UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

[ ] TRANSITIONAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transitional period from ______ to ______

Commission File No. 000-54988

PSM HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**87-0445475**
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification Number)
1109 N. Bryant Ave., Suite 110 Edmond, Oklahoma	**73034**
(Address of principal executive office)	(Zip code)

(Registrant's telephone number, including area code): **(405) 753-1900**

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 twelve 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 [X] 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 (§ 229.405 of this chapter) during the preceding twelve months (or for such shorter period that the registrant was required to submit and post such files).
Yes [X] 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [X]

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

As of May 23, 2016 there were 44,104,648 shares of registrant's common stock outstanding.

PSM HOLDINGS, INC.
Report on Form 10-Q
For the quarter ended March 31, 2016

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Forward-Looking Statements

This report contains statements that plan for or anticipate the future. Forward-looking statements include statements about the future of operations involving the mortgage brokerage or loan business, statements about our future business plans and strategies, and most other statements that are not historical in nature. In this report, forward-looking statements are generally identified by the words “anticipate,” “plan,” “intend,” “believe,” “expect,” “estimate,” and the like. Although management believes that any forward-looking statements it makes in this document are reasonable, because forward-looking statements involve future risks and uncertainties, there are factors that could cause actual results to differ materially from those expressed or implied. For example, some of the uncertainties that could affect the accuracy of forward-looking statements include the following:

- The competitive and regulatory pressures faced by us in the mortgage industry;
- The hiring and retention of key employees;
- Expectations and the assumptions relating to the execution and timing of growth strategies;
- The assumption of unknown risks or liabilities from past or future business combination transactions;
- Any decline in the economy;
- A significant increase in interest rates;
- A failure to increase our warehouse lines of credit to facilitate additional loan originations and related revenue;
- A loss of significant capacity in our warehouse lines of credit;
- The loss from any default on mortgage loans originated by us before they are sold to third parties;
- The loss of key personnel or retail offices from our network;
- Uncertainty of the secondary mortgage market;
- Inability to expand market presence through recruiting;
- Failure to successfully generate loan originations or otherwise market our services;
- Failure to meet minimum capital requirements to maintain our Full Eagle or licensing with The U.S. Department of Housing and Urban Development (HUD) or other state regulatory agencies. As of March 31, 2016, the Company does not meet its adjusted net worth as required by HUD;
- Any continued default in our agreements with preferred shareholders;
- Failure to raise sufficient funds for operating needs during periods of reduced cash flows; and
- Failure to comply with debt covenants which could result in the immediate repayment of secured and unsecured notes payable or foreclosure on our assets due to an event of default.

In light of the significant uncertainties inherent in the forward-looking statements made in this report, the inclusion of this information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved.

Introductory Comment

Throughout this Quarterly Report on Form 10-Q, unless otherwise designated, the terms “we,” “us,” “our,” “the Company,” and “our Company” refer to PSM Holdings, Inc., a Delaware corporation, and its consolidated subsidiaries.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

PSM HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2016 (Unaudited)	June 30, 2015
ASSETS		
Current Assets:		
Cash & cash equivalents	$ 496,110	$ 898,200
Accounts receivable- non related party, net	661,141	987,635
Loans held for sale	14,551,205	25,459,142
Prepaid expenses	115,351	98,505
Other assets	8,983	4,828
Total current assets	15,832,790	27,448,310
Property and equipment, net	253,695	278,005
Cash restricted for surety bonds	732,500	732,500
Loans receivable	86,888	87,778
Employee advances	70,294	56,851
Goodwill	1,809,429	1,809,429
Other intangible assets, net of accumulated amortization, March 31, 2016 and June 30, 2015 - $117,349	970,083	970,083
Security deposits	45,891	56,017
Total Assets	$ 19,801,570	$ 31,438,973
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 1,071,278	$ 1,077,788
Line of credit - related party	132,436	135,263
Warehouse lines of credit payable- related party	14,680,421	24,836,939
Short term financing	30,209	14,972
Notes payable - related party	355,453	120,000
Notes payable - non related party	1,000,000	750,000
Dividend payable - related party	1,753,256	801,333
Dividend payable - non related party	937,024	442,050
Accrued liabilities	416,473	596,940
Cash held in escrow for renovation loans	32,244	76,660
Total current liabilities	20,408,794	28,851,945
Total Liabilities	20,408,794	28,851,945
Commitment & Contingencies	-	-
Stockholders' Equity:		
Preferred stock, $0.001 par value, 10,000,000 shares authorized:		
Convertible Series A, 3,700 shares outstanding at March 31, 2016 and June 30, 2015	4	4
Convertible Series B, 2,000 shares outstanding at March 31, 2016 and June 30, 2015	2	2
Convertible Series C, 1,800 shares outstanding at March 31, 2016 and June 30, 2015	2	2
Convertible Series D, 1,320 and 1,400 shares outstanding at March 31, 2016 and June 30, 2015, respectively	1	1
Convertible Series E, 1,172.50 and 822.5 shares outstanding at March 31, 2016 and June 30, 2015, respectively	1	1
Common stock, $0.001 par value, 400,000,000 shares authorized, 42,354,648 and 40,354,648 shares issued and outstanding at March 31, 2016 and June 30, 2015, respectively	42,355	40,355
Treasury stock, at cost: shares held 1,771,600 at March 31, 2016 and June 30, 2015	(294,769)	(294,769)
Additional paid in capital	24,576,151	25,370,967
Accumulated deficit	(24,930,971)	(22,529,535)
Total stockholders' equity	(607,224)	2,587,028
Total Liabilities and Stockholders' Equity	$ 19,801,570	$ 31,438,973

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

PSM HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)

	For the three months ended March 31, 2016	For the three months ended March 31, 2015	For the nine months ended March 31, 2016	For the nine months ended March 31, 2015
Revenues				
Revenues - non related party	$ 3,066,264	$ 5,142,485	$ 11,682,111	$ 11,128,925
Revenues - related party	-	-	-	234,012
Total revenues	3,066,264	5,142,485	11,682,111	11,362,937
Operating expenses				
Selling, general & administrative	3,824,092	5,422,530	13,851,449	12,858,669
Depreciation and amortization	20,891	32,985	61,287	100,730
Total operating expenses	3,844,983	5,455,515	13,912,736	12,959,399
Loss from operations	(778,719)	(313,030)	(2,230,625)	(1,596,462)
Non-operating income (expense):				
Interest expense	(89,586)	(29,969)	(175,500)	(48,615)
Interest and dividend income	2,314	1,722	5,644	4,804
Realized gain (loss) on sale of assets	-	(296,941)	(955)	(296,941)
Total non-operating income (expense)	(87,272)	(325,188)	(170,811)	(340,752)
Loss from continuing operations before income tax	(865,991)	(638,218)	(2,401,436)	(1,937,214)
Provision for income tax	-	-	-	-
Net loss	(865,991)	(638,218)	(2,401,436)	(1,937,214)
Dividends on preferred stock	(471,497)	(486,125)	(1,443,747)	(757,258)
Net loss available to common stockholders	$ (1,337,488)	$ (1,124,343)	$ (3,845,183)	$ (2,694,472)
Net loss per common share and equivalents - basic and diluted loss from operations	$ (0.03)	$ (0.04)	$ (0.09)	$ (0.09)
Weighted average shares of share capital outstanding - basic & diluted	42,354,648	27,507,759	41,478,736	27,530,653

Weighted average number of shares used to compute basic and diluted loss per share for the three and nine months ended March 31, 2016 and 2015 is the same since the effect of dilutive securities is anti-dilutive.

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

PSM HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	For the nine months ended March 31,	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (2,401,436)	$ (1,937,214)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	61,287	100,730
Restricted cash	-	23,201
Disposition of property and equipment	955	-
Disposition of intangible assets	-	296,941
Share based payment awards	304,082	72,573
(Increase) decrease in current assets:		
Accounts receivable	326,495	(784,894)
Mortgage loans held for sale, net	10,907,937	(28,213,389)
Prepaid expenses	(16,845)	(1,409)
Employee advances	(13,443)	(56,599)
Other current assets	(4,156)	11,793
Increase (decrease) in current liabilities:		
Accounts payable	(6,510)	574,383
Accrued liabilities	(180,467)	400,085
Renovation escrow	(44,416)	(23,201)
Net cash provided by (used in) operating activities	8,933,483	(29,537,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for property and equipment	(44,968)	(10,000)
Cash received from sale of property and equipment	7,034	-
Cash received from (paid for) security deposits	10,125	(1,621)
Net cash used in investing activities	(27,809)	(11,621)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash borrowed (paid) on short term financing	15,237	(7,391)
Cash paid for preferred dividends	-	(133,500)
Cash proceeds from warehouse lines of credit - non related party	-	1,609,894
Cash payments on warehouse lines of credit - non related party	-	(2,083,894)
Cash proceeds from warehouse lines of credit - related party	253,891,506	239,236,527
Cash payments on warehouse lines of credit - related party	(264,048,024)	(211,044,959)
Cash proceeds from the sale of preferred stock	350,000	787,200
Cash proceeds (payments) on loans receivable	(1,936)	141,531
Cash proceeds on notes payable from related party	235,453	120,000
Cash proceeds on note payable from non related party	250,000	750,000
Net cash (used in) provide by financing activities	(9,307,764)	29,375,408
NET DECREASE IN CASH & CASH EQUIVALENTS	(402,090)	(173,213)
CASH & CASH EQUIVALENTS, BEGINNING BALANCE	898,200	764,931
CASH & CASH EQUIVALENTS, ENDING BALANCE	$ 496,110	$ 591,718

See Note 4 - Statement of Cash Flows Additional Disclosures

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

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company Background
As used herein and except as otherwise noted, the terms “Company” or “PSMH” shall mean PSM Holdings, Inc., a Delaware corporation.

The Company was incorporated under the laws of the State of Utah on March 12, 1987, as Durban Enterprises, Inc. On July 19, 2001, Durban Enterprises, Inc., created a wholly-owned subsidiary called Durban Holdings, Inc., a Nevada corporation, to facilitate changing the domicile of the Company to Nevada. On August 17, 2001, Durban Enterprises, Inc. merged with and into Durban Holdings, Inc., leaving the Nevada corporation as the survivor. The Company retained the originally authorized 100,000,000 shares at $0.001 par value.

On May 18, 2005, Durban Holdings, Inc. completed the acquisition of all of the outstanding stock of Prime Source Mortgage, Inc., a Texas corporation, by a stock for stock exchange in which the stockholders of Prime Source Mortgage, Inc. received 10,250,000 shares, or approximately 92% of the outstanding stock of the Company. Following the acquisition, effective May 18, 2005, the name of the parent “Durban Holdings, Inc.”, was changed to “PSM Holdings, Inc.” For reporting purposes, the acquisition was treated as an acquisition of the Company by Prime Source Mortgage, Inc. (reverse acquisition) and a recapitalization of Prime Source Mortgage, Inc. The historical financial statements prior to May 18, 2005, are those of Prime Source Mortgage, Inc. Goodwill was not recognized from the transaction.

On December 14, 2011, PSM Holdings, Inc., created a wholly-owned subsidiary called PSM Holdings, Inc., a Delaware corporation, to facilitate changing the domicile of the Company to Delaware. On December 29, 2011, PSM Holdings, Inc. merged with and into PSM Holdings, Inc., leaving the Delaware Corporation as the survivor. The Company retained the originally authorized 100,000,000 shares at $0.001 par value.

On November 12, 2014, the Company filed a Certificate of Amendment with the Delaware Secretary of State increasing the authorized 100,000,000 shares at $0.001 par value to 400,000,000 shares at $0.001 par value.

Business Activity
The Company is considered one reporting unit based on its one line of business and the way that management reviews results.

The Company originates mortgage loans funded either directly off its warehouse lines of credit or through brokering transactions to other third parties. Approximately 95% of the Company’s mortgage origination volume is banked off of its current warehouse lines. The Company has relationships with multiple investors who purchase the loans funded on its warehouse lines. All of the Company’s lending activities are conducted by its subsidiary, Prime Source Mortgage, Inc., a Delaware corporation (“PSMI”).

Historically, a significant portion of the Company’s business has been referral based and purchase oriented (versus refinance). However, during 2015 more of the Company’s business was refinance related as the majority of loans funded in the Box Home Loan division were refinances. The Company does not directly participate in the secondary markets and further does not maintain a servicing portfolio. Approximately 75% of the Company’s total loan applications are generated from business contacts and previous client referrals. Realtor referrals and other lead sources account for the balance of loan applications.

PSMI is currently licensed in Arizona, Arkansas, California, Colorado, Florida, Kansas, Missouri, Montana, New Jersey, New Mexico, North Dakota, Oklahoma, Oregon, Texas, Utah, Virginia and Washington.

PSMI solicits and receives applications for secured residential mortgage loans. As a licensed mortgage broker/banker, PSMI offers mortgage banking services using its existing warehouse lines of credit. The warehouse lines of credit are available for funding of mortgage loans for a short term period. The warehouse lines are secured by the underlying mortgage loans and are renewed annually. The warehouse lines of credit are repaid within an average of 15 days when the loan is sold to a third party. PSMI does not intend to hold and service the loans. These lines of credit can only be used to fund mortgage loans and cannot provide operating funds for the Company. It is estimated that approximately 95% of all of the residential mortgage loans processed by the Company are currently being closed using these available warehouse lines of credit. Warehouse capacity with our primary warehouse provider, a related party, is adequate to support the Company’s current volumes, as well as anticipated growth.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for the presentation of interim financial information, but do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. It is recommended that these consolidated financial statements be read in conjunction with the audited financial statements for the year ended June 30, 2015, which were filed with the Securities and Exchange Commission on October 13, 2015 on Form 10-K. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending June 30, 2016.

Summary of Significant Accounting Policies

The following summary of significant accounting policies of the Company is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are the representation of the Company's management who is responsible for their integrity and objectivity. The financial statements of the Company conform to accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Principles of Consolidation

The consolidated financial statements include the accounts of PSM Holdings, Inc., its wholly-owned subsidiary WWYH, Inc., and WWYH's wholly-owned subsidiary PSMI. All material intercompany transactions have been eliminated in the consolidation.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates. Significant estimates include the value of intangible assets, estimated depreciable lives of property, plant and equipment, estimated valuation of deferred tax assets due to net operating loss carry-forwards and estimates of uncollectible amounts of loans and notes receivable.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and cash in checking and savings accounts, and all investment instruments with an original maturity of three months or less.

Restricted Cash

The Company has certain cash balances set aside as collateral to secure various bonds required pursuant to the licensing requirements in some of the states in which it conducts business.

Accounts Receivable

Accounts receivable represent amounts due the Company for commissions earned and fees charged on closed loans. Accounts receivable are stated at the amount management expects to collect from balances outstanding at period-end. The Company estimates the allowance for doubtful accounts based on an analysis of specific accounts.

Employee Advances and Loans Receivable

Employee advances and loans receivable are stated at the unpaid principal balance. Interest income is recognized in the period in which it is earned.

Loans Held For Sale

The Company originates all of its residential real estate loans with the intent to sell them in the secondary market. Loans held for sale consist primarily of residential first and second mortgage loans that are secured by residential real estate throughout the United States.

Although the Company does not intend to be a loan servicer, from time to time it is necessary for certain loans to be serviced for a period of time. Even in these situations the Company intends to service the loan only for the amount of time necessary to get the loan sellable to a third party investor. As of March 31, 2016, the Company had ten such loans that required servicing before they could be sold to an investor. Nine of the ten loans were performing and were carried on the books at their fair value, determined using current secondary market prices for loans with similar coupons, maturities and credit quality. The Company was contacted by the borrower on the non-performing loan who informed the Company they would like to relinquish ownership of the property back to the Company. Based on the Company's initial review of the balance owed and the estimated value of the home, the Company has not accrued any gain or loss specific to this loan. However, as of March 31, 2016, the Company has accrued loan losses in the aggregate of $50,000.

As noted above, the fair value of loans held for sale is determined using current secondary market prices for loans with similar coupons, maturities and credit quality. Loans held for sale are pledged as collateral under the Company's warehouse lines of credit. The Company relies substantially on the secondary mortgage market as all of the loans originated are sold into this market.

Interest on mortgage loans held for sale is recognized as earned and is only accrued if deemed collectible. Interest is generally deemed uncollectible when a loan becomes three months or more delinquent or when a loan has a defect affecting its salability. Delinquency is calculated based on the contractual due date of the loan. Loans are written off when deemed uncollectible.

Prepaid Expenses

Prepaid expenses are advance payments for products or services that will be used in operations during the next 12 or more months. Prepaid expenses consist of prepaid insurance, prepaid rents and prepaid investor relations and other third party services provided by outside consultants and amounted to $115,351 and $98,505 at March 31, 2016 and June 30, 2015, respectively.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows. Expenditures for maintenance and repairs are charged to expense as incurred.

Furniture, fixtures and office equipment (years)	5
Computer equipment (years)	5

Goodwill and Indefinite-Lived Intangible Assets

Goodwill and other intangible assets with an indefinite useful life are not subject to amortization but are reviewed for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable. The annual evaluation for impairment of goodwill and indefinite-lived intangibles is based on valuation models that incorporate assumptions and internal projections of expected future cash flows and operating plans by using a discounted cash flow ("DCF") analysis. Determining fair value using a DCF analysis requires the exercise of significant judgments, including judgments about appropriate discount rates, perpetual growth rates and the amount and timing of expected future cash flows. If the fair value of a reporting entity exceeds its carrying amount, goodwill of the reporting entity is not impaired and the second step of the impairment test is not required. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is required to be performed to measure the amount of impairment, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting entity's goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. If the carrying amount of the reporting entity's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

The impairment test for indefinite-lived intangible assets involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Long-Lived Assets and Intangible Assets with Definite Lives

Long-lived assets, including property and equipment and intangible assets with definite lives, are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the carrying amount is deemed to not be recoverable, an impairment loss is recorded as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Amortization of definite-lived intangible assets is recorded on a straight-line basis over their estimated lives.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. In addition, there is the deferred tax asset which represents the economic value of various tax carryovers.

Taxes Collected and Remitted to Governmental Authorities

When applicable, the Company collects gross, sales or similar type taxes from its customers and remits them to the required governmental authorities. Related revenues are reported net of applicable taxes collected and remitted to governmental authorities.

Advertising

Advertising costs are expensed as incurred. Advertising expenses were $178,511 and $467,618 for the three and nine months ended March 31, 2016, respectively, compared to $140,832 and $413,319 for the three and nine months ended March 31, 2015, respectively.

Share Based Payment Plan

The Company grants stock options and restricted stock to certain executive officers, key employees, directors and independent contractors. Stock options have been granted for a fixed number of shares, vest equally over a three-year period and are valued using the Black-Scholes option pricing model. Stock grants have been awarded for a fixed number of shares with a value equal to the fair value of the Company's common stock on the grant date. Stock-based compensation expense is recorded net of estimated forfeitures for the three and nine months ended March 31, 2016 and 2015 based on the stock-based awards that were expected to vest during such periods. Under the 2012 and 2015 Stock Incentive Plans, the Company can grant restricted stock, restricted stock units, options, or other equity based awards to employees, related parties, and unrelated contractors in connection with the performance of services provided to the Company by the awardees.

Revenue Recognition

The Company's revenue is derived primarily from revenue earned from the origination and sale of mortgage loans. Revenues earned from origination of mortgage loans is recognized on the earlier of the settlement date of the underlying transaction or the funding date of the loan. Loans are funded through warehouse lines of credit and are sold to investors, typically within 15 days. The realized gain or loss on the sale of loans, if any, is realized on the date the loans are sold.

Loss Per Common Share

Basic and diluted loss per common share is computed by dividing the loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted loss per share does not reflect per share amounts that would have resulted if diluted potential common stock had been converted to common stock because the effect would be anti-dilutive. The weighted average number of common shares outstanding during the three and nine months ended March 31, 2016 and 2015 were 42,354,648, 41,478,736, 27,507,759 and 27,530,653, respectively. Loss per common share from continuing operations for the three and nine months ended March 31, 2016 and 2015 was $(0.03), $(0.09), $(0.04) and $(0.09), respectively.

Compensated Absences

The Company records an accrual for accrued vacation at each period end. Other compensated absences are expensed as incurred.

Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Recent Accounting Pronouncements

The Company has evaluated the possible effects on its financial statements of the accounting pronouncements and accounting standards that have been issued or proposed by FASB that do not require adoption until a future date, and that are not expected to have a material impact on the consolidated financial statements upon adoption.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

NOTE 2 – ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable is presented on the balance sheet net of estimated uncollectible amounts. Accounts receivable consist of commissions earned on funded loans waiting to be purchased. The Company records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. The Company did not record an allowance for doubtful accounts as of March 31, 2016 or June 30, 2015.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	March 31, 2016 (Unaudited)	June 30, 2015
Fixtures and equipment	$ 656,078	$ 623,834
Less: Accumulated depreciation	(402,383)	(345,829)
Property and equipment, net	$ 253,695	$ 278,005

Depreciation expense for the three and nine months ended March 31, 2016 was $20,892 and $61,287, respectively compared to depreciation expense for the three and nine months ended March 31, 2015 of $18,253 and $54,593, respectively.

NOTE 4 – STATEMENTS OF CASH FLOWS ADDITIONAL DISCLOSURES

Supplemental information for cash flows at March 31, 2016 and 2015 consist of:

	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
Supplemental Cash Flow Disclosures:		
Cash paid for interest	$ 175,500	$ 48,615
Stock issued for services	$ -	$ -
Stock options issued to employees	$ 304,082	$ 72,573

NOTE 5 – RELATED PARTY TRANSACTIONS

President/Chief Executive Officer and Director
On March 26, 2015, the Company entered into an Executive Employment Agreement (the "Agreement") with Kevin Gadawski to serve as its Chief Financial Officer, Chief Operating Officer, and Chief Executive Officer. In addition, Mr. Gadawski also assumed the roles of President, Chief Executive Officer, and Director of PSMI. The Agreement is effective April 1, 2015 and the term of the Agreement is three years, ending on March 31, 2018. Under the Agreement, Mr. Gadawski's annual base salary is $250,000 ("Base Salary"). If the Agreement is extended, the Base Salary will be reviewed no less frequently than annually, but at no time during the term of the Agreement will Mr. Gadawski's Base Salary be decreased. If the Company is reasonably unable to pay the Base Salary for any pay period, the Company and Mr. Gadawski may agree that the Base Salary be paid with shares of common stock under the Company's 2015 Stock Incentive Plan at a 25% discount to the fair market price of the stock at the end of the pay period. As a signing bonus for entering into the Agreement, the Company granted to Mr. Gadawski options to purchase up to 10,000,000 shares of common stock. Mr. Gadawski is eligible to participate in any incentive bonus pool maintained for persons including executive officers of the Company. He will be eligible to receive an annual bonus as per the incentive bonus pool of up to 100% of the then applicable Base Salary, less applicable withholding taxes. In addition, the Company provides Mr. Gadawski a car allowance in the amount of $750 per month and reimburses him for the cost of annual automobile insurance.

For the three and nine months ended March 31, 2016, the Company recorded compensation expense of $62,500 and $187,500, respectively and a car allowance of $2,250 and $6,750, respectively, pursuant to the Agreement. For the three and nine months ended March 31, 2015, the Company recorded compensation expense of $60,000 and $169,003, respectively.

Other Directors
Jim Miller, one of the Company's directors is a principal stockholder and director of a management company that provides two revolving warehouse lines of credit to the Company. Amounts outstanding on the credit lines as of March 31, 2016 and June 30, 2015 were $14,680,421 and $24,836,939 which were offset by $14,551,205 and $25,459,142 of funding receivables as of March 31, 2016 and June 30, 2015, respectively (See Note 8).

This entity also provided a line of credit to the Company that had an outstanding balance of $132,436 and $135,263 as of March 31, 2016 and June 30, 2015, respectively.

On February 7, 2013, the Company entered into a consulting agreement with an entity controlled by Michael Margolies, one of the Company's directors. The agreement calls for monthly compensation of $15,000 per month for strategic advisory and investor relations services for each month that services are provided. For the three and nine months ended March 31, 2016 and 2015, the Company recorded consulting expense of $67,500, $105,000, $0 and $60,000, respectively. This director has at times agreed to suspend providing strategic consulting services to the Company to assist in the Company's cash needs. Thus there was no expense for months when services were not provided. As of March 31, 2016, the Company has prepaid $15,000 of this consulting fee. Additionally, the Company pays for health insurance for Mr. Margolies which is currently at $3,700 per month.

On February 8, 2016, the Company, entered into short-term loan agreements each dated February 8, 2016 with Jim Miller and Richard Carrington, a shareholder of the Company. Under the terms of the loan agreements, the lenders each agreed to loan $125,000 for operating expenses of the Company and its operating subsidiary, as well as to fund growth of the Company. The funds were received by the Company on February 9, 2016. Each loan is evidenced by a one-year 10% Convertible Promissory Note which each bear interest at 10% per annum. The notes are convertible at the lowest per share rate of common stock or common stock equivalents sold in a Qualified Offering by the Company. For purposes of this transaction, the term “Qualified Offering” means one or more offerings of debt or equity securities by the Company to non-affiliates in the aggregate amount of at least $1,000,000. In addition, each lender received one common stock purchase warrant for each $2.50 loaned to the Company. Each five-year warrant is exercisable at $0.011 per share, subject to adjustment in the event of the issuance of additional common shares or common stock equivalents at less than the exercise price. The warrants also provide for cashless exercise. The warrants are not transferable or assignable without the prior consent of the Company. See Subsequent Events Note 17.

On November 13, 2014, the Company entered into a loan agreement with LB Merchant PSMH-1, LLC and LB Merchant PSMH-2, LLC, entities who are owners of convertible preferred stock and controlled by Mr. Margolies, a director of the Company. Under the terms of the loan agreement, the lenders each agreed to loan $70,000 for operating expenses of the Company and its operating subsidiary, as well as to fund growth of the Company. The funds were received by the Company on November 13, 2014. The loan is evidenced by a 10% Convertible Promissory Note which bears interest at 10% per annum with a maturity date of November 13, 2015, unless extended through mutual consent. The loan was repaid from proceeds received by the Company from the sale of Series E preferred stock in December 2014. In addition, the lenders received four tenths (0.40) of one common stock purchase warrant for each $1.00 loaned to the Company (totaling 28,000 warrants). Each five-year warrant is exercisable at $0.40 per share, subject to adjustment in the event of the issuance of additional common shares or common stock equivalents at less than the exercise price. The warrants also provide for cashless exercise. The warrants are not transferable or assignable without the prior consent of the Company.

Former Directors

Effective January 1, 2011, the Company entered into an employment agreement with Jeff Smith to serve as its Executive Vice-President. Pursuant to the terms of the employment agreement, the Company agreed to pay an annual compensation of $200,000, a monthly car allowance of $700, and a monthly allowance of $1,290 for health benefits for Mr. Smith and his family. On January 1, 2014, the employment agreement was renewed for one year with annual compensation of $250,000. On December 24, 2014, the term of the employment agreement was amended to a month-to-month basis. Effective January 31, 2015, Mr. Smith resigned from all positions with the Company and its subsidiaries, and accordingly his employment agreement was not renewed. For the three and nine months ended March 31, 2015 the Company recorded compensation expense of $23,157 and $122,636, a car allowance of $2,100 and $4,900, and monthly health insurance benefits of approximately $292 per month.

On September 12, 2014, the Company entered into a loan agreement with Mr. Smith. Under the terms of the loan agreement, Mr. Smith loaned $120,000 to the Company for its operating expenses and the expenses of its operating subsidiary, as well as to fund growth of the Company. The funds were received by the Company on September 12, 2014. The loan is evidenced by a 10% Convertible Promissory Note which bears interest at 10% per annum and matures September 12, 2016, unless extended through mutual consent. The note is convertible at the per share rate of common stock sold pursuant to a Qualified Offering by the Company. The term “Qualified Offering” means one or more offerings (whether or not proceeds are received by the Company pursuant to such offering) of debt or equity securities of the Company to non-affiliates in the aggregate amount of at least $1,000,000 commenced after the note issuance date. The conversion price is determined by the lowest of either the offering price per common share or the conversion or exercise price for common stock in any such Qualified Offering. In addition, Mr. Smith received four tenths (0.40) of one common stock purchase warrant for each $1.00 loaned to the Company (totaling 48,000 warrants). Each five-year warrant is exercisable at $0.40 per share, subject to adjustment in the event of the issuance of additional common shares or common stock equivalents at less than the exercise price. The warrants also provide for cashless exercise. The warrants are not transferable or assignable without the prior consent of the Company. Effective September 12, 2015, the Company executed a one year note extension with Mr. Smith. As part of the extension, the Company made a principal reduction payment in the amount of $5,000. The balance of the loan, $106,304, accrues interest at 10% annually.

On March 15, 2011, the Company entered into an employment agreement with a director of the Company at the time in connection with the acquisition of United Community Mortgage Corporation, now PSMI. The term of the employment agreement was for two years, with automatic one-year extensions unless notice is given by either party. The individual resigned as a director of the Company concurrent with the capital raise completed on February 5, 2013. The agreement provided for an annual base salary of $120,000 with increases based upon increases in originations at the respective branch and incentive payments upon securing additional branches for PSMI. In January 2015, the Company amended the agreement reducing the base compensation and adding in incentive compensation for recruiting. For the three and nine months ended March 31, 2016 and March 31, 2015, the Company recorded total compensation expense of $18,785, $88,204, $17,500 and $89,590, respectively.

Loans Receivable

Loans receivable from a former related party as of March 31, 2016 consists of:

	Original Loan	Balance due March 31, 2016 (Unaudited)	Balance due June 30, 2015
Secured loans to NWBO Corporation (NWBO)	$ 167,000	$ 86,888	$ 87,778
Accrued interest due from NWBO	-	8,175	4,228
	167,000	95,063	92,006
Less allowance for uncollectible amounts	-	-	-
	$ 167,000	$ 95,063	$ 92,006

The Company entered into two Commercial Security Agreements dated November 16, 2006 and February 16, 2007 with Nationwide By Owner ("NWBO") securing the loan amount of $167,000 with 150,000 shares of the Company's common stock held by NWBO. On June 15, 2012, the Company renegotiated the security agreements with NWBO and agreed to amend (i) the annual interest rate on the security agreements to 6%, and (ii) the maturity dates to September 30, 2013. On May 13, 2014, the Company extended the maturity dates to October 15, 2014. All other terms and conditions of the Security Agreements remained the same. On September 8, 2015, the Company executed a note extension and general release agreement with NWBO which contains a general agreement among the parties that no further commitments are required by either side. It further allows NWBO to utilize its technology with other companies. Finally, the note extension calls for quarterly principal payments based on how many "installations" of the NWBO technology exist during the quarter.

The interest recorded for the three and nine months ended March 31, 2016 and March 31, 2015 was immaterial for all periods.

NOTE 6 – EMPLOYEE ADVANCES

From time to time the Company advances payroll amounts to employees. The advances are short-term in nature. Employee advances amounted to $70,294 and $56,851 as of March 31, 2016 and June 30, 2015, respectively.

NOTE 7 – INTANGIBLE ASSETS

Intangible assets consist of:

	March 31, 2016 (Unaudited)	June 30, 2015
Intangible assets not subject to amortization:		
FHA "Full Eagle" status	$ 938,790	$ 938,790
Goodwill	1,809,429	1,809,429
State licenses	31,293	31,293
	2,779,512	2,779,512
Less: Impairments	-	-
Total	2,779,512	2,779,512
Intangible assets subject to amortization:		
Customer lists	117,349	117,349
Less: Accumulated amortization – customer lists	(117,349)	(117,349)
Total	-	-
Total Intangible assets, net	$ 2,779,512	$ 2,779,512

It is the Company's policy to assess the carrying value of its intangible assets for impairment on an annual basis, or more frequently, if warranted by circumstances. The Company completed an annual impairment test of goodwill as of June 30, 2015 and no impairment losses were incurred. As of that date, the fair value of equity exceeded the carrying value (including goodwill) by 300%, indicating no impairment of goodwill. This test involved the use of estimates related to the fair value of the goodwill, and requires a significant degree of judgment and the use of subjective assumptions. The fair value of the goodwill and other intangible assets was determined using a discounted cash flow method. This method required management to make estimates related to future revenue, expenses and income tax rates.

The valuation methodology assumes the Company will generate an operating profit beginning in the fiscal year ending June 30, 2016. Although the Company has made significant improvements in the last six quarters in maximizing revenue per funded loan and in reducing fixed and variable expenses, the Company has never generated an annual operating profit.

Any of the following events or changes in circumstances could reasonably be expected to negatively affect the Company's key assumptions:

- Significant change in mortgage interest rates;
- Loss of the Company's primary warehouse lender;
- Additional or new regulatory and compliance requirements that restrict its plan for growth;
- The loss of key production personnel; or
- Any default on our obligation to preferred shareholders or secured note holders.

NOTE 8 – WAREHOUSE LINES OF CREDIT

The Company has two warehouse lines of credit available as of March 31, 2016 for its funding of mortgage loans for a short term period.

(i) On August 3, 2008, the Company entered into a warehouse line of credit agreement with a related party mortgage banker for up to $1,000,000 bearing an annual interest rate of 5%. On October 13, 2013, the warehouse line of credit was increased to $75,000,000 for the purpose of funding residential mortgage loans. The warehouse line of credit matures on October 10, 2016. The outstanding balance on this line of credit as of March 31, 2016 was $912,216; and

(ii) On November 18, 2011, the Company entered into a "Repo" warehouse line of credit agreement with a related party mortgage banker for up to $5,000,000 bearing an annual interest rate of 5% for funding residential mortgage loans. Pursuant to the terms of the agreement, the Company could be required to repurchase the loan subject to certain terms and conditions. On October 10, 2013, the warehouse line of credit was increased to $75,000,000 and now matures on October 10, 2016. The outstanding balance on this line of credit as of March 31, 2016 was $13,768,205.

The warehouse lines of credit provide short term funding for mortgage loans originated by the Company's branch offices. The warehouse lines of credit are repaid when the loans are sold to third party investors, typically within 15 days for most loans. Subsequent to March 31, 2016, approximately 98% of the loans outstanding on the credit lines have been purchased by the secondary investors.

The Company does not intend to hold and service the loans. The Company had $14,551,205 in loans held for sale against the warehouse lines of credit as of March 31, 2016.

NOTE 9 – NOTES PAYABLE

On February 18, 2015, the Company executed a loan agreement, security agreement, and promissory note with an unrelated third party lender. The loan requires monthly interest only payments at 14% annually beginning March 1, 2015. The principle balance was originally set to mature on February 1, 2016. The original amount of the loan was $750,000 and could be increased to $1,000,000 at the sole discretion of the lender. The loan is secured by all the Company's tangible and intangible assets, except as such assets are needed to meet the minimum net worth requirement of HUD. The Company incurred legal fees and other loan costs of $50,000 in the aggregate which were deducted from proceeds received by the Company. The loan restricts the amount of the proceeds that can be used to settle payables already incurred.

On October 1, 2015, the Company executed modifications to the loan agreement and related documents with the third-party lender. The modified documents exclude from the loan collateral any acceptable assets of PSMI that are necessary to satisfy the minimum net worth requirements as stipulated by HUD guidelines. The modifications also increased the interest rate to 18% annually.

On January 28, 2016, the Company, PSMI and WWYH entered into the Second Amendment to the Loan Agreement with the lender whereby the following amendments to the loan agreement were made:

- The lender waived certain breaches of the loan agreement;
- The maturity date of the note was changed to June 30, 2016;
- The Company agreed to pay to the lender an amount equal to 0.50% of the principal amount of the note then outstanding immediately prior to any payoff;
- Section 6(b)(ii) of the loan agreement was deleted in its entirety and amended and restated to revise the fixed charge coverage ratio terms;
- Section 6(b)(iii) was added to the loan agreement to allow for a monthly loan production covenant; and
- Section 6(s) was added to the loan agreement to require the Company to raise additional funds through debt or equity by specific dates.

The loan agreement amendment provided for a disbursement to the Company from the lender in the amount of $250,000 and for the issuance of warrants to the lender to purchase 100,000 shares of Common Stock of the Company exercisable at $0.011 terminating on January 28, 2021.

In connection with entering into the loan agreement amendment, the Company agreed to pay to the lender a loan modification fee of $7,500 and an origination fee of $12,500. The loan agreement amendment also included a full release of the lender from any claims as of the effective date of the loan agreement amendment.

In conjunction with the loan agreement amendment, on January 28, 2016, the Company entered into the Second Note Modification Agreement with the lender whereby the maturity date of the note was amended to June 30, 2016.

NOTE 10 – ACCRUED LIABILITIES

Accrued liabilities consisted of:

	March 31, 2016 (Unaudited)	June 30, 2015
Credit card charges	$ 57,257	$ 77,103
Accrued payroll	206,470	248,594
Borrower escrows	32,843	161,325
Other liabilities	119,903	109,918
	$ 416,473	$ 596,940

NOTE 11 – STOCKHOLDERS' EQUITY AND ISSUANCES

The Company's capitalization at March 31, 2016 was 400,000,000 authorized common shares and 10,000,000 authorized preferred shares, both with a par value of $0.001 per share.

Common Stock

On October 23, 2015, holders of the Series D preferred shares converted 80 shares into 2,000,000 shares of common stock.

Preferred Stock

On February 17, 2016, the Company entered into a Stock Purchase Agreement with an unrelated party providing for the issuance and sale of $350,000 of the Company's Series E 6% Convertible Preferred Stock (350 shares) at a purchase price of $1,000 per share (the "**Series E Preferred Stock**"). Each share of Series E Preferred Stock is convertible into a number of shares of common stock of the Company equal to the quotient of (i) $1,000 (subject to adjustment for stock splits, stock dividends, recapitalizations, and the like) plus the amount of accrued but unpaid dividends, divided by (ii) the conversion price then in effect. The conversion price is $0.01, subject to adjustment, and the 350 shares issued in the first closing would be convertible into 35,000,000 common shares. If all of the shares of Series E Preferred Stock being offered were converted at the present conversion price, the Company would be obligated to issue 138,225,800 shares of common stock to the holders of the Series E Preferred Stock. The holders of Series E Preferred Stock are entitled to certain voting rights designated in the Second Amended & Restated Certificate of Designation for the series. Holders of the shares of Series E Preferred Stock are entitled to receive cumulative cash dividends at the rate per share (as a percentage of the stated value per share) of 6% per annum from the date of issuance, payable quarterly in arrears on April 15, July 15, October 15 and January 15. The offering of the Series E Preferred Stock will terminate not later than March 31, 2016.

Wilmington Capital Securities, LLC (the "**Placement Agent**") acted as exclusive placement agent for the offering. In accordance with the placement agent agreement for the offering, warrants to purchase 8% of the common stock into which the Series E Preferred Stock, sold in the offering, may be converted (the "**Warrants**") will be issued in connection with the offering. The Warrants will be exercisable at $0.011 per share and will expire five years from their issuance date.

On November 26, 2014, the Company entered into a Stock Purchase Agreement dated effective November 24, 2014 (the "**Series E SPA**") providing for the issuance and sale of up to $1,250,000 of the Company's Series E 6% Convertible Preferred Stock (1,250 shares) at a purchase price of $1,000 per share (the "**Series E Preferred Stock**"). The first closing of the Series E SPA occurred on November 26, 2014, with 612.5 shares of Series E Preferred Stock being sold to LB Merchant PSMH-3, LLC, an entity controlled by Michael Margolies, a director and principal shareholder of the Company (the "**Purchaser**"). Each share of Series E Preferred Stock is convertible into a number of shares of common stock of the Company equal to the quotient of (i) $1,000 (subject to adjustment for stock splits, stock dividends, recapitalizations, and the like) plus the amount of accrued but unpaid dividends, divided by (ii) the conversion price then in effect. The initial conversion price is $0.01, subject to adjustment. The holders of Series E Preferred Stock are entitled to certain voting rights designated in the certificate of designation for the series. Holders of the shares of Series E Preferred Stock are entitled to receive cumulative cash dividends at the rate per share (as a percentage of the stated value per share) of 6% per annum from the date of issuance, payable quarterly in arrears on April 15, July 15, October 15 and January 15, beginning on January 15, 2015.

On December 15, 2014, the second closing of the Series E SPA occurred with 210 shares of Series E Preferred Stock being sold to the Purchaser. In total, the Company sold to the Purchaser 822.5 shares of Series E Preferred Stock convertible into 82,250,000 common shares. The holders of Series E Preferred Stock are entitled to certain voting rights designated in the certificate of designation for the series.

Holders of the Series E Preferred Stock will have demand and piggyback registration rights for the common stock issuable upon conversion of the Series E Preferred Stock. The registration rights are pari passu with the registration rights of the Company's Series A 6% Convertible Preferred Stock ("**Series A Preferred Stock**"), Series B 6% Convertible Preferred Stock ("**Series B Preferred Stock**"), Series C 6% Convertible Preferred Stock ("**Series C Preferred Stock**"), and Series D 6% Convertible Preferred Stock ("**Series D Preferred Stock**").

In connection with the first closing of the Series E SPA, the Company amended the Stock Purchase Agreement dated February 3, 2013 and amended on April 1, 2014 (the "**Series A & B SPA** "), entered into in connection with the sale of the Series A Preferred Stock and Series B Preferred Stock and also amended the original Stock Purchase Agreement dated April 1, 2014 (the "**Series C & D SPA**"), entered into in connection with the sale of the Series C Preferred Stock and Series D Preferred Stock. The amendments permitted the issuance of the Series E Preferred Stock senior to dividend and liquidation rights of the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, and Series D Preferred Stock.

Pursuant to the provisions of the Certificates of Designation for the Series A Preferred Stock and Series B Preferred Stock regarding adjustments in conversion price, because the Company issued and sold additional shares at a price less than the current $0.24 conversion price of the Series A Preferred Stock and Series B Preferred Stock, the conversion price was adjusted to $0.10 per share. After this adjustment to the conversion price of the Series A Preferred Stock and Series B Preferred Stock, the Series A Preferred Stock and Series B Preferred Stock would convert into a total of 57,000,000 shares of common stock (adjusted from 24,782,609).

Pursuant to the provisions of the Certificates of Designation for the Series C Preferred Stock and Series D Preferred Stock regarding adjustments in conversion price, because the Company issued and sold additional shares at a price less than the current $0.08 conversion price of the Series C Preferred Stock and Series D Preferred Stock, the conversion price was adjusted to $0.04 per share. After this adjustment to the conversion price of the Series C Preferred Stock and Series D Preferred Stock, the Series C Preferred Stock and Series D Preferred Stock would convert into a total of 80,000,000 shares of common stock (adjusted from 40,000,000).

Default on Preferred Dividends

On January 23, 2015, an event of default occurred due to the Company's non-payment of dividends due the preferred holders on October 15, 2014 and January 15, 2015. After the occurrence of the default event, the preferred dividend rate automatically, as of January 23, 2015, increased to a rate per annum of 20% of the Stated Value (as defined in the Certificates of Designation for the Preferred Stock), payable in cash on a monthly basis on the 15th day of each month until the event of default is cured, upon which the preferred dividend will return to a rate of 6% per annum of the Stated Value. The Company did not cure the default, nor make any additional or required dividend payments that were due February 15, 2015 and the 15th of each month thereafter.

Following is the status of the share based incentive plans during the nine months ended March 31, 2016 and 2015:

2012 Stock Incentive Plan and 2015 Stock Incentive Plan

On December 12, 2011, the stockholders of the Company authorized and approved the 2012 Stock Incentive Plan (the "**2012 Plan**") to issue up to 6,000,000 shares of Common Stock of the Company at $0.001 par value per share. The 2012 Plan became effective January 1, 2012.

Effective March 26, 2015, the Board of Directors of the Company approved the 2015 Stock Incentive Plan (the "**2015 Plan**"). Awards may be made under the 2015 Plan for up to 40,000,000 shares of common stock of the Company at $0.001 par value per share. All of the Company's employees, officers and directors, as well as consultants and advisors to the Company are eligible to be granted awards under the 2015 Plan. No awards can be granted under the 2015 Plan after the expiration of ten years from the effective date, but awards previously granted may extend beyond that date. Awards may consist of both incentive and non-statutory options, restricted stock units, stock appreciation rights, and restricted stock awards.

On March 17, 2016, the Board of Directors granted four-year options to various employees to purchase an aggregate of 2,000,000 shares of common stock at $0.055 per share vesting over a three-year period. The options were granted under the Company's 2015 Plan. The fair value of options was determined to be $37,694 calculated using the Black-Scholes option pricing model using the assumptions of risk free discount rates of 0.33%, volatility of 209.49%, a four-year term and dividend yield of 0%. The options were executed subsequent to the end of the quarter.

On December 21, 2015, the Board of Directors granted four-year options to various employees to purchase an aggregate of 1,650,000 shares of common stock at $0.134 per share vesting over a three-year period. The options were granted under the Company's 2015 Plan. The fair value of options was determined to be $145,517 calculated using the Black-Scholes option pricing model using the assumptions of risk free discount rates of 0.33%, volatility of 145.32%, a four-year term and dividend yield of 0% and forfeiture rate of 50%. The options were executed during the current quarter.

On July 8, 2015, the Board of Directors granted four-year options to various employees to purchase an aggregate of 150,000 shares of common stock at $0.181 per share vesting over a three-year period. The options were granted under the 2015 Plan. The fair value of options was determined to be $12,321 calculated using the Black-Scholes option pricing model using the assumptions of risk free discount rates of 0.33%, volatility of 130.6%, a four-year term and dividend yield of 0%.

On August 17, 2015, the Board of Directors granted four-year options to various employees to purchase an aggregate of 100,000 shares of common stock at $0.18 per share vesting over a three-year period. The options were granted under the Company's 2015 Plan. The fair value of options was determined to be $7,805 calculated using the Black-Scholes option pricing model using the assumptions of risk free discount rates of 0.33%, volatility of 118.47%, a four-year term and dividend yield of 0%.

On September 14, 2015, the Board of Directors granted four-year options to various employees to purchase an aggregate of 500,000 shares of common stock at $0.187 per share vesting over a three-year period. The options were granted under the 2015 Plan. The fair value of options was determined to be $50,051 calculated using the Black-Scholes option pricing model using the assumptions of risk free discount rates of 0.33%, volatility of 112.19%, a four-year term and dividend yield of 0%.

As of March 31, 2016, the Company has granted 5,450,004 shares of common stock or stock options to employees and a consultant under the 2012 Plan and 549,996 common shares remained unissued and available for future issuances under the 2012 Plan. Under the 2015 Plan, the Company has granted 20,975,000 options and 19,025,000 remained unissued and available for future issuance under the 2015 Plan

A summary of stock option activity for the last two years is as follows:

	For the nine months ended March 31, 2016			2015		
	Number of Shares		Weighted-Average Exercise Price	Number of Shares		Weighted-Average Exercise Price
Options outstanding at beginning of the period	24,760,000	$	0.13	3,160,000	$	0.17
Options granted	4,400,000		0.11	1,800,000		0.035
Options exercised	-		-	-		-
Options forfeited/expired	(3,983,334)		0.20	(741,667)		0.24
Options outstanding at end of the period	25,176,666	$	0.12	4,218,333	$	0.10
Options exercisable as of March 31	5,078,333	$	0.07	233,333	$	0.31

Other Stock Issuances

The Company did not issue any common stock for either the three or nine months ended March 31, 2016 or 2015, except for the conversion of preferred shares, as described above.

Repurchase of Stock
On July 3, 2014, the Company purchased 1,500,000 shares of its common stock from two former employees, directors and related parties. The Company paid for the shares by exchanging certain assets valued at $227,752. The shares are reflected as treasury stock on the accompanying balance sheet.

On July 14, 2014, the Company purchased 250,000 shares of its common stock from a former employee, director and related party. The Company paid for the shares by exchanging certain assets valued at $44,271. The shares are reflected as treasury stock on the accompanying balance sheet.

Total common shares issued and outstanding at March 31, 2016 was 42,354,648.

Warrant issuances
Pursuant to the Preferred Series E Stock transaction in November and December 2014, and in accordance with the placement agent agreement, the Company issued warrants to purchase 13,160,000 shares of the Company's common stock to the placement agent and its associates as placement fees in the above transaction. The warrants are exercisable at $0.011 and expire on November 26, 2019. The fair value of warrants was determined to be $124,698 calculated using the Black-Scholes option pricing model using the assumptions of risk free discount rates of 0.88%, volatility of 174.98%, a five-year term and dividend yield of 0%. Since the warrants were issued in conjunction with the capital raise, no expense was recorded in the accompanying financial statements.

On September 12, 2014, the Company entered into a loan agreement with Mr. Smith, as described in Note 5. In connection with entering into the loan agreement, Mr. Smith received four tenths (0.40) of one common stock purchase warrant for each $1.00 loaned to the Company (totaling 48,000 warrants). Each five-year warrant is exercisable at $0.40 per share, subject to adjustment in the event of the issuance of additional common shares or common stock equivalents at less than the exercise price. The warrants also provide for cashless exercise. The warrants are not transferable or assignable without the prior consent of the Company.

The 454,000 warrants issued in February and March 2014, as amended, contained provisions requiring adjustment to the exercise price in the event the Company were to issue or sell additional shares of common stock pursuant to convertible securities or common stock equivalents at a price per share less than the exercise price of these warrants. Given the exercise price of the Series E Preferred Stock of $0.01 (less than the exercise price of the warrants of $0.24), the adjusted exercise price of these warrants became $0.10 at the first closing of the Series E SPA.

The 76,000 warrants issued in September and November 2014 contained provisions requiring adjustment to the exercise price in the event the Company were to issue or sell additional shares of common stock pursuant to convertible securities or common stock equivalents at a price per share less than the exercise price of these warrants. Given the exercise price of the Series E Preferred Stock of $0.01 (less than the exercise price of the warrants of $0.40), the adjusted exercise price of these warrants became $0.125 at the first closing of the Series E SPA.

The Company has a total of 3,782,810 warrants outstanding as of March 31, 2016 at exercise prices ranging between $0.011 and $0.44. The warrants have expiration dates ranging from February 5, 2018 through February 8, 2021.

NOTE 12 – INCOME (LOSS) PER COMMON SHARE

The Company's outstanding options and warrants to acquire common stock totaled 28,959,476 as of March 31, 2016. These common stock equivalents may dilute earnings per share.

Basic and diluted loss per common share is computed by dividing the loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted loss per share does not reflect per share amounts that would have resulted if diluted potential common stock had been converted to common stock because the effect would be anti-dilutive. The weighted average number of common shares outstanding during the three and nine months ended March 31, 2016 and 2015 were 42,354,648, 41,478,736, 27,507,759 and 27,530,653, respectively. Loss per common share from continuing operations for the three and nine months ended March 31, 2016 and 2015 was $(0.03), $(0.09), $(0.04) and $(0.09), respectively.

NOTE 13 – COMMITMENTS

Assets pledged as security
On February 17, 2015, the Company executed a note in the amount of up to $1,000,000 and a related security agreement with Quintium Private Opportunities Fund, LP. As of March 31, 2016, $1,000,000 of the note has been disbursed and is outstanding. The original loan documents contained a pledge of all the assets of the Company's wholly owned subsidiaries, including PSMI. On October 1, 2015, the first loan amendment was executed. Per the amendment, the pledge of assets now excludes any such assets as are needed to maintain PSMI's adjusted net worth as required by HUD.

Nationwide By Owners License

The agreement between NWBO and the Company calls for the establishment of a National Processing Center for the collection, origination and tracking of the sales lead database. Upon completion of a National Processing Center, the Company has also committed to provide year-end bonuses under the license agreement which the parties can elect to take in cash, stock, or any combination of the two. Bonus cash will be calculated by multiplying the annual net profit of the National Processing Center by the following percentage rates: 15% for the initial five year term of the license agreement, 20% for the first automatic renewal term, 25% for the second automatic renewal term, and 30% for the third automatic renewal term and all subsequent annual renewal terms. Should the parties elect to take all or part of the bonus in common stock, the number of shares awarded will be calculated according to the base value of the shares as defined in the agreement. No accrual has been recorded for the year-end bonuses because the National Processing Center has not been established.

On September 8, 2015, the Company executed a note extension (effective April 15, 2015) with NWBO in which the maturity date was extended until September 30, 2016 and NWBO agreed to fixed payments of principal based on the number of installations of the NWBO technology. In addition, the Company executed a termination agreement in which NWBO and the Company mutually released one another from any obligations under the original license agreement.

Lease Commitments

The Company leases approximately 2,181 square feet of office space in Edmond, Oklahoma, which is used for the principal executive offices and as the operating location of PSMI. The one-year lease was executed May 7, 2015, and the monthly lease payments are $3,464.

The Company leases office space for its branches and property and equipment under cancellable and non-cancellable lease commitments. The monthly rent for office premises and property and equipment is $90,268. The leases expire between March 2016 and December 2018. Total rent expense recorded for the three and nine months ended March 31, 2016 and 2015 was $217,351, $690,019, $218,442 and $557,243, respectively.

Total minimum lease commitments for branch offices and property and equipment leases at March 31, 2016 are as follows:

For the year ended June 30,		Amount
2016	$	136,770
2017		185,947
2018		153,997
2019		32,119
2020		3,834
Total	$	512,667

NOTE 14 – FAIR VALUE MEASUREMENTS

The Company uses a hierarchy that prioritizes the inputs used in measuring fair value such that the highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. See Note 1 for discussion of valuation methodologies used to measure fair value of investments.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value of all the assets and liabilities, other than those specifically discussed in the following sentences, we determined using level 2 inputs. Warehouse lines of credit and loans held for sale which were both determined using level 1 inputs, while intangible assets which were determined using level three inputs. The carrying amounts and fair values of the Company's financial instruments at March 31, 2016 and June 30, 2015 are as follows:

	March 31, 2016		June 30, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 496,110	$ 496,110	$ 898,200	$ 898,200
Restricted cash	732,500	732,500	732,500	732,500
Accounts receivable	661,141	661,141	987,635	987,635
Loans held for sale	14,551,205	14,551,205	25,459,142	25,459,142
Prepaid expenses	115,351	115,351	98,505	98,505
Loans receivable	86,888	86,888	87,778	87,778
Employee advances	70,294	70,294	56,851	56,851
Security deposits	45,891	45,891	56,017	56,017
Intangible assets	2,779,512	2,779,512	2,779,512	2,779,512
Financial liabilities:				
Accounts payable	$ 1,071,278	$ 1,071,278	$ 1,077,788	$ 1,077,788
Line of credit – related party	132,436	132,436	135,263	135,263
Warehouse lines of credit - related party	14,680,421	14,680,421	24,836,939	24,836,939
Notes payable – related party	355,453	355,453	120,000	120,000
Notes payable – non related party	1,000,000	1,000,000	750,000	750,000
Preferred dividends payable – related party	1,753,256	1,53,256	801,333	801,333
Preferred dividends payable – non related party	937,024	937,024	442,050	442,050
Accrued liabilities	416,473	416,473	596,940	596,940
Borrower escrows	32,244	32,244	76,660	76,660

NOTE 15 - INDUSTRY RISKS AND GOING CONCERN

The Company is not current in paying all the costs and expenses on a current basis. The Company is currently in default of its agreement with preferred shareholders and it is unlikely that the Company will be able to cure the default and pay current the dividends due the Series A, B, C, D and E preferred shareholders. Further, the Company may be unable to pay the principal balance of the Quintium note when due on June 30, 2016 and there is no assurance that the lender will be willing to extend the maturity on acceptable terms if at all.

In addition, the Company is dependent on either the operations of its wholly owned subsidiary PSMI to generate the cash needed to meet the expenses of the Company or in raising capital. PSMI has been successful in attracting new groups to their platform, which could increase volume and revenue in future quarters. If PSMI is unable to develop these new offices into profitable offices and the Company is unable to raise additional capital if necessary, the Company will not be able to meet its obligations and these factors would give rise to uncertainty about the Company's continuing as a going concern.

Management is continuing to implement cost reduction strategies. The Board has authorized management to pursue an additional capital raise which, if successful, would be highly dilutive to the holdings of the current common shareholders. See subsequent events Note 17.

There is no certainty that the Company will be successful in these initiatives in a timely enough manner to curtail the continuing consolidated losses and meet short-term debt obligations.

NOTE 16 - CONCENTRATIONS

Concentration of Warehouse Lenders
The Company entered into two warehouse line of credit agreements with a mortgage banker whose former Executive Vice President is a member of the Board of Directors of the Company, for up to $75,000,000 each, bearing annual interest rates of 5% each, for funding residential mortgage loans. Per the terms of the agreements, the Company could be required to repurchase the loans subject to certain terms and conditions. The outstanding combined balance on these two warehouse lines of credit as of March 31, 2016 was $14,680,421. Subsequent to March 31, 2016, approximately 98% of the loans outstanding on the credit lines have been purchased by investors.

Concentration of Credit Risk
The Company maintains its cash in bank and financial institution deposits that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts through March 31, 2016. As of March 31, 2016, the Company's bank balances in some instances exceed FDIC insured amounts.

NOTE 17 – SUBSEQUENT EVENTS

Default of Secured Debt
As of March 31, 2016, we did not comply with a covenants set forth in the loan agreement with a secured, unrelated third party lender. In addition, we failed to meet loan production requirements, which is a covenant of the loan agreement. As a result, we are currently in default of the loan agreement and the secured lender may foreclose on our assets. We are currently in discussions with the secured lender to obtain a waiver of the events of default.

Default on Repayment of Bridge Loans
The bridge loans issued in February 2016 with a principal balance of $250,000 had a maturity date of May 8, 2016. The Company failed to make the principal and interest payments due on that date and is currently in default on these notes. The Company is working with the lenders to extend the maturity dates although there are no assurances that the Company will be successful in doing so. If an event of default remains un-cured on these loans, it would cause a default under our loan agreement with Quintium Private Opportunities Fund, L.P.

Sale of Preferred Stock
On April 6, 2016, the Company, entered into a Stock Purchase Agreement with LB Merchant PSMH-4, LLC, a Florida limited liability company (the "**2016 Series E SPA**") providing for the issuance and sale of $512,500 of the Company's Series E Preferred Stock (512.5 shares) at a purchase price of $1,000 per share. The 512.5 shares issued in the closing would be convertible into 51,250,000 common shares. If all of the outstanding shares of Series E Preferred Stock sold as of the present date were converted at the present conversion price, the Company would be obligated to issue 189,475,800 shares of common stock to the holders of the Series E Preferred Stock. The offering of the Series E Preferred Stock was extended to April 6, 2016 and terminated thereafter.

In accordance with the placement agent agreement for the offering, warrants to purchase 8% of the common stock into which the Series E Preferred Stock, sold in the offering, may be converted were issued in connection with the offering. The warrants are exercisable at $0.011 per share and will expire five years from issuance date.

Pursuant to the provisions of the Certificates of Designation for the Series A Preferred Stock and Series B Preferred Stock regarding adjustments in conversion price, because the Company issued and sold additional shares at a price less than the current $0.12 conversion price of the Series A Preferred Stock and Series B Preferred Stock, the conversion price was adjusted to $0.08 per share. After this adjustment to the conversion price of the Series A Preferred Stock and Series B Preferred Stock and taking into account accrued dividends as of March 31, 2016, the Series A Preferred Stock and Series B Preferred Stock would convert into a total of 91,200,000 shares of Common Stock (adjusted from 58,425,000).

Pursuant to the provisions of the Certificates of Designation for the Series C Preferred Stock and Series D Preferred Stock regarding adjustments in conversion price, because the Company issued and sold additional shares at a price less than the current $0.04 conversion price of the Series C Preferred Stock and Series D Preferred Stock, the conversion price was adjusted to $0.03 per share. After this adjustment to the conversion price of the Series C Preferred Stock and Series D Preferred Stock and taking into account accrued dividends as of March 31, 2016, the Series C Preferred Stock and Series D Preferred Stock would convert into a total of 133,367,400 shares of Common Stock (adjusted from 95,940,000).

The 1,140,000 Common Stock Purchase Warrants issued in February 2013, contained provisions requiring adjustment to the exercise price in the event the Company were to issue or sell additional shares of Common Stock pursuant to convertible securities or Common Stock equivalents at a price per share less than the exercise price of these warrants. Given the exercise price of the Series E Preferred Stock of $0.01 (less than the exercise price of the Common Stock Warrants of $0.44), the adjusted exercise price of these warrants became $0.04 at the closing of the Series E SPA.

The 994,810 Common Stock Purchase Warrants issued in February, March, and April 2014, contained provisions requiring adjustment to the exercise price in the event the Company were to issue or sell additional shares of Common Stock pursuant to convertible securities or Common Stock equivalents at a price per share less than the exercise price of these warrants. Given the exercise price of the Series E Preferred Stock of $0.01 (less than the exercise price of the Common Stock Warrants of $0.10), the adjusted exercise price of these warrants became $0.04 at the closing of the Series E SPA.

The 48,000 Common Stock Purchase Warrants issued in September 2014 contained provisions requiring adjustment to the exercise price in the event the Company were to issue or sell additional shares of Common Stock pursuant to convertible securities or Common Stock equivalents at a price per share less than the exercise price of these warrants. Given the exercise price of the Series E Preferred Stock of $0.01 (less than the exercise price of the Common Stock Warrants of $0.125), the adjusted exercise price of these warrants became $0.05 at the closing of the Series E SPA.

The 1,600,000 Common Stock Purchase Warrants issued in December 2014 and January and February 2016 contained provisions requiring adjustment to the exercise price in the event the Company were to issue or sell additional shares of Common Stock pursuant to convertible securities or Common Stock equivalents at a price per share less than the exercise price of these warrants. Given the exercise price of the Series E Preferred Stock of $0.01 (less than the exercise price of the Common Stock Warrants of $0.11), the adjusted exercise price of these warrants became $0.01 at the closing of the Series E SPA.

Assuming the issuance of all of the shares of Series E Preferred Stock, and the restating of the conversion price of the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, and Series D Preferred Stock, the Company will not have sufficient shares of Common Stock to reserve for 130% of the shares issuable upon conversion of the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock as required in the Series E SPAs, the Series A & B SPA and the Series C & D SPA. Pursuant to the terms of these agreements, the Company is required to amend its Certificate of Incorporation to increase the number of authorized shares of Common Stock at its next annual shareholders' meeting or upon request by a majority of the preferred Series E shareholders.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations analyzes the major elements of our balance sheets and statements of income. This section should be read in conjunction with our Annual Report on Form 10-K for the year ended June 30, 2016, and our interim financial statements and accompanying notes to these financial statements filed with this report.

Overview

PSM Holdings, Inc. (the "**Company**" or "**PSMH**") originates mortgage loans funded either directly off our warehouse lines of credit or through brokering transactions to other third parties. Approximately 95% of our mortgage origination volume is banked off of our current warehouse lines. We have relationships with multiple investors who purchase the loans funded on our warehouse lines. All of our lending activities are conducted by our subsidiary, Prime Source Mortgage, Inc. ("**PSMI**").

Historically, a significant portion of our business has been referral based and purchase orientated (versus refinance). We do not directly participate in the secondary markets and further do not maintain a servicing portfolio. Approximately 75% of total loan applications are generated from business contacts and previous client referrals. Realtor referrals and other lead sources account for the balance of loan applications.

We have retail offices located around the United States from which we derive revenue from the loan origination volume of these offices. We are able to leverage our warehouse lines of credit relationships with related parties in order to provide us the funding capacity to support our anticipated growth. PSMI is licensed in more than 15 states and operates out of approximately 18 offices around the country.

Current Environment

Regulatory changes from federal and state authorities have placed a significant amount of pressure on mortgage companies across the United States. The regulatory changes have applied operational pressure for deeper and more disciplined internal processes, limitations on loan officer compensation and increased compliance requirements all making it difficult for small to mid-market mortgage firms to operate profitably as independent businesses. This dynamic has spurred consolidation in the industry as many firms feel the need to join larger more established platforms. This industry shift has forced the remaining mortgage businesses to either make the financial investments in their business to operate in today's environment or become part of a more stable, mature operation that is better suited to compete in a contracting market.

Plan of Operation

We intend to continue the build out of our divisional strategy. Under our divisional strategy, we allow very seasoned operators to join our platform and operate as divisions and DBA's of our wholly owned subsidiary PSMI. This approach has allowed us to devise true long lasting partnerships with the individuals who have already achieved success in our industry. We believe our divisional strategy will be a key component to us achieving sustainable profitability.

Like most lenders in our industry, our production volumes have fluctuated greatly over the last two years. The following table represents a production matrix reflecting our past production by number of loans and dollar volume:

Nine months ended March 31,	Number of Loans		Dollar Production
2016	1,016	$	253,891,506
2015	1,072	$	239,236,527

As a result of the market consolidation in the mortgage banking industry, we continue to recruit and onboard new entities, as well as work with existing offices to increase their loan originators, locations, and production. During the nine months ended March 31, 2016, we launched four divisions while closing several under-performing retail offices. We anticipate these divisions will add significantly to our production numbers in future quarters.

We will continue to recruit loan originators and existing mortgage banking or broker operations as we believe our current infrastructure can support a significant scaling of operations without the need for additional resources or capital.

Results of Operations

Our consolidated results of operations for the three and nine months ended March 31, 2016 and 2015, include the operating results of our wholly-owned subsidiary WWYH, Inc. (an inactive company) and results of operations of PSMI.

We reported a net loss of $865,991 and $2,401,436 for the three and nine months ended March 31, 2016 compared to a loss of $638,218 and $1,937,214 for the same periods ended March 31, 2015. The increase in our net loss for the current three month period is related to increased interest expense and unprofitable offices which have since been closed. For the nine-month period, our loss was greater in the current nine months as the Box Home Loan division contributed less profit in the current period than it did in the prior period.

<u>Revenues</u>
Total revenues decreased by $(2,076,221) and increased by $319,174 to $3,066,264 and $11,682,111 for the three and nine months ended March 31, 2016, as compared to $5,142,485 and $11,362,937 for the same periods in 2015. We closed 1,016 loans for a total loan production of $253,891,506 during the nine months ended March 31, 2016, as compared to 1,072 loans for a total production of $239,236,527 for the comparable prior year period. Our revenues were higher in the current nine month period even with slightly fewer loans as more loans came from offices in California in the current period, which generally contain higher loan balances. Our revenue per loan increased by $898, or approximately 8.5%. The increase in revenue per loan in the current nine-month period is a direct result of loan mix as a higher percentage of loans in the current period were government loans versus conventional loans.

<u>Operating Expenses</u>
Our total operating expenses decreased by $(1,610,532) and increased by $953,337 to $3,844,983 and $13,912,736 for the three and nine months ended March 31, 2016, as compared to $5,455,515 and $12,959,399 for the comparable periods in the prior year. The decrease in the current three month period is directly related to the operation of not having costs associated with our former Box Home Loan Division. The increase in current nine month period is due to opening of additional offices. Commission expense for the three and nine months ended March 31, 2016 and 2015 were $445,055, $2,000,892, $1,077,914 and $2,317,703, respectively. As a percentage of revenue, commission expense was less in the current three and nine month periods compared to prior periods (14.5%, 17.1%, 41.0% and 20.1%) as the Company has moved more originators, especially branch managers, to salary only compensation plans. Salaries were $1,454,101 and $4,507,934 for the three and nine months ended March 31, 2016 compared to salaries of $1,563,893 and $4,606,174 for the comparable prior year period.

Advertising expense relates primarily to costs associated with generating leads and maintaining contact with borrowers. Advertising expenses were $178,511 and $467,618 for the three and nine months ended March 31, 2016, respectively, compared to $140,832 and $413,319 for the three and nine months ended March 31, 2015, respectively. The increases are a result of additional offices in the current period. For the three and nine months ended March 31, 2016, investor relations expense was $82,500 and $120,000, compared to $0 and $60,000 in the three and nine months ended March 31, 2015. Legal and professional fees were $114,956, $ 1,001,855, $438,204 and $827,790 for the three and nine month periods ended March 31, 2016 and 2015, respectively. The changes between the periods relate directly to the former Box Home Loan division. We contracted out a third party service to provide processing and underwriting services so professional fees were significantly higher in periods Box was on our platform (February 2015 through October 2015). Total rent expense was $217,351, $690,019, $218,442 and $557,243 for the three and nine months ended March 31, 2016 and 2015, respectively. Rents were higher in the current nine month period due to opening more offices in 2016 compared to 2015.

Stock bonus related to the amortization of the value of stock options issued to employees was $94,574 and $304,081 for the three and nine months ended March 31, 2016 compared to $41,357 and $72,573 in the prior year period. We issued nearly 22,000,000 options during the first six months of calendar 2015. The value of the options amortizes over the vesting period of thirty-six months. Depreciation and amortization were $20,891, $61,287, $32,985 and $100,730 for the three and nine months ended March 31, 2016 and 2015, respectively. Our asset balances were significantly lower in the current period based on utilizing some of our assets in the prior year to re-purchase shares of stock from former employees.

Non-operating income (expense)

We incurred non-operating expense of $87,272, $170,811, $325,188 and $340,752 for the three and nine months ended March 31, 2016 and 2015, respectively. The single largest contributor in the current three and nine month periods was interest expense which totaled $89,586 and $175,500, respectively. The increase in interest expense relates to the short-term note with Quintium Advisors, LP that we entered into in February 2015. In the prior period, interest expense contributed for a significant amount of the balance as did as a write-down of intangible assets in the amount of approximately $296,941 during the prior three and nine-month periods.

Liquidity and Capital Resources

Our cash and cash equivalents were $496,110 as of March 31, 2016, compared to $898,200 as of June 30, 2015. As shown in the accompanying consolidated financial statements, we recorded a net loss of $2,401,436 for the nine months ended March 31, 2016, compared to a net loss of $1,937,214 for the comparable prior year period. Our current assets were less than our current liabilities by $4,576,004 as of March 31, 2016. We have never generated an annual net income. We believe the successful roll out of our divisional strategy, certain cost saving initiatives and the closing of certain under-performing offices should allow us to reduce our losses and ultimately achieve profitability. Our growth strategy includes adding additional branch offices and loan officers to generate additional production. There is no assurance that our current working capital will allow us to pursue our growth strategy, and in order to expand our business, we may need to sell additional shares of our common stock or borrow funds from private lenders to help finance the anticipated growth. There are no assurances that we can raise additional capital if necessary, and as such, our liquidity and capital resources may be adversely affected.

Operating Activities

Net cash provided by operating activities for the nine months ended March 31, 2016 was $8,933,483 resulting primarily from our net loss of $(2,401,436), which included deprecation of $61,287 and amortization of stock options of $304,082. It also included a pay down of accounts payable and accrued liabilities amounting to $(186,977), sale of our loans held for sale amounting to $10,907,937 and collection of our accounts receivable in the amount of $326,495. Net cash used by operating activities in the prior nine-month period was $(29,537,000), resulting primarily from our net loss of $(1,937,214), which included depreciation of $100,730 and amortization of stock options amounting to $72,573. It also included an increase of $(28,213,389) in mortgage loans held for sale, an increase in accounts receivable of $(784,894) and an increase in accounts payable and accrued liabilities of $974,468.

Investing Activities

Net cash used in investing activities for the nine months ended March 31, 2016, was $(27,809) resulting from $(44,698) in purchases of property and equipment, a $10,125 return of security deposits and cash proceeds of $7,034 on the sale of property & equipment. For the nine months ended March 31, 2015, net cash used in investing activities was $(11,621) which was a result of cash used to purchase property and equipment totaling $(10,000) and net cash paid for security deposits in the amount of $(1,621). We do not currently have material commitments for capital expenditures and do not anticipate entering into any such commitments during the next twelve months.

Financing Activities
Net cash used in financing activities for the nine months ended March 31, 2016 amounted to $(9,307,764). The largest contributors were proceeds on our warehouse line of credit amounting to $253,891,506 and cash payments on the warehouse lines amounting to $(264,048,024). Additionally, we received $350,000 for the sale of preferred stock, $250,000 relating to a note payable to nonrelated party and $250,000 relating to note payable from related parties. Net cash provided by financing activities for the nine months ended March 31, 2015 was $29,375,408, primarily resulting from cash proceeds from related and nonrelated warehouse lines of credit exceeding repayments on those same lines by $27,727,568. Also contributing were proceeds from the sale of preferred stock in the amount of $787,200, proceeds from loan receivable of $141,531, proceeds from a related part note payable of $120,000 and proceeds from a non related party note payable of $750,000.

As a result of the above activities, we experienced a net decrease in cash of $402,090 for the nine months ended March 31, 2016. Our ability to continue as a going concern is still dependent on our success in attracting profitable and stable mortgage businesses to join our lending platform, expanding our divisional strategy, expanding the business of our existing branches, raising temporary operating cash, and controlling our costs as we execute our growth and expansion plans.

Critical Accounting Policies and Estimates

Management's discussion and analysis of its financial condition and results of operations are based upon our unaudited consolidated financial statements, which have been prepared in accordance with U.S. GAAP. Our financial statements reflect the selection and application of accounting policies which require management to make estimates and judgments. (See Note 1 to our unaudited consolidated financial statements, "Nature of Business and Summary of Significant Accounting Policies".) We believe that the following paragraphs reflect accounting policies that currently affect our financial condition and results of operations:

Share Based Payment Plan
Under the 2012 and 2015 Stock Incentive Plans, we can grant stock or options to employees, related parties and outside contractors in connection with the performance of services provided to us by the awardees. We use the fair value method to account for employee stock compensation costs and to account for share based payments to non-employees.

Revenue Recognition
Our revenue is derived primarily from revenue earned from the origination of mortgage loans that are funded on our warehouse lines of credit and sold to third party investors. Revenue is recognized as earned on the date the loan is funded.

Recent Accounting Pronouncements
We have evaluated the possible effects on the financial statements of the following accounting pronouncements:

Accounting Standards Update 2015-16—*Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*

In September 2015, the FASB issued ASU2015-16, Simplifying the Accounting for Measurement-Period Adjustments . The amendments in this Update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this Update require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this Update are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. We are currently evaluating the guidance under ASU 2015-16 and have not yet determined the impact, if any, on our consolidated financial statements.

Accounting Standards Update 2015-07— *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).* The amendments in this Update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. We are currently evaluating the guidance under ASU 2015-07 and have not yet determined the impact, if any, on our consolidated financial statements.

Accounting Standards Update 2015-05— *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*

In April 2015, the FASB issued ASU 2015-05, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. The amendments in this Update provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. For public business entities, the Board decided that the amendments will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. We are currently evaluating the guidance under ASU 2015-05 and have not yet determined the impact, if any, on our consolidated financial statements.

Accounting Standards Update No. 2015-03—*Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*

In April 2015, the FASB issued ASU 2015-03 *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.* The amendments in this Update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. We are currently evaluating the guidance under ASU 2015-03 and have not yet determined the impact, if any, on our consolidated financial statements.

Accounting Standards Update No. 2015-01— *Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*

In January 2015, the FASB issued ASU 2015-01 *Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.* This Update eliminates from GAAP the concept of extraordinary items. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. We are currently evaluating the guidance under ASU 2015-01 and have not yet determined the impact, if any, on our consolidated financial statements.

Accounting Standards Update No. 2014-18— *Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination*

In December 2014, the FASB issued ASU 2014-18 *Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination.* An entity within the scope of this Update that elects the accounting alternative to recognize or otherwise consider the fair value of intangible assets as a result of any in-scope transactions should no longer recognize separately from goodwill (1) customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of the business and (2) noncompetition agreements. The decision to adopt the accounting alternative in this Update must be made upon the occurrence of the first transaction within the scope of this accounting alternative in fiscal years beginning after December 15, 2015, and the effective date of adoption depends on the timing of that first in-scope transaction. We are currently evaluating the guidance under ASU 2014-18 and have not yet determined the impact, if any, on our consolidated financial statements.

Accounting Standards Update No. 2014-16— *Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity*

In November 2014, the FASB issued ASU 2014-16 *Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity.* The objective of this Update is to eliminate the use of different methods in practice and thereby reduce existing diversity under GAAP in the accounting for hybrid financial instruments issued in the form of a share. The amendments clarify how current GAAP should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. Specifically, the amendments clarify that an entity should consider all relevant terms and features—including the embedded derivative feature being evaluated for bifurcation—in evaluating the nature of the host contract. Furthermore, the amendments clarify that no single term or feature would necessarily determine the economic characteristics and risks of the host contract. Rather, the nature of the host contract depends upon the economic characteristics and risks of the entire hybrid financial instrument. The amendments in this Update are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December15, 2015. We are currently evaluating the guidance under ASU 2014-16 and have not yet determined the impact, if any, on our consolidated financial statements.

Accounting Standards Update 2014-15 – *Presentation of Financial Statements – Going Concern*

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements-Going Concern.* The amendments in this update provide guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. The amendments in ASU 2014-15 are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. We are currently evaluating the guidance under ASU 2014-15 and have not yet determined the impact, if any, on our consolidated financial statements.

Accounting Standards Update 2014-12 – *Compensation—Stock Compensation (Topic 718) Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*

In June 2014, the FASB issued ASU 2014-12, *Compensation—Stock Compensation (Topic 718) Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period.* The amendments in this update require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. For all entities, the amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. We are currently evaluating the guidance under ASU 2014-12 and have not yet determined the impact, if any, on our consolidated financial statements.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, result of operations, liquidity, capital expenditures or capital resources.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

This item is not required under Regulation S-K for "smaller reporting companies."

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer, who is also our principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), as of the end of the period covered by this report (the "**Evaluation Date**"). Based on this evaluation, Kevin Gadawski, our principal executive officer and principal financial officer, concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to PSM Holdings, Inc., including our consolidated subsidiaries, required to be disclosed in our SEC reports (i) is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company's management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. There were no changes in our internal control over financial reporting during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On May 4, 2015, a former vendor filed a claim alleging breach of a certain contract that involved among other things, the vendor providing five year post marketing campaigns to previous borrowers. Although there have been no material events pertaining to this litigation, we continue to fight the claim vigorously.

On September 22, 2015, The Marriott International, Inc. filed a suit against the company for breach of an alleged contract. The suit claims the Company cancelled two conferences (one in June 2015 and one for January 2016) and claims the Hotel lost revenue including room and food and beverage revenue. There has not been any material events pertaining to this litigation and the Company continues to review the merits of the case and intends to fight the case vigorously.

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

Item 1A. Risk Factors

We incurred a consolidated net operating loss from continuing operations of $2,401,436 for the nine months ended March 31, 2016. We have never achieved an annual profit. Unless we are able to reverse or mitigate the losses through onboarding profitable operations and making all current office locations profitable, we may not be able to be profitable or to continue operations under our current operating model.

Operating losses as reported in our current unaudited financial statements will make it more difficult to attract and onboard additional mortgage operations. If we are unable to onboard a significant number of new profitable operations, we may not generate sufficient revenues to continue current operations.

There are no assurances that we will be able to successfully recruit additional profitable mortgage operations to our platform, or that we will be able to successfully modify our current cost structure. If we are unsuccessful in these initiatives, our revenue and profitability may continue to decline and we may not have enough capital to continue to implement our growth plans. Further, we may be required to raise additional operating capital which would require the issuance of additional equity securities which would dilute our current shareholders.

We are dependent upon obtaining and maintaining state licenses and bonding and federal HUD licensing for our business. If we fail to maintain our state licenses, bonding or federal HUD license, we will not be able to legally carry out our business operations and our business may fail.

Regulatory changes from federal and state authorities have placed a significant amount of pressure on mortgage companies across the United States. The regulatory changes have applied a significant amount of operational pressure for deeper and more disciplined internal processes, changes that have made it difficult for small to mid-sized mortgage brokerage and/or banking firms to continue functioning as independent businesses. This regulatory effect has driven many stable and profitable companies to join more established mortgage firms. Furthermore, companies who are most susceptible to these market dynamics are increasingly challenged by reduced profit margins as a result of required changes in technology, increased staffing needs to meet more complex compliance requirements and increased net worth requirements of HUD. Due to the uncertainty associated with existing and future requirements for obtaining and maintaining state and federal HUD licenses and maintaining bonding in various states we do business in, we may not be able to continue our growth into states in which we are not currently present. We also cannot guarantee continued federal HUD licensure. If we are unable to obtain or maintain our licenses, our business may fail.

We are currently not in compliance with HUD adjusted net worth requirements and HUD has inquired as to a possible significant event that we may have failed to report to them. The inability to maintain our HUD license would have a material adverse effect on our business and our business may fail.

At various times during the nine months ended March 31, 2016, and as of the period ended March 31, 2016, we failed to meet HUD adjusted net worth requirements. Further, we have not yet completed our annual recertification with HUD. The recertification was due on or before September 30, 2015. On October 1, 2015, we filed a notice of material event with HUD detailing that we had not meet the HUD minimum net worth requirement due to the pledge of assets relating to the loan with Quintium Opportunities Fund, LP. The recertification process is expected to be completed during the second calendar quarter of 2016.

Additionally, HUD has contacted us inquiring about a settlement agreement we made with the New York Department of Financial Services. HUD's inquiry was to determine if this was a significant event that we failed to report to them. We are in communication with HUD as to our plan for compliance, which includes raising additional capital and reducing expenses. Although management believes our plan to cure our net worth deficiency will be acceptable to HUD and that our communication surrounding the events and circumstances with our settlement with the New York Department of Financial Services did not constitute a material reportable event to HUD, there are no assurances that HUD will agree with our position and plan. HUD has many options available in terms of next steps which could be as simple as accepting our responses and monitoring plan or challenging as asking us to appear before the Mortgage Review Board. The inability to maintain or HUD license would have a material adverse effect on our business and our business may fail.

Any judgments obtained against us may trigger an event of default under our secured debt. In the event of default occurs, our secured creditor could foreclose on all of our assets, which would have a material adverse effect on our business and our business may fail.

As disclosed above, there are currently two legal proceedings ongoing against us. Although there are currently no other material legal proceedings either currently or anticipated, there is no assurance that we will not be involved in any other material legal proceedings in the future and there is no assurance that we will prevail in our current legal proceedings. Under the loan agreement governing our secured debt, a judgment obtained against us could trigger an event of default. If triggered, an event of default would give our secured creditor the right to foreclose on all of our assets. If our secured creditor forecloses on all of our assets, our business would fail.

See also "Item 1A – Risk Factors" as disclosed in Form 10-K for the year ended June 30, 2015, as filed with the Securities and Exchange Commission on October 13, 2015.

We are currently in default of a loan agreement with a secured lender. If we fail to obtain a waiver from the secured lender or if we fail to cure the defaults, the secured lender may foreclose on our assets and our business may fail.

As of March 31, 2016, we failed to meet a covenant regarding fixed coverage contained in the loan agreement with Quintium Private Opportunities Fund, LP. In addition, in April 2016, we failed to meet a covenant regarding loan production contained in the loan agreement. Pursuant to the loan agreement, any uncured default of any covenant results in an event of default. As a result, we are currently in default of the loan agreement and, as such, Quintium may foreclose on all of our assets covered by the security agreement with Quintium. Although we are currently in discussions to obtain a waiver from Quintium of the events of default under the loan agreement, there is no assurance we will be able to obtain a waiver and keep Quintium from foreclosing. If Quintium initiates foreclosure of the secured assets, our business may fail.

Item 3. Defaults Upon Senior Securities

As of March 31, 2016, we failed to meet a covenant regarding fixed coverage contained in the loan agreement with Quintium Private Opportunities Fund, LP. In addition, in April 2016, we failed to meet a covenant regarding loan production contained in the loan agreement. Pursuant to the loan agreement, any uncured default of any covenant results in an event of default. As a result, we are currently in default of the loan agreement and, as such, Quintium may foreclose on all of our assets covered by the security agreement with Quintium. We are currently in discussions to obtain a waiver from Quintium of the events of default under the loan agreement but there is no assurance we will be able to obtain a waiver and keep Quintium from foreclosing.

Item 6. Exhibits

31.1 Rule 13a-14 Certification by Principal Executive Officer and Principal Financial Officer
32.1 Section 1350 Certification of Principal Executive Officer and Principal Financial Officer
101.INS XBRL Instance Document
101.SCH XBRL Taxonomy Extension Schema Document
101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF XBRL Taxonomy Extension Definition Linkbase Document
101.LAB XBRL Taxonomy Extension Label Linkbase Document
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PSM HOLDINGS, INC.

Date: May 23, 2016

By: /s/ Kevin Gadawski
Kevin Gadawski, President, CEO & CFO
(Principal Executive and Financial Officer)

Exhibit 31.1

CERTIFICATIONS

I, Kevin Gadawski, certify that:

1. I have reviewed this Form 10-Q quarterly report of PSM Holdings, Inc. for the quarter ended March 31, 2016;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 23, 2016

/s/ Kevin Gadawski
Kevin Gadawski, President and Chief Financial Officer
(Principal Executive & Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of PSM Holdings, Inc. (the "Company") on Form 10- Q for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission (the "Report"), the undersigned principal executive and principal financial officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 23, 2016

/s/ Kevin Gadawski
Kevin Gadawski, President and Chief Financial Officer
(Principal Executive and Financial Officer)