



RETRAINEE - JOB CREATION

Training Proposal for:

PennyMac Financial Services, Inc.

Agreement Number: ET16-0286

Panel Meeting of: December 4, 2015

ETP Regional Office: North Hollywood

Analyst: M. Reeves

PROJECT PROFILE

Contract Attributes:	Retrainee Job Creation Initiative	Industry Sector(s):	Financial Services Priority Industry: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Counties Served:	Los Angeles, Orange, Ventura Sacramento	Repeat Contractor:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Union(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
Number of Employees in:	CA: 1,580	U.S.: 2,404	Worldwide: 2,404	
<u>Turnover Rate:</u>	14%			
<u>Managers/Supervisors:</u> (% of total trainees)	14%			

FUNDING DETAIL

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">Program Costs</td></tr> <tr><td style="text-align: center;">\$331,000</td></tr> </table>	Program Costs	\$331,000	-	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">(Substantial Contribution)</td> <td style="text-align: center;">(High Earner Reduction)</td> </tr> <tr> <td style="text-align: center;">\$0</td> <td style="text-align: center;">\$0</td> </tr> </table>	(Substantial Contribution)	(High Earner Reduction)	\$0	\$0	=	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">Total ETP Funding</td></tr> <tr><td style="text-align: center;">\$331,000</td></tr> </table>	Total ETP Funding	\$331,000
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In-Kind Contribution:	100% of Total ETP Funding Required	\$655,000
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TRAINING PLAN TABLE

Job No.	Job Description	Type of Training	Estimated No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Retrainee	Business Skills, Computer Skills, Continuous Imp., Mgmt. Skills	285	8-200	0-40	\$600	\$15.07
				Weighted Avg: 40			
2	Retrainee Job Creation Initiative	Business Skills, Computer Skills, Continuous Imp., Mgmt. Skills	200	8-200	0-40	\$800	\$14.42
				Weighted Avg: 40			

Minimum Wage by County: Job Number 1: \$16.02 per hour for Orange County; \$15.97 per hour for Los Angeles County; \$15.75 per hour for Sacramento County; and \$15.07 per hour for Ventura County.

Job Number 2 (Job Creation): \$13.35 per hour for Orange County; \$13.31 per hour for Los Angeles County; \$13.13 per hour for Sacramento County; and \$12.33 per hour for Ventura County.

Health Benefits: Yes No This is employer share of cost for healthcare premiums – medical, dental, vision.

Used to meet the Post-Retention Wage?: Yes No Maybe

Up to \$1.60 per hour may be used to meet the Post-Retention Wage in Job Number 1.

Wage Range by Occupation		
Occupation Titles	Wage Range	Estimated # of Trainees
Administration Staff		100
Call Center/Servicing/Modifications Staff		125
Manager/Supervisor		70
Compliance/Risk Management Staff		58
Underwriter		31
Loan Processor		31
Account Executive		30
Customer Service Staff		20
Sales Staff		20

INTRODUCTION

Founded in 2008, PennyMac Financial Services, Inc. (PennyMac) is a mortgage lender and servicer headquartered in Moorpark. The Company's goal is to provide clients with innovative mortgage solutions that make it easier to purchase and/or refinance a home. PennyMac is a full-service lender with a wide selection of loan options for a variety of clients, from first-time buyers to those seeking jumbo, FHA, or VA loans.

PennyMac has also been a leading provider of assistance to "underwater" homeowners. The Company is a major participant in the Home Affordable Refinance Program (HARP), the federal government program created in 2009 to assist homeowners in refinancing their mortgages. In addition, PennyMac purchases loans from banks and other lenders, and then uses its expertise to help borrowers restructure their mortgages to allow them to stay in their homes. Training will take place at four locations in California (Moorpark (2), Pasadena and Sacramento).

As a relatively new company, PennyMac continues to experience rapid growth and needs to keep new and incumbent workers well trained in policies, procedures and systems. By continuing to improve operational efficiencies and worker productivity, PennyMac expects to increase the size of its California workforce by 50-60% over the next two years. The Company recently expanded its Sacramento facility into a new 26,384 square-foot building.

Retrainee - Job Creation

The Panel offers incentives to companies that commit to hiring new employees. Training for newly-hired employees will be reimbursed at a higher rate and trainees will be subject to a lower post-retention wage.

In this proposal, PennyMac has committed to hiring 200 new employees (Job Number 2). The Company recently opened an office in Irvine to support a new line of Commercial Real Estate business. The Company will also open a new headquarters facility in January 2016 to accommodate the growth of its Servicing functions at the Moorpark location. In addition to the new facilities, the Company continues to expand its business capacity by adding new workers and improving existing functions at its established locations. The proposed training will equip new employees with the knowledge and understanding of products and services, operating procedures, and the influences of industry regulation. The Company is projecting more than 600 new hires in California during the term of this Agreement.

PennyMac represents that the date-of-hire for all trainees in the Job Creation program will be within the three-month period before contract approval or within the term-of-contract. The Company also represents that these trainees will be hired into "net new jobs" as a condition of contract.

Prior Performance

This will be PennyMac's second ETP Agreement within the past five years. The first ETP project was driven by rapid growth and expansion at the Company's locations in Pasadena and Sacramento. At the time, PennyMac was executing an aggressive plan to double its nationwide employee count to approximately 2,400. The proposed training Agreement is designed to support PennyMac's continued expansion efforts and ability to respond to growing challenges and opportunities in the mortgage lending and financial services industry.

Several curriculum topics are repeated from the prior Agreement; however, the Company has confirmed that course material has been updated and/or changed to ensure there will be no duplication of training. In addition, a large percentage of the proposed training will be provided

to newly-hired Job Creation employees (Job Number 2) who have not received any ETP training in the past.

PROJECT DETAILS

Training Plan

The proposed training is scheduled to begin during the first week of January 2016, and will take place at the Company's locations in Moorpark, Pasadena, Irvine and Sacramento. Training will be delivered by both in-house subject matter experts and outside vendors to be identified during the contract term.

Business Skills (35%) - Training will be offered to all occupations. Training will focus on the design, development, production, commercialization, and sale of loan products. Trainees will develop a set of mortgage industry skills that are critical in a competitive environment. This training is designed to improve efficiency and productivity by enabling employees to implement and manage processes throughout loan development and underwriting.

Computer Skills (15%) - Training will be offered to all occupations. This training will help workers become more proficient in the use of business software solutions in the areas of loan administration, refinancing and mortgage servicing.

Continuous Improvement (30%) - Training will be offered to all occupations. Training emphasis will be on the fundamentals of problem solving, prioritizing, planning, and decision making. Trainees will acquire skills in understanding their strengths and weaknesses as individuals while recognizing each individual is an integral part of a team.

Management Skills (20%) - Training will be offered to Managers and Supervisors only. Training will provide PennyMac's management team with the leadership, motivation, project management, and communication skills to become more effective leaders.

Commitment to Training

The Company spends approximately \$249,000 annually, per facility in California. Current training consists of new hire orientation, sexual harassment prevention, diversity, computer basics, and on-the-job training. ETP funds will not displace the existing financial commitment to training.

➤ Training Infrastructure

PennyMac will assign internal staff to oversee class scheduling and training documentation. In addition, the Company has retained an outside administrative consultant to ensure that all training records adhere to ETP requirements.

RECOMMENDATION

Staff recommends approval of this proposal.

PRIOR PROJECTS

The following table summarizes performance by PennyMac under an ETP Agreement that was completed within the last five years:

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned \$ %
ET14-0147	Moorpark, Pasadena, Sacramento	9/03/13 – 9/02/15	\$1,486,200	\$318,814 (21%)

The Company states that it did not have the necessary infrastructure in place at the time to administer a training project on this scale. Based on lessons learned, the Company has made a concerted effort to ensure that managers and supervisors throughout the organization are committed to the training and their respective project-reporting responsibilities.

The Company has agreed to pare down the scope of its second training proposal in an effort to put forth a more achievable project. The proposed Agreement has been right-sized to \$305,330, consistent with the earned level earned in the prior project.

DEVELOPMENT SERVICES

California Training Coalition (CalTraining) in Upland assisted with development for a flat fee of \$5,000.

ADMINISTRATIVE SERVICES

CalTraining will also perform administrative services for a fee not to exceed 13% of payment earned.

TRAINING VENDORS

To Be Determined

Exhibit B: Menu Curriculum**Class/Lab Hours**

8 – 200

Trainees may receive any of the following:

BUSINESS SKILLS

- **PennyMac Processes, Compliance**
 - ❖ Auditing Loans
 - ❖ Base File
 - ❖ Calculating Income/Liabilities
 - ❖ Collateral
 - ❖ Collections and Loss Mitigation – RFD, Probing Questions
 - ❖ Completing the 1003 Form
 - ❖ Contractor Orientation
 - ❖ Document Custodian Management
 - ❖ Effective Call Handling
 - ❖ eFolders for Encompass
 - ❖ Escrow Administration
 - ❖ DISC – Extended Behavioral System
 - ❖ FHA Streamline Reduction Calculation Workshop
 - ❖ Funding
 - ❖ Insider Trading
 - ❖ Introduction to Underwriting
 - ❖ Making the Underwriting Decision
 - ❖ Modifications
 - ❖ Mortgage Banking Basics/Loan Servicing Overview
 - ❖ Mortgage Insurance
 - ❖ Navigating Retail Policies and Procedures Database
 - ❖ Net Tangible Benefit Workshop
 - ❖ Optimal Blue Pricing
 - ❖ Ordering Credit
 - ❖ Origination Compliance (Credco)
 - ❖ PennyMac Academy Knowledge Sharing
 - ❖ PennyMac Credit Guidelines
 - ❖ PennyMac Compliance
 - ❖ PennyMac Processes
 - ❖ PennyPeople Training
 - ❖ Post Funding
 - ❖ Precision Testing - Wage
 - ❖ Premium Pricing - HUD1 Preparation
 - ❖ Processing Income and Assets Workshop
 - ❖ Property Resolution - Short Sale and Deed-in-Lieu/BK, FCL, DIL
 - ❖ Purchase Audit Review
 - ❖ Rate Lock
 - ❖ Reading and Interpreting the Credit Report
 - ❖ Reading the Appraisal
 - ❖ Reviewing Assets, Funds Required to Close and Reserves
 - ❖ Shared Services/Cash Management
 - ❖ Title, Hazard Insurance, and Disclosures
 - ❖ Trailing Docs
 - ❖ Understanding the Loan Application
 - ❖ Underwriting Level 1: Fraud and Red Flags/Case Study Workshop
 - ❖ VLOOK Up (Excel)

COMPUTER SKILLS

- Encompass
- Fasttrieve
- FIVE9 Telephony
- Loan Administration Follow-Up Application
- Loan Administration Management Portal
- Mortgage Servicing Platform
- Quandis
- Refi Plus - DU Eligibility and FMP Tool
- PennyPeople Training

CONTINUOUS IMPROVEMENT

- Problem Solving: The Fundamentals
- Talent Management: Basics
- Time Management: Analyzing Planning

MANAGEMENT SKILLS (Managers and Supervisors only)

- Providing Feedback
- Change Management
- Communicating for Results
- Conflict Management
- Excellence in Management
- Extended Leadership DISC
- Management Basics
- Managerial Role
- Motivation and Rewards
- Performance Management
- First Time Manager: Understanding a Manager's Role
- Leadership Essentials: Building Your Influence as a Leader/Motivating Employees

CBT Hours

0 – 40

BUSINESS SKILLS

- Analyzing the Fair Credit Reporting Act (1 Hour)
- Anti-Money Laundering Rules of the BSA (1 Hour)
- Appraisal Procedures (1 Hour)
- Clarifying Conventional Mortgage Lending (1 Hour)
- Completing the Good Faith Estimate (1 Hour)
- Completing the HUD- 1 (1 Hour)
- Complying with the Mortgage Disclosure Improvement Act (1 Hour)
- Discovering FHA Programs (1 Hour)
- Elements of Title Insurance (1 Hour)
- Essentials of Mortgage Lending (1 Hour)
- Ethical Practices in Mortgage Lending (1 Hour)
- Evaluating ECOA (1 Hour)
- Examining Insider Lending (1 Hour)
- Examining the USA Patriot Act (1 Hour)
- Explaining Loan Modifications (1 Hour)

- FACT Act - Getting to Know the Red Flags Rule (1 Hour)
- Fair Lending - Consumer Protection Laws (1 Hour)
- Fair Lending - Lender Responsibilities (1 Hour)
- Fair Lending - The Essentials (1 Hour)
- Fulfilling RESPA Requirements (1 Hour)
- Gathering the Facts on Mortgage Fraud (1 Hour)
- Getting to Know the Truth in Lending Act (1 Hour)
- Homeowners Protection Act (1 Hour)
- Privacy in Mortgage Lending (1 Hour)
- Processing Income and Assets (1 Hour)
- Regulatory Compliance for Closers (1 Hour)
- Regulatory Compliance for Mortgage Lender (1 Hour)
- Regulatory Compliance for Processors (1 Hour)
- Reviewing Debt Collection Practices (1 Hour)
- Service members Civil Relief Act (1 Hour)
- VLOOK Up (Excel) (30 Minutes)
- Insider Trading (30 Minutes)
- Basic Accounting Principles and Framework (1 Hour)
- Being an Effective Team Member (1 Hour)
- Business Coaching: Conducting Coaching Sessions (1 Hour)
- Code of Conduct Awareness (1 Hour)
- Communicating Across Cultures (1 Hour)
- Customer Service Confrontation and Conflict (1 Hour)
- Customer Service Fundamentals: Building Rapport in Customer Relationships (1 Hour)
- Decision Making: The Fundamentals (1 Hour)
- Essential Skills for Professional Telephone Calls (1 Hour)
- Generating Creative and Innovative Ideas: Maximizing Team Creativity (1 Hour)
- HIPAA Privacy Essentials (1 Hour)
- Interpersonal Communication: Communicating with Confidence (1 Hour)
- Interpersonal Communication: Listening Essentials (1 Hour)
- Introduction to Project Management using Project 2010 (1 Hour)
- Privacy and Information Security (1 Hour)

Note: Reimbursement for retraining is capped at 200 total training hours per trainee, regardless of the method of delivery. CBT is capped at 50% of total training hours, per trainee.