

PennyMac Mortgage Investment Trust
Form 10-Q
May 07, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

Form 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2010

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

**For the transition period from _____ to _____
Commission file number: 001-34416**

PennyMac Mortgage Investment Trust

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

27-0186273

(IRS Employer Identification No.)

27001 Agoura Road, Calabasas, California

(Address of principal executive offices)

91301

(Zip Code)

(818) 224-7442

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a
smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 5, 2010
Common Shares of Beneficial Interest, \$.01 par value	16,735,317

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FORM 10-Q
March 31, 2010
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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(In thousands, except share data)****(Unaudited)**

	March 31, 2010	December 31, 2009
ASSETS		
Cash	\$ 2,125	\$ 54
Short-term investment	115,485	213,628
Mortgage-backed securities at fair value	76,389	83,771
Mortgage loans at fair value	123,464	26,046
Real estate acquired in settlement of loans	1,511	
Principal and interest collections receivable	6,131	
Interest receivable	602	492
Due from affiliates	51	
Other assets	930	455
Total assets	\$ 326,688	\$ 324,446
LIABILITIES		
Accounts payable and accrued liabilities	\$ 563	\$ 527
Contingent underwriting fees payable	5,883	5,883
Income taxes payable	127	
Payable to affiliates	4,635	4,238
Total liabilities	11,208	10,648
Commitments and contingencies		
SHAREHOLDERS' EQUITY		
Common shares of beneficial interest authorized, 500,000,000 shares of \$0.01 par value; issued and outstanding, 16,735,317 shares	167	167
Additional paid-in capital	315,942	315,514
Accumulated deficit	(629)	(1,883)
Total shareholders' equity	315,480	313,798
Total liabilities and shareholders' equity	\$ 326,688	\$ 324,446

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF INCOME****(In thousands, except per share data)****(Unaudited)**

	Quarter ended March 31, 2010
Investment Income	
Interest income:	
Mortgage-backed securities	\$ 1,284
Mortgage loans	1,335
Other	45
	2,664
Change in fair value of investments:	
Mortgage-backed securities	57
Mortgage loans	1,133
	1,190
Net investment income	3,854
Expenses	
Management fees	1,211
Compensation	803
Insurance	197
Professional services	94
Other	168
Total expenses	2,473
Income before provision for income taxes	1,381
Provision for income taxes	127
Net income	\$ 1,254
Earnings per share, basic and diluted	\$ 0.07
Weighted average shares outstanding:	
Basic	16,735
Diluted	17,110

The accompanying notes are an integral part of these consolidated financial statements.

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PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands, except share data)

(Unaudited)

	Number of shares	Par value	Additional paid-in capital	Accumulated deficit	Total
Balance at December 31, 2009	16,735,317	\$ 167	\$ 315,514	\$ (1,883)	\$ 313,798
Share-based compensation			578		578
Stock issuance costs			(150)		(150)
Net income				1,254	1,254
Balance at March 31, 2010	16,735,317	\$ 167	\$ 315,942	\$ (629)	\$ 315,480

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CASH FLOWS****(In thousands)****(Unaudited)**

	Quarter ended March 31, 2010
Cash flows from operating activities:	
Net income	\$ 1,254
Adjustments to reconcile net income to net cash used by operating activities:	
Accrual of unearned discounts on mortgage-backed securities	(765)
Appreciation in fair value of mortgage loans and mortgage-backed securities	(1,190)
Share-based compensation expense	578
Purchase of mortgage loans for sale	(13,782)
Proceeds from sale of mortgage loans	13,782
Increase in principal and interest collections receivable	(1,264)
Increase in interest receivable	(110)
Increase in due from affiliates	(51)
Increase in other assets	(475)
Increase in accounts payable and accrued liabilities	36
Increase in income taxes payable	127
Increase in payable to affiliates	397
 Net cash used by operating activities	 (1,463)
Cash flows from investing activities:	
Net decrease in short-term investment	98,143
Purchase of mortgage-backed security	(414)
Proceeds from repayments of mortgage-backed securities	8,618
Purchases of mortgage loans	(101,425)
Purchases of real estate acquired in settlement of loans	(1,238)
 Net cash provided by investing activities	 3,684
Cash flows from financing activities:	
Payment of stock issuance costs initial exchange listing fees	(150)
 Net cash used by financing activities	 (150)
 Net increase in cash	 2,071
Cash at beginning of period	54
 Cash at end of period	 \$ 2,125
Supplemental Cash Flow Information:	
Non cash investing activity transfer of mortgage loans to real estate acquired in settlement of loans	\$ 273

The accompanying notes are an integral part of these consolidated financial statements.

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PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 Organization and Basis of Presentation

PennyMac Mortgage Investment Trust ("PMT" or the "Company") was organized in Maryland on May 18, 2009, and began operations on August 4, 2009, when it completed its initial offerings of common shares of beneficial interest ("shares"). The Company is a specialty finance company, which, through its subsidiaries (all of which are wholly-owned), invests primarily in residential mortgage loans and mortgage-related assets. The Company's investment objective is to maximize the value of the mortgage loans that it acquires, a substantial portion of which may be distressed and acquired at discounts to their unpaid principal balances, through proprietary loan modification programs, special servicing and other initiatives focused on keeping borrowers in their homes, or, when necessary, through timely acquisition and liquidation of the property securing the loan.

The Company intends to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), beginning with its taxable period ended on December 31, 2009. To maintain its tax status as a REIT, the Company plans to distribute at least 90% of its taxable income in the form of qualifying distributions to holders of shares.

The Company is externally managed by an affiliate, PNMAC Capital Management, LLC ("PCM" or the "Manager"), an investment adviser registered with the Securities and Exchange Commission (the "SEC") that specializes in and focuses on residential mortgage loans. Under the terms of a management agreement, PCM is paid a management fee with a base component and a performance incentive component. Determination of the amount of management fees is discussed in Note 3 *Transactions with Related Parties*.

The accompanying consolidated financial statements have been prepared in compliance with accounting principles generally accepted in the U.S. ("U.S. GAAP") for interim financial information and with the SEC's instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, these financial statements and notes do not include all of the information required by U.S. GAAP for complete financial statements.

Preparation of financial statements in compliance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results will likely differ from those estimates.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the quarter ended March 31, 2010 are not necessarily indicative of the results for the year ending December 31, 2010. Comparable year information related to the Consolidated Statement of Income and Consolidated Statement of Cash Flows are omitted as the Company began operations on August 4, 2009.

Note 2 Concentration of Risks

PMT's operations and investing activities are centered in real estate-related assets, a substantial portion of which are distressed at acquisition. Because of the Company's investment strategy, many of the mortgage loans in its targeted asset class are purchased at discounts reflecting their distressed state or perceived higher risk of default. PCM performs diligence on the portfolios of mortgage loans and mortgage-related assets it targets for acquisition to evaluate the prospective acquisition's credit risk and establish a purchase bid that reflects PCM's assessment of that risk.

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PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 2 Concentration of Risks (Continued)

Through its management agreement with PCM and, where applicable, the loan servicing agreement between its operating partnership and an affiliated company, PennyMac Loan Services, LLC ("PLS"), PMT will work with borrowers to perform loss mitigation activities. Such activities include the use of proprietary and federally sponsored loan modification programs (such as the U.S. Department of Housing and Urban Development's Home Affordable Modification Program, or HAMP) and workout options that PCM believes have the highest probability of successful resolution for both borrowers and PMT. Loan modifications may include PMT accepting a write down of the principal balances of certain mortgage loans in its investment portfolio.

Because of the Company's investment focus, PMT is exposed, to a greater extent than traditional mortgage investors, to the risks that more borrowers than anticipated default on their mortgage loans and to the effects of fluctuations in the residential real estate market on the performance of its investments. Factors influencing these risks include, but are not limited to, changes in the overall economy, unemployment, residential real estate values in the markets where the Company's mortgage loans are secured, PCM's ability to identify and PLS's ability to execute optimal resolutions of problem mortgage loans, the accuracy of borrower representations and PMT's ability to validate borrower capacity to meet the terms of workout agreements, PCM's ability to effectively model and develop appropriate model assumptions that properly anticipate future outcomes, the level of government support for problem loan resolution and the effect of current and future proposed and enacted legislative and regulatory changes on the Company's ability to effect cures to distressed loans or foreclose on and liquidate the real estate securing its portfolio of distressed mortgage loans. Due to these uncertainties, there can be no assurance that risk management activities identified and executed on PMT's behalf will prevent significant losses arising from the Company's investments in real estate-related assets.

As discussed in Note 3 *Transactions with Related Parties*, the Company's short-term money market investment is made in an uninsured institutional money market fund that is managed by a strategic investor of the parent company of the Company's Manager and PLS.

Note 3 Transactions with Related Parties

The Company is managed externally by PCM under the terms of a management agreement that expires on August 4, 2012 and will be automatically renewed for a one-year term each anniversary date thereafter unless previously terminated. The management agreement provides for an annual review of PCM's performance under the management agreement by the Company's independent trustees. PMT's Board of Trustees reviews the Company's financial results, policy compliance and strategic direction.

PMT pays PCM a base management fee and a performance incentive fee, both payable quarterly and in arrears. The base management fee is calculated at the annual rate of 1.5% of shareholders' equity (as defined in the management agreement). The performance incentive fee is calculated at 20% per annum of the amount by which "core earnings," on a rolling four-quarter basis and before the incentive fee, exceeds an 8% "hurdle rate."

"Core earnings," for purposes of determining the amount of the performance incentive fee, is defined as U.S. GAAP net income adjusted to exclude non-cash equity compensation expense, unrealized gains and losses or other non-cash items recognized during the period, any conditional payment amounts relating to PMT's initial public offering ("IPO") paid to PCM and

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the underwriters of PMT's share offering, and any "one-time events" pursuant to changes in U.S. GAAP and certain other non-cash charges after discussions as agreed between PCM and PMT's independent trustees and approval by a majority of PMT's independent trustees.

The "hurdle rate" is calculated as the product of (1) the weighted average of the issue price per share of all of the Company's public offerings multiplied by the weighted average number of shares outstanding (including, for the avoidance of doubt, restricted share units) in the four-quarter period and (2) 8%. During PMT's first four quarters, core earnings will be calculated based on the annualized results of the preceding quarters.

For purposes of calculating the incentive fee, to the extent PMT has a net loss in core earnings from a period prior to the rolling four-quarter period that has not been offset by core earnings in a subsequent period, such loss will continue to be included in the rolling four-quarter calculation until it has been fully offset. This term is not applicable for purposes of determining whether the conditional payment of the underwriting discount is payable.

For the quarter ended March 31, 2010, the Company recorded management fee expense and its related liability as summarized below:

	Quarter ended March 31, 2010 (in thousands)
Base fee	\$ 1,211
Performance incentive fee	
Total incurred during the period	\$ 1,211
Fee paid during the period	(1,169)
Fee outstanding at December 31, 2009	1,169
Fee due to Manager at March 31, 2010	\$ 1,211

If the Company terminates the management agreement without cause, or PCM terminates the management agreement upon a default in the Company's performance of any material term in the management agreement, PMT will pay a termination fee to PCM. The termination fee will be equal to three times (a) the average annual base management fee and (b) the average annual (or, if the period is less than 24 months, annualized) incentive fee earned by PCM during the prior 24-month period before termination. Under circumstances where the termination fee is payable, PMT will pay to PCM its portion of the conditional payment of the underwriting discount discussed in Note 9 *Shareholders' Equity*.

The Company, through its operating partnership, also has a loan servicing agreement with PLS that provides for servicing fees at rates that are expected to range between 30 and 100 basis points per annum on the unpaid principal balance of the mortgage loans serviced on the Company's behalf.

Under the loan servicing agreement, PLS is also entitled to certain customary market-based fees and charges, including boarding and de-boarding fees, disposition fees, assumption, modification and origination fees and late charges, as well as interest on funds on deposit in custodial or escrow accounts. In the event PLS effects a refinancing of a loan on the Company's behalf and not through a third party lender and the resulting loan is readily saleable, PLS is entitled to receive from the

Table of Contents**PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****Note 3 Transactions with Related Parties (Continued)**

Company an origination fee of 1.0% of the unpaid principal balance of the loan plus \$750. Similarly, when PLS originates a loan to facilitate the disposition of real estate that the Company has acquired in settlement of a loan, PLS is entitled to a fee in the same amount. In addition, the Company currently participates in HAMP (or other similar mortgage loan modification programs), which establishes standard loan modification guidelines for "at risk" homeowners and provides incentive payments to certain participants, including loan servicers, for achieving modifications and successfully remaining in the program. The loan servicing agreement entitles PLS to retain any incentive payments made to it and to which it is entitled under HAMP; provided, however, that with respect to any such incentive payments paid to PLS in connection with a mortgage loan modification for which the Company previously paid PLS a modification fee, PLS shall reimburse the Company an amount equal to the lesser of such modification fee and such incentive payments.

Servicing fee rates are based on the risk characteristics of the mortgage loans serviced and total servicing compensation is established at levels that management believes are competitive with those charged by other specialty servicers.

During the quarter ended March 31, 2010, the Company recorded \$233,000 in expenses incurred and \$250,000 of purchase deposits acquired on its behalf by PCM and its affiliates in accordance with the terms of the management agreement. Amounts due to affiliates are summarized below as of the dates presented:

	March 31, 2010	December 31, 2009
	(in thousands)	
Contingent offering costs	\$ 2,941	\$ 2,941
Management fee	1,211	1,169
Expense and purchase deposit reimbursements	483	128
	\$ 4,635	\$ 4,238

During the quarter ended March 31, 2010, the Company made payments to PCM relating to management fees and reimbursed expenses totaling \$1,294,000.

Due from affiliates at March 31, 2010 represents expenses paid on behalf of affiliated companies during the quarter ended March 31, 2010. No such amounts were outstanding at December 31, 2009.

The Company's short-term money market investment represents an investment in a liquidity management fund that is managed by BlackRock, Inc., which is a strategic investor of the parent company of the Company's Manager and PLS. Investments in the fund are not insured. The fund invests exclusively in first-tier securities as rated by a nationally recognized rating organization. The fund's investments are comprised primarily of domestic commercial paper, securities issued or guaranteed by the U.S. Government or its agencies, U.S. and Yankee bank obligations, fully collateralized repurchase agreements and variable and floating rate demand notes.

Note 4 Earnings Per Share

Basic earnings per share is determined using net earnings divided by the weighted-average shares outstanding during the period. Diluted earnings per share is computed by dividing net earnings available to common shareholders by the weighted-average shares outstanding, assuming all potentially

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dilutive common shares were issued. In periods in which the Company records a loss, potentially dilutive shares are excluded from the diluted loss per share calculation as their effect on loss per share is anti-dilutive.

The following table summarizes the basic and diluted earnings per share calculations for the period indicated:

	Quarter ended March 31, 2010		
	Net	Shares	Per-share
	income	amount	amount
	(in thousands, except		
	per share data)		
Basic net income per share	\$ 1,254	16,735	\$ 0.07
Effect of dilutive securities share-based compensation instruments		375	
Diluted net income per share	\$ 1,254	17,110	\$ 0.07

Note 5 Fair Value

The Company's financial statements include assets and liabilities that are measured based on their estimated fair values. The application of fair value estimates may be on a recurring or nonrecurring basis depending on the accounting principles applicable to the specific asset or liability and whether management has elected to carry the item at its estimated fair value as discussed in the following paragraphs.

Fair Value Accounting Elections

Management identified its short-term investment, mortgage loans and mortgage-backed securities ("MBS") to be accounted for at estimated fair value so such changes in fair value will be reflected in earnings as they occur. Fair value accounting more timely reflects the results of the Company's investment performance.

Fair Value Measurements

For the period ended March 31, 2010, the Company recorded in its income \$1,133,000 and \$57,000 of appreciation in estimated fair values of its mortgage loans and MBS, respectively, under the fair value option. Gains and losses from changes in the estimated fair value of mortgage loans and MBS are included in change in fair value of investments.

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The following financial statement items are measured at estimated fair value on a recurring basis as of the dates presented:

	March 31, 2010			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Short-term investment	\$ 115,485	\$	\$	\$ 115,485
Mortgage loans			123,464	123,464
Mortgage-backed securities			76,389	76,389
	\$ 115,485	\$	\$ 199,853	\$ 315,338

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Short-term investment	\$ 213,628	\$	\$	\$ 213,628
Mortgage-backed securities			83,771	83,771
Mortgage loans			26,046	26,046
	\$ 213,628	\$	\$ 109,817	\$ 323,445

The Company measures its investment in real estate acquired in settlement of loans at estimated fair value on a nonrecurring basis. The Company has classified real estate acquired in settlement of loans as a Level 3 asset. At March 31, 2010, the Company carried approximately \$1,511,000 of real estate acquired in settlement of loans on its Consolidated Balance Sheet. There was no real estate acquired in settlement of loans at December 31, 2009.

All of the mortgage loans and mortgage-backed securities were measured using Level 3 inputs. The following is a summary of changes in items measured using Level 3 inputs on a recurring basis for the period:

	Quarter ended March 31, 2010		
	Mortgage loans	Mortgage-backed securities	Total
	(in thousands)		
Balance, December 31, 2009	\$ 26,046	\$ 83,771	\$ 109,817
Total changes in fair value included in results of operations	1,133	57	1,190
Purchases	115,207	414	115,621
Accrual of unearned discounts		765	765
Repayments	(4,867)	(8,618)	(13,485)
Transfers of mortgage loans to real estate acquired in settlement of loans	(273)		(273)
Sale	(13,782)		(13,782)
Balance, March 31, 2010	\$ 123,464	\$ 76,389	\$ 199,853
Changes in gains relating to assets still held at March 31, 2010	\$ (790)	\$ 57	\$ (733)

Table of Contents**PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****Note 5 Fair Value (Continued)**

Following are the fair values and related principal amounts due upon maturity of mortgage loans accounted for under the fair value option as of the dates presented:

	Fair value	March 31, 2010 Unpaid principal balance (in thousands)	Fair value over (under) unpaid principal balance
Current through 89 days delinquent	\$ 38,156	\$ 59,488	\$ (21,332)
90 or more days delinquent	85,308	153,360	(68,052)
	\$ 123,464	\$ 212,848	\$ (89,384)

	Fair Value	December 31, 2009 Unpaid principal balance (in thousands)	Fair value over (under) unpaid principal balance
Current through 89 days delinquent	\$ 26,046	\$ 40,071	\$ (14,025)
90 or more days delinquent			
	\$ 26,046	\$ 40,071	\$ (14,025)

Valuation Techniques

The following describes the methods used in estimating the fair values of Level 3 financial statement items:

Mortgage-Backed Securities

Fair value of non-Agency MBS is estimated using broker indications of value. For indications of value received as of March 31, 2010, PCM's Capital Markets staff reviewed, and its senior management Valuation Committee reviewed and approved, the securities' values. PCM's review is for the purpose of evaluating the reasonableness of the broker's indication of value and may result in the broker modifying its indications of value. PCM does not intend to adjust its fair value estimates to amounts different from the broker's indications of value.

Mortgage Loans

Fair value of mortgage loans is estimated based on whether the mortgage loans are salable into liquid markets with established counterparties and transparent pricing. Fair value is estimated for mortgage loans that are not salable into liquid markets using a discounted cash flow valuation model. Inputs to the model include current interest rates, loan amount, payment status and property type; forecasts of future interest rates, home prices, prepayment speeds, defaults and loss severities. Mortgage loans which are salable into liquid markets are valued at their quoted market price or market price equivalent.

Table of Contents**PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****Note 5 Fair Value (Continued)**

Management incorporates lack of liquidity into its fair value estimates based on the type of asset or liability measured and the valuation method used. For example, for mortgage loans where the significant inputs have become unobservable due to illiquidity in the markets for distressed mortgage loans or non-Agency, non-conforming mortgage loans, PMT uses a discounted cash flow technique to estimate fair value. This technique incorporates forecasting of expected cash flows discounted at an appropriate market discount rate to reflect the lack of liquidity in the market.

Real Estate Acquired in Settlement of Loans

Fair value of real estate acquired in settlement of loans is based on a current estimate of value as determined by a broker's price opinion or a full appraisal.

Note 6 Mortgage-Backed Securities at Fair Value

Investments in MBS were as follows for the dates presented:

	March 31, 2010						
	Total	Credit rating					Non investment grade
AAA		AA	A	BBB			
	(in thousands)						
Security collateral type:							
Non-Agency subprime	\$ 35,817	\$ 1,323	\$ 7,542	\$ 7,484	\$ 2,605	\$ 11,718	\$ 5,145
Non-Agency Alt-A	24,582	827	7,804		856	15,095	
Non-Agency prime jumbo	15,990		14,010			1,980	
	\$ 76,389	\$ 2,150	\$ 29,356	\$ 7,484	\$ 3,461	\$ 28,793	\$ 5,145

	December 31, 2009						
	Total	Credit rating					Non investment grade
AAA		AA	A	BBB			
	(in thousands)						
Security collateral type:							
Non-Agency subprime	\$ 39,522	\$ 1,910	\$ 8,085	\$ 8,704	\$ 3,151	\$ 12,620	\$ 5,052
Non-Agency Alt-A	27,060	9,022			1,071	16,967	
Non-Agency prime jumbo	17,189		14,737			2,452	
	\$ 83,771	\$ 10,932	\$ 22,822	\$ 8,704	\$ 4,222	\$ 32,039	\$ 5,052

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Following is a summary of the distribution of the Company's mortgage loans as of the dates presented:

Loan Type	March 31, 2010			December 31, 2009		
	Fair value	% total	Average note rate	Fair value	% total	Average note rate
(dollars in thousands)						
Nonperforming loans	\$ 85,308	69%	6.48%	\$	0%	
Performing loans:						
Fixed	31,130	25%	7.78%	24,533	94%	8.15%
ARM/Hybrid	6,965	6%	6.02%	1,454	6%	7.89%
Balloon	61	0%	9.94%	59	0%	9.94%
	38,156	31%	7.45%	26,046	100%	8.14%
	\$ 123,464	100%	6.78%	\$ 26,046	100%	8.14%

The balance of mortgage loans at March 31, 2010 is comprised primarily of loans acquired during the quarter then-ended. The mortgage loans purchased during the quarter had unpaid principal balances on the purchase dates totaling \$207.6 million and purchase discounts totaling \$92.4 million. The loans acquired during the quarter were primarily nonperforming with FICO scores at origination below 650 and approximately 24% of the purchased loans were secured by California real estate. After the acquisitions, the Company sold \$13.8 million in fair value of the loans acquired during such quarter.

Note 8 Real Estate Acquired in Settlement of Loans

The Company carries real estate acquired in settlement of loans at the lower of its acquisition cost or the estimated fair value of the property (as determined by a broker's price opinion or full appraisal) less estimated cost to sell. On March 31, 2010, the Company acquired a pool of distressed assets that included real estate acquired in settlement of loans. The Company recorded the properties at their acquisition values, which represent the properties' estimated fair values.

Note 9 Shareholders' Equity

Certain of the underwriting costs incurred in the IPO were paid on PMT's behalf by PCM and a portion of the underwriting discount was deferred by agreement with the underwriters of the offering. Reimbursement to PCM and payment to the underwriters of the deferred underwriting discount are both contingent on PMT's performance as follows: the Company will reimburse PCM approximately \$2.9 million of underwriting costs paid by PCM on the offering date and pay the underwriters approximately \$5.9 million in deferred underwriting discount if, during any full four calendar quarter period during the 24 full calendar quarters after the date of the completion of its IPO, August 4, 2009, the Company's "core earnings" for such four quarter period and before the incentive portion of PCM's management fee equals or exceeds an 8% incentive fee "hurdle rate" (both defined in Note 3 *Transactions with Related Parties*). If this requirement is not satisfied by the end of such 24 calendar quarter period, the Company's obligation to reimburse PCM and make the conditional payment of the

Table of Contents**PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****Note 9 Shareholders' Equity (Continued)**

underwriting discount will terminate. Management has concluded that this contingency is probable of being met during the 24-quarter period and has recognized a liability for reimbursement to PCM and payment of the contingent underwriting discount as a reduction of additional paid-in capital.

Note 10 Share-Based Compensation Plan

The Company's equity incentive plan allows for grants of equity-based awards up to an aggregate of 8% of PMT's issued and outstanding shares on a diluted basis at the time of the award. Restricted share units have been awarded to trustees and officers of the Company and to employees of affiliated entities at no cost to the grantees. Such awards generally vest over a one- to four-year period.

The Company recorded expense relating to restricted share units totaling \$578,000 for the quarter ended March 31, 2010, comprised of \$518,000 relating to employees of PCM and PLS and \$60,000 relating to the Company's trustees. Expense relating to awards is recorded in compensation.

The table below summarizes restricted share unit activity:

	Quarter ended March 31, 2010
Number of shares:	
Outstanding at beginning of period	374,810
Granted	22,000
Vested	
Canceled	(22,120)
Outstanding at end of period	374,690
Weighted average grant date fair value	\$ 7.60
Shares available for future awards(1)	994,110

(1)

Based on shares outstanding as of March 31, 2010. Total shares available for future awards may be adjusted in accordance with the equity incentive plan based on future issuances of PMT's shares as described above.

Note 11 Income Taxes

The Company is expected to qualify to be taxed as a REIT for U.S. federal income tax purposes under Sections 856 through 860 of the Internal Revenue Code. Therefore, PMT generally will not be subject to corporate federal or state income tax to the extent that qualifying distributions are made to shareholders and the Company meets REIT requirements including certain asset, income, distribution and share

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ownership tests.

The Company has elected to treat one of its subsidiaries as a taxable REIT subsidiary ("TRS"). In general, a TRS of the Company may engage in any real estate or non-real estate-related business (except for the operation or management of health care facilities or lodging facilities or the provision to any person, under a franchise, license or otherwise, of rights to any brand name under which any lodging facility or health care facility is operated). A TRS is subject to corporate federal and state

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income tax. Accordingly, a provision for income taxes for the TRS is included in the accompanying consolidated financial statements with respect to the operations of the TRS.

The Company intends to continue to operate in a manner that allows it to continue to meet the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. If the Company were to fail to meet these requirements, the Company could be subject to federal and state income tax on some or all of its consolidated income.

At December 31, 2009, the Company's TRS had tax net operating loss carryforwards of approximately \$106,000, expiring in 2029. The Company ascribed a full valuation allowance to its net deferred tax assets due to the uncertainty in forecasting future TRS taxable income. As the projected income for 2010 indicates the loss carryover will be utilized in 2010, the valuation allowance was reversed during the quarter ended March 31, 2010.

Following is a summary of income tax expense for the period presented:

	Quarter ended March 31, 2010 (in thousands)
Current expense	\$ 172
Deferred expense	
Reversal of valuation allowance	(45)
	\$ 127

Following is a reconciliation of income tax expense at statutory rates to the income tax expense at the Company's effective rate:

	Quarter ended March 31, 2010	
	Amount	Rate
	(in thousands)	
Federal income tax expense at statutory tax rate	\$ 483	35.0%
Effect of non-taxable REIT income	(340)	(24.7)%
State income taxes, net of federal benefit	29	2.1%
Reversal of valuation allowance	(45)	(3.2)%
Provision for income taxes and effective tax rate	\$ 127	9.2%

Note 12 Recently Issued Accounting Pronouncements

In January 2010, the FASB issued an Accounting Standards Update ("ASU"), ASU 2010-06 to the *Fair Value Measurements and Disclosure* topic of the Accounting Standards Codification. The ASU requires additional disclosures about the transfers of classifications among the fair value classification levels and the reasons for those changes and separate presentation of purchases, sales, issuances and settlements in the presentation of the roll forward of Level 3 assets and liabilities. The ASU also clarifies disclosure requirements relating to the level of disaggregation of disclosures relating to classes of assets and liabilities and disclosures about inputs and valuation techniques used to measure fair

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PENNYMAC MORTGAGE INVESTMENT TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 12 Recently Issued Accounting Pronouncements (Continued)

value for both recurring and nonrecurring fair value estimates for Level 2 or Level 3 assets and liabilities. The requirements of the ASU are effective for interim and annual disclosures for interim and annual reporting periods beginning after December 15, 2009, except for disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value estimates. Those disclosures are effective for interim and annual reporting periods for fiscal years beginning after December 15, 2010. The adoption of this ASU did not have a material effect on the Company's financial statements.

Note 13 Subsequent Events

During the period from March 31, 2010 to May 7, 2010, the Company completed the acquisition of \$70.7 million in fair value of mortgage loans and its Manager committed to additional acquisitions. The Manager estimates that \$29.6 million in fair value of mortgage loans will be allocated to the Company if these acquisitions are completed. The final allocation of assets to the Company will be determined based on the composition of the final pools of loans purchased and the availability of investable funds among the entities managed by PCM. The pending transactions are subject to continuing due diligence and customary closing conditions and there can be no assurance that the committed amounts will ultimately be acquired or that the transactions will be completed at all.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

As used in this Report, references to "we," "our," "the Company" or "PMT" refer to PennyMac Mortgage Investment Trust and its consolidated subsidiaries unless otherwise indicated. This discussion includes forward-looking statements concerning future events and performance of the Company, which are subject to certain risks and uncertainties as discussed below under *Factors That May Affect Our Future Results*.

Overview

We are a specialty finance company that invests primarily in residential mortgage loans and mortgage-related assets. Our objective is to provide attractive risk-adjusted returns to our investors over the long-term, primarily through dividends and secondarily through capital appreciation. We intend to achieve this objective primarily by investing in mortgage loans, a substantial portion of which may be distressed and acquired at discounts to their unpaid principal balances. We acquire these loans through direct acquisitions of mortgage loan portfolios from institutions such as banks, mortgage companies and insurance companies and direct acquisitions or participations in structured transactions offered by the Federal Deposit Insurance Corporation ("FDIC") of portfolios of mortgage loans of failed depository institutions. We seek to maximize the value of the mortgage loans that we acquire through both proprietary loan modification programs and nonproprietary loan modification programs (such as HAMP), special servicing and other initiatives focused on keeping borrowers in their homes, when possible. We plan to supplement these activities through participation in other mortgage-related activities that may include:

acquisition and sale or securitization of mortgage loans in a conduit capacity between originators of mortgage loans and the MBS markets. Current market conditions have significantly reduced the outlets for sales of mortgage loans by smaller mortgage originators who have traditionally sold their loans to larger mortgage companies and banks who, in turn, sold those loans into securitizations. We believe these conditions provide us with the opportunity to act as a conduit between these loan originators and the securitization markets.

providing inventory financing of mortgage loans for smaller mortgage originators. We believe this activity will supplement and make our conduit capacity more attractive to lenders from which we acquire newly originated loans.

acquisition of mortgage servicing rights ("MSRs"). We believe that opportunities exist to acquire mortgage servicing rights from liquidating and other institutions. We also believe that MSR investments would allow PMT to capture attractive current returns and to leverage the capabilities and efficiencies of our servicer to improve the asset's value.

acquisition of REIT-eligible MBS. We believe that the recent dislocations of the residential mortgage markets has disproportionately affected the pricing of certain classes of MBS, thereby providing attractive investment opportunities in certain residential and commercial mortgage-backed and asset-backed securities. Such securities include securities backed by Alt-A and subprime mortgage loans.

acquisition of distressed condominium development loans. We believe that opportunities exist to acquire condominium development loans at a discount, finance the completion of the project and design and deliver complete condominium financing solutions. This solution creates the opportunity to effectively repackage distressed developer loans into high quality residential loans.

the underwriting and funding of mortgage loans sourced by mortgage loan brokers and other financial intermediaries.

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We are externally managed by PCM, an investment adviser that specializes in, and focuses on, residential mortgage loans.

We intend to qualify to be taxed as a REIT. We believe that we will not be subject to federal income tax on that portion of our income that is distributed to shareholders as long as we meet certain asset, income and share ownership tests. If we fail to qualify as a REIT, and do not qualify for certain statutory relief provisions, our profits will be subject to income taxes and we may be precluded from qualifying as a REIT for the four tax years following the year we lose our REIT qualification.

Observations on Current Market Opportunities

The U.S. economy continues to provide the mixed message of an economy in transition. During the last quarter of 2009, the U.S. gross domestic product expanded at a 5.6% annual rate; however, economists expect this level to decline to approximately 3% for the quarter ended March 31, 2010. First time homebuyers continue to participate actively in the real estate market, accounting for 42% of all home sales in February 2010. First time homebuyer participation appears to reflect the extension of the first-time homebuyer tax credit that expired in April 2010.

Offsetting these positive indicators are a March 2010 unemployment rate of 9.7% that is high by recent historical standards, continued increases in the level of foreclosure filings and continuing distress in the banking industry. During the first quarter of 2010, 41 depository institutions with total assets of approximately \$22.6 billion were seized, compared to 140 institutions with total assets of \$159 billion in all of 2009. As of December 31, 2009, the most recent date for which problem bank information is available, the number of problem banks as identified by the FDIC increased to 702 institutions with \$403 billion of assets from 252 institutions with \$159 billion of assets at December 31, 2008. On March 31, 2010, the Federal Reserve concluded its program to purchase \$1.25 trillion of mortgage-backed securities. The Federal Reserve's withdrawal from the mortgage-backed securities market has not had a significant effect on mortgage interest rates. 30-year mortgage interest rates remained steady, beginning the quarter at 5.09% for the week ended January 7, 2010 and was 5.07% for the week ended April 22, 2010 (Source: Freddie Mac's Weekly Primary Mortgage Market Survey).

We believe that the present state of the mortgage market allows us unique, current opportunities to acquire distressed mortgage loans and mortgage-related assets at significant discounts to their unpaid principal balances. Our Manager continues to see substantial volumes of nonperforming residential mortgage loan sales, but very few sales of performing loans. During the quarter ended March 31, 2010, we made net acquisitions of distressed mortgage loans totaling \$115.2 million, a four-fold increase in our portfolio of mortgage loans from our holdings at December 31, 2009. Furthermore, we completed acquisitions of mortgage loans totaling \$70.7 million and committed to purchase an additional \$29.6 million of mortgage loans from March 31, 2010 through the date of this Report. We continue to expect that our mortgage loan portfolio may grow at an uneven pace, as opportunities to acquire distressed mortgage loans may be irregularly timed and may involve large portfolios of mortgage loans, and the timing and extent of our success in acquiring such mortgage loans cannot be predicted.

We believe that the collapse of the independent mortgage company business model and the weakened condition of banks and other traditional mortgage lenders have created additional opportunities for our business. Under current market conditions, these opportunities include the purchase from smaller mortgage lenders of newly originated mortgage loans that are eligible for sale to a government-sponsored entity ("GSE") such as the Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Federal National Mortgage Association ("Fannie Mae") and the Government National Mortgage Association ("Ginnie Mae") (Freddie Mac, Fannie Mae and Ginnie Mae are each referred to as an "Agency" and, collectively, as the "Agencies"). To the extent market conditions improve, these opportunities could also include the purchase of newly originated mortgage loans that can be resold in the non-agency whole loan market or securitized in the private label market. We

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believe that this strategy would also benefit us by supplementing PCM's continuing efforts to increase the number of relationships with depository and other financial institutions that may hold distressed residential mortgage loans. During April of 2010, our Manager made its initial acquisition on our behalf of \$0.8 million of newly originated mortgage loans.

We benefit from PCM's analytical and portfolio management expertise and technology in evaluating these investment opportunities. Furthermore, we seek to maximize the value of the mortgage loans we acquire using PCM's proprietary portfolio strategy techniques to identify the appropriate approach for each loan and, through the workout oriented servicing platform of PLS, offer borrowers alternatives, including, where appropriate, the modification of the terms and conditions of loans in a manner that reflects the borrowers' financial condition and residential property values. Mortgage loans may become re-performing through effective modification, restructuring and other techniques, and the mortgage loans subsequently may be monetized through a variety of disposition strategies. When we are unable to effect a cure for a mortgage delinquency, our objective is to effect timely acquisition and/or liquidation of the property securing the loan.

Results of Operations for the Quarter Ended March 31, 2010

The following is a summary of our key performance measures for the quarter ended March 31, 2010:

	(in thousands, except per share data)	
Net investment income	\$	3,854
Net income	\$	1,254
Earnings per share, basic and diluted	\$	0.07
Distributions per share	\$	
Total assets at period end	\$	326,688

During the quarter ended March 31, 2010, we recorded net income of \$1.3 million, or seven cents per share. Our net income reflects interest income earned supplemented by appreciation in fair value of mortgage loans. During the quarter, we reinvested our short-term money market investment into mortgage loans with all of the acquisitions occurring during the second half of the quarter. Our net income does not include provision for recovery by PCM of common overhead costs allowable under PMT's management agreement with PCM. PCM management waived recovery of common overhead costs approximating \$500,000 for the quarter ended March 31, 2010. PCM management intends to obtain reimbursement of future overhead costs it incurs on PMT's behalf in subsequent periods.

Asset Acquisitions

During the quarter ended March 31, 2010, we made acquisitions of mortgage loans, real estate acquired in settlement of loans and mortgage-backed securities with fair values of \$115.2 million, \$1.2 million and \$0.4 million, respectively.

The mortgage loans acquired during the quarter had unpaid principal balances on the purchase date totaling \$207.6 million and purchase discounts totaling \$92.4 million. The loans were primarily nonperforming with FICO scores at origination below 650. Approximately 24% of the mortgage loans acquired during the quarter are secured by California real estate. After the acquisitions, we sold \$13.8 million of the loans acquired during such quarter.

Because of the acquisitions made by our Manager during the period, we have committed most of the equity we raised in our August 4, 2009 offerings. We are exploring a variety of additional means of financing our continued growth, including debt financing through bank lines of credit and securitization transactions as well as additional equity offerings. However, there can be no assurance as to how much

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additional financing capacity such efforts will produce, what form the financing will take or that such efforts will be undertaken at all and, if so, whether they will be successful.

Net Investment Income

During the quarter ended March 31, 2010, we recorded net investment income totaling \$3.9 million, comprised of interest income and appreciation in fair value as shown below:

	Interest income			Appreciation		Average balance	Annualized interest yield
	Coupon	Discount accrual	Total	in fair value	Total revenue		
(dollars in thousands)							
Short-term money market investment	\$ 45	\$	\$ 45	\$	\$ 45	\$ 174,377	0.10%
Mortgage-backed securities:							
Non-Agency Alt-A	341	153	494	117	611	25,850	7.64%
Non-Agency subprime	34	595	629	(29)	600	38,261	6.58%
Non-Agency prime jumbo	144	17	161	(31)	130	17,126	3.76%
 Total mortgage-backed securities	 519	 765	 1,284	 57	 1,341	 81,237	 6.32%
 Mortgage loans	 1,335		 1,335	 1,133	 2,468	 60,542	 8.82%
	\$ 1,899	\$ 765	\$ 2,664	\$ 1,190	\$ 3,854	\$ 316,156	3.37%

During the quarter ended March 31, 2010, our investment holdings shifted from being held primarily in a short-term money market investment to being invested in mortgage loans. Most of the acquisitions occurred during the latter part of the quarter and the quarterly results therefore do not reflect the yield on these assets had they been held for the complete quarter. In the time that we held mortgage loans, we recognized an annualized yield of 8.82%. At March 31, 2010, we held \$85.3 million in fair value of nonperforming loans and \$1.5 million of real estate acquired in settlement of loans. We do not accrue interest on nonperforming loans. The revenue benefits of nonperforming loans generally take longer to realize than those of performing loans due to the time required to work with borrowers to resolve payment issues through our modification programs or to acquire and liquidate the property securing the mortgage loans. The value and returns we realize from these assets are determined by our ability to cure the borrowers' defaults, or when curing of borrower defaults is not a viable solution, by our ability to manage the liquidation process. As a participant in HAMP, we are required to comply with the process specified in the HAMP before liquidating a loan, which may extend the liquidation process.

During the quarter ended March 31, 2010, we also earned an annualized yield of approximately 6.32% on our portfolio of MBS. We acquired our current portfolio of MBS as a short-term investment to enhance the yield we earn on our investments pending reinvestment of the proceeds of our initial equity offerings into our targeted asset classes. Accordingly, this portfolio is comprised of currently cash flowing senior priority securities with an average remaining life of approximately 1.2 years.

Our interest income was supplemented with net appreciation in the estimated fair value of mortgage loans and MBS totaling approximately \$1.1 million and \$0.1 million, respectively. The increase in fair value of mortgage loans includes gains arising from repayments by our borrowers of mortgage loans that we acquired at discounts to their unpaid principal balances and changes in the value of mortgage loans.

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Investment Portfolio Composition

Our portfolio of MBS is backed by non-Agency Alt-A, subprime and prime jumbo loans and consists of currently cash flowing senior priority securities with an average remaining life of approximately 1.2 years. We acquired these securities to provide a higher yield than we earn with our short-term money market investment pending reinvestment in suitable pools of mortgage loans or mortgage-related assets.

The following is a summary of our portfolio of MBS as of period end:

	March 31, 2010					December 31, 2009				
	Fair value	Principal	Life (years)	Average Coupon	Average Yield	Fair value	Principal	Life (years)	Average Coupon	Average Yield
(dollar amounts in thousands)										
Security collateral type:										
Non-agency subprime	\$ 35,817	\$ 37,691	0.81	0.38%	7.34%	\$ 39,522	\$ 41,944	0.82	0.37%	9.08%
Non-agency Alt-A	24,582	25,667	1.68	5.15%	8.20%	27,060	28,416	1.57	5.13%	9.08%
Non-agency prime jumbo	15,990	16,266	1.39	3.39%	4.88%	17,189	17,452	1.42	3.43%	4.34%
	\$ 76,389	\$ 79,624	1.21	2.44%	7.10%	\$ 83,771	\$ 87,812	1.18	2.52%	8.11%

At December 31, 2009, our mortgage loan portfolio had no nonperforming loans. Because of our acquisitions during the quarter ended March 31, 2010, 69% of our mortgage loan portfolio is now comprised of nonperforming loans.

Following is a summary of the distribution of our mortgage loan holdings at March 31, 2010:

Loan type	Performing loans			Nonperforming loans		
	Fair value	% total	Average note rate	Fair value	% total	Average note rate
(dollar amounts in thousands)						
Fixed	\$ 31,130	25%	7.78%	\$ 32,621	26%	6.75%
ARM/Hybrid	6,965	6%	6.02%	52,151	42%	6.29%
Balloon	61	0%	9.94%	536	1%	8.28%
	\$ 38,156	31%	7.45%	\$ 85,308	69%	6.48%

Lien position	Performing loans			Nonperforming loans		
	Fair value	% total	Average note rate	Fair value	% total	Average note rate
1st lien	\$ 38,156	31%	7.45%	\$ 85,308	69%	6.48%
2nd lien		0%			0%	
	\$ 38,156	31%	7.45%	\$ 85,308	69%	6.48%

Occupancy	Performing loans			Nonperforming loans		
	Fair value	% total	Average note rate	Fair value	% total	Average note rate
Owner occupied	\$ 32,196	26%	7.40%	\$ 59,907	49%	6.43%
Investment property	5,960	5%	7.73%	24,950	20%	6.57%

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Other		0%		451	0%	6.84%
	\$ 38,156	31%	7.45%	\$ 85,308	69%	6.48%

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Loan age	Performing loans			Nonperforming loans		
	Fair value	% total	Average note rate	Fair value	% total	Average note rate
Less than 12 months	\$ 372	0%	5.79%	\$ 3,172	2%	4.49%
12 - 35 months	23,075	19%	7.96%	16,789	14%	6.28%
36 - 59 months	8,400	7%	7.04%	37,954	31%	6.74%
60 months or more	6,309	5%	6.17%	27,393	22%	6.42%
	\$ 38,156	31%	7.45%	\$ 85,308	69%	6.48%

Origination FICO score	Performing loans			Nonperforming loans		
	Fair value	% Total	Average note rate	Fair value	% total	Average note rate
Less than 600	\$ 15,192	12%	7.45%	\$ 58,830	48%	6.40%
600 - 649	9,208	7%	7.86%	18,597	15%	6.62%
650 - 699	8,328	7%	7.36%	5,724	5%	6.56%
700 - 749	3,482	3%	6.88%	1,325	1%	6.64%
750 or greater	1,946	2%	6.96%	832	0%	6.97%
	\$ 38,156	31%	7.45%	\$ 85,308	69%	6.48%

Current loan-to-value	Performing Loans			Nonperforming Loans		
	Fair value	% total	Average note rate	Fair value	% total	Average note rate
Less than 80%	\$ 9,313	8%	6.70%	\$ 19,325	16%	6.37%
80% - 99.99%	6,556	5%	8.01%	17,210	14%	6.36%
100% - 119.99%	8,759	7%	7.56%	17,903	14%	6.47%
120% or greater	13,528	11%	7.54%	30,870	25%	6.54%
	\$ 38,156	31%	7.45%	\$ 85,308	69%	6.48%

Geographic distribution	Performing loans			Nonperforming loans		
	Fair value	% total	Average note rate	Fair value	% total	Average note rate
California	\$ 4,773	4%	6.23%	\$ 20,598	17%	5.95%
Florida	2,013	2%	7.44%	9,176	7%	6.57%
New York	3,479	3%	6.69%	4,709	4%	7.40%
Illinois	2,812	2%	7.53%	4,819	4%	6.21%
New Jersey	1,619	1%	7.78%	5,118	4%	6.53%
Texas	2,993	2%	7.80%	2,066	2%	7.30%
Other	20,467	17%	7.80%	38,822	31%	6.58%
	\$ 38,156	31%	7.45%	\$ 85,308	69%	6.48%

Payment status	Performing loans			Nonperforming loans		
	Fair value	% total	Average note rate	Fair value	% total	Average note rate

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Current	\$ 30,285	25%	7.56%	\$	0%	
30 days delinquent	3,613	3%	6.91%		0%	
60 days delinquent	4,258	3%	7.29%		0%	
90 days or more delinquent		0%		36,088	29%	6.48%
In foreclosure		0%		49,220	40%	6.47%
	\$ 38,156	31%	7.45%	\$ 85,308	69%	6.48%

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Following is a summary of the distribution of our mortgage loan holdings at December 31, 2009:

Loan type	Fair value	% total	Average note rate
Fixed	\$ 24,533	94%	8.15%
ARM/Hybrid	1,454	6%	7.89%
Balloon	59	0%	9.94%
	\$ 26,046	100%	8.14%

Lien position	Fair value	% total	Average note rate
1st lien	\$ 26,046	100%	8.14%
2nd lien		0%	
	\$ 26,046	100%	8.14%

Occupancy	Fair value	% total	Average note rate
Owner occupied	\$ 21,890	84%	8.10%
Investment property	4,156	16%	8.32%
Second property		0%	