banking services agreement with PMT requires us to indemnify it with respect to loans for which we provide fulfillment services in certain instances. If we are required to indemnify PMT or other purchasers against losses, or repurchase loans from PMT or other purchasers, that result in losses that exceed the recorded liability, this could have a material adverse effect on our business, financial condition, liquidity and results of operations. We depend on the accuracy and completeness of information about borrowers and counterparties and any misrepresented information could adversely affect our business, financial condition, liquidity and results of operations. In deciding whether to approve loans or to enter into other transactions across our businesses with counterparties, including borrowers, brokers and correspondent lenders, we may rely on information furnished to us by or on behalf of borrowers and such counterparties, including financial statements and other financial information. We also may rely on representations of borrowers and such counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. If any of this information is intentionally or negligently misrepresented and such misrepresentation is not detected prior to loan funding, the fair value of the loan may be significantly lower than expected. Whether a misrepresentation is made by the loan applicant, another party or one of our employees, we generally bear the risk of loss associated with the misrepresentation. Our controls and processes may not have detected or may not detect all misrepresented information in our loan originations or acquisitions. Any such misrepresented information could have a material adverse effect on our business, financial condition, liquidity and results of operations. Our counterparties may terminate our MSRs,...... operations could be adversely affected. 30Failure **28Failure** to successfully modify, resell or refinance EBO loans or defaults of the EBO loans beyond expected levels may adversely affect our business, financial condition, liquidity and results of operations. As a mortgage servicer, we have an early buyout repurchase option for loans that are at least three months delinquent in our Ginnie Mae MSR portfolio. Purchasing delinquent Ginnie Mae loans provides us with an alternative to our mortgage servicing obligation of advancing principal and interest at the coupon rate of the related Ginnie Mae security. While our EBO program reduces the cost of servicing the Ginnie Mae loans, it may also accelerate loss recognition when the loans are repurchased because we are required to write off accumulated non- reimbursable interest advances and other costs at the time of repurchase. After purchasing delinquent Ginnie Mae loans, we expect to repool many of the delinquent loans into another Ginnie Mae guaranteed security upon the delinquent loans becoming current either through the borrower' s reperformance or through the completion of a loan modification; however, there is no guarantee that any delinquent loan will reperform or be modified or resold. Failure to successfully modify, resell or refinance our repurchased Ginnie Mae loans or a significant portion of the repurchased Ginnie Mae loans defaulting beyond expectations may adversely affect our business, financial condition, liquidity and results of operations. We may not realize all of the anticipated...... liquidity and results of operations. We are subject to significant financial and reputational risks from potential liability arising from lawsuits, and regulatory and government action. We face significant legal risks in our business, and the volume of claims and amount of damages, penalties and fines claimed in litigation, and regulatory and government proceedings against us and other financial institutions remains high. For example, ~~in 2019~~ Black Knight Servicing Technologies, LLC **(" Black Knight ")** filed a legal claim against us for alleged breach of contract and misappropriation of trade secrets **resulting in a final arbitration award against us and a pretax accrual of $ 158. 4 million in our financial results for the fourth quarter of fiscal year 2023. Although we believe the breadth and finality of the arbitration process and award preclude any further litigation against us, there can be no assurance that Intercontinental Exchange, Inc. (as Black Knight' s successor- in- interest) will not continue to pursue further litigation, even if frivolous, against us or other companies with which we do business, or that our cost to defend and / or indemnify third parties against any such claims may not be material and adversely impact our business and operations** . Greater than expected investigation costs and litigation, including class action lawsuits associated with compliance related issues, substantial legal liability or significant regulatory or government action against us could **also** have adverse effects on our financial condition and results of operations or cause significant reputational harm to us, which in turn could adversely impact our business results and prospects. ~~We~~ **Consumers, clients and other counterparties could also become increasingly litigious, and we** may experience a significant volume of litigation and other disputes, including claims for contractual indemnification, with counterparties regarding relative rights and responsibilities. **We could** ~~Consumers, clients and other counterparties may~~ also ~~become increasingly litigious. We also may~~ be exposed to **potential liability** ~~the risk of litigation by investors and entities that we manage~~ from **PCM,** ~~time to time if~~ our **investment** management **subsidiary who manages PMT** ~~advice is alleged to constitute gross negligence or willful misconduct~~ , **or** ~~up to the entire amount of loss. Further, we may be subject to~~ litigation arising from investor dissatisfaction with PMT' s financial performance or ~~if~~ **allegations** we ~~improperly~~ exercised **improper** control or influence over PMT. In addition, we are exposed to risks of litigation or investigation relating to transactions ~~which presented~~ **with perceived or actual** conflicts of interest ~~that were not properly addressed. In such actions~~ , **and** we ~~would~~ **could** be obligated to bear legal, settlement and other costs **associated with the defense of such claims** (which may be in excess of available insurance coverage). ~~In addition, although~~ **Although** we are generally indemnified by PMT, our rights to indemnification may be challenged ~~. If~~ **, and if** we are required to incur all or a portion of the costs arising out of litigation or investigations as a result of inadequate insurance proceeds or failure to obtain indemnification, our business, financial condition, liquidity and results of operations ~~would~~ **could** be materially and adversely affected. ~~31We~~ **We** depend on counterparties and vendors to provide services that are critical to our business, which subjects us to a variety of risks. We have a number of counterparties and vendors, who provide us with financial, technology and other services that are critical to support our businesses. If our current counterparties and vendors were to stop providing services to us on acceptable terms or if we had a disruption in service ~~due to a vendor dispute~~ , we may be unable to procure alternative services from other counterparties or vendors in a timely and efficient manner and on similarly acceptable terms, or at all. Some of these counterparties and vendors have significant operations outside of the United States. If we or our vendors had to curtail or ~~cease~~ **29cease** operations in these countries due to political unrest or natural disasters and then transfer some or all of these operations to another geographic area, we could experience disruptions in service and incur significant transition costs as well as higher future overhead costs. We may also outsource certain services to vendors located in foreign countries such as India and the Philippines with emerging technology, political and regulatory infrastructures that could result in future business disruptions or reputational damages. With respect to vendors engaged to perform certain servicing activities, we are required to assess their compliance with various regulations and establish procedures to provide reasonable assurance that the vendor' s activities comply in all material respects with such regulations. In the event that a vendor' s activities are not in compliance, it could negatively impact our relationships with our regulators, as well as our business and operations. Further, we may incur significant costs to resolve any such disruptions in service which could have a material adverse effect on our business, financial condition, liquidity and results of operations. Our failure to appropriately address various issues that may give rise to reputational risk could cause harm to our business and adversely affect our earnings. Our business is subject to significant reputational risks. If we fail, or appear to fail, to address various issues that may give rise to reputational risk, we could significantly harm our business prospects and earnings. Such issues include, but are not limited to, actual or perceived conflicts of interest, violations of legal or regulatory requirements, and any of the other risks discussed in this Item 1A. Similarly, market rumors and actual or perceived association with counterparties whose own reputations are under question could harm our business. Certain of our officers also serve as officers of PMT **, a real estate investment trust we manage that invests in residential mortgage-related assets and is separately listed on the New York Stock Exchange** . As we expand the scope of our businesses, we increasingly confront potential conflicts of interest relating to investment activities that we manage for PMT ~~. The SEC and certain regulators have increased their scrutiny of potential conflicts of interest, and as we experience growth in our businesses, we continue to monitor and mitigate or otherwise address any conflicts between our interests and those of PMT through the implementation of procedures and controls~~ . Reputational risk incurred in connection with conflicts of interest could negatively affect our business, strain our working relationships with regulators and government agencies, expose us to litigation and regulatory action, impact our ability to attract and retain clients, customers, trading counterparties, investors and employees and adversely affect our results of operations. Reputational damage can result from our actual or alleged conduct in any number of activities, including lending and debt collection practices, corporate governance, and actions taken by government regulators and community organizations in response to those activities. Negative public opinion can also result from social media and media coverage, whether accurate or not. Our reputation may also be negatively impacted by our environmental, social ~~and~~ **,** governance **and other corporate sustainability practices** (" ~~ESG~~ **Corporate Sustainability** ") ~~practices and disclosures, including climate change practices and disclosures~~ . In addition, various private third party organizations have developed ratings processes for evaluating companies on their approach to ~~ESG~~ **Corporate Sustainability** matters. These third party ~~ESG~~ **Corporate Sustainability** ratings may be used by some investors to assist with their investment and voting decisions. Any unfavorable ~~ESG~~ **Corporate Sustainability** ratings may lead to reputational damage and negative sentiment among our investors and other stakeholders. These factors could impair our working relationships with government agencies and investors, expose us to litigation and regulatory action, negatively affect our ability to attract and retain customers, trading counterparties and employees, significantly harm our stock price and ability to raise capital, and adversely affect our results of operations. ~~32Accounting~~ -- **Accounting** rules for certain of our transactions are highly complex and involve significant judgment and assumptions. Changes in accounting interpretations or assumptions could impact our financial statements. Accounting rules for mortgage loan sales and securitizations, valuations of financial instruments and MSRs, investment consolidations, income taxes and other aspects of our operations are highly complex and involve significant judgment and assumptions. These complexities could lead to a delay in preparation of financial information and the delivery of this information to our stockholders and also increase the risk of errors and restatements, as well as the cost of compliance. Our inability to timely prepare our financial statements in the future would likely be considered a breach of our financial covenants and adversely affect our share price significantly. Changes in accounting interpretations or assumptions as well as accounting rule misinterpretations could result in differences in our financial results or otherwise have a material adverse effect on our business, financial condition, liquidity and results of operations. **30Cybersecurity risks, cyber incidents and technology failures may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information or the personal information of our customers, and / or damage to our business relationships, all of which could negatively impact our financial results. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of theft of certain personally identifiable information of consumers, misappropriating assets, stealing confidential information, corrupting data or causing operational disruption.** The **result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our investor relationships. As our reliance on rapidly changing technology has increased, so have the risks posed to our information systems, both proprietary and those provided to us by third party service providers including cloud- based computing service providers. System disruptions and failures caused by unauthorized intrusion, malware, natural disasters and other similar events may interrupt or delay our ability to provide services to our customers. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased, which, in turn, may lead to**

increased costs to protect our network and systems. Despite our efforts to ensure the integrity of our systems and our investment in significant physical and technological security measures, employee training, contractual precautions, policies and procedures, board oversight and business continuity plans, there can be no assurance that any such cyber intrusions will not occur or, if they do occur, that they will be adequately addressed. We also may not be able to anticipate or implement effective preventive measures against all security breaches, especially because the methods of attack change frequently or may not be recognized until after such attack has been launched, and because security attacks can originate from a wide variety of sources, including third parties such as persons involved with organized crime or associated with external service providers. Additionally, third party security events at our vendors or service providers could also impact our data and operations via unauthorized access to information or disruption of services. Our data security management program includes identity, trust, vulnerability and threat management business processes as well as the adoption of standard data protection policies. We are also held accountable for the actions and inactions of our third party vendors and service providers regarding cybersecurity and other consumer- related matters. Any of the foregoing events could result in violations of applicable privacy and other laws, financial loss to us or to our customers, loss of confidence in our security measures, customer dissatisfaction, additional regulatory scrutiny, significant litigation exposure and harm to our reputation, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations. Technology disruptions or failures, including a failure in our information systems or those of third parties with whom we do business, could disrupt our business, cause legal or reputational harm and adversely impact our results of operations and financial condition. Many of our services are dependent on the secure, efficient, and uninterrupted operation of our technology infrastructure, including our computer systems, related software applications and cloud- based systems, as well as those of certain third parties and affiliates. Our information systems must accommodate a high volume of traffic and deliver frequently updated, accurate and timely information. We have experienced, and may in the future experience, service disruptions and failures caused by system or software failure, human error or misconduct, external attacks (e. g., computer hackers, hacktivists, nation state- backed hackers), denial of service or information, malicious or destructive code (e. g., ransomware, computer viruses and disabling devices), as well as natural disasters, health pandemics, strikes, and other similar events, and our contingency planning may not be sufficient for all situations. The implementation of technology changes and upgrades to maintain current and integrate new technology systems may also cause service interruptions. Any such disruptions could materially interrupt or delay our ability to provide services to our customers, and could also impair the ability of third parties to provide critical services to us. If our operations are disrupted or otherwise negatively affected 31by a technology disruption or failure, this could result in material adverse impacts on our business. Our products rely on software and services from third party vendors and if any of these services became unavailable or unreliable, it could adversely affect the quality and timeliness of services. We license third party software and depend on services from various third parties for use in our products. For example, we rely on third- party vendors for cloud- based systems and for certain mortgage production and servicing applications. Third party software applications, products, and services are constantly evolving, and we may not be able to maintain or modify our mortgage loan production and servicing offerings to ensure its compatibility with third party offerings following development changes. In addition, some of our competitors, partners, or other service providers may take actions that disrupt the interoperability of our business with their own products or services, or exert strong business influence on our ability to, and the terms on which we operate our business. Loss of the right to use any third party software or services could result in decreased functionality of our [products and services] until equivalent technology is either developed by us or, if available from another provider, is identified, obtained and integrated, which could adversely affect our reputation and our future financial condition and results of operations. Furthermore, we remain responsible for ensuring that our mortgage loan production and servicing businesses are in compliance with applicable laws and regulations. Despite our efforts to monitor such compliance, any errors or failures of such third party vendors or their software to perform in the manner intended could result in loan defects potentially requiring repurchase. Many of our third party vendors attempt to impose limitations on their liability for such errors, defects or failures, and if enforceable, we may have additional liability to our clients, borrowers or other third parties that could harm our reputation and increase our operating costs. Any failure to do so could adversely affect our ability to deliver effective products to our clients, borrowers and loan applicants and adversely affect our business. The loss of access to credit, employment, financial and other data from external sources could harm our ability to provide our products and services. We rely on a wide variety of data sources to provide our services and products, including data collected from applicants and borrowers, credit bureaus, payroll providers, data aggregators, and unaffiliated third parties. If we are unable to access and use data collected from or on behalf of applicants and borrowers, or other third party data, or our access to such data is limited, our ability to provide our services and enable our customers to verify applicant data would be compromised. Any of the foregoing could negatively impact the customer experience of our platform, and the volume and degree of automation in our mortgage loan production and servicing businesses. The collection, processing, storage, use and disclosure of personal data could give rise to liabilities as a result of governmental regulations and conflicting legal requirements. We receive, transmit and store a large volume of personally identifiable information and other user data. Moreover, there are various federal and state laws regarding privacy and the storing, sharing, use, disclosure and protection of personally identifiable information that could give rise to liabilities. Federal privacy requirements such as those under the Gramm- Leach- Bliley Act and Fair Credit Reporting Act are within the regulatory and enforcement authority of the CFPB and Federal Trade Commission. We are also subject to a variety of state laws and regulations that apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal information, such as the California Consumer Privacy Act and the California

Privacy Rights Act that provide data privacy rights for California consumers including a private rights of action against businesses that fail to implement reasonable security procedures and practices to prevent data breaches. Failure to comply with any of these privacy laws could result in enforcement action against us, including fines and public censure that could result in serious harm to our reputation, business and have a material adverse effect on our business, financial condition and results of operations. 32The success and growth of our business depends upon our ability to adapt to and implement technological changes and to successfully develop, implement and protect proprietary technology. Our success in the mortgage industry is highly dependent upon our ability to adapt to constant technological changes, successfully enhance our current information technology solutions through the use of third ~~-~~party and our proprietary technologies, and introduce new solutions and services that more efficiently address the needs of our customers. Our mortgage loan production businesses are dependent upon our ability to effectively interface with our borrowers, mortgage lenders and other third parties and to efficiently process loan applications and closings. The direct lending processes are becoming more dependent upon technological advancement, such as our continued ability to process applications over the Internet, accept electronic signatures, provide process status updates instantly and other borrower- or counterparty- expected conveniences. In our correspondent production activities, our and PMT' s correspondent sellers also expect and require certain conveniences and service levels that are dependent on technological advancement. We have developed a workflow- driven, cloud- based loan acquisition platform and while we anticipate that the cloud- based ~~system~~ **platform** will increase scalability and produce other efficiencies, there can be no assurance that the cloud- based ~~system~~ **platform** will prove to be effective or that such correspondent sellers will easily adapt to the cloud- based ~~system~~ **platform** . Any failure to effectively or timely transition to our new system and meet our expectations and the expectations of our correspondent sellers could have a material adverse effect on our business, financial condition and results of operations. Similarly, our servicing business is dependent on our ability to effectively interface with our customers and investors, as well as service mortgage loans in compliance with applicable laws and regulations and the contractual requirements of such investors. For example, our proprietary workflow- driven, cloud- based servicing system provides for real- time processing and advanced workflow management thereby reducing servicing costs, increasing scalability and creating sustainable efficiencies. The development, implementation and protection of these technologies and becoming more proficient with them may also require significant capital and operating expenditures. As these technological advancements increase in the future, we will need to further develop and invest in these technological capabilities to remain competitive. Moreover, litigation has become required to protect our technologies and such litigation is ~~expected to be~~ time consuming and **costly** ~~result in substantial costs and diversion of resources~~ . We rely on a combination of trademarks, copyrights, and trade secrets, as well as confidentiality and contractual provisions to protect our intellectual property and proprietary technologies. In addition, we also license and utilize third party proprietary technologies and loss of rights to significant third party proprietary technologies may result in decreased product functionality. The development, implementation and protection of our intellectual property and proprietary technologies requires significant human resources and capital expenditures. As these technological advancements and investor and compliance requirements increase in the future, we will need to further develop these technological capabilities to remain competitive, and we will need to implement, execute and maintain them in an operating and regulatory environment that exposes us to significant risk. ~~33There~~ -- **There** is no assurance that we will be able to successfully adopt new technologies as critical systems and applications become obsolete and better ones become available. Any failure by us to develop, implement, integrate, execute or maintain our technological capabilities and any litigation costs associated with protection of our technologies could have a material adverse effect on our business, financial condition and results of operations. Climate change, adverse weather conditions, man- made or natural disasters, pandemics, terrorist attacks, and other long term physical and environmental changes and conditions could adversely impact properties that we own or that collateralize loans we own or service, as well as geographic areas where we conduct business. Climate change, adverse weather conditions, man- made or natural disasters, pandemics, terrorist attacks and other long term physical and environmental changes and conditions could adversely impact properties that we own or that collateralize loans we own or service, as well as geographic areas where we conduct business. In addition, such adverse conditions and long term physical and environmental changes could impact the demand for, and value of, our assets, as well as the cost to service or manage such assets, or directly impact the value of our assets through damage, destruction or loss, and thereafter materially impact the availability or cost of insurance to protect against these events. ~~Upon~~ **33Upon** the occurrence of a catastrophic event, we may be unable to continue our operations and may endure significant business interruptions, reputational harm, delays in servicing our customers and working with our partners, interruptions in the availability of our technology and systems, breaches of data security, and loss of critical data, all of which could have an adverse effect on our future operating results. Catastrophic events may also be uninsurable or not economically insurable and might make the insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. There is an increasing global concern over the risks of climate change and related environmental sustainability matters. The physical risks of climate change may include rising average global temperatures, rising sea levels and an increase in the frequency and severity of extreme weather events and natural disasters, including floods, wildfires, hurricanes, earthquakes and tornados, and these events could impact our owned real estate and the properties collateralizing our loan assets or underlying our MSR assets and the local economies of certain areas in which we operate. Although we believe our owned real estate and the properties collateralizing our loan assets or underlying our MSR assets are appropriately covered by insurance, we cannot predict at this time if we or our borrowers will be able to obtain appropriate coverage at a reasonable cost in the future, or if we will be able to continue to pass along all of the costs of insurance. There also is a risk that one or more of our property insurers may not be able to fulfill their obligations with respect to payment claims due to a deterioration in its financial condition or may even cancel policies due to increasing costs of providing insurance coverage in certain geographic areas. ~~Further, numerous~~ **Numerous** treaties, laws and regulations have been enacted or proposed in an effort to regulate climate change, including regulations aimed at limiting greenhouse gas emissions and the implementation of " green " building codes. These laws and regulations may impact the rates at which we obtain property insurance and result in increased operating costs, or impose substantial costs on our borrowers or affect their ability to obtain appropriate coverage at reasonable costs. We may also incur costs associated with increased regulations or investor requirements for increased environmental and social disclosures and reporting. Additionally, climate change concerns could result in transition risk. Changes in consumer preferences and additional legislation and regulatory requirements, including those associated with a transition to a low- carbon economy, could increase expenses or otherwise adversely impact our operations and business. **Failures at financial institutions at which we deposit funds or maintain investments could adversely affect us. We deposit substantial funds in financial institutions and may, from time to time, maintain cash balances at such financial institutions in excess of the Federal Deposit Insurance Corporation (" FDIC ") insured amounts. We also hold investments and settled funds in accounts at financial institutions acting as brokers or custodians. In addition, we deposit certain funds owned by third parties, such as escrow deposits, in financial institutions. There was significant volatility and instability among banks and financial institutions in 2023 that led to the failures of certain banks. For example, for a period of time, customers of the Silicon Valley Bank did not have access to their funds and there was uncertainty as to when, if at all, customers would have access to funds in excess of federally insured amounts. Should one or more of the financial institutions at which our deposits are maintained fail, there is no guarantee as to the extent that we would recover the funds deposited, whether through FDIC coverage or otherwise, or the timing of any recovery. In the event of any such failure, we also could be held liable for the funds owned by third parties. Should one or more of the financial institutions acting as brokers or custodians for our investments and settled funds fail, there may be a delay or some uncertainty in our ability to take possession of, or fully recover, all of our investments or settled funds.** Regulatory RisksWe operate in a highly regulated industry and the continually changing federal, state and local laws and regulations could materially and adversely affect our business, financial condition, liquidity and results of operations. We are required to comply with a wide array of federal, state and local laws and regulations that regulate, among other things, the manner in which we conduct our businesses. These regulations directly impact our business and require constant compliance, monitoring and internal and external audits and examinations by federal and state regulators. Our failure to operate effectively and in compliance with any of these laws, regulations and rules could subject us to lawsuits or governmental actions and damage our reputation, which could materially and adversely affect our business, financial condition, liquidity and results of operations. In addition, our failure to comply with these laws, regulations and rules may result in increased costs of doing business, reduced payments by borrowers, modification of ~~the~~ **34the** original terms of mortgage loans, permanent forgiveness of debt, delays in the foreclosure process, increased ~~34servicing~~ -- **servicing** advances, litigation, reputational damage, enforcement actions, and repurchase and indemnification obligations. Further, we may be required to pay substantial penalties imposed by our regulators due to compliance errors, or we may lose our licenses to originate and / or service loans. We must also comply with a number of federal, state and local consumer protection and state foreclosure laws. These statutes apply to loan origination, servicing, debt collection, marketing, use of credit reports, safeguarding of non- public, personally identifiable information about our clients, foreclosure and claims handling, investment of and interest payments on escrow balances and escrow payment features, and mandate certain disclosures and notices to customers. Because we are not a federally chartered depository institution, we generally do not benefit from federal pre- emption of state mortgage loan banking, loan servicing or debt collection licensing and regulatory requirements and must comply with ~~multiple~~ state licensing and compliance requirements **in all 50 states, the District of Columbia and other U. S. territories** . These state rules and regulations generally provide for, but are not limited to: originator, servicer and debt collector licensing requirements, requirements as to the form and content of contracts and other documentation, employee licensing and background check requirements, fee requirements, interest rate limits, and disclosure and record- keeping requirements. Regulatory agencies and consumer advocacy groups are becoming more aggressive in asserting fair lending, fair housing and other claims that the practices of lenders and loan servicers result in a disparate impact on protected classes. Antidiscrimination statutes, such as the Fair Housing Act and the Equal Credit Opportunity Act, prohibit creditors from discriminating against loan applicants and borrowers based on certain characteristics, such as race, religion and national origin. Various federal regulatory agencies and departments take the position that these laws apply not only to intentional discrimination, but also to neutral practices that have a disparate impact on a group that shares a characteristic that a creditor may not consider in making credit decisions (i. e., creditor or servicing practices that have a disproportionately negative affect on a protected class of individuals). The failure of our correspondent sellers to comply with any applicable laws, regulations and rules may also result in these adverse consequences. We have in place a due diligence program designed to assess areas of risk with respect to loans we acquire from such correspondent sellers. However, we may not detect every violation of law and, to the extent any correspondent sellers, third party originators, servicers or brokers with which we do business fail to comply with applicable laws or regulations and any of their mortgage loans or MSRs become part of our assets, it could subject us, as an assignee or purchaser of the related mortgage loans or MSRs, to monetary penalties or other losses. While we may have contractual rights to seek indemnity or repurchase from certain of these lenders, third party originators, servicers or brokers, if any of them are unable to fulfill their indemnity or repurchase obligations to us to a material extent, our business, liquidity, financial condition and results of operations could be materially and adversely affected. Our service providers and other vendors are also required to operate in compliance with applicable laws, regulations and rules. Our failure to adequately manage service providers and other vendors to mitigate risks of noncompliance with applicable laws may also have these negative results. Federal and state administrations could enact significant policy changes increasing regulatory scrutiny and enforcement actions in our industry. While it is not possible to predict when and whether significant policy or regulatory changes would occur, any such changes on the federal, state or local level could significantly impact, among other things, our operating expenses, the availability of mortgage financing, interest rates, consumer spending, the economy and the geopolitical landscape. To the extent that the current government administration takes action by proposing and / or passing regulatory policies that could have a negative impact on our industry, such actions may have a material adverse effect on our business, financial condition and results of operations. The **outcome of the 2024 U. S. Presidential and Congressional elections could result in significant policy changes or regulatory uncertainty in our industry. While it is not possible to predict when and whether significant policy or regulatory changes would occur, any such changes on the federal, state or local level could significantly impact, among other things, our operating expenses, the availability of mortgage financing, interest rates, consumer spending, the economy and the geopolitical landscape. To the extent that any government administration takes action by proposing 35and / or passing regulatory policies that could have a negative impact on our industry, such actions may have a material adverse effect on our business, financial condition and results of operations. The** Financial Stability Oversight Council (" FSOC ") and Conference of State Bank Supervisors ~~(" CSBS ")~~ have been reviewing whether state chartered nonbank mortgage servicers should be subject to " safety and soundness " standards similar to those imposed by federal law on insured depository institutions, even though nonbank mortgage servicers do not have any federally insured deposit accounts. ~~For example~~ **In addition** , on ~~July 26~~ **November 3** , ~~2021~~ **2023** , **FSOC revised its guidance governing** the ~~CSBS released model state regulatory~~ **potential designation of nonbank financial companies for supervision by the Federal Reserve Board and application of** prudential standards **and an " analytic framework "** for ~~state oversight of~~ **identifying, assessing, and responding to financial stability risks that could facilitate new** nonbank **financial company designations** ~~mortgage servicers. The model CSBS prudential standards include revised minimum net worth, capital ratio and liquidity standards similar to current FHFA requirements and require servicers to maintain sufficient allowable assets to cover normal operating expenses in addition to the amounts required for servicing expenses~~ . In addition, on August 17, 2022, the FHFA and Ginnie Mae announced ~~35enhanced~~ -- **enhanced** minimum net capital and liquidity eligibility requirements for sellers, servicers and issuers ~~that~~ **. Most of the requirements became effective on or before December 31, 2023. The risk-based capital requirements issued by Ginnie Mae** will **be** ~~go into effect~~ **effective** ~~in 2023 and~~ **on December 31,** 2024. To the extent any new minimum net worth, capital ratio and liquidity standards and requirements are overly burdensome, complying with such standards and requirements may have a material adverse effect on our business, financial condition and results of operations. New CFPB or state rules and regulations or more stringent enforcement of existing rules and regulations by these regulators could result in enforcement actions, fines, penalties and the inherent reputational risk that results from such actions. The CFPB ~~has~~ **and state** ~~regulatory~~ **regulators have** authority over certain aspects of our business as a result of our residential mortgage banking activities, including, without limitation, the authority to conduct investigations, bring enforcement actions, impose monetary penalties, require remediation of practices, pursue administrative proceedings or litigation, and obtain cease and desist orders for violations of applicable federal consumer financial laws. The current CFPB administration has stated its intention to aggressively supervise, investigate and, where it deems appropriate, bring enforcement actions against lenders and servicers the CFPB believes are engaged in activities that violate federal laws and regulations. In addition, examinations by state regulators and enforcement actions in the residential mortgage origination and servicing sectors by state attorneys general have increased and may continue to increase. Failure to comply with the CFPB and state laws, rules or regulations to which we are subject, whether actual or alleged, could have a material adverse effect on our business, liquidity, financial condition and results of operations. Our failure to comply with the laws, rules or regulations to which we are subject, whether actual or alleged, would expose us to fines, penalties or potential litigation liabilities, including costs, settlements and judgments, any of which could have a material adverse effect on our business, liquidity, financial condition and results of operations and our ability to make distributions to our stockholders. We are highly dependent on U. S. government- sponsored entities and government agencies, and any organizational or pricing changes at such entities or their regulators could materially and adversely affect our business, liquidity, financial condition and results of operations. Our ability to generate revenues through mortgage loan sales depends on programs administered by GSEs, such as Fannie Mae and Freddie Mac, government agencies, including Ginnie Mae, and others that facilitate the issuance of MBS in the secondary market. We originate mortgage loans directly with borrowers and brokers and assist PMT in acquiring loans from mortgage lenders through our correspondent production activities that qualify under existing standards for inclusion in MBS issued by Fannie Mae or Freddie Mac or guaranteed by Ginnie Mae. We, or PMT, also derive other material financial benefits from our Agency relationships, including the **assumption of credit risk on certain loans. Significant changes in our Agency relationships could impact our** ability to ~~avoid certain loan inventory~~ finance ~~costs through streamlined~~ **and sell mortgage** ~~loan~~ **loans** ~~funding~~ and **materially impact** ~~sale procedures. A number of legislative proposals have been introduced in recent years that would wind down or~~ **our revenues** ~~phase out the GSEs in their current form, including a proposal by the prior federal administration to end the conservatorship~~ and **margin** ~~privatize Fannie Mae and Freddie Mac. It is not possible to predict the scope and nature of the actions that the U. S. government, including the current federal administration, will ultimately take with respect to the GSEs~~ . Any changes in laws and regulations affecting the relationship between Fannie Mae and Freddie Mac and their regulators or the U. S. federal government, and any changes in leadership at these entities, could adversely affect our business and prospects. Any discontinuation of, or significant reduction in, the operation of Fannie Mae or Freddie Mac or any significant adverse change in their capital structure, financial condition, activity levels in the primary or ~~secondary~~ **36secondary** mortgage markets or in underwriting criteria could materially and adversely affect our business, financial condition, liquidity and results of operations and our ability to make distributions to our stockholders. ~~36Our~~ -- **Our** ability to generate revenue from newly originated loans that we acquire or assist PMT in acquiring is highly dependent on the fact that the Agencies have not historically acquired such loans directly from mortgage lenders, but have instead relied on banks and non- bank aggregators such as us to acquire, aggregate and securitize or otherwise sell such loans to investors in the secondary market. Certain of the Agencies have approved new and smaller lenders that traditionally may not have qualified for such approvals. To the extent that these mortgage lenders choose to sell directly to the Agencies rather than through loan aggregators like us, the number of loans available for purchase by aggregators is reduced, which could materially and adversely affect our business and results of operations. In addition, under certain Agency capital rules, loans sourced from loan aggregators such as PMT that we assist have higher capital requirements and may incur higher Agency fees for third party originated loans that PMT aggregates and delivers to the Agencies as compared to individual loans delivered by third party mortgage lenders directly to the Agencies' cash windows without the assistance of a loan aggregator. To the extent the Agencies increase the number of purchases and sales directly for their own accounts, our business and results of operations could be materially and adversely affected. We are required to have various Agency approvals and state licenses in order to conduct our business and there is no assurance we will be able to obtain or maintain those Agency approvals or state licenses. Because we are not a federally chartered depository ~~institutions~~ **institution,** we do not benefit from exemptions to state mortgage lending, loan servicing or debt collection licensing and regulatory requirements. We are licensed in all state jurisdictions, and for those activities, where we are required to be licensed and believe it is cost effective and appropriate to become licensed. Our failure to maintain any necessary licenses, comply with applicable licensing laws or satisfy the various requirements to maintain them over time could restrict our direct business activities, result in litigation or civil and other monetary penalties, or cause us to default under certain of our lending arrangements, any of which could materially and adversely impact our business, financial condition, liquidity, results of operations and ability to make distributions to our stockholders. We are also required to hold the Agency approvals in order to sell loans to the Agencies and service such loans on their behalf. Our failure to satisfy the various requirements necessary to maintain such Agency approvals over time would also restrict our business activities and could adversely impact our business. We are subject to periodic examinations by federal, state and Agency auditors and regulators, which can result in increases in our administrative costs, and we may be required to pay substantial penalties imposed by these regulators due to compliance errors, or we may lose our licenses. Negative publicity or fines and penalties incurred in one jurisdiction may cause investigations or other actions by regulators in other jurisdictions and could adversely impact our business. Our inability to meet certain net worth and liquidity requirements imposed by the Agencies could have a material adverse effect on our business, financial condition, liquidity and results of operation. We are subject to minimum financial eligibility requirements established by the Agencies. For example, on August 2022, the FHFA and Ginnie Mae announced enhanced minimum net capital and liquidity eligibility requirements for sellers, servicers and issuers ~~that~~ **. Most of the requirements became effective on or before December 31, 2023. The risk- based capital requirements issued by Ginnie Mae** will **be** ~~go into effect~~ **effective** ~~in 2023 and~~ **on December 31,** 2024. These eligibility requirements align the minimum financial requirements for mortgage sellers / servicers and MBS issuers to do business with the Agencies. These minimum financial requirements include net worth, capital ratio and / or liquidity criteria in order to set a minimum level of capital needed to adequately absorb potential losses and a minimum amount of liquidity needed to service Agency loans and MBS and cover the associated financial obligations and risks. In order to meet these minimum financial requirements, we are required to maintain rather than spend or invest, cash and cash equivalents in amounts that may adversely affect our business, financial condition, liquidity, results of operations and ability to make distributions to our stockholders, and this could significantly impede us, as a non- bank mortgage lender, from growing our respective businesses and place us at a competitive disadvantage in relation to federally chartered banks and certain other financial institutions. To the extent that such minimum financial requirements are not met, the Agencies may suspend or terminate Agency approval or certain agreements with us, which could cause ~~us~~ **37us** to cross default under financing arrangements and / or have a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make distributions to our stockholders. ~~37The~~ -- **The** failure of PennyMac Loan Services, LLC to avail itself of an appropriate exemption from registration as an investment company under the Investment Company Act of 1940 could have a material and adverse effect on our business. We intend to operate so that we, and each of our subsidiaries, are not required to register as investment companies under the Investment Company Act of 1940, as amended (" Investment Company Act "). We believe that our subsidiary, PLS, qualifies for one or more exemptions provided in the Investment Company Act because of the historical and current composition of its assets and income; however, there can be no assurances that the composition of PLS' assets and income will remain the same over time such that one or more exemptions will continue to be applicable. If PLS is required to register as an investment company, we would be required to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things: limitations on capital structure; restrictions on specified investments; prohibitions on transactions with affiliates; compliance with reporting, record keeping, voting and proxy disclosure; and, other rules and regulations that would significantly increase our operating expenses. Further, if PLS was or is required to register as an investment company, PLS would be in breach of various representations and warranties contained in its credit and other agreements resulting in a default as to certain of our contracts and obligations. This could also subject us to civil or criminal actions or regulatory proceedings, or result in a court appointed receiver to take control of us and liquidate our business, any or all of which could have a material adverse effect on our business, financial condition, liquidity and results of operations. ~~Our business, financial condition and results of operations may be adversely affected by the long term impact of the COVID- 19 pandemic. The COVID- 19 pandemic, inclusive of any variants, has created unprecedented economic, financial and public health disruptions that may continue to adversely affect, our business, financial condition and results of operations. The extent to which COVID- 19 continues to affect our business, financial condition and results of operations will depend on future developments, including the scope and duration of the COVID- 19 pandemic and actions taken by governmental authorities and other third parties in response to the COVID- 19 pandemic. The federal government enacted the CARES Act, which allows borrowers with federally- backed loans to request temporary payment forbearance in response to the increased borrower hardships resulting from the long term impact of the COVID- 19 pandemic. As a result of the CARES Act and other forbearance requirements, we may experience delinquencies in our servicing portfolio that require us to finance advances of principal and interest payments to the investors holding those loans, as well as advances of property taxes, insurance premiums and other expenses to protect investors' interests in the properties securing the loans. The CARES Act and other forbearance requirements have reduced our servicing fee income and increased our servicing expenses due to the increased number of delinquent loans, significant levels of forbearance that we have granted and continue to grant, as well as the resolution of loans that we expect to ultimately default as the result of the long term impact of the COVID- 19 pandemic. Future~~

~~servicing advances will be driven by a number of factors, including: the number of borrower delinquencies, including those resulting from payment forbearance; the length of time borrowers remain delinquent; and the level of successful resolution of delinquent payments, all of which will be impacted by the pace at which the economy recovers from the long term impact of the COVID- 19 pandemic. As of December 31, 2022, 1. 3 % of loans in our predominantly government- insured or guaranteed MSR portfolio were in forbearance plans and delinquent, resulting in an increase in the level of servicing advances we have been required to make due to borrower delinquencies. Servicing advances resulting from the COVID- 19 pandemic could have a significant adverse impact on our cash flows and could also have a detrimental effect on our business and financial condition. 38The CARES Act and other forbearance requirements have negatively impacted the fair value of our servicing assets and further market volatility or economic weakness may result in additional reductions in the value of our servicing assets and make it increasingly difficult to optimize our hedging activities. Our liquidity and / or regulatory capital could also be adversely impacted by volatility and disruptions in the capital and credit markets. If we fail to meet or satisfy any of the covenants in our repurchase agreements or other financing arrangements as a result of the impact of the COVID- 19 pandemic, we would be in default under these agreements, which could result in a cross- default or cross- acceleration under other financing arrangements, and our lenders could elect to declare outstanding amounts due and payable (or such amounts may automatically become due and payable), terminate their commitments, require the posting of additional collateral and enforce their respective interests against existing collateral. We may have difficulty accessing debt and equity capital on attractive terms, or at all, as a result of the impact of the COVID- 19 pandemic, which may adversely affect our access to capital necessary to fund our operations or address maturing liabilities on a timely basis. This includes renewals of our existing credit facilities with our lenders who may be adversely impacted by the volatility and dislocations in the financial markets and may not be willing or able to continue to extend us credit on the same terms, or on favorable terms, or at all. Our business could be disrupted if we are unable to operate due to changing governmental restrictions such as travel bans and quarantines placed or reinstituted on our employees or operations, including, successfully operating our business from remote locations, ensuring the protection of our employees' health and maintaining our information technology infrastructure. Further, increased operational expenses to address these restrictions and widespread employee illnesses could negatively affect staffing within our various businesses and geographies. Federal, state, and local executive, legislative and regulatory responses to the long term impact of the COVID- 19 pandemic may be inconsistent and conflict in scope or application, and may be subject to change without advance notice. These regulatory responses may impose additional compliance obligations, and may extend existing CARES Act and other forbearance requirements. In addition, the CARES Act and other federal, state and local regulations are subject to interpretation given the existing ambiguities in the rules and regulations, which may result in future class action and other litigation risk. The outcome of the COVID- 19 related governmental measures are unknown and they may not be sufficient to address future market dislocations or avert severe and prolonged reductions in economic activity. We may also face increased risks of disputes with our business partners, litigation and governmental and regulatory scrutiny as a result of the effects of the COVID- 19 pandemic. The final scope and duration of the COVID- 19 pandemic and the efficacy of the extraordinary government measures put in place to address it are currently unknown. Even after the COVID- 19 pandemic subsides, the economy may not fully recover for some time and we may be materially and adversely affected by a prolonged recession or economic downturn. 39Related~~ -- **Related** Party RisksWe rely on PMT as a significant source of financing for, and revenue related to, our mortgage banking business, and the termination of, or material adverse change in, the terms of this relationship, or a material adverse change to PMT or its operations, could adversely affect our business, financial condition, liquidity and results of operations. PMT is the counterparty that currently acquires newly originated mortgage loans in connection with our correspondent production activities. A portion of our income is derived from a fulfillment fee earned in connection with PMT' s acquisition of conventional loans. We are able to conduct our correspondent production activities without having to incur the significant additional debt financing that would be required for us to purchase those loans from the originating lender. We also purchase all government- insured and some conventional loans from PMT at PMT' s cost plus a sourcing fee and fulfill these loans for our own account. We earn interest income and gains or losses during the holding period and upon the sale of these securities, and we retain the MSRs with respect to the loans. If this relationship with PMT is terminated by PMT or PMT reduces the volume of these loans that it acquires for any reason, we would have to acquire these loans from the correspondent sellers for our own account, something that we may be unable to do, or enter into another similar counterparty arrangement with a third party, which we may not be able to enter into on terms that are as favorable to us, or at all. The management agreement, the mortgage banking services agreement and certain of the other agreements that we have entered into with PMT contain cross- termination provisions that allow PMT to terminate one or more of those agreements under certain circumstances where another one of such agreements is terminated. Accordingly, the termination of this relationship with PMT, or a material change in the terms thereof that is adverse to us, would likely have a material adverse effect our business, financial condition, liquidity and results of operations. The terms of these agreements extend until June 30, 2025, subject to automatic renewal for additional 18- month periods, but any of the agreements may be terminated earlier under certain circumstances or otherwise non- renewed. If any agreement is terminated or non- renewed and not replaced by a new agreement, it would materially and adversely affect our ability to continue to execute our business plan. We expect that PMT will continue to qualify as a REIT for U. S. federal income tax purposes. However, it is possible that PMT may not meet the requirements for qualification as a REIT. If PMT were to lose its REIT status, corporate-level income taxes, would apply to all of PMT' s taxable income at federal and state tax rates. Either of these ~~scenarios~~ **38scenarios** would potentially impair PMT' s financial position and its ability to raise capital, which could have a material adverse effect on our business, financial condition, liquidity and results of operations. A significant portion of our loan servicing operations are conducted pursuant to subservicing contracts with PMT, and any termination by PMT of these contracts, or a material change in the terms thereof that is adverse to us, would adversely affect our business, financial condition, liquidity and results of operations. PMT, as the owner of a substantial number of MSRs or mortgage loans that we subservice, may, under certain circumstances, terminate our subservicing contract with or without cause, in some instances with little notice and little to no compensation. Upon any such termination, it would be difficult to replace such a large volume of subservicing in a short period of time, or perhaps at all. Accordingly, we may not generate as much revenue from subservicing for other third parties. If we were to have our subservicing terminated by PMT, or if there was a change in the terms under which we perform subservicing for PMT that was material and adverse to us, this would have a material adverse effect on our business, financial condition, liquidity and results of operations. PMT has an exclusive right to acquire conventional conforming loans that are produced through our correspondent production activities, which may limit the revenues that we could otherwise earn in respect of those loans. Our mortgage banking services agreement with PMT requires PLS to provide fulfillment services for correspondent production activities exclusively to PMT as long as PMT has the legal and financial capacity to purchase correspondent loans. As a result, the revenue that we earn with respect to these loans will be limited to the fulfillment fees that we earn in connection with the production of these loans, which may be less than the revenues that we might otherwise be able to realize by acquiring these loans ourselves and selling them in the secondary loan market. ~~40Risks~~ -- **Risks** Related to Our Investment Management **SegmentWe** ~~SegmentMarket conditions could reduce the fair value of the assets that we manage, which would reduce our management and incentive fees. A portion of the fees that we earn under our investment management agreement is based on the fair value of the assets that we manage. The fair values of the securities and other assets held in the portfolios that we manage and, therefore, our assets under management may decline due to any number of factors beyond our control, including, among others, a decline in housing demand or value, the long term impact of the COVID- 19 pandemic, changes to interest rates, stock or bond market movements or volatility, a general economic downturn, inflation, political uncertainty, acts of terrorism, military conflict or acts of war, cyber- attacks or infrastructure outages. The economic outlook cannot be predicted with certainty and we continue to operate in a challenging business environment. If volatile market conditions cause a decline in the fair value of our assets under management, that decline in fair value could materially reduce our management fees and incentive fees under our management agreement with PMT and adversely affect our revenues. If our revenues decline without a commensurate reduction in our expenses, our net income will be reduced. We~~ currently manage assets for a single client, the loss of which would significantly reduce our management and incentive fees and have a material adverse effect on our results of operations. Our management and incentive fees result from our management of PMT. The term of the management agreement that we have entered into with PMT, as amended, expires on June 30, 2025, subject to automatic renewal for additional 18- month periods, unless terminated earlier in accordance with the terms of the agreement. In the event of a termination of one or more related party agreements by PMT in certain circumstances, we may be entitled to a termination fee under our management agreement. However, the termination of such management agreement and the loss of PMT as a client would significantly affect our investment management segment and negatively impact our management fees and incentive fees. The historical returns on the assets that we select and manage for PMT, and our resulting management and incentive fees, may not be indicative of future results. The historical returns of the assets that we manage should not be considered indicative of the future returns on those assets or future returns on other assets that we may select for investment by PMT. The investment performance that is achieved for the assets that we manage varies over time, and the nature and mix of assets we manage has changed significantly over the past several years. As a result, the change and variance in investment performance can be significant. For example, ~~although we earned performance incentive fees~~ in ~~prior~~ **fiscal** years ~~, in fiscal year~~ 2022 **and 2023** , we did not earn any performance incentive fees due to losses incurred by PMT during the associated performance measurement periods. Accordingly, the management and incentive fees that we have earned in the past based on those returns should not be considered indicative of the management or incentive fees that we may earn in the future from managing those same assets or from managing other assets for PMT. ~~Changes~~ **39Changes** in regulations applicable to our investment management segment could materially and adversely affect our business, financial condition, liquidity and results of operations. The legislative and regulatory environment in which we operate is constantly evolving. New laws or regulations, or changes in the enforcement of existing laws or regulations, applicable to us and PMT, may adversely affect our business. Our ability to succeed in this environment will depend on our ability to monitor and comply with regulatory changes. Regulatory changes that will affect other market participants are likely to change the way in which we conduct business with our counterparties. The uncertainty regarding the continued implementation of laws and regulations and their impact on the investment management industry and us cannot be predicted with certainty **and** ~~at this time but~~ will continue to be a risk for our business. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other U. S. or non- U. S. governmental regulatory authorities or self- regulatory organizations that supervise the financial markets. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules ~~41by~~ **by** these governmental authorities and self- regulatory organizations, as well as by U. S. and non- U. S. courts. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be imposed on us or the markets in which we trade, or whether any of the proposals will become law. Compliance with any new laws or regulations could add to our compliance burden and costs and adversely affect the manner in which we conduct business, as well as our financial condition, liquidity and results of operations. Our failure to comply with the extensive amount of regulation applicable to our investment management segment could materially and adversely affect our business, financial condition, liquidity and results of operations. Our investment management segment is subject to extensive regulation in the United States. These regulations are designed primarily to ensure the integrity of the financial markets and to protect investors in any entity that we advise and are not designed to protect our stockholders. Consequently, these regulations may limit our activities. These requirements relate to, among other things, fiduciary duties to clients, ~~solicitation~~ **marketing** agreements, conflicts of interest, recordkeeping and reporting requirements, disclosure requirements, **compliance procedures** ~~limitations on cross trades and principal transactions between an adviser and an advisory clients~~ and general anti- fraud prohibitions. We are required to maintain an effective compliance program, and are subject to inspection and examinations by the SEC and state regulators. The failure by us or our service providers to comply with applicable laws or regulations, or our failure to design and successfully implement and administer our compliance program, could result in fines, suspensions of individual employees, limitations on engaging in other businesses and other sanctions, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations. Even if an investigation or proceeding did not result in a fine or sanction or the fine or sanction imposed against us or our employees by a regulator were small in monetary amount, the adverse publicity relating to an investigation, proceeding or imposition of these fines or sanctions could harm our reputation. We may encounter conflicts of interest in trying to appropriately allocate our time and services between activities for our own account and for PMT, or in trying to appropriately allocate investment opportunities among ourselves and for PMT. Pursuant to our management agreement with PMT, we are obligated to provide PMT with the services of our senior management team, and the members of that team are required to devote such time as is necessary and appropriate, commensurate with the level of activity of PMT. The members of our senior management team may have conflicts in allocating their time and services between our operations and the activities of PMT and any other entities or accounts that we may manage in the future. In addition, we and the other entities or accounts that we may manage may participate in some of PMT' s investment strategies now or in the future ~~, which may not be the result of arm' s length negotiations~~ and may involve or later result in potential conflicts between our interests and those of PMT or such other entities. Any such perceived or actual conflicts of interest could damage our reputation and materially and adversely affect our business, financial condition, liquidity and results of operations. ~~Risks~~ **40Risks** Related to Our Organizational StructureHC Partners may be able to significantly influence the outcome of votes of our common stock, or exercise certain other rights pursuant to a stockholder agreement we have entered into with it, and its interests may differ from those of our other public stockholders. HC Partners, our largest stockholder, has the right under a stockholder agreement to nominate up to two individuals for election to our board of directors depending on the percentage of the voting power of our outstanding shares common stock that it holds, and we are obligated to use our best efforts to cause the election of those director nominees. In addition, the HC Partners' stockholder agreement requires that we obtain their consent with respect to amendments to our certificate of incorporation or bylaws. As a result, HC Partners may be able to significantly influence our management and affairs. In addition, as a result of the size of its individual equity holding it may be able to ~~42significantly~~ -- **significantly** influence the outcome of all matters requiring stockholder approval, including mergers and other material transactions, and may be able to cause or prevent a change in the composition of our board of directors or a change in control of our Company that could deprive our other public stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock. We have not established a minimum dividend payment level and no assurance can be given that we will be able to make dividends to our stockholders in the future at current levels or at all. We have not established a minimum dividend payment level, and our ability to pay dividends to our stockholders may be materially and adversely affected by the risk factors discussed in our SEC periodic reports. Although we paid, and anticipate continuing to pay, quarterly dividends to our stockholders, our board of directors has the sole discretion to determine the timing, form and amount of any future dividends to our stockholders, and such determination will depend upon, among other factors, our historical and projected results of operations, financial condition, cash flows and liquidity, capital requirements and other expense obligations, debt covenants, contractual legal, tax, regulatory and other restrictions and such other factors as our board of directors may deem relevant from time to time. As a result, no assurance can be given that we will be able to continue to pay dividends to our stockholders in the future or that the level of any future dividends will achieve a market yield or increase or even be maintained over time, any of which could materially and adversely affect the market price of our common stock. Anti- takeover provisions in our charter documents and Delaware law might discourage or delay acquisition attempts for us that other stockholders might consider favorable. Our certificate of incorporation and bylaws contain provisions that may make the acquisition of our company more difficult without the approval of our board of directors. Among other things, these provisions: ● authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval; ● prohibit stockholder action by written consent unless the matter as to which action is being taken has been approved by our board of directors; ● provide that our board of directors is expressly authorized to make, alter, or repeal our bylaws (provided that, if that action adversely affects HC Partners when that entity, together with its affiliates, holds at least 5 % of the voting power of our outstanding shares of capital stock, our stockholder agreements provide that such action must be approved by that entity); ● establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings; and ● prevent a sale of substantially all of our assets or completion of a merger or other business combination that constitutes a change of control without the approval of a majority of our independent directors. ~~These~~ **41These** and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our company or negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of and take other corporate actions. ~~43Our~~ -- **Our** bylaws include an exclusive forum provision that could limit our stockholders' ability to obtain a judicial forum viewed by the stockholders as more favorable for disputes with us or our directors, officers or other employees. Our bylaws provide that the state or federal court located within the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a claim of breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our certificate of incorporation or our bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. This exclusive forum provision may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other associates, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the exclusive forum provision contained in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business, financial condition, liquidity and results of operations. Ownership of Our Common

StockThe market price and trading volume of our common stock may be volatile, which could result in rapid and substantial losses for our stockholders. The market price and trading volume of our common stock has fluctuated significantly in the past and may be highly volatile in the future and could be subject to wide fluctuations. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. Further, if the market price of our common stock declines significantly, you may be unable to resell your shares at or above your purchase price, if at all. Some of the factors that could negatively affect the market price or trading volume of our common stock include: ● variations in our actual and anticipated financial and operating results and those expected by investors and analysts; ● changes in the manner that investors and securities analysts who provide research to the marketplace on us analyze the value of our common stock and similar companies; ● changes in recommendations or in estimated financial results published by securities analysts who provide research to the marketplace on us, our competitors or our industry; ● litigation and governmental investigations; ● increases in market interest rates that may lead purchasers of our shares to demand a higher yield; ● announcements by us or our competitors of significant contracts, acquisitions, dispositions, strategic relationships, joint ventures or capital commitments; and ● general market, political and economic conditions, including any such conditions and local conditions in the markets in which our customers are located. These broad market and industry factors may decrease the market price and trading volume of our common stock, regardless of our actual operating performance. ~~The~~ **42The** market price of our common stock could be negatively affected by sales of substantial amounts of our common stock into the public trading market. We were founded in 2008 by members of our executive leadership team and strategic investors, including HC Partners, our largest stockholder. Sales of substantial numbers of shares of our common stock into the public trading market by HC Partners, or the perception that such sales could occur, could adversely affect the market price of our common stock and impede our ability to raise capital through the issuance of additional common stock or other equity securities. ~~44The~~ -- **The** future issuance of additional common stock in connection with our incentive plans, acquisitions or otherwise will dilute all other stockholdings. As of December 31, ~~2022~~ **2023** , we have an aggregate of 4. ~~6~~ **9** million shares of common stock authorized and remaining available for future issuance under our 2022 Equity Incentive Plan. We may issue all of these shares of common stock without any action or approval by our stockholders, subject to certain exceptions. Any common stock issued in connection with our equity incentive plans or future acquisitions would dilute the percentage ownership held by investors who purchase our common stock. Future offerings of debt or equity securities by us may adversely affect the market price of our common stock. In the future, we may attempt to obtain financing or further increase our capital resources by issuing additional shares of our common stock or offering debt or other equity securities, including commercial paper, medium- term notes, senior or subordinated notes, convertible debt securities or shares of preferred stock. The issuance of additional shares of our common stock or other equity securities or securities convertible into equity may dilute the economic and voting rights of our existing stockholders or reduce the market price of our common stock or both. Upon liquidation, holders of such debt securities and preferred stock, if issued, and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our common stock. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred stock, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our common stock. Any issuance of securities in future offerings may reduce the market price of our common stock and dilute existing stockholders' interests in us. General Risks Our risk management efforts may not be effective. We could incur substantial losses and our business operations could be disrupted if we are unable to effectively identify, manage, monitor, and mitigate financial risks, such as credit risk, interest rate risk, prepayment risk, liquidity risk, climate risk and other market-related risks, as well as operational and legal risks related to our business, assets, and liabilities. We also are subject to various laws, regulations and rules that are not industry specific, including employment laws related to employee hiring and termination practices, health and safety laws, environmental laws and other federal, state and local laws, regulations and rules in the jurisdictions in which we operate. Our risk management policies, procedures, and techniques may not be sufficient to identify all of the risks to which we are exposed, mitigate the risks we have identified, or identify additional risks to which we may become subject in the future. Our risk management framework is designed to identify, monitor and mitigate risks that could have a negative impact on our financial condition or reputation. This framework includes divisions or groups dedicated to enterprise risk management, credit risk, climate risk, corporate sustainability ~~and ESG~~ , information security, disaster recovery and other information technology- related risks, business continuity, legal and compliance, compensation structures and other human resources matters, vendor management and internal audit, among others. Expansion of our business activities may also result in our being exposed to risks to which we have not previously been exposed or may increase our exposure to certain types of risks, and we may not effectively identify, manage, monitor, and mitigate these risks as our business activities change or increase. ~~45Initiating~~ **43Initiating** new business activities, developing new products or significantly expanding existing business activities may expose us to new risks and increase our cost of doing business. Initiating new business activities, developing new products, or significantly expanding existing business activities, such as our ~~consumer direct and wholesale broker lending businesses~~ **closed- end second lien mortgage loan product** , may expose us to new risks and regulatory compliance requirements **. For example, our closed- end second lien mortgage loans may result in a higher risk of loss than other loans since our second lien is subordinated to more senior secured loan claims. A closed- end second lien mortgage loan is offered to certain borrowers secured by a second lien on the mortgaged property subordinated to the rights of the first lien mortgage holder as well as other potential senior liens (such as mechanics liens, tax liens, HOA liens, municipal liens and other similar liens and assessments). Due to the priority of the more senior secured claims, the second lien holder may not be able to control the timing, method or procedure of any foreclosure action relating to the closed- end second mortgage loan. In addition, information about the other secured borrowers on the closed- end second mortgage loan may be inaccurate, unavailable or incomplete. Furthermore, any foreclosure or similar proceeds will only be available to**

satisfy the outstanding balance of a second lien mortgage loan to the extent that the claim of the holders of the first lien and other senior liens have been satisfied in full, including any foreclosure costs . We cannot be certain that we will be able to manage these risks and compliance requirements effectively. Furthermore, our efforts may not succeed, and any revenues we earn from any new or expanded business initiative may not be sufficient to offset the initial and ongoing costs of that initiative, which would result in a loss with respect to that initiative. We could be harmed by misconduct or fraud that is difficult to detect. We are exposed to risks relating to misconduct by our employees, contractors we use, or other third parties with whom we have relationships. For example, our employees could execute unauthorized transactions, use our assets improperly or without authorization, perform improper activities, use confidential information for improper purposes, or misrecord or otherwise try to hide improper activities from us. This type of misconduct could also relate to assets we manage for others through our investment advisory subsidiary, and can be difficult to detect. If not prevented or detected, misconduct by employees, contractors, or others could result in losses, claims or enforcement actions against us, or could seriously harm our reputation. Our controls may not be effective in detecting this type of activity. If we fail to maintain an effective system of internal controls, we may not be able to accurately determine our financial results or prevent fraud. As a result, our stockholders could lose confidence in our financial results, which could harm our business and the market value of our common stock. Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. We may in the future discover areas of our internal controls that need improvement. Section 404 of the Sarbanes- Oxley Act of 2002 (the " Sarbanes- Oxley Act ") requires that we evaluate and report on our internal control over financial reporting. We cannot be certain that we will be successful in maintaining adequate control over our financial reporting and financial processes. Section 404 (b) of the Sarbanes- Oxley Act requires our auditors to formally attest to and report on the effectiveness of our internal control over financial reporting. If we cannot maintain effective internal control over financial reporting, or our independent registered public accounting firm cannot provide an unqualified attestation report on the effectiveness of our internal control over financial reporting, investor confidence and, in turn, the market price of our common stock could ~~decline~~ **decrease** . If we or our independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could result in an event of default under one or more of our lending arrangements and / or reduce the market value of shares of our common stock. Additionally, the existence of any material weakness or significant deficiency could require management to devote significant time and incur significant expense to remediate any such material weakness or significant deficiency, and management may not be able to remediate any such material weakness or significant deficiency in a timely manner, or at all. Accordingly, our failure to maintain effective internal control over financial reporting could result in misstatements of our financial results or restatements of our financial statements or otherwise have a material adverse effect on our business, financial condition, liquidity and results of operations. **44** ~~Cybersecurity risks, cyber incidents and technology failures may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and / or damage to our business relationships, all of which could negatively impact our financial results. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of theft of certain personally identifiable information of consumers, misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our investor relationships. 46As our reliance on rapidly changing technology has increased, so have the risks posed to our information systems, both proprietary and those provided to us by third- party service providers including cloud- based computing service providers. System disruptions and failures caused by fire, power loss, telecommunications outages, unauthorized intrusion, malware, natural disasters and other similar events may interrupt or delay our ability to provide services to our customers. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased, which, in turn, may lead to increased costs to protect our network and systems. Despite our efforts to ensure the integrity of our systems and our investment in significant physical and technological security measures, employee training, contractual precautions, policies and procedures, board oversight and business continuity plans, there can be no assurance that any such cyber intrusions will not occur or, if they do occur, that they will be adequately addressed. We also may not be able to anticipate or implement effective preventive measures against all security breaches, especially because the methods of attack change frequently or may not be recognized until after such attack has been launched, and because security attacks can originate from a wide variety of sources, including third parties such as persons involved with organized crime or associated with external service providers. Additionally, third- party security events at our vendors or other service providers could also impact our data and operations via unauthorized access to information or disruption of services. Our data security management program includes identity, trust, vulnerability and threat management business processes as well as the adoption of standard data protection policies. We are also held accountable for the actions and inactions of our third- party vendors regarding cybersecurity and other consumer- related matters. Any of the foregoing events could result in violations of applicable privacy and other laws, financial loss to us or to our customers, loss of confidence in our security measures, customer dissatisfaction, additional regulatory scrutiny, significant litigation exposure and harm to our reputation, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations. We operate in a highly competitive market and decreased margins resulting from increased competition or our inability to compete successfully could adversely affect our business, financial condition, liquidity and results of operations. We operate in a highly competitive industry that could become even more competitive as a result of economic, legislative, regulatory and technological changes. With respect to mortgage loan production, we face competition in such areas as mortgage~~

~~loan offerings, rates, fees and customer service. With respect to servicing, we face competition in areas such as fees, cost to service and service levels, including our performance in reducing delinquencies and entering into successful modifications. Large commercial banks and savings institutions and other non- bank mortgage originators and servicers are increasingly competitive in the origination or acquisition of newly originated mortgage loans and the servicing of mortgage loans. Many of these institutions have significantly greater resources and access to capital and financing arrangements than we do, which may give them the benefit of a lower cost of funds. Additionally, our existing and potential competitors may decide to modify their business models to compete more directly with our loan production and servicing models. As new competitors enter these markets and as commercial banks aggressively compete for market share, our mortgage banking businesses may generate lower volumes and / or margins. If our loan production volumes and profit margins significantly decrease, then our business, financial condition, liquidity and results of operations could be materially and adversely affected. 47~~