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Rocket Cos., Inc. (RKT)

Q3 2025 Earnings Call

MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by and welcome to the Rocket Company's Third Quarter 2025 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I'd now like to turn the call over to Sharon Ng, Head of Investor Relations. You may begin.

Sharon Ng, Head of Investor Relations

Good afternoon, everyone, and thank you for joining us for Rocket Companies earnings call covering the third quarter 2025. With us this afternoon, are Rocket Companies CEO, Varun Krishna; and our CFO, 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 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 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 the 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

Good afternoon, everyone, and thank you for joining our third quarter 2025 earnings call. Today, I'll walk through four key areas, third quarter results, continuing progress on AI, integration with Redfin and Mr. Cooper and finally, the New Rocket we're building for the future.

The third quarter was a defining moment for Rocket, and I am so proud of our team. We gained market share, we beat our adjusted revenue guidance and we brought three public companies together. This performance reflects our ability to balance short and long term execution. You know, a company and a team are special when they don't take their eye off the ball while still dreaming big. Only the best can deliver today, while shaping tomorrow. And this team proves it every single day.

Let's start with our Q3 execution in the context of the market. We operate in a complex housing environment. Affordability is slowly improving as rates ease. In the third quarter, the 30-year fixed rate dropped by 40 basis

points to 6.3%, giving those buying and refinancing some much needed rate relief. Home price growth also continued to moderate, slowing to 3.1% year-over-year in Q3, down from 5.5% in January. These trends signal a purchase market that's beginning to thaw, but that recovery still has a ways to go.

Existing home sales continue to hover around 4 million units, putting 2025 on track to be the slowest year for existing home sales since 1995. Despite this, people want to buy homes. That pent-up demand is very real. Buyers are watching the market closely. They're waiting for clear signals and increased affordability before making their move.

The true measure of a company is its ability to grow in a challenging market. Rocket's Q3 results demonstrate exactly that. We delivered \$1.783 billion in adjusted revenue, exceeding the high end of our guidance. We generated \$36 billion in net rate lock volume, up 26% over the second quarter, and \$32 billion in closed loan volume, up 11% over the second quarter. We gained market share in both purchase and refinance and in fact, Q3 was our strongest purchase and refinance quarter in the last three years.

Gain on sale margin remained stable sequentially. Adjusted EBITDA reached \$349 million, expanding margins to 20% from 13% the prior quarter. Adjusted diluted EPS came in at \$0.07. Our guidance beat was driven by a surge in refinance activity as rates moved lower and our execution that drove our market share gains.

Rocket's platform enables our team to shift into overdrive and capture market opportunities on a dime. We consistently gained market share when these opportunities arise.

We also closed the Mr. Cooper transaction on October 1 and will consolidate their financials in the fourth quarter.

Let me now turn to AI. The reason that we are so obsessed with this technology is because it helps us with every single aspect of our business. It helps us grow the top of the funnel. It helps us lift conversion rates. It helps us reduce production costs and it helps us increase recapture. The Agentic era of AI has been particularly impactful. This quarter, we launched three AI agents that have changed the game.

First, our pipeline manager agent ranks banker leads in real time, highlights who to call next and drafts custom text based on past conversations to drive responses. Managing our massive and complex sales pipeline is critical, that's exactly what this agent helps our loan officers do using our own data and market knowledge to surface the right leads and engage them instantly.

During the September refinance wave, this agent drove a 9 point jump in client follow ups and a 10% lift in conversions for both daily credit pulls and refinance applications, directly increasing locked loan volume.

Second, we deployed a purchase agreement review agent. Previously, reviewing a single purchase agreement required more than 80 manual steps, ranging from extensive paperwork and data entry to countless validation and compliance checks. This agent cuts processing time by 80% and achieves accuracy that exceeds the legacy review process. This translates into more than 150,000 team member hours saved annually.

Third, our Rocket Pro broker underwriting agent gives our mortgage broker partners speed and certainty. It verifies documents, checks e-sign compliance, confirms eligibility and creates task summaries. What took four hours now happens in less than 15 minutes.

What gets me excited is that we build each of these enterprise grade agents in less than three weeks with some even going live the same day. This is thanks to proprietary technology, as we extend these tools across all our teams and partners, we expect the impact on capacity, conversion and volume to keep accelerating.

This quarter was also significant as we began integrating two public companies into the Rocket family. The true value of these acquisitions lies in combining distinct strengths to create something greater than the sum of its parts. In a nutshell, Redfin brings a low cost, high intent lead pipeline that enhances the top of our funnel. While Mr. Cooper has an ongoing servicing revenue stream that expands our ability to drive recapture.

Now recapture means turning servicing clients into repeat borrowers by proactively offering new loans when they're ready to refinance or purchase a new home. Combined, we now have relationships with approximately 60 million clients and prospects who are now part of the growing Rocket ecosystem.

We've seen momentum accelerate four months into our integration with Redfin, giving homebuyers on Redfin the ability to get prequalified with Rocket is fueling engagement. In September, over 500,000 Redfin users started applications for home financing. That's more than double the number we saw in July. The combined power of Redfin and Rocket is driving Redfin's mortgage attach rate, defined as the percentage of Redfin buy side clients who use Rocket mortgage for their home purchase from 27% to nearly 40%. Homebuyers are seeing the benefits, better matches with agents and loan officers, bundled pricing through Rocket preferred and a stronger mortgage platform, offering for more products and greater scale. And the results speak for themselves.

In September, 31% of Rocket mortgage retail purchase closings came from clients who used both Redfin and Rocket. We expect this to only increase.

Now, let's talk about Mr. Cooper. We're combining the industry's largest servicer and a top originator to create a massive recapture engine. Making this integration a success has been a top focus for our team. We closed the transaction on schedule, and we were ready to hit the ground running from day one.

On October 1st, we rolled out our co-branded identity, Mr. Cooper powered by Rocket Mortgage and set the pace for everything that followed. Our servicing and origination platforms connected seamlessly, data and documents moved smoothly between systems, no disruption, no hiccups for clients.

On day 9, 40,000 leads for Mr. Cooper servicing book flowed directly into the Rocket pipeline. By day 12, we closed our first Mr. Cooper client start to finish in just three days. And just this week, 400 Mr. Cooper loan officers are fully onboarded into Rocket Mortgage, leveraging our technology and tools to raise the bar for service. With a combined servicing portfolio nearing 10 million clients, we're now running the largest, most powerful recapture engine in the industry, fully integrated and delivering right here at Rocket. The recipe for success is simple. When you get the people right, strategy and solid execution follow. With a combined team across Rocket, Mr. Cooper and Redfin, we've got the best team in the business [] bar none. This team represents experience, capability and the best track record on the planet. If there's one thing I hope you take away from today, it is simply this, that rocket is in a category of one.

Historically, our industry has operated in silos. Companies have typically been either originators, servicers or real estate companies, each focused on a narrow slice of the client experience. Rocket breaks, that mold. We are not just one part of the process, we are all of them. We are a home-ownership company, bringing end-to-end integration to housing at a scale the industry has never seen.

Our platform is vertically integrated by design, powered by AI, and it represents the future of homebuying. This platform also reflects a new type of business model. Traditionally, each of these business models originator, servicer, real estate has its own strengths and limitations. Servicers tend to excel in higher rate environments with predictable, recurring cash flows that attract value investors. But growing and replenishing mortgage servicing rights often requires significant capital.

Origination companies shine when rates are low, capturing market growth, but they can struggle with volatility, high client acquisition and capacity costs. Real estate companies excel at attracting millions of consumers to the top of the funnel, but they often fall short on monetizing that traffic, effectively, lacking a comprehensive monetization engine.

So by bringing together Rocket, Mr. Cooper and Redfin, we've created something unique, one company solving the industry's most complex challenges in three transformative ways. First, we've built a business model that thrives in any interest rate environment. When rates rise, our servicing portfolio, the largest in the industry delivers stable, recurring cash flow and increased value in our mortgage servicing rights. And when rates fall, portions of our portfolio become eligible for recapture, generating significant refinance and purchase opportunities. Meanwhile, our origination business continually replenishes and strengthens our servicing pipeline.

Second, we've cracked the code on unit economics by transforming how we acquire clients and manage capacity through the combined lead funnel of Redfin, Rocket and our servicing book, we attract high intent clients at scale and we do it efficiently. Our AI powered tools further amplify our impact, unlocking key member capacity, so our team members can serve more clients with greater efficiency, driving higher client lifetime value and a better, faster experience.

And finally, speaking of clients, what matters most is the consumer. Everything we build, every integration we pursue centers on delivering for our clients. When we execute on this vision, our brand comes to stand for speed, certainty, and low rates and fees. That is the new Rocket. We take care of every client, every time, which earns us lifetime value and the privilege of being their lender for life. We are setting a new standard for homeownership and the journey is just beginning.

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

Brian Brown, Chief Financial Officer

Thank you, Varun and good afternoon, everyone. We are executing with focus and intensity at Rocket. And I'm excited to share our progress with you today. I'll recap our third quarter performance, provide updates on the Redfin and Mr. Cooper integrations and discuss how the Rocket business model is transforming. Finally, I'll conclude with our outlook for the fourth quarter.

Q3 was a standout quarter for Rocket. We delivered strong operating results while moving full speed ahead on the Redfin integration and completing the largest acquisition in our industry. Right on schedule. And even though we're just 30 days into the Mr. Cooper integration, we're already seeing the kind of traction that gives us tremendous confidence in what's ahead. Let's start with our third quarter results.

Adjusted revenue was \$1.783 billion, exceeding the high end of our guidance range. Net rate lock volume totaled \$36 billion, up 26% quarter-over-quarter and 20% year-over-year. This growth outpaced the broader market in

both purchase and refinance, resulting in market share gains in our largest purchase and refinance quarter in over three years.

Gain-on-sale margins remained healthy, coming in at 280 basis points right in line with the previous quarter. Redfin revenue performed in line with expectations. Total expenses for the quarter came in at \$1.789 billion, up \$450 million from the second quarter, driven by three factors. One the inclusion of Redfin's expense base; two, higher variable costs tied to the increase in production; and finally, roughly \$90 million in one-time costs.

We delivered \$349 million in adjusted EBITDA or a 20% adjusted EBITDA margin. We reported adjusted net income of \$158 million and adjusted diluted EPS came in at \$0.07. All of this took place against the backdrop of a housing environment in the third year of a gradual recovery. As Varun shared, when the going gets tough, the strong stand out, and the results of this quarter are clear proof of that.

The third quarter began with the 30-year fixed rate at approximately 6.7% in early July, easing to 6.5% by early September. During a two-week period in September, ahead of the Fed's first rate cut of the year, the 30-year fixed edged down another 20 basis points to reach 6.3%. This favorable rate move sparked a surge in our refinance volumes. We moved swiftly to capitalize on this opportunity, leveraging AI tools that enable us to rapidly scale up our capacity.

This execution drove our outperformance and market share gains.

For those of you that have followed Rocket for a while, this shouldn't be a surprise. We have a track record of outpacing our competition during market shifts. It's also worth noting that our home equity product continued its momentum, doubling year-over-year.

And on the purchase side, the third quarter marked our strongest performance in over three years, as Redfin is already contributing meaningfully to our retail channel. Redfin source purchase closings make up 13% of our direct to consumer purchase closings today. And that's a number we're excited to keep growing.

Now I'd like to provide an update on our capital position. In June, we proactively issued \$4 billion of unsecured notes in anticipation of refinancing Mr. Cooper's unsecured debt and paydown of existing MSR debt. Upon closing \$3 billion of Mr. Cooper's legacy, unsecured notes were refinanced with the proceeds from that issuance, while the remaining \$2 billion were refinanced through an exchange offer.

Importantly, the total combined corporate debt balance remains unchanged, with a simplified capital structure. In addition, we upsized our revolving credit facility from \$1.150 billion to \$2.300 billion, further enhancing our liquidity profile.

As of October 1, inclusive of Mr. Cooper, Rocket Companies pro forma available cash was approximately \$4 billion and total liquidity stood at approximately \$11 billion.

Next, let me highlight the progress we're making with Redfin. Our integration is exceeding expectations and showing strong momentum. Redfin's robust lead funnel of nearly 50 million MAUs, the related mortgage experience and the real estate brokerage are now fully integrated with Rocket Mortgage. Since launching in July, we've seen the number of Redfin users going directly to home financing through the Get Pre-qualified button, more than double, surpassing 0.5 million by September. Mortgage attach rates, which are the primary driver of revenue synergies, have climbed from 27% to 40% today. That's ahead of our goal in just the first four months since closing, and puts us well on the way to hit our 50% target attachment rate.

The feedback from Redfin agents has been extremely positive in the months since closing and the power of the Rocket preferred pricing bundle is helping to drive up those attach rates. These early results reinforced our confidence in achieving \$60 million of revenue synergies over the course of 2026, with full run rate realization expected in 2027. And on the expense side, I'm pleased to share that we have already executed the majority of our \$140 million annual expense synergy, as measured against Redfin's Q1 2025 cost structure. We realized a portion of these savings in the third quarter and we expect to see the full run rate benefit in the fourth quarter results.

Turning now to the Mr. Cooper integration. Our planning began well before day one, and executing a seamless integration remains our top priority. For six months leading up to our October 1 close, our leaders and integration teams from both organizations work side by side to ensure we're ready to hit the ground running.

To lead this process, we tapped Kurt Johnson, Mr. Cooper's former CFO. Kurt is a seasoned leader with deep industry expertise and a proven track record of managing large, complex integrations. We are fortunate to have him guiding these efforts.

The integration connects Mr. Cooper servicing portfolio directly into Rocket's recapture engine. Rocket Mortgage and Mr. Cooper loan officers are working side by side and have access to a massive lead pipeline and deep client insights.

Just 30 days in, we're already seeing strong momentum in increased conversion on Mr. Cooper servicing portfolio leads. While more work remains, we are even more confident in our ability to capture the full value of our planned synergies.

With those integrations underway, let me take a step back and look at how Rocket's business model is transforming. This is a stronger Rocket, a company in a category of one. By combining Redfin's broad real estate consumer reach, Rocket's origination engine and Mr. Cooper's servicing expertise, we have unified three industry leaders to unlock even greater potential at scale.

Rocket has a more durable business model, grounded in three pillars, stability through recurring cash flow, a larger platform for growth, and a cost advantage that creates sustainable operating leverage and superior unit economics.

First, our combined servicing portfolio, the largest in the industry, generates \$5 billion in stable, recurring annual cash flow, providing a dependable earnings base in any environment. Origination and servicing naturally offset each other as rates move, lower rates drive origination, while higher rates increase MSR value, stabilizing earnings.

Even in the toughest mortgage market in decades, a combined Rocket and Mr. Cooper would have delivered positive GAAP earnings every quarter from early 2023 through the third quarter of 2025 on a pro forma basis. This shows our resilience through cycles.

Second, our opportunity for origination growth is even bigger. Redfin and Rocket together have the industry's largest purchase funnel, 62 million monthly active visitors, reaching one in five prospective homebuyers. We have a robust recapture engine tied to our servicing portfolio of nearly 10 million homeowners.

Recapture means turning servicing clients into repeat borrowers by proactively offering new loans when they are ready to refinance or move. With advanced data and AI, we target the right client at the right time. Rocket's recapture rate is three times the industry average.

Here's an example. If the 30-year fixed rate falls to 5.5%, 25% of our servicing portfolio, or about \$300 billion in unpaid principal would be positioned to refinance, representing significant growth potential and, all at a very low cost of acquisition, resulting in strong operating margins.

Third, we have a clear cost advantage in both origination and servicing. Historically, the bulk of origination expenses come from client acquisition and supporting production capacity. By leveraging Redfin's MAUs, Rocket's brand and our servicing recapture capabilities, we efficiently attract high intent clients at scale. Our AI powered platform further expands our lead funnel and improves conversion, driving even greater efficiency.

AI unlocks capacity of our production team members, so that we can grow origination while keeping fixed costs flat. Every loan requires a licensed loan officer and a licensed underwriter. With AI, our production team members can now handle 63% more loans than they could just two years ago. We're building the foundation for infinite capacity at Rocket, allowing us to scale without limits and pursue growth unconstrained by human capacity. As we scale, our structural advantages and client acquisition and capacity provide sustainable operating leverage. Once fixed costs are covered, 70% of additional revenue goes to EBITDA, supporting further margin expansion.

In servicing, Mr. Cooper operated at a cost to service, roughly one-third lower than the industry average. With our larger combined service portfolio, focused on recapture in low servicing costs, we are optimizing the strengths of both companies.

With this new Rocket, we define our own future, and our resilient business model thrives in any market environment.

Looking ahead to the fourth quarter, Q4 will be the first quarter that both Mr. Cooper and Redfin are fully consolidated into our operating results. We expect adjusted revenue inclusive of these acquisitions to range between \$2.100 billion and \$2.300 billion. On a Rocket standalone basis, excluding Mr. Cooper and Redfin, we expect adjusted revenue at the midpoint of the range to be up roughly 7% year-over-year. This guidance reflects our expectation for continued market share gains and the typical seasonality we experienced in the fourth quarter, with softer housing activity and slower mortgage demand during the holidays.

As always, our forward-looking guidance reflects the latest market data and our current visibility. Now switching to expenses. On a consolidated basis, including Redfin and Mr. Cooper, we expect total expenses of approximately \$2.300 billion. This figure includes \$140 million of one-time transaction-related costs and \$120 million of new amortization of intangible assets associated with the Redfin and Mr. Cooper acquisitions.

Excluding these items, underlying expenses are expected to be roughly \$2 billion in the fourth quarter. This expense guidance includes \$215 million of interest expense related to unsecured debt and MSR facilities.

To wrap up, we're executing at a high level. Integrations are on track. Our teams are focused and we're delivering results. We are well-positioned to finish the year strong and carry this momentum into the new year.

Rocket's future is bright and we are in control of our destiny, with our AI powered, vertically integrated homeownership platform, we're setting a new standard for homeownership in America, helping everyone home and driving long-term shareholder value.

Operator, we are now ready to open it up for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Jeff Adelson, Morgan Stanley. Your line is open.

Q

Hey, good evening, guys. Thanks for taking my question. I guess just maybe to dig in on the revenue guidance a little bit more closely here. Appreciate the breakout of what the ex-Redfin Cooper guide would look like up 7% at the midpoint. I guess just a couple of questions there. Could you maybe help us understand how the core ex-Redfin Cooper was trending this past quarter and how that relates to the 7% at the midpoint for the fourth quarter?

And maybe just what's embedded in your outlook for the Cooper and Redfin business in the fourth quarter as well? And then, as you think about the momentum you're highlighting from all the businesses and the Cooper transaction so far, how are you thinking about the 2026 outlook as it relates to the market and the combined entity today? Thanks.

A

Jeff, thanks for your question. So let me start with just a little bit on Q4 and then I'll comment on the outlook for 2026, and then Brian can unpack just some specifics on our guide for Q4.

So just as a reminder, obviously, we're in Q4, but as always, historically in Q4 in the mortgage market, it's a little bit softer traditionally, and that's just for some basic reasons. You've got fewer working days. You've got Thanksgiving, Christmas, New Year's and the holidays. And consumers in general are just not as focused on the housing market. But the great news is that even with that seasonality taken into account, our purchase pipeline is at record levels. And so, that gives us a lot of confidence in the quarter, which is reflected in our guide. And again, Brian will unpack that in just a minute on why that guide is not just strong, but it also reflects taking share.

But you know, what gets me pumped up about 2026 is that when we look ahead, we think it's going to be a very strong year for Rocket. And what gives us confidence in particular is when you look at the Fannie Mae forecast, they're expecting the market to grow 25% year-over-year. And there's also some forecasts that has rates potentially dipping below 6%.

And I think, as you know, that is a great thing for Rocket when you consider both the purchase and the refinance funnels that we have at scale. And that's a stand alone observation. So what's particularly interesting is when you look at Rocket with Redfin, with Mr. Cooper, all of this becomes force multiplied, because you have significantly improved lead flow, you have this recapture of pipeline between origination and servicing, and you also have these new revenue streams.

So, we feel very excited about 2026. We see our momentum just continuing to accelerate. But just coming back to Q4, Brian, maybe you can unpack the quarter in some more detail.

A

Yes, sure. Happy to do it, Jeff. Thanks for the question. Good to hear from you. Let me, let me actually start a little bit with Q3 and build on that, because I think that'll help understand the transition from Q3 to the outlook. But you know, the third quarter was really strong. Obviously, you heard the numbers, we did great on a revenue perspective, but I'm actually more impressed with the share gains in the third quarter. You know, we got a little help in month of September from rates. There's no surprise there but the good news is we capitalized on that, and we took share using AI and technology. So we believe that third quarter was one of our biggest share gains.

So looking forward to the fourth quarter. You know, Varun mentioned it, but we do expect some of that traditional seasonality to come through, particularly the week around Thanksgiving and the two weeks around the Christmas holiday, consumers get distracted. When I look at some of the mortgage forecasts in the first quarter – in the fourth quarter, I see some that have it about flat with Q3, some that have Q4 actually up, and that's just not normally what we see. So, that's probably worth pointing out.

Even on the purchase side, it kind of makes sense because consumers aren't necessarily looking for homes during this time but even on that, I'd argue on the rate and term and cash outside consumers just focused on other priorities.

So the range, as we said, was \$2.1 billion to \$2.300 billion. And just a little color, Jeff, on October, you know, the purchase pipeline that we have, that Varun mentioned is at record highs and Redfin is starting to contribute to that in a meaningful way. About 13% of our purchase pipeline today is generated from Redfin clients. Clients that were searching for homes on Redfin and looking to connect with the real estate agent and then connect to mortgage. So, that gives us, that gives us a lot of excitement there. As you can see that synergy value trend starting to transpire.

And then when I look at the refi side, you know, in the month of October, the beginning of the quarter started really nice from rates. Obviously, the Fed meeting didn't necessarily help yesterday. So, there's more to be seen. But the thing I look forward to is on the Coop side, as we mentioned, we're starting to work the servicing portfolio of Mr. Cooper on the Rocket platform and we're starting to see a really nice conversion lift there.

And I mentioned this in the prepared remarks, but to give you a little more transparency on Rocket on a standalone basis, if I look at Q3, Rocket only, the results would be up 14% year-over-year. And if I take the midpoint of the guide in Q4, that's 7% up year-over-year.

So look, we think both the jumping off point of Q3 is really impressive and we think that Q4 guide is very strong and incorporates market share gains.

Operator: Your next question comes from the line of Mihir Bhatia from Bank of America. Your line is open.

Q

Hi. Thank you for taking my question. Maybe just going to the Mr. Cooper acquisition. Can you just talk a little bit more about the confidence and timing of the synergies associated, maybe both on the revenue and cost side? And then, while you're on that note, also just in terms of the OpEx for Q4, just the standalone Rocket OpEx, just to be able to track that. Thank you.

A

Thanks, Mihir. So I think we'll jump into the synergies in a minute, but I think maybe it would be helpful for me to just give a general integration progress update as well. So I'll start there. So, look, we closed the deal October 1, and this deal is transformational not just for Rocket, but we think for the housing industry itself. It's the first time that origination and servicing have ever been connected at this scale. And the combined companies have a, you know a balanced business model, as we shared earlier, to thrive in any market and rate environment.

And so, we've been executing pretty strongly right out of the gate, very similar to the Redfin acquisition. And it is a large integration but we've made pretty significant progress. And I just want to give you a few highlights.

Day one, we had a co-branded identity of Mr. Cooper powered by Rocket Mortgage. By Day 9, 40,000 leads were flowing through our pipeline from the Mr. Cooper servicing book, and that number only continues to increase. Day 12, we had our first Mr. Cooper client close the loan with Rocket Mortgage, and the turn time on that was unbelievable, it was three days.

And just within 30 days now, we've integrated the servicing and origination platforms. We've onboarded our loan officers and mortgage bankers. And we've had zero client disruption. And so, with an acquisition of this scale, that's something that we're very proud of.

And look there is obviously a lot of hard and fun work ahead and we're taking it seriously. Right now, we're focused on the system integrations, the data integrations, the culture integrations. But, you know, the good news is, this is what we do and it's why we're good at what we do and what we do best. So, the teams are clicking very well. The leadership is deeply integrated, the culture is already starting to feel very strong and that gives me a lot of confidence in our synergy and our goal targets. And so, we're very pleased with the progress thus far. And that's probably a good time, Brian, for maybe to go a little deeper on the synergies.

A

Yeah, thanks, Varun. I mean, I think you said it well. On the Coop side, the only thing I'd add is, you know, the work Varun mentioned around the pre-close planning is really key to hitting those synergy numbers. And, you know, we talked about \$500 million in total synergies, \$400 million is expenses and \$100 million is revenue. And you can see all that laid out in the IR deck.

But I mean, I'd tell you at this point, I'm happy to report that we have line of sight to the \$400 million of expenses, and that's been identified. You know, probably just on the revenue side, what I can say is just take you back to those comments about the lead flow to the Rocket platform from the Cooper servicing book and the increase in conversion there. That really will translate to the enhanced blended recapture rate that will drive those revenue synergies.

So we feel really good. It's early days, we're only a month in, but we feel really good. And just Mihir to make sure you caught the comment, I can go more into the expenses as well. But on the Redfin side of the house, we

talked about \$140 million of synergy numbers, and that is all identified and will be realized in the fourth quarter. So, you're talking about \$35 million of full quarter realization in Q3.

If I just kind of zoom back out – excuse me in Q4 Mihir, but if I kind of zoom back out just to give you color on expenses, you know, we said we expect Q4 to be about \$2 billion. That's all three companies combined and that's net of one-time costs and the purchase price amortization. There's, there's probably a couple of call outs for you, as you're thinking about your models.

In Q4, I have about \$140 million of one-time expenses. These are things like severance and deal-related expenses. That compares to about \$90 million in Q3. And then remember, the other thing to think about is this purchase price accounting amortization. In the fourth quarter, I expect it to be about \$120 million. That's the amortization of both Redfin and Mr. Cooper. That was \$50 million in Q3, which was just the amortization around Redfin.

And the last thing just in terms of unique items, remember in June, we issued about \$4 billion of additional debt, and that was in anticipation from, you know, triggering the change of control provisions on Coop's unsecured debt stack. So, for about four months, which was all of Q3, you had \$4 billion of additional unsecured debt, and you have that cash. So, the net expense, which is essentially the difference from your earnings rate on the cash, and the note rates, the interest expense on the debt was about \$10 million. That will all go away in Q4.

And just to give you a little more color, I expect about \$140 million of unsecured debt expense sort of on a run rate go forward basis that will come through in Q4. But I think the important takeaways are, look, we continue to be very disciplined on the expense side of the house. We are focused on realizing our synergy values and now even exceeding those. And that's even before AI and technology really unlocking capacity and efficiency for us.

Q

Thank you.

Operator: Your next question comes from a line of Doug Harter from UBS. Your line is open.

Q

Thanks. I was hoping to talk a little bit more about the revenue progress at Redfin. You know, can you talk about what, what you see as kind of what's going to be the driver to get from the 40% attach rate to kind of the target, 50% that you had? And whether that I guess what's first part of that 40% was kind of the exit rate for the quarter or the full quarter average?

A

Yeah, maybe I can use this opportunity, Doug, just to give a quick overall update on Redfin and then we can dive into some of the specifics. So, you know, I think it's important to highlight that it's just been a fast four months since closing. I'm very, very pleased with the execution. We've got momentum. We're building fast.

And a few things that I would just highlight on the execution progress that drive just revenue and client growth. First thing is, we've added a pre-qualification experience and a funnel to every listing on Redfin, so that millions of access points that represent every single home listing that's on Redfin.

And because of that integration, because of the optimization, the number of clients that actually have started applications using that access point, that get prequalified button, has doubled. So, about 0.5 million clients have started applications in September and that's doubled since July, where it was around a 0.25 million.

And what's great about that is this is the start of what we think is a very performance funnel. So that is the top of the funnel. It's obviously very big. But as you take that funnel down, it represents leads that we can nurture, right? Those are clients that we have long relationships with, not just in days or weeks, but really over months, because that's typically how the purchase pipeline works.

And what's also important to call out is that Redfin is becoming a very big part of Rocket's purchase pipeline. It's already contributing to 13% of our total retail purchase closings. And for a company of Rocket size and scale, that's obviously a very significant number and we expect that to grow.

And then, as you pointed out, we also have our mortgage attach rate, which we talked about, and that's basically Redfin clients that used to work with Rocket via a Redfin agent. And that climbed from 27% to 40%, which is ahead of our plan and we expect to see that continuing to grow. And we think that that's going to exceed expectations.

And there are really two things that are driving that. The first one is the strength of the integrated brand Redfin powered by Rocket. And the second is we have a very compelling bundle that's competitively priced that's unique to the Rocket Redfin ecosystem, and it delivers value to clients. And it's something that our agents really like.

And what's exciting for me is that moving forward, this is just a lot of progress in a very short period of time. We've only been doing this for four months. And we think about next year, we want to blow the doors off this right? We want to add the refinance funnel into our Redfin ecosystem. We want to take more of the mortgage application process and bring it up into the Redfin apps, so you can start and finish inside of the Redfin experience.

And so, we think that that's going to increase opportunity. We think that that's going to optimize the funnel, and we have a lot of room to grow there.

And then lastly, you know, I think similar to Mr. Cooper, our strategy is one thing, but these integrations are also really about cultural integration as well. And I'm really pleased with just how well the leadership teams are working together. You just can't tell where one company starts and the other company finishes. Culture is strong, engagement is high. The agents and team members are very engaged, and that just gives me a lot of confidence in what we're going to do next year.

So, you know, in summary, we've made pretty solid progress in four months. But, you know, I really think there's a drop in the bucket compared to what's ahead in 2026.



I guess Varun on this top of the funnel, the number of leads that are kind of going through the pre-qual. You know, I guess, are you seeing or do you have any data as to, you know, like how those are moving through or are some falling out and going to competitors or the ones that, you know, are falling out just because they're not – they

haven't actually transacted on a home yet? You know, just any more color on kind of how that's, how leads are moving through that funnel would be helpful.

A

I mean, it's typical to, I would say, a regular mortgage funnel where – I mean thing we know is happening today in the homebuying world is that there's a lot of intent, but the time to buy is extended when we compare to historical periods. We're seeing the same thing as Redfin is, we're seeing the same thing in Rocket standalone, which is you have consumers coming in, they have high intent, but the time they're ready to get pre-qualified, that means they're either have started searching in a lot of cases or about to start searching for a home. They want to know how much they can afford and they want to be serious about it. So we see them go take the exercise to get pre-approved, and then they're in our pipeline and we start nurturing them.

But we also know that in most cases they're not getting the home, the first home they find and the first offer they make, at least in a lot of the geographies. And we also know that sometimes what they get qualified for is in quite as exciting as they might have thought, just given where interest rates and inventory are.

So, I wouldn't necessarily call it fallout. I would call it just clients that are very interested. They find out how much they can afford, they begin their shopping experience. But that shopping and looking experience for a home is definitely in an extended period, at least compared to historical levels.

Q

Great. Thank you.

Operator: Your next question comes from the line of Bose George from KBW. Your line is open.

Q

Yeah, good afternoon. Actually, can you give us an update on how you're feeling about you – about the market share targets that you provided last year at Investor Day? And then can you also remind us, is the Cooper market share going to be additive to that?

A

Thank you for the question, Bose. So, I'll comment on our growth targets in purchase and refinance. And Brian, feel free to jump in. So, I mean, in short, we feel really good about our growth targets. You know, we talked a lot about refinance and that's obviously something that we're very good at. But let me just drill down on purchase in particular, because that is a newly declared durable growth lever for the future of our company.

And so over the past two years, you know, we've been very consistent around our message, around transforming our company, to make purchase something that is durable for the long term. And when you think about Mr. Cooper and Redfin joining Rocket, we obviously expect that progress to accelerate.

And, you know, we have basically three very simple building blocks around how we're going to win in purchase. I think the first one is, you have to have a strong top of the funnel as we talked about earlier and that's really what

Redfin represents, \$50 million monthly home buyers, thousands of local agents. And what's great about Redfin is just the quality of the traffic. Many of those consumers are higher intent, more serious homebuyers that use the app every single day. Redfin has the highest weekly to monthly app engagement ratio in that space.

And so that represents not just the lead flow, but as Brian shared earlier, it's a pipeline of clients that you can nurture over days, weeks and months, which is the nature of purchase.

And then the second building block is the actual funnel itself and that's where artificial intelligence and automation are so significant to us because because we can nurture leads in a low cost manner, we can improve conversion, we can automate every single part of the experience to make it more efficient, more personalized. We can have better underwriting, better pipeline management, and we could just make the whole experience faster and more accurate. And as a result, we can pass on that savings and value to the client in the form of lower rates, lower fees and faster turn times.

And then the third building block, which we're really excited about, is the power of our servicing portfolio and that is something that is a big unlock for us. You know, with Mr. Cooper, when you have 10 million clients in your servicing portfolio, that is effectively a pre-built pipeline of high intent buyers that trust Rocket.

And the best part of this is when you consider the macro environment, these are the types of clients that are most likely to participate in a purchase, especially in today's housing climate, because they're either a move up buyer or they're going through a life change. And so, we expect a lot of that pipeline and client base to be where these purchase transactions happen. And we have an advantage because we have a relationship with those clients.

So, these three building blocks are critical to our purchase, but they're also very unique to Rocket and Rocket only. And so, when you put them together, we're pretty confident that it's a growth engine for purchase market share.

And then coming back not just for purchase, but also for refinance, because as rates inevitably change, we can harvest that same lead funnel to drive automated personalized refinance activity as well.

So we feel very confident. We're on track to achieve our goals. And these acquisitions and the client distribution they represent just give us more leverage, leverage points to achieve this.

And I think the best part is that is agnostic of any potential market tailwinds and like potential rate relief. And so, if you add those dynamics and those tailwinds, it just boosts our confidence in achieving and exceeding our market share goals.

Q

Okay, great. And just to clarify. So will the Cooper share be sort of incremental to the, you know, to the numbers that you provided earlier?

A

Yeah. Thanks, Bose. We're going to come back out in the coming quarters and talk a little bit about the revision around the market share goals after the acquisitions. But right now, our focus is integration, achieving synergy numbers and we'll have more to report there later.

Q

Yeah. Okay, great. Thanks for the color.

Operator: Your next question comes from the line of Terry Ma from Barclays. Your line is open.

Q

Hey, thank you. Good afternoon. Do you guys have any more color on the 20% servicing cap from the FHFA and what that pertains to? And if it is on total servicing, can you maybe just talk about how that changes, how you think about the overall business?

A

Yeah, thanks, Terry. I'll take that one. So I think, first of all, for the group, it's important to understand the caps are not unusual in our industry, particularly when they result from acquisitions, and they can change over time. You know, the regulators want to see a couple of things. They are very focused on the integration and making sure you take care of the consumer. And then, of course, capital and liquidity levels are king. So, they want to see that to maintain the appropriate capital and liquidity levels.

And the agreements between the GSEs and the counterparties or firms like us are confidential. But what I can tell you is that since the deal was announced in March, we've had really productive conversations with the GSEs and FHFA. And our capital, and liquidity levels are well beyond the required standards. So, we believe that the current agreement gives us sufficient room to grow, and achieve and even exceed our synergy targets.

So in summary, I just say it's not something we're worried about.

Q

Great. Thank you.

Operator: Your next question comes from the line of Ryan McKeveny from Zelman. Your line is open.

Q

Hey, thank you very much. Congrats on the results and on closing the Coop deal. On the technology and AI initiatives, you know, encouraging to hear the updates on the three AI agent examples you gave and the benefits with those. I think each of those were origination related. I guess now that Coop has closed and the size of the servicing book has meaningfully expanded. Can you talk about the technology and AI strategy more broadly? How that can play into the servicing side of the business as well to provide productivity, efficiency, cost savings? Obviously, you've given a lot of updates on the origination benefits, but hoping you can maybe speak to the servicing side as well. Thank you.

A

Yeah, thanks for the question, Ryan. This is an area that we are incredibly excited about. And I would go as far as to say the future of servicing is Agentic AI. And when you think about the use cases and servicing, a lot of it has to do with helping clients solve meaningful problems, but also handling simple tasks and automations that drive day to day efficiency.

So when you think about things like managing your payments, handling things like forbearance, property taxes, dealing with issues, escalations, those are all things that we have significant opportunities to automate, personalized and add value with AI.

And one of the things that I think is particularly exciting is that, there's just a lot of technology evolution in the space. One of the things that we have recently done is we have partnered with a company called Sierra. And Sierra is an AI first company that builds native, fully automated digital assistants. And this is an opportunity for us to really drive massive innovation in the servicing space, not just an agent that can handle those day-to-day tasks and issues, but one that can anticipate things that may come down the line, one that can give advice to clients to help them manage their future. One that's available 24/7.

And so the great thing about this is we think that this space is going through a pretty dramatic evolution. We're betting very big on technology here. And the thing that's important for us is that we care very deeply about owning and building our own technology. And so, our servicing technology is proprietary. We have deep vertical integrations that are built around data, and we're going to continue to evolve that with the expanded client base that we get with Mr. Cooper.

And then when we partner, we're very selective with who we partner, and we picked an example like Sierra, because they are born of the kind of AI world. And so, lots of opportunity here, I think, for us to really transform the way servicing works from the ground up. And this is a big area of focus for us.

Q

That's great. Thank you so much.

Operator: And your final question comes from the line of Mark DeVries from Deutsche Bank. Your line is open.

Q

Yeah, thanks. You know, sticking with AI theme. I was hoping you could drill down on some of the benefits you got from investments you made in responding to the big surge in demand you saw on in September. And on a go forward basis, how you're thinking about, you know, the real benefits you'll derive, whether it's just faster turn times, higher efficiencies or anything else?

A

Yeah, Mark, I can start on that one. I think, you know, particularly during that September window, like I said, it was a really nice case study because the thing I think people don't think about is, you think about, hey, you have to

have capacity to underwrite process and close loans. And there's no question that some of the AI initiatives have made a big impact to us there.

But on the loan officer or the mortgage banker side, I would say equal if not bigger impact, because when you have those rate surges, you get an influx of clients coming into the pipeline. And so, being able to interact with those clients through digital chat experiences where the relationship is not 1 to 1, like a client on the phone really increases your capacity. Also, leveraging AI to collect documents and follow up items that traditionally loan officers and mortgage bankers would be doing in the time where they really should be understanding the client situation and, you know, helping them understand how they can save money on a rate and term refinance, you know, could be a distraction from the actual revenue generation opportunity.

So I think when I look at traditional mortgage companies and they have inbound leads coming, the only way they can do them is pick up the phone and work longer hours. And I think about how Rocket can handle them with the digital experiences, particularly around chat and interacting through our website and messenger. And then when we actually are making phone contact with a client, knowing that that client is high intent, knowing that that client in some cases has already provided some information, so we can let the loan officers do what they do best. Those are the things that not only increase the capacity of the business, but in a meaningful way, also increases the efficiency of the business.

Q

Got it. Thank you.

Operator: And that concludes our question-and-answer session. I will now turn the call back over to Varun Krishna for some final closing remarks.

Varun Krishna, Chief Executive Officer

Well, thank you, everyone, for listening to the call today. And we look forward to seeing you in the new year.

Operator: This concludes today's conference call. Thank you for your participation. You may now disconnect.

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