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Rocket Cos., Inc. (RKT)

Q3 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. My name is Greg, and I will be your conference operator today. At this time, I would like to welcome everyone to the Rocket Companies, Incorporated. Third Quarter 2023 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there'll be a question-and-answer session. [Operator Instructions] Thank you.

I would now like to turn the call over to Sharon Ng, Head of Investor Relations. Sharon, please go ahead.

Sharon Ng

Vice President, Investor Relations, Rocket Cos., Inc.

Good afternoon, everyone, and thank you for joining us for Rocket Companies earnings call covering the third quarter of 2023. With us this afternoon are Rocket Companies' CEO, Varun Krishna; our President and COO, Bill Emerson; and our Chief Financial Officer, Brian Brown. Earlier today, we issued our third quarter earnings release, which is available on our website at rocketcompanies.com under Investor Info. Also available on our website is an investor presentation.

Before I turn things over to Varun, let me quickly go over our disclaimers. On today's call, we provide you with information regarding our third quarter 2023 performance, as well as our financial outlook. This conference call includes forward-looking statements. These statements are subject to risks and uncertainties that could cause actual results to differ materially from the expectations and the assumptions we mentioned today. We encourage you to consider the risk factors contained in our SEC filings for a detailed discussion of these risks and uncertainties. We undertake no obligation to update these statements as a result of new information or further events, except as required by law.

This call is being broadcast online and is accessible on our Investor Relations website. A recording of this call will be posted later today. Our commentary today will also include non-GAAP financial measures. Reconciliations between GAAP and non- GAAP metrics for reported results can be found in our earnings release issued earlier today as well as in our filings with the SEC.

And with that, I'll turn things over to Varun Krishna to get us started. Varun?

Varun Krishna

Chief Executive Officer, Rocket Cos., Inc.

Thanks, Sharon. Good afternoon, and welcome, everybody, to the Rocket Companies earnings call for the third quarter of 2023. It is such an honor to be here with you today, and I'd like to begin by sharing why I chose to join this great company. Rocket is a business I've admired from afar for a long time. And in my view, it's among those on a short list of companies that are working on a truly worthy problem to solve.

We are at the heart of helping Americans achieve the dream of home ownership and financial freedom. Now, according to a bank rate report, 74% of consumers surveyed ranked homeownership as the number one aspect of their American dream, surpassing aspirations such as retirement or a successful career. Homeownership represents stability and financial security, and it often serves as the single-best way for people from all walks of life to create intergenerational wealth for their family.

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Now, I was also drawn to the huge market potential. The more than $5 trillion home buying total addressable market is massive. Maybe take just one part of it, the mortgage market, which itself is sizable at roughly $2 trillion and yet independent of rates and inventory remains highly fragmented. According to Inside Mortgage Finance, through the first nine months of this year, the top 10 mortgage lenders comprised just 38% of the total origination market share. Home buying represents, in some ways, the last frontier. It's a category that is often associated with antiquated, manual processes that remain highly complex, inefficient and time-consuming.

Across the industry, the average time to originate a mortgage is more than 40 days from application to close. For documentation alone, our proprietary platform, which is responsible for extraction, classification and application process 39 million documents over the last 12 months alone. Now, the benefits of digitizing documents and automating discrete tasks at such enormous scale have profound benefits for our business from enhancing productivity, to faster turn times, the higher decisioning accuracy.

If you take just underwriting as an example, an underwriting decision requires the gathering and verification of thousands of data fields, which are drawn from disparate sources and formats to populate key categories like income, assets, collateral and property and credit profile. Now we've already made significant headway to simplify and digitize the loan origination process. And with our early application of generative AI, we know that our progress will only accelerate based on what we have witnessed firsthand.

Now just imagine what can be done when we apply this transformative technology across our business and throughout the entire home-buying process. Now since starting in this role, I've had completely immersed myself in the business. I spent countless hours going deep in conversation with our team members with the goal of better understanding our company's culture, our products, and the components of our client experience and where our frontline team members really see the opportunity.

Now on my first day, I invited our team members to share their perspectives and questions with me and they responded enthusiastically. I've had the chance to read and respond to hundreds of pieces of feedback and the passion and dedication of our team members has absolutely blown me away.

I've also had a chance to experience our culture of innovation and putting our clients first. We have a rich history of winning awards, but we never rest on our laurels. We believe excellence can always be improved upon and are obsessed with finding a better way. Every day, we live the mindset of every client, every time, no exceptions and no excuses. This relentless client focus enables us to thrive through the inevitable ups and downs of mortgage cycles.

Now another observation for my first couple of months is just how well positioned we are to lead the transformation of the industry through generative AI. I believe we are now approaching a critical inflection point in the world when artificial intelligence, knowledge engineering, machine learning, automation, and personalization will change every aspect of our industry and our lives. I believe AI will be at the center of how clients buy, sell and finance homes. We will quickly and efficiently provide the best end-to-end experience across the home buying industry.

Now at Rocket, this effort is actually already well underway. Today, thousands of our bankers and underwriters utilize Rocket Logic, which is our proprietary AI-powered next-generation loan origination system. Now Rocket Logic intelligently generates tasks to seamlessly complete the mortgage origination process, from application all the way through underwrite. This, along with other tools that Rocket has automated routine and complex tasks, enhance productivity and ultimately drive a superior client experience.

In August of this year, we delivered 20% faster purchase turn times, and we reduced manual touches by more than 20% compared to the same time last year. We have a strong foundation in place and a wealth of assets at

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our fingertips to leverage generative AI. We have data and scale that most fintech companies would be envious of, and we believe no one in the mortgage industry even comes close.

For example, we have 10 petabytes of data in our environment, and we have thousands of attributes in our clients that give us an accurate profile of who they are today and how we might help them achieve their dreams of tomorrow. We generate over 50 million call logs annually, which we use to develop technology and processes to continuously improve upon our client experience. And we've already begun expanding our AI capabilities. In a single year, we used AI to generate approximately 3.7 billion customer interactions and decisions. This is just the start.

While Rocket is the established industry leader and a technology trailblazer, there's still so much opportunity to unlock across our business. From lead generation, allocation to underwriting, closing, servicing, we will harness the power of generative AI and revolutionize the home buying and financing process to help everyone experience home.

My career has been shaped by world-class mentors and disruptive technology companies. I've seen firsthand the power of innovation in AI to transform industries and capture massive opportunities with products that are used by millions of clients. As I look around Rocket, I see a company with the talent, the culture and the assets to drive meaningful disruption and transformation. I am beyond excited for the tremendous opportunities that lie ahead of us.

Before turning it over to Brian, I'd like to say a few things on our third quarter results. First, I'm extremely proud of our team members for the work they've done and the commitment they've shown in the midst of what is obviously a challenging market environment. We grew purchase market share and reported strong results for the quarter with adjusted revenue north of $1 billion, which is above the top end of our guidance range, reflective of continued momentum over the past four quarters. This was the result of strong execution and continued expansion in gain- on-sale margin.

In the third quarter, we turned a corner and achieved positive adjusted net income. And for the second quarter, we achieved positive adjusted EBITDA and GAAP net income. We feel good about these results, but we're even more excited about disrupting the industry as we work to write the next chapter of this great company's story. I look forward to updating you on our progress on our next call.

And with that, I'll turn it over to Brian.

Brian Brown

Chief Financial Officer & Treasurer, Rocket Cos., Inc.

Thank you, Varun, and good afternoon, everyone. On today's call, I'll cover our third quarter operating highlights and financial results as well as our fourth quarter outlook. As Varun mentioned, we are focused on serving our clients through innovation and leveraging our robust data assets in the power of generative AI to deliver seamless personalized experiences. We posted strong results for the quarter, and I'm proud of how well our team members executed to serve our clients in this tough market.

For many in this environment, homeownership might feel like it's becoming less and less achievable. Affordability, which hit the historic low in Q3 is a major concern for those looking to buy a home and inventory levels are not cooperating, which is extending the time to buy. At Rocket, we want to give our clients the confidence they need to transact and help them achieve their dream of homeownership.

Our innovative products such as BUY+ and One+, which address home affordability and our home equity loan,

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which helps clients take advantage of equity in their home, continue to resonate. BUY+, our Rocket-exclusive collaboration between Rocket Mortgage and Rocket Homes helps clients save thousands of dollars in upfront costs when they work with the Rocket Homes' partner real estate agent and obtain financing with Rocket Mortgage. This product is a great example of the power of the Rocket ecosystem.

Since we launched BUY+, we've seen our attachment rate defined as clients who use both Rocket Mortgage and Rocket Homes roughly double. It's worth noting that this combination is something that only Rocket can offer at scale through our integrated real estate and mortgage experience.

One+, our 1% down program increases access to homeownership for low to-moderate income Americans and further broadens our purchase portfolio. One+ has gained significant traction since its launch in May, with closing volume more than tripling from June to September.

In a challenging rate environment, our home equity loan product provides a solution for those who may want to tap into their home's equity without impacting the lower rate on their first lien mortgage. In addition, we may have the opportunity to consolidate the clients' first and second lien if rates were to move lower. This product has performed well for us and continues to resonate with homeowners. Home equity volume has more than doubled in Q3 compared to the beginning of this year.

As you heard from Varun, we reported strong third quarter results, and I'm pleased to share with you three important milestones. First, we achieved year-over-year growth in adjusted revenue and exceeded the high end of our guidance range. Secondly, we delivered profitability across adjusted EBITDA, GAAP net income and adjusted net income.

Finally, we continued to gain purchase market share both year-over-year and quarter-over-quarter. We've accomplished all of this against the backdrop of a challenging macroeconomic environment. Diving deeper into the numbers, we generated adjusted revenue north of $1 billion in the third quarter, above the high end of our guidance range. Our performance in the quarter was driven by market share gains as well as increases in both direct-to-consumer and partner network gain-on-sale margins.

Net rate lock volume for the quarter was $21 billion, roughly consistent with the $22 billion in the second quarter. Gain-on-sale margin for the third quarter came in at 276 basis points, which was a 9 basis point increase over the second quarter.

Turning to expenses. In the third quarter, we continued to execute on our company-wide focus on operational efficiencies. Q3 expenses were roughly $60 million lower than the prior quarter, excluding the $51 million one-time charge. On our last earnings call, we committed to an additional cost savings on an annualized basis in the range of $150 million to $200 million.

I'm pleased to share that we expect to come in at the top end of that range with approximately $200 million of annualized savings. This achievement is a result of a concerted effort that has spanned the winding down of underperforming businesses to a rigorous reprioritization of company initiatives to the implementation of a career transition program. These savings are expected to fully take effect in the fourth quarter.

In the third quarter, we generated $73 million of adjusted EBITDA, Thanks in large part to the continued cost reductions we've implemented over the last 18 months, coupled with the outperformance in adjusted revenue. We reported adjusted net income of $7 million, positive adjusted diluted EPS and $0.04 of GAAP diluted EPS.

Turning to our balance sheet. Rocket's financial position continues to be a strategic strength. We consider this to be a major competitive advantage in today's market as it provides us with flexibility and optionality that most of our

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competitors simply do not have. We ended the third quarter with $3.8 billion of available cash and $6.7 billion of mortgage servicing rights. Together, these assets represent a total of approximately $10.4 billion of value on our balance sheet. Our $3.8 billion of available cash consists of $957 million of cash on the balance sheet and an additional $2.8 billion of corporate cash used to self-fund loan originations.

Total liquidity stood at approximately $8.7 billion as of September 30, including available cash plus undrawn lines of credit and our undrawn MSR lines. As of September 30, our mortgage servicing portfolio included more than 2.4 million loan serviced with approximately $506 billion in unpaid principal balance. In the third quarter, we acquired $103 million in mortgage servicing rights, adding $6.2 billion of unpaid principal balance to our servicing portfolio.

Our net client retention rate in the third quarter was 97%, which is multiples higher than the industry average. Retention rate serves as a key metric engaging client satisfaction, and is one of the primary indicators of client lifetime value. We also drive considerable recurring revenue from mortgage servicing. During the third quarter, we generated $344 million of cash revenue from our servicing book, which represents approximately $1.4 billion on an annualized basis.

Turning to our outlook for the fourth quarter. We expect industry conditions to remain challenging through the balance of the year. We anticipate adjusted revenue to be in the range of $650 million to $800 million. The guidance takes into consideration difficult market conditions marked by record low affordability and inventory levels, further magnifying the traditional low seasonality in the fourth quarter.

The industry typically sees decreased purchase activity and volume in the fourth quarter due to the winter months and fewer working days due to the holiday season. The lower volume also puts pressure on gain-on-sale margins in the fourth quarter. Excluding the $51 million one-time charge in the third quarter, we expect fourth quarter expenses to be roughly $50 million to $100 million lower than Q3 expenses. As always, our forward-looking guidance is based on our current outlook and visibility.

Looking ahead, we believe our culture of client obsession, wealth of assets and use of generative AI will help us make significant strides in operational efficiency and innovation. As Varun highlighted, we see tremendous opportunity ahead to disrupt the industry and completely reimagine the home buying experience. I look forward to sharing more in the coming quarters we're just getting started.

With that, we're ready to turn it back over to the operator for questions.

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QUESTION AND ANSWER SECTION

Operator: Thank you. And our first question comes from the line of Kevin Barker with Piper Sandler. Kevin, please go ahead.

Kevin J. Barker
Analyst, Piper Sandler & Co.

Q

Good afternoon. Thanks for taking my questions. I just wanted to maybe touch base here with Varun and maybe get his first impressions of the company given that he's been there for – I know you've been there for a few weeks and got to meet several of the folks in different departments. Maybe just give us a view of what you've seen and what the opportunities you see within Rocket today?

Varun Krishna
Chief Executive Officer, Rocket Cos., Inc.

A

Kevin, thank you for your question. Great to have you here. It's been an amazing first couple of weeks here, I've had the chance to really go deep into our business and immerse myself. I have read and responded to hundreds of team members. And I spent countless hours just going deep into the business, into the product, talking to our clients and just understanding every aspect of all that is that we do.

I can just tell you that I'm very impressed with the leadership, our team members, our culture, and it's early days. I think there are some opportunities as well, how we can increase our focus, our prioritization. How big we can bet big on technology as a key part of our future strategy. And we're in the midst of writing that next chapter with the leadership team. So I look forward to sharing more with you but it's been super exciting, and we're just getting started.

Kevin J. Barker
Analyst, Piper Sandler & Co.

Q

And then maybe a follow-up regarding the servicing transaction maybe for Brian. Could you just give us a little more detail on what the gross yield was on the MSR portfolio you purchased, maybe what the weighted average coupon was? I believe that you mentioned it was higher coupon than your existing portfolio now, which makes it opportunistic for refinances? Thanks.

Brian Brown
Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Yes. Thanks, Kevin. Happy to take that question. I mean, first, just to take a step back, servicing continues to be a strategic asset for us. It's a nice hedge, of course, to the origination business, and we definitely like the returns on the cash flows right now. It's proving to have a very valuable ROIs.

But as you know, and we've talked about before, we really look at it through this LTV lens. And the LTV is really based on these industry-leading recapture. If you think about what we're trying to accomplish, we're trying to acquire portfolios. We're trying to acquire clients that have a high LTV that we believe we have an opportunity to recapture. We've mentioned that we've sold some servicing that we believe the LTV is low on. This is an example of buying some servicing that has a higher LTV.

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To answer your question on the note rate, it was north of 6%. But we're creating servicing every single day through our organic originations, and those are at prevailing rates, higher note rates. We're also looking to acquire servicing at higher note rates and slowly, but surely, you end up taking up that average note rate and then,if and when rates do decrease, you have a really nice refinance opportunity.

Kevin J. Barker
Analyst, Piper Sandler & Co.

Q

Just a quick follow-up on that. Just given your 97% client retention rate and a market that – it seems like it's a buyer's market out there for MSRs. And why not become much more aggressive in buying higher coupon MSRs in order to increase the pool of available refinances for you?

Brian Brown
Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Yes. That's exactly what we're trying to accomplish. We are – as we've said, very active in this space. We get a lot of looks. This is a good example of a competitive process that we won. It's an asset that we're looking to grow. There's no question about it because of what you said the lifetime value on those is really good.

Kevin J. Barker
Analyst, Piper Sandler & Co.

Q

Okay. Thank you, Brian. Thank you, Varun.

Operator: Okay. Thank you. And it looks like our next question will come from the line of Ryan Nash with Goldman Sachs. Ryan, go ahead.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Q

Hey, good evening, everyone. Varun, the term AI was thrown around several times in the prepared remarks, you both yourself and Brian talking about it. Maybe just digging a little bit deeper in terms of what you see as the biggest opportunities for the company to use generative AI? And what do you think this can mean for the overall efficiency of the mortgage origination process and the company overall?

Varun Krishna
Chief Executive Officer, Rocket Cos., Inc.

A

Yes. Thank you for the question, Ryan. Great to have you. I would just start by saying that I think that fintech in general, and in particular, the homeownership market is very ripe for disruption with artificial intelligence. And there are a couple of things that make Rocket in particular, unique. Whether it's the vast amount of data that we have for personalization, the 50 million call logs, the thousands of attributes of data that we have on our clients.

And I think what's compelling is that we have an opportunity to really transform every aspect of the home buying process, whether it's lead generation, allocation, underwriting, closing, servicing. And I think really, almost every aspect of the home buying experience can, should and will be transformed with AI.

We have made some progress in this space, and I'm really excited about the foundation, but I think we're just scratching the surface. We've made some investments here in capabilities like Rocket Logic and our data platform. When you think about the role of knowledge engineering, machine learning, natural language processing, automation workflow – this is a perfect fit problem for Artificial Intelligence to solve. And so I'm really excited about the foundation, but we're just scratching the surface.

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Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Q

Got it. No, that's helpful. And then, Brian, maybe a question for you, so we had three straight quarters of both top and adjusted EBITDA improvement, it seems like in the fourth quarter, you're going to take a little bit of a step back, at least, on the top line, but some of that will come back via the $50 million to $100 million of cost cuts.

Can you maybe just give us a little bit more color on how much of the volume impact is seasonal declines? How much should we expect to see? And can you maybe just expand on the comments around increased margin pressure in the fourth quarter. Is that just because of greater competition for lower overall volumes? Or is there something else that you're seeing there? Thanks.

Brian Brown
Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Yeah. Thanks, Ryan. So when I think about the fourth quarter guide, I don't think it should come as a surprise. To your point, the fourth quarter is typically a seasonally low quarter. As we think about the home buying season, it cools off, you have the additional holidays around Thanksgiving, Christmas and New Year's, and consumers are – we know they're relatively inactive during those times.

And because the volumes are challenged. You definitely get pressure on gain-on-sale margins. Firms will use price as a lever. And everything that I just described is just describing a normal fourth quarter in a normal mortgage market, and this market is, of course, more challenged. You have those same challenges, coupled with the lowest inventory on record in September, at least according to NAR.

You have affordability challenges that we haven't seen since the early 1990s. All that goes into the guide. There's no question. But just I think a couple of important takeaways. We believe even at this revenue guide level, we're taking share in the fourth quarter. And it's still a guide up from the fourth quarter of last year, so it's still top line improvement year-over-year.

Ryan M. Nash
Analyst, Goldman Sachs & Co. LLC

Q

Thanks for the color.

Operator: Thank you. And it looks like our next question comes from the line of Derek Sommers with Jefferies. Derek, go ahead.

Derek Sommers
Analyst, Jefferies LLC

Q

Hi. Good afternoon. Could you share details about your outlook for 2024 originations? The MBA has projected a market close to $2 trillion, which would be about 19% year-on-year growth. But current market run rate is about 1.7%. So any details on how you're thinking about volumes and mortgage rates for 2024 would be helpful? And then also kind of at what mortgage rate would we start to see a meaningful up-tick in refinance volume?

Varun Krishna
Chief Executive Officer, Rocket Cos., Inc.

A

Yeah. Thank you for the question, Derek. Great to have you, I would just start by saying that from a Rocket perspective, I like our position. The market is going to be the market, meaning that rates will go up and down, inventory will go up and down, and there's sort of a cyclical nature to the business, but we believe our strategy is incredibly durable, meaning that there's a huge fragmented market, and we are very underpenetrated.

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And what is a headwind for the industry, we believe, is a tailwind for Rocket in particular. It is a dynamic where it may be tougher for small players to compete, but we are incredibly well capitalized, we have liquidity, and we have a huge opportunity to accelerate growth and take share – especially when you think about the opportunity to create a more disruptive experience, leveraging technology.

So I'll ask Brian, if there's anything that he would add to that, but we're very excited about our position, given the size of the market, the level of under-penetration sort of independent of rates and inventory.

Brian Brown
Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Yeah. Thanks, Varun. I think that was well said. The only other thing I'd add, Derek, when you think about where 2023 this year will end up. I know I think you said $1.7 trillion. I think it's less than that. We've looked at more recent forecast from banks, and we're probably more at like $1.3 trillion, $1.4 trillion.

So then take your point about the MBA, who was the most recent to reforecast 2024 at $2 trillion, that's north of a 50% increase. A $2 trillion market coming off this market could actually be very healthy and very productive. That said, that's not necessarily what we're planning for.

We're hoping that's true, but we're planning for a market that is more challenged. And to exactly back to Varun's point with our balance sheet, our liquidity and our capital profile, you could look at rates higher for longer scenario is a tailwind for Rocket as more capacity keeps coming out of the industry.

Derek Sommers
Analyst, Jefferies LLC

Q

Got it. Helpful color there and one more, quick one, is the quarter-over-quarter increase in other income, primarily driven by escrow income? Or is there anything else to be aware of in that number?

Brian Brown
Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Yeah. You nailed it. A lot of it is coming from just increased escrow earnings as rates continue to increase.

Derek Sommers
Analyst, Jefferies LLC

Q

Got it. Thank you. That's all for me.

Brian Brown
Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Thanks, Derek.

Operator: And our next question comes from Jeffrey Adelson with Morgan Stanley. Jeffrey, go ahead.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

Yeah. Hi. I guess just last quarter, Brian, you talked about the pre-approval rates increasing, I think, higher than seasonality at 20%, which was a good sign for this quarter. Is there anything you're seeing today on that front that might help you inform you about the next quarter into next year?

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Brian Brown
Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Yeah. Thanks for the question. I think what you're alluding to is the beat this quarter. We beat at the top end of our guidance, and that largely came from share gains and then a little bit of help from gain-on-sale margins from good pre-approval numbers. We're seeing that trend continue through the third quarter. But of course, we are starting to see the seasonality of the fourth quarter take place.

But again, I think it's important to just come back to something we said earlier – when we look at this fourth quarter guide, we still believe this guide is taking share in the fourth quarter. We know people are going to buy and sell homes, we're still seeing very high demand for homes and consumers interested in buying homes, we just need cooperation from inventory to get them in homes.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

Got it. That's helpful. And just given the difficult environment out there, the rate environment has turned more unfavorable in recent months, would you anticipate doing more expense reductions next year if things kind of stay where they are? Or do you feel comfortable with what you've done so far?

And as part of that, if we do stay in this kind of higher for longer environment, I know you talked about some more excess capacity coming out of the system, but what do you think it would take for you to get to more consistent profitability? Or what are you looking to reach that if the environment doesn't turn?

Varun Krishna
Chief Executive Officer, Rocket Cos., Inc.

A

Thank you for the question. I'll start and then maybe, Brian, you can add any perspectives. I'd just start by saying that our primary focus is on growth. You have a $5 trillion home buying TAM. You have a fragmented market. The mortgage market is $1.5 trillion to $2 trillion. And we have this crazy opportunity to be very disruptive with AI. Now we're always looking for efficiency. We think we're in a good place. But as Brian shared earlier, we're well capitalized. And our perspective is we're in a position to actually invest. And we're looking for ways to increase our focus, our prioritization, but we are being very opportunistic given where we are in the market.

Brian Brown
Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Yes, that's right. And the only other thing I'd add, just going back to those prepared remarks, we're happy to report. We talked about expense reduction plan of $150 million to $200 million. We're pleased to report we're at the high end of that. And we have this pursuit of operational efficiency that Varun has alluded to, and that's not something you start and stop. That's something that's built into your DNA.

Jeffrey Adelson
Analyst, Morgan Stanley & Co. LLC

Q

Great. Thanks for taking my question.

Brian Brown
Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Thanks, James.

Operator: [Operator Instructions] And our next question comes from Arren Cyganovich with Citi. Arren go

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ahead.

Arren Cyganovich
Analyst, Citigroup Global Markets, Inc.

Q

Thanks. I was wondering if you could talk a little bit about your progress making pickup in market share on the purchase side and whether or not the BUY+ program that you've put in place earlier this year is making a notable difference?

Varun Krishna
Chief Executive Officer, Rocket Cos., Inc.

A

Thank you for the question, Arren. I'll start and then Brian can add any perspectives. I just start by saying that our purchase products just continue to be relevant and resonate with our clients. A few examples, we have our BUY+ program, and since the launch, we've seen the attachment rate double. Our One+ program, which is a 1% down program, we've seen the units triple between June and September.

We also have our home equity loan program, and we've seen loan units and net rate lock volume double just in the Q3 alone. And so, I think the goal for us is to ensure that the programs that we're putting out are innovative. And more importantly, that they're relevant and that they resonate with the clients. And so, we're excited to see that progress, and we're also excited to continue to innovate. And Brian, anything that you would add?

Brian Brown
Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Yes. I think that's great. I think the only thing I'd add, we've talked about in terms of how we measure share. We, of course, use the industry forecast, but a really good indication is securitization data. When we look at that, and that's, of course, available to everyone, it shows us taking purchase share quarter-over-quarter and year-over-year. We also look at a lot of internal data to get more real-time results like Optimal Blue and CoreLogic. But the nice thing is no matter how you do that math, all three of them point in the same direction that we're continuing to take share. And we're seeing capacity continue to come out of the system, so it's no surprise.

Arren Cyganovich
Analyst, Citigroup Global Markets, Inc.

Q

Thanks. On that last point, from a capacity standpoint, I guess where do you think we are in that process? Do you think there's still a lot of capacity that continues to need to come out of the market?

Brian Brown
Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Look, I think we talked a bit about what 2024 could look like, at least from how the industry forecasters are looking at it. And if rates are higher for longer, that bodes well for us from capacity continuing to come out. I think we'd all like it to come out faster. But if you think about all these mortgage companies that went public and raised capital, at that time, it put them in a different position. Time will tell in terms of how that shakes out. But again, when we think about us, we think about our balance sheet, our liquidity profile, be able to keep investing through these cycles. That's the stuff that gets us excited.

Arren Cyganovich
Analyst, Citigroup Global Markets, Inc.

Q

Got it. Thank you.

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Brian Brown
Chief Financial Officer & Treasurer, Rocket Companies, Inc.

A

Thanks, Arren.

Operator: And our final question today will come from Don Fandetti with Wells Fargo. Don, go ahead.

Donald Fandetti
Analyst, Wells Fargo Securities LLC

Q

Oh, yes. I was wondering if you could just talk a little bit about the acquisition strategy. If you see any fintech opportunities to kind of feed the funnel? And also just an update on Rocket Money and how you feel like that traction is moving?

Varun Krishna
Chief Executive Officer, Rocket Companies, Inc.

A

Yes. I'll take this one. Thank you, Don, for your question. I think the first thing I would just point to, again, as Brian alluded to, is one of the great things about Rocket is, we have a very robust capitalization structure. We have what we call a fortress balance sheet and high levels of liquidity. And I think that gives us a lot of flexibility and it affords us the chance to be opportunistic, especially in this market where you see things like valuations being down.

So what I would share is just we are actively in the process of writing the next chapter of our strategy with our leadership team, and we're going to be pursuing ways to accelerate that strategy, whether it's organic or inorganic. And so I look forward to sharing more as we write that next chapter. And so more to come. We are going to have an Investor Day in the coming quarters. And so we'll have an opportunity to go very deep on our strategy with all of our folks in the investor community. And I'd also just say with Rocket Money, we're pleased with the progress that we're making, and I look forward to sharing more with you in the quarters ahead.

Donald Fandetti
Analyst, Wells Fargo Securities LLC

Q

Got it. Thanks.

Operator: Thank you, Don. And thanks to all who ask questions today. I will now turn the call back over to Varun Krishna for closing remarks. Varun, over to you.

Varun Krishna
Chief Executive Officer, Rocket Companies, Inc.

All right. Thank you, everybody, for joining us today. We appreciate you, and we look forward to connecting again next quarter.

Operator: Thanks, Varun. Ladies and gentlemen, that does conclude today's conference call. You may now disconnect. Have a great day, everyone.

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