

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2024

OR

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

For the transition period from: _____ to _____

Commission File No. 1-13219

Onity Group Inc.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of incorporation or organization)

1661 Worthington Road, Suite 100

West Palm Beach, Florida

(Address of principal executive office)

65-0039856

(I.R.S. Employer Identification No.)

33409

(Zip Code)

(561) 682-8000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)*	Name of each exchange on which registered
Common Stock, \$0.01 Par Value	ONIT	New York Stock Exchange

*The registrant changed its name from Ocwen Financial Corporation to Onity Group Inc. and its trading symbol to ONIT on June 10, 2024. The registrant's common stock was previously traded under the trading symbol OCN.

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Number of shares of common stock outstanding as of November 4, 2024: 7,868,458 shares

ONITY GROUP INC. CORPORATION
FORM 10-Q
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FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact included in this report, including statements regarding our financial position, business strategy and other plans and objectives for our future operations, are forward-looking statements.

Forward-looking statements may be identified by a reference to a future period or by the use of forward-looking terminology. Forward-looking statements are typically identified by words such as “expect”, “believe”, “foresee”, “anticipate”, “intend”, “estimate”, “goal”, “strategy”, “plan”, “target” and “project” or conditional verbs such as “will”, “may”, “should”, “could” or “would” or the negative of these terms, although not all forward-looking statements contain these words. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Readers should bear these factors in mind when considering forward-looking statements and should not place undue reliance on such statements. Forward-looking statements involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those suggested by such statements. In the past, actual results have differed from those suggested by forward-looking statements and this may happen again. Important factors that could cause actual results to differ include, but are not limited to, the risks discussed under Part I, Item 1A, Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2023 and the following:

- the timing for receipt of final regulatory approval to consummate the sale of our ownership interest in MAV Canopy HoldCo I, LLC (MAV Canopy) that invests in mortgage servicing assets through its licensed mortgage subsidiary MSR Asset Vehicle LLC (MAV);
- the date on which we will break escrow following the closing of our senior corporate debt refinancing, receive the proceeds of the refinancing, and redeem our senior corporate notes, all of which are conditioned on the closing of the MAV sale described above;
- the future of our ownership position in MAV and the extent to which MAV will continue to generate a favorable return on our investment in the event we do not consummate the MAV sale;
- the potential for ongoing disruption in the financial markets and in commercial activity generally related to changes in monetary and fiscal policy, United States political developments, geopolitical events and other sources of instability;
- the impacts of inflation, employment disruption, and other financial difficulties facing our borrowers;
- the impact of the recent failures and re-organization of banking institutions and continued uncertainty in the banking industry;
- the timing for completion of our PHH Mortgage Corporation rebranding and its impact on our business and third parties’ perceptions of us;
- our ability to timely reduce operating costs or generate offsetting revenue in proportion to the industry-wide decrease in originations activity, and the impact of cost-reduction initiatives on our business, operations, and financial performance;
- our ability to maintain and increase market share in our target markets, including in forward and reverse servicing;
- breach or failure of Onity’s, our contractual counterparties’, or our vendors’ information technology or other security systems or privacy protections, including any failure to protect customers’ data, resulting in disruption to our operations, loss of income, reputational damage, costly litigation and regulatory penalties;
- our reliance on our technology vendors to adequately maintain and support our systems, including our servicing systems, loan originations and financial reporting systems, and uncertainty relating to our ability to transition to alternative vendors, if necessary, without incurring significant cost or disruption to our operations;
- our ability to interpret correctly and comply with current or future liquidity, net worth and other financial and other requirements of regulators, the Federal National Mortgage Association (Fannie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac) (together, the GSEs), and the Government National Mortgage Association (Ginnie Mae), as well as those set forth in our debt and other agreements;
- our ability to implement, in a timely and cost-effective manner, our planned response to Ginnie Mae’s risk-based capital requirements by the extended deadline granted to us by Ginnie Mae of May 1, 2025;
- the amount of common stock or senior debt that we may repurchase under any future stock or debt repurchase programs, the timing of such repurchases, and the long-term impact, if any, of repurchases on the trading price of our stock or our financial condition;
- the timing of actions to refinance our senior secured notes and the terms of any such refinancing;
- our ability to repay, renew and extend our other borrowings, borrow additional amounts as and when required, meet our mortgage servicing rights (MSR) or other asset investment objectives and comply with our debt agreements, including the financial and other covenants contained in them;

- the extent to which our MSR joint venture with Oaktree Capital Management L.P. and its affiliates (Oaktree), other transactions and our enterprise sales initiatives will generate additional subservicing volume and result in increased profitability;
- uncertainty related to our long-term relationship with Rithm Capital Corp. (Rithm), one of our largest subservicing clients as of September 30, 2024;
- our ability to identify, enter into and close additional strategic transactions, including the ability to obtain regulatory approvals, enter into definitive financing arrangements, and satisfy closing conditions, and the timing for doing so;
- our ability to efficiently integrate the operations and assets of acquired businesses and to retain their employees and customers over time;
- the adequacy of our financial resources, including our sources of liquidity and ability to sell, fund and recover servicing advances, forward and reverse whole loans, future draws on existing reverse loans, and Home Equity Conversion Mortgage (HECM) and forward loan buyouts and put-backs;
- uncertainty related to the ability of third-party obligors and financing sources to fund servicing advances on a timely basis on loans serviced by us;
- increased servicing costs and reduced or delayed servicing income due to rising borrower delinquency levels, forbearance plans, moratoria on evictions and delays in foreclosure proceedings;
- the characteristics of our servicing portfolio, including prepayment speeds along with delinquency and advance rates;
- our ability to continue to collect certain expedited payment or convenience fees and potential liability for charging such fees;
- an increase in severe weather or natural disaster events resulting in costly disruptions to our operations and increased servicing costs due to property damage;
- our ability to successfully modify delinquent loans, manage foreclosures and maintain and sell foreclosed properties;
- adverse effects on our business related to past, present or future claims, litigation, cease and desist orders and investigations relating to our business practices, including those brought by private parties and state regulators, the Consumer Financial Protection Bureau (CFPB), State Attorneys General, the Securities and Exchange Commission (SEC), the Department of Justice or the Department of Housing and Urban Development (HUD);
- scrutiny of our compliance with COVID-19-related rules and regulations, including requirements instituted by state governments, the GSEs, Ginnie Mae and regulators;
- the reactions of key counterparties, including lenders, the GSEs and Ginnie Mae, to our regulatory engagements and litigation matters;
- any adverse developments in existing legal proceedings or the initiation of new legal proceedings;
- our ability to efficiently manage our regulatory and contractual compliance obligations and fully comply with all applicable requirements, and the costs of doing so;
- uncertainty related to changes in legislation, regulations, government programs and policies, industry initiatives, best servicing and lending practices, and media scrutiny of our business and industry;
- the extent to which changes in, or in the interpretation of, laws or regulations may require us to modify our business practices and expose us to increased expense, regulatory engagement and litigation risk, including with respect to the collection of expedited payment, or convenience, fees;
- our ability to comply with our servicing agreements, including our ability to comply with our agreements with the GSEs and Ginnie Mae and maintain our seller/servicer and other statuses with them;
- our servicer and credit ratings as well as other actions from various rating agencies, including the impact of prior or future downgrades of our servicer and credit ratings;
- uncertainty related to the actions of loan owners and guarantors, including mortgage-backed securities investors, the GSEs, Ginnie Mae and trustees regarding loan put-backs, penalties and legal actions;
- uncertainty related to the GSEs substantially curtailing or ceasing to purchase our conforming loan originations or the Federal Housing Administration (FHA) of the HUD, Department of Veterans Affairs (VA) or United States Department of Agriculture (USDA) ceasing to provide insurance;
- our ability to recruit and retain senior managers and key employees;
- increased compensation and benefits expense as a result of rising inflation and labor market trends;
- uncertainty related to our reserves, valuations, provisions and anticipated realization of assets;
- our ability to effectively manage our exposure to interest rate changes and foreign exchange fluctuations;
- our ability to effectively transform our operations in response to changing business needs, including our ability to do so without unanticipated adverse tax consequences;
- political or economic stability in the foreign countries in which we operate; and
- our ability to maintain positive relationships with our large shareholders and obtain their support for management proposals requiring shareholder approval.

Further information on the risks specific to our business is detailed within this report and our other reports and filings with the SEC including our Annual Report on Form 10-K for the year ended December 31, 2023, our Quarterly Report on Form 10-Q and our Current Reports on Form 8-K since such date. Forward-looking statements speak only as of the date they were made and we disclaim any obligation to update or revise forward-looking statements whether because of new information, future events or otherwise.

PART I – FINANCIAL INFORMATION
ITEM 1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

UNITY GROUP INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(Dollars in millions, except per share data)

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Assets		
Cash and cash equivalents	\$ 201.6	\$ 201.6
Restricted cash (\$30.9 and \$24.2 related to variable interest entities (VIEs))	78.5	53.5
Mortgage servicing rights (MSRs), at fair value	2,223.6	2,272.2
Advances, net (\$438.6 and \$573.0 related to VIEs)	522.7	678.8
Loans held for sale (\$1,195.5 and \$674.2 carried at fair value) (\$595.2 and \$269.6 related to VIEs)	1,197.7	677.3
Loans held for investment, at fair value (\$5.2 and \$5.6 related to VIEs)	8,331.5	7,975.5
Receivables, net (\$46.6 and \$19.9 related to VIEs)	172.2	154.8
Investment in equity method investee	30.6	37.8
Premises and equipment, net	11.7	13.1
Other assets (\$10.4 and \$22.0 carried at fair value) (\$44.1 and \$18.6 related to VIEs)	95.8	106.2
Contingent loan repurchase asset	360.9	343.0
Total assets	<u>\$ 13,226.7</u>	<u>\$ 12,513.7</u>
Liabilities and Stockholder's Equity		
Liabilities		
Home Equity Conversion Mortgage-Backed Securities (HMBS) related borrowings, at fair value	\$ 8,132.5	\$ 7,797.3
Other financing liabilities, at fair value (\$327.5 and \$409.2 due to related party) (\$5.2 and \$5.6 related to VIEs)	826.2	900.0
Advance match funded liabilities (\$376.6 and \$498.9 related to VIEs)	377.2	499.7
Mortgage loan financing facilities, net (\$518.7 and \$143.4 related to VIEs)	1,355.9	710.6
MSR financing facilities, net	804.8	916.2
Senior notes, net (\$248.2 and \$239.7 due to related parties)	535.1	595.8
Other liabilities (\$14.1 and \$7.2 carried at fair value)	366.0	349.3
Contingent loan repurchase liability	360.9	343.0
Total liabilities	<u>12,758.5</u>	<u>12,111.9</u>
Commitments and Contingencies (Notes 20 and 21)		
Stockholders' Equity		
Common stock, \$.01 par value; 13,333,333 shares authorized; 7,868,458 and 7,684,401 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	0.1	0.1
Additional paid-in capital	557.4	554.5
Accumulated deficit	(89.6)	(151.6)
Accumulated other comprehensive income (loss), net of income taxes	0.2	(1.2)
Total stockholders' equity	<u>468.2</u>	<u>401.8</u>
Total liabilities and stockholders' equity	<u>\$ 13,226.7</u>	<u>\$ 12,513.7</u>

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

ONITY GROUP INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in millions, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue				
Servicing and subservicing fees	\$ 211.1	\$ 237.8	\$ 626.5	\$ 707.5
Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net	18.0	(0.4)	41.9	21.5
Gain on loans held for sale, net	25.8	8.2	53.2	36.3
Other revenue, net	10.8	10.0	29.6	24.0
Total revenue	<u>265.7</u>	<u>255.5</u>	<u>751.2</u>	<u>789.4</u>
MSR valuation adjustments, net	(31.5)	(16.4)	(75.8)	(134.2)
Operating expenses				
Compensation and benefits	59.5	55.7	168.1	171.4
Servicing and origination	11.1	15.5	40.0	48.8
Technology and communications	13.2	13.1	38.9	39.5
Professional services	17.3	13.5	40.1	9.9
Occupancy, equipment and mailing	7.9	7.7	23.1	24.2
Other expenses	3.4	4.6	10.6	14.7
Total operating expenses	<u>112.4</u>	<u>110.0</u>	<u>320.8</u>	<u>308.4</u>
Other income (expense)				
Interest income	24.5	25.9	64.5	60.2
Interest expense (\$11.5, \$11.0, \$34.1 and \$32.6 on amounts due to related parties)	(74.2)	(74.3)	(214.6)	(204.8)
Pledged MSR liability expense (\$11.4, \$14.5, \$42.1 and \$41.8 on amounts due to related party)	(42.3)	(76.5)	(133.3)	(219.8)
Earnings of equity method investee	0.8	2.8	6.7	5.9
Gain on extinguishment of debt	0.3	1.2	1.8	1.2
Other, net	(3.3)	1.3	(6.7)	(1.9)
Other income (expense), net	<u>(94.1)</u>	<u>(119.7)</u>	<u>(281.7)</u>	<u>(359.2)</u>
Income (loss) before income taxes	27.6	9.5	72.9	(12.5)
Income tax expense	6.3	1.0	10.9	3.8
Net income (loss)	<u>\$ 21.4</u>	<u>\$ 8.5</u>	<u>\$ 62.0</u>	<u>(16.2)</u>
Earnings (loss) per share				
Basic	\$ 2.72	\$ 1.10	\$ 7.95	\$ (2.13)
Diluted	\$ 2.65	\$ 1.05	\$ 7.74	\$ (2.13)
Weighted average common shares outstanding				
Basic	7,860,572	7,677,008	7,797,974	7,621,569
Diluted	8,055,393	8,060,078	8,006,981	7,621,569

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

ONITY GROUP INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 21.4	\$ 8.5	\$ 62.0	\$ (16.2)
Other comprehensive income (loss), net of income taxes:				
Change in unfunded pension plan obligation liability	—	—	1.4	—
Other	—	—	—	0.1
Comprehensive income (loss)	<u>\$ 21.4</u>	<u>\$ 8.5</u>	<u>\$ 63.4</u>	<u>\$ (16.1)</u>

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

ONITY GROUP INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(Dollars in millions)

	Common Stock		Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Income Taxes	Total
	Shares	Amount				
Balance at June 30, 2024	7,845,055	\$ 0.1	\$ 556.9	\$ (111.0)	\$ 0.2	\$ 446.2
Net income	—	—	—	21.4	—	21.4
Equity-based compensation and other	23,403	—	0.5	—	—	0.5
Other comprehensive income, net of income taxes	—	—	—	—	0.1	0.1
Balance at September 30, 2024	<u>7,868,458</u>	<u>\$ 0.1</u>	<u>\$ 557.4</u>	<u>\$ (89.6)</u>	<u>\$ 0.2</u>	<u>\$ 468.2</u>
Balance at June 30, 2023	7,677,008	\$ 0.1	\$ 548.7	\$ (112.6)	\$ (2.4)	\$ 433.8
Net income	—	—	—	8.5	—	8.5
Equity-based compensation and other	—	—	2.9	—	—	2.8
Balance at September 30, 2023	<u>7,677,008</u>	<u>\$ 0.1</u>	<u>\$ 551.6</u>	<u>\$ (104.2)</u>	<u>\$ (2.4)</u>	<u>\$ 445.1</u>

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

ONITY GROUP INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(Dollars in millions)

	Common Stock		Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Income Taxes	Total
	Shares	Amount				
Balance at December 31, 2023	7,684,401	\$ 0.1	\$ 554.5	\$ (151.6)	\$ (1.2)	\$ 401.8
Net income	—	—	—	62.0	—	62.0
Equity-based compensation and other	184,057	—	2.9	—	—	2.9
Other comprehensive income, net of income taxes	—	—	—	—	1.4	1.4
Balance at September 30, 2024	7,868,458	\$ 0.1	\$ 557.4	\$ (89.6)	\$ 0.2	\$ 468.2
Balance at December 31, 2022	7,526,117	\$ 0.1	\$ 547.0	\$ (87.9)	\$ (2.5)	\$ 456.7
Net loss	—	—	—	(16.2)	—	(16.2)
Equity-based compensation and other	150,891	—	4.6	—	—	4.6
Other comprehensive income, net of income taxes	—	—	—	—	0.1	0.1
Balance at September 30, 2023	7,677,008	\$ 0.1	\$ 551.6	\$ (104.2)	\$ (2.4)	\$ 445.1

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

ONITY GROUP INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions)

	For the Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities		
Net income (loss)	\$ 62.0	\$ (16.2)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
MSR valuation adjustments, net	130.1	204.5
Provision for bad debts (advances and receivables)	20.5	20.0
Provision for indemnification obligations	1.4	4.0
Depreciation	4.1	4.9
Amortization of debt issuance costs and discount	26.7	12.0
Amortization of intangibles	2.3	4.2
Gain on extinguishment of debt	(1.8)	(1.2)
Equity-based compensation expense	5.7	6.8
Gain on reverse loans held for investment and HMBS-related borrowings, net	(31.1)	(10.6)
Gain on loans held for sale, net	(53.2)	(36.3)
Origination and purchase of loans held for sale	(12,265.7)	(9,830.5)
Proceeds from sale and collections of loans held for sale	11,645.6	9,341.8
Changes in assets and liabilities:		
Decrease in advances	140.9	147.7
Decrease in receivables and other assets	23.5	32.9
Increase in derivatives	(48.8)	(80.8)
Increase (decrease) in other liabilities	6.2	(64.7)
Other, net	(24.3)	(9.8)
Net cash used in operating activities	(355.8)	(271.4)
Cash flows from investing activities		
Origination of loans held for investment	(804.9)	(771.8)
Principal payments received on loans held for investment	938.1	808.1
Purchase of MSRs	(114.8)	(89.6)
Proceeds from sale of MSRs	193.9	0.2
Acquisition of advances in connection with MSR transactions	(0.3)	—
Proceeds from sale of advances in connection with MSR transactions	10.2	6.1
Purchase of real estate	(32.9)	(10.3)
Proceeds from sale of real estate	18.0	13.1
Additions to premises and equipment	(0.3)	(2.2)
Proceeds from sale of premises and equipment	—	0.1
Distribution from (investment in) equity method investee, net	7.1	2.7
Net cash provided by (used in) investing activities	214.2	(43.6)
Cash flows from financing activities		
Repayment of advance match funded liabilities, net	(122.5)	(110.6)
Proceeds from mortgage loan financing facilities, net	636.1	332.9
Proceeds from MSR financing facilities	806.2	767.0
Repayment of MSR financing facilities	(916.2)	(817.9)
Repurchase of Senior notes	(68.5)	(12.5)
Payment of debt issuance costs	(6.2)	(4.1)
Proceeds from other financing liabilities - Sale of MSRs accounted for as secured financing	22.8	173.1
Proceeds from other financing liabilities - Excess Servicing Spread (ESS) liability	—	68.7
Repayment of other financing liabilities	(54.7)	(71.1)
Proceeds from sale of Home Equity Conversion Mortgages (HECM, or reverse mortgages) accounted for as a financing (HMBS-related borrowings)	792.3	783.7
Repayment of HMBS-related borrowings	(922.8)	(802.4)
Net cash provided by financing activities	166.6	306.7
Net increase (decrease) in cash, cash equivalents and restricted cash	25.0	(8.3)
Cash, cash equivalents and restricted cash at beginning of year	255.1	274.2
Cash, cash equivalents and restricted cash at end of period	\$ 280.1	\$ 265.9
Supplemental non-cash investing and financing activities:		
Recognition (derecognition) of gross right-of-use asset and lease liability:		
Right-of-use asset	\$ 2.5	\$ (1.3)
Lease liability	2.5	(1.3)
Transfer from loans held for investment to loans held for sale	2.9	4.6
Transfers of loans held for sale to real estate owned (REO)	15.5	15.1
Derecognition of MSRs and Other financing liabilities, at fair value:		
MSR, at fair value	\$ (85.7)	\$ (32.5)
Other financing liability, at fair value - MSR pledged liability	(85.7)	(32.5)

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the unaudited consolidated balance sheets and the unaudited consolidated statements of cash flows:

	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Cash and cash equivalents	\$ 201.6	\$ 194.0
Restricted cash and equivalents:		
Debt service accounts	35.8	29.7
Other restricted cash	42.7	42.2
Total cash, cash equivalents and restricted cash reported in the statements of cash flows	<u>\$ 280.1</u>	<u>\$ 265.9</u>

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

ONITY GROUP INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024
(Dollars in millions, except per share data and unless otherwise indicated)

Note 1 - Organization and Basis of Presentation

Organization

Onity Group Inc. (formerly Ocwen Financial Corporation) (Onity, we, us and our) is a non-bank mortgage servicer and originator providing solutions to homeowners, clients, investors and others through its primary operating subsidiary, PHH Mortgage Corporation (PHH, formerly referred to as PMC). PHH is a wholly-owned subsidiary of PHH Corporation, an intermediate holding company and wholly-owned subsidiary of Onity. We are headquartered in West Palm Beach, Florida with offices and operations in the United States (U.S.), the United States Virgin Islands (USVI), India and the Philippines. Onity is a Florida corporation organized in February 1988. On June 10, 2024, Ocwen Financial Corporation changed its name to Onity Group Inc. and continued to be publicly traded on the New York Stock Exchange under the new ticker symbol "ONIT" (formerly "OCN").

Onity directly or indirectly owns all of the outstanding common stock of its operating subsidiaries, including PHH since its acquisition on October 4, 2018, Ocwen Financial Solutions Private Limited (OFSPL) and Ocwen USVI Services, LLC (OVIS). Onity holds a 15% equity interest in MAV Canopy HoldCo I, LLC (MAV Canopy) that invests in mortgage servicing assets through its licensed mortgage subsidiary MSR Asset Vehicle LLC (MAV).

We perform servicing activities related to our own MSR portfolio (primary) and on behalf of other servicers (subservicing), and investors (primary and master servicing), including the Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively referred to as GSEs), the Government National Mortgage Association (Ginnie Mae, and together with the GSEs, the Agencies) and private-label securitizations (PLS, or non-Agency).

We source our servicing portfolio through multiple channels, including retail, wholesale, correspondent, flow MSR purchase agreements, the Agency Cash Window programs and bulk MSR purchases. We originate, sell and securitize conventional (conforming to the GSE underwriting standards) loans and government-insured (Federal Housing Administration (FHA), Department of Veterans Affairs (VA) or United States Department of Agriculture (USDA)) forward mortgage loans, generally with servicing retained. The GSEs or Ginnie Mae guarantee these mortgage securitizations. We originate and purchase Home Equity Conversion Mortgage (HECM) loans, or reverse mortgages, which are mostly insured by the FHA and we are an approved issuer of Home Equity Conversion Mortgage-Backed Securities (HMBS) that are guaranteed by Ginnie Mae.

We had a total of approximately 4,300 employees at September 30, 2024 of which approximately 2,900 were located in India and approximately 400 were based in the Philippines. Our operations in India and the Philippines provide support services to our loan servicing and originations businesses and our corporate functions.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in conformity with the instructions of the Securities and Exchange Commission (SEC) to Form 10-Q and SEC Regulation S-X, Article 10, Rule 10-01 for interim financial statements. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (GAAP) for complete financial statements. In our opinion, the accompanying unaudited consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation. The results of operations and other data for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2024. The unaudited consolidated financial statements presented herein should be read in conjunction with the audited consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023.

Amounts may not add in certain tables due to rounding.

Change in Presentation

Effective June 30, 2024, in our consolidated balance sheets we now present Contingent loan repurchase asset and Contingent loan repurchase liability as separate line items (previously reported in Other assets and Other liabilities, respectively). In connection with the Ginnie Mae early buyout program, our servicing agreements provide that we have the right, but not the obligation, to repurchase previously transferred mortgage loans under certain conditions, including the

mortgage loans becoming unpaid for more than three consecutive months. Once these conditions are met, we have effectively regained control over the mortgage loans, and under GAAP, must re-recognize the loans on our consolidated balance sheets and establish a corresponding repurchase liability. The separate presentation of such assets and offsetting liabilities on the face of the balance sheet provides increased transparency compared to a presentation within Other assets and Other liabilities. The consolidated balance sheet as of December 31, 2023 has been recast to conform to the current period presentation. This presentation change had no impact on total assets or total liabilities in our consolidated balance sheets, no impact on the consolidated statements of cash flows, nor any other financial statements.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions include, but are not limited to, those that relate to fair value measurements, income taxes and the provision for losses that may arise from contingencies including litigation proceedings. In developing estimates and assumptions, management uses all available information; however, actual results could materially differ from those estimates and assumptions.

Recently Adopted Accounting Standards

Leases (ASC 842) Common Control Arrangements (ASU 2023-01)

Prior to the issuance of this ASU, ASC 842 required all lessees to amortize leasehold improvements over the shorter of their useful life or the remaining term of the lease. For leases between entities under common control, the amendment in this ASU requires amortization of leasehold improvements over the useful life of those assets to the common control group, regardless of the lease term. When the lessee no longer controls the use of the asset underlying the common control lease, the leasehold improvements are accounted for as a transfer between entities under common control whereby the lessee records a distribution to the common control lessor through an adjustment to equity.

Our adoption of this standard on January 1, 2024 did not have a material impact on our unaudited consolidated financial statements.

Accounting Standards Issued but Not Yet Adopted

Business Combinations - Joint Venture Formations (ASC 805-60): Recognition and Initial Measurement (ASU 2023-05)

The amendments in this ASU require a joint venture to apply a new basis of accounting upon formation for the initial contribution of nonmonetary and monetary assets, initially measured at fair value (with exceptions to fair value measurement consistent with business combinations guidance). This ASU does not amend the definition of a joint venture, the accounting by an equity method investor for its investment in a joint venture, or the accounting by a joint venture for contributions received after its formation.

The amendments in this ASU are effective prospectively for all joint venture formations with a formation date on or after January 1, 2025, with early adoption permitted. A joint venture formed prior to the adoption date may elect to apply the new guidance retrospectively back to the original formation date. We do not anticipate that the adoption of this standard will have a material impact on our consolidated financial statements.

Segment Reporting (ASC 280) Improvements to Reportable Segment Disclosures (ASU 2023-07)

The amendments in this ASU were issued to improve annual and interim reportable segment disclosure requirements, primarily through enhanced disclosures about expenses that are significant to the segment, regularly provided to or easily computed from information regularly provided to the chief operating decision maker (CODM), and included in the reported measure of segment profit or loss. This ASU also requires disclosure of the title and position of the individual or the name of the group identified as the CODM in the consolidated financial statements, as well as how the CODM uses each reported measure of segment profit or loss to assess performance and allocate resources to the segment. The ASU allows the disclosure of additional optional measures of a segment's profit or loss for each reportable segment if used by the CODM, subject to additional segment disclosures and the SEC's non-GAAP financial measures requirements.

The amended disclosures in this ASU are effective in the 2024 annual period and in 2025 for interim periods, and shall be applied retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense

categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption.

Income Taxes (ASC 740) Improvements to Income Tax Disclosures (ASU 2023-09)

The amendments in this ASU require disaggregated information about a reporting entity's effective tax rate reconciliation, including a tabular rate reconciliation for specified categories and additional information for reconciling items that meet a quantitative threshold. The ASU also requires additional disaggregated information on income taxes paid to an individual jurisdiction equal to or greater than 5% of total income taxes paid.

The amended disclosures are effective in the 2025 annual period and in 2026 for interim periods, and shall be applied on a prospective basis with the option to apply the standard retrospectively.

Note 2 – Securitizations and Variable Interest Entities

We securitize, sell and service forward and reverse residential mortgage loans and regularly transfer financial assets in connection with asset-backed financing arrangements. We have aggregated these transfers of financial assets and asset-backed financing arrangements using special purpose entities (SPEs) or variable interest entities (VIEs) into the following groups: (1) securitizations of residential mortgage loans, (2) financings of loans held for sale and other related assets, (3) financings of advances and (4) MSR financings. Financing transactions that do not use SPEs or VIEs are disclosed in Note 13 – Borrowings.

Securitizations of Residential Mortgage Loans

Transfers of Forward Loans

We sell or securitize forward loans that we originate or purchase from third parties, generally in the form of mortgage-backed securities guaranteed by the GSEs or Ginnie Mae. Securitization typically occurs within 30 days of loan closing or purchase. We act only as a fiduciary and do not have a variable interest in the securitization trusts. As a result, we account for these transactions as sales upon transfer.

The following table presents a summary of cash flows received from and paid to securitization trusts related to transfers of loans accounted for as sales that were outstanding:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Proceeds received from securitizations	\$ 4,712.9	\$ 4,619.0	\$ 11,521.0	\$ 9,233.9
Servicing fees collected (1)	35.5	31.0	114.0	86.2
Purchases of previously transferred assets, net of claims reimbursed	(1.4)	(4.0)	(7.6)	(11.1)
	<u>\$ 4,747.1</u>	<u>\$ 4,646.0</u>	<u>\$ 11,627.4</u>	<u>\$ 9,309.0</u>

(1) We receive servicing fees based upon the securitized loan unpaid principal balance (UPB) and certain ancillary fees, all of which are reported in Servicing and subservicing fees in the unaudited consolidated statements of operations.

In connection with these transfers, we retained MSRs of \$61.6 million and \$163.9 million during the three and nine months ended September 30, 2024, respectively, and \$71.4 million and \$134.0 million during the three and nine months ended September 30, 2023, respectively.

Certain obligations arise from the agreements associated with our transfers of loans. Under these agreements, we may be obligated to repurchase the loans, or otherwise indemnify or reimburse the investor or insurer for losses incurred due to material breach of contractual representations and warranties. We receive customary origination representations and warranties from our network of approved correspondent lenders. To the extent that we have recourse against a third-party originator, we may recover part or all of any loss we incur. Also refer to the Loan Put-Back and Related Contingencies section of Note 21 – Contingencies.

The following table presents the carrying amounts of our assets that relate to our continuing involvement with forward loans that we have transferred with servicing rights retained as well as an estimate of our maximum exposure to loss including the UPB of the transferred loans:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Carrying value of assets		
MSRs, at fair value	\$ 624.1	\$ 636.5
Advances	83.3	99.0
UPB of loans transferred (1)	45,658.4	46,810.1
Maximum exposure to loss (2)	<u>\$ 46,365.8</u>	<u>\$ 47,545.6</u>

- (1) Includes \$11.1 billion and \$10.5 billion of loans delivered to Ginnie Mae as of September 30, 2024 and December 31, 2023, respectively, and includes loan modifications repurchased and delivered through the Ginnie Mae Early Buyout Program (EBO).
- (2) The maximum exposure to loss in the table above is primarily based on the remaining UPB of loans serviced and assumes all loans were deemed worthless as of the reporting date. It does not take into consideration the proceeds from the underlying collateral liquidation, recoveries or any other recourse available to us, including from mortgage insurance, guarantees or correspondent sellers. We do not believe the maximum exposure to loss from our involvement with these previously transferred loans is representative of the actual loss we are likely to incur based on our contractual rights and historical loss experience and projections. Also, refer to the Loan Put-Back and Related Contingencies section in Note 21 – Contingencies.

At September 30, 2024 and December 31, 2023, 2.8% and 2.8%, respectively, of the transferred residential loans that we service were 60 days or more past due, including 60 days or more past due loans under forbearance. This includes 7.4% and 8.0%, respectively, of loans delivered to Ginnie Mae that are 60 days or more past due.

Transfers of Reverse Mortgages

We pool HECM loans into HMBS that we sell into the secondary market with servicing rights retained. As the transfers of the HECM loans do not qualify for sale accounting, we account for these transfers as secured financings, with the HECM loans classified as Loans held for investment, at fair value, on our consolidated balance sheets.

Financing of Loans Held for Sale, Receivables and Other Assets using SPEs

We consolidate an SPE (trust) in connection with a warehouse mortgage loan financing facility structured as a gestation repurchase facility whereby Agency mortgage loans are transferred by PHH to the trust for collateralization purposes. As of September 30, 2024 and December 31, 2023, \$200.0 million and \$150.1 million, respectively, loans held for sale were pledged as collateral for \$200.0 million and \$150.0 million, respectively, debt certificates issued by the trust. See Note 13 – Borrowings.

We finance certain reverse mortgage buyouts that are insured by the FHA, including loans held for sale, receivables and REO properties, through private placement securitizations, referred to as OLIT transactions. The securitization trusts issued senior and mezzanine class Notes to third party investors. We retain certain mezzanine class Notes and ownership interests and service the underlying assets. As servicer, we are required to make certain servicing and principal advances that will not be reimbursable to us until all payments of interest and principal have been made to noteholders. We determined we were the primary beneficiary, and thus consolidate the securitization trusts and related depositor. Recourse for the Notes is limited to the assets of the respective securitization trusts. We executed our second and third OLIT securitizations in February 2024 and September 2024, respectively. Also refer to Note 13 – Borrowings.

The table below presents the carrying value and classification of the assets and liabilities reported on our consolidated balance sheet that are associated with the securitized reverse mortgage loans buyouts and financing liabilities:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Mortgage loans (Loans held for sale)	\$ 395.2	\$ 119.5
Receivables, net	46.6	19.9
REO (Other assets)	40.5	12.5
Debt service and Interest reserve accounts (Restricted cash)	17.9	6.8
Total assets	<u>\$ 500.1</u>	<u>\$ 158.6</u>
Outstanding borrowings (Mortgage loan financing facilities, net)	559.8	164.4
Unamortized discount and debt issuance costs (Mortgage loan financing facilities, net)	(41.1)	(21.0)
Accrued expenses and Accrued interest (Other liabilities)	2.2	0.5
Total liabilities	<u>\$ 520.9</u>	<u>\$ 143.8</u>

Financings of Advances using SPEs

We pledged certain servicing advances as collateral to our advance financing facilities, referred to as advance match funded liabilities, with the use of SPEs that we consolidate and include in our consolidated financial statements.

The table below presents the carrying value and classification of the assets and liabilities of the advance financing facilities:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Match funded advances (Advances, net)	\$ 438.6	\$ 573.0
Debt service accounts (Restricted cash)	11.3	15.7
Advance match funded liabilities	376.6	498.9

MSR Financings using SPEs

We consolidate two SPEs (PMC ESR Trusts) in connection with a third-party financing facility secured by certain of PHH's Fannie Mae and Freddie Mac MSRs (GSE MSRs) and one SPE (PMC PLS ESR Issuer LLC) in connection with our PLS MSR financing facility (Ocwen Excess Spread-Collateralized Notes, Series 2022-PLS1 Class A).

The table below presents the carrying value and classification of the assets and liabilities of the GSE MSR financing facility and the PLS Notes facility:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
MSRs pledged (MSRs, at fair value)	\$ 464.2	\$ 449.6
Debt service account (Restricted cash)	1.8	1.7
Outstanding borrowings (MSR financing facilities, net)	235.0	282.1
Unamortized debt issuance costs (MSR financing facilities, net)	(0.1)	(0.4)

Note 3 – Fair Value

Fair value is estimated based on a hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy prioritizes the inputs to valuation techniques into three broad levels whereby the highest priority is given to Level 1 inputs and the lowest to Level 3 inputs.

The carrying amounts and the estimated fair values of our financial instruments and certain of our nonfinancial assets measured at fair value on a recurring or non-recurring basis or disclosed, but not measured, at fair value are as follows:

	Level	September 30, 2024		December 31, 2023	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets					
Loans held for sale (a) (d) (e)	3, 2	\$ 1,197.7	\$ 1,197.7	\$ 677.3	\$ 677.3
Loans held for investment, at fair value (a) (f)	3	\$ 8,331.5	\$ 8,331.5	\$ 7,975.5	\$ 7,975.5
Advances, net (b)	3	\$ 522.7	\$ 522.7	\$ 678.8	\$ 678.8
Receivables, net (b)	3	\$ 172.2	\$ 172.2	\$ 154.8	\$ 154.8
Financial liabilities					
Advance match funded liabilities (b)	3	\$ 377.2	\$ 377.2	\$ 499.7	\$ 499.7
Financing liabilities, at fair value:					
HMBS-related borrowings (a)	3	\$ 8,132.5	\$ 8,132.5	\$ 7,797.3	\$ 7,797.3
Other financing liabilities (a)	3	826.2	826.2	900.0	900.0
Mortgage loan financing facilities (b) (c)	3	\$ 1,355.9	\$ 1,367.8	\$ 710.6	\$ 717.6
MSR financing facilities (b) (c)	3	\$ 804.8	\$ 793.4	\$ 916.2	\$ 900.3
Senior notes					
PMC Senior secured notes due 2026 (b) (c)	2	\$ 286.9	\$ 289.5	\$ 356.1	\$ 326.0
Onity Senior secured notes due 2027 (b) (c)	3	248.2	267.4	239.7	230.5
Total Senior notes		<u>\$ 535.1</u>	<u>\$ 556.9</u>	<u>\$ 595.8</u>	<u>\$ 556.5</u>
Derivative financial instrument assets (liabilities), net					
Interest rate lock commitments (IRLCs) (a)	3	\$ 5.2	\$ 5.2	\$ 5.6	\$ 5.6
Other derivatives (a)	1	(8.9)	(8.9)	9.1	9.1
Other commitments (a)	3	—	—	(0.1)	(0.1)
MSRs (a)	3	\$ 2,223.6	\$ 2,223.6	\$ 2,272.2	\$ 2,272.2

(a) Measured at fair value on a recurring basis in our financial statements.

(b) Disclosed, but not measured at fair value in our financial statements.

(c) The carrying values are net of unamortized debt issuance costs and discount. See Note 13 – Borrowings for additional information.

(d) The newly originated portfolio of GSE and forward Ginnie Mae loans held for sale pending securitization with the Agencies is classified as Level 2; all other loans are classified as Level 3.

(e) Includes \$2.1 million and \$3.1 million at September 30, 2024 and December 31, 2023, respectively, of Loans held for sale, at lower of cost or fair value (measured at fair value on a non-recurring basis in our financial statements).

(f) Includes \$5.2 million and \$5.6 million at September 30, 2024 and December 31, 2023, respectively, of Loans held for investment - Restricted for securitization investors (non-reverse).

The following tables present a reconciliation of the changes in fair value of certain Level 3 assets and liabilities that we measure at fair value on a recurring basis (refer to the respective notes for other Level 3 assets and liabilities):

	Loans Held for Sale - Fair Value	ESS Financing Liability	IRLCs
Three months ended September 30, 2024			
Beginning balance	\$ 296.7	\$ (250.5)	\$ 4.1
Purchases, issuances, sales and settlements			
Purchases and other	211.7	—	—
Issuances (1)	—	—	33.5
Sales	(43.8)	—	—
Settlements (2)	(20.7)	6.9	—
Transfers from (to):			
Loans held for investment, at fair value	1.0	—	—
Loans held for sale, at fair value (1)	—	—	(27.4)
REO (Other assets)	(8.2)	—	—
Receivables, net	(9.2)	—	—
Advances (capitalization upon Ginnie Mae modification)	2.1	—	—
Other	0.8	—	—
Net additions (disposition/derecognition)	133.8	6.9	6.2
Included in earnings:			
Change in fair value (1)	16.0	0.3	(5.1)
Ending balance	\$ 446.5	\$ (243.3)	\$ 5.2
Three months ended September 30, 2023			
Beginning balance	\$ 197.4	\$ (258.5)	\$ 1.4
Purchases, issuances, sales and settlements			
Purchases and other	50.5	—	—
Issuances (1)	—	—	19.6
Sales	(17.9)	—	—
Settlements (2)	(14.8)	7.6	—
Transfers from (to):			
Loans held for investment, at fair value	1.5	—	—
Loans held for sale, at fair value (1)	—	—	(2.8)
REO (Other assets)	(3.6)	—	—
Receivables, net	(11.5)	—	—
Advances (capitalization upon Ginnie Mae modification)	1.3	—	—
Other	1.3	—	—
Net additions (disposition/derecognition)	6.8	7.6	16.8
Included in earnings:			
Change in fair value (1)	(4.4)	(4.6)	(19.4)
Ending balance	\$ 199.8	\$ (255.4)	\$ (1.1)

	Loans Held for Sale - Fair Value	ESS Financing Liability	IRLCs
Nine Months Ended September 30, 2024			
Beginning balance	\$ 203.1	\$ (248.9)	\$ 5.6
Purchases, issuances, sales and settlements			
Purchases and other	437.3	—	—
Issuances (1)	—	—	54.7
Sales	(120.5)	—	—
Settlements (2)	(68.0)	21.2	—
Transfers from (to):			
Loans held for investment, at fair value	2.9	—	—
Loans held for sale, at fair value (1)	—	—	(24.6)
REO (Other assets)	(15.5)	—	—
Receivables, net	(27.4)	—	—
Advances - (capitalization upon Ginnie Mae modification)	7.0	—	—
Other	0.8	—	—
Net additions (disposition/derecognition)	216.6	21.2	30.1
Included in earnings:			
Change in fair value (1)	26.9	(15.7)	(30.6)
Ending balance	\$ 446.5	\$ (243.3)	\$ 5.2

	Loans Held for Sale - Fair Value	ESS Financing Liability	IRLCs
Nine Months Ended September 30, 2023			
Beginning balance	\$ 32.1	\$ (199.0)	\$ (0.7)
Purchases, issuances, sales and settlements			
Purchases and other	303.3	—	—
Issuances (1)	—	(68.7)	39.4
Sales	(76.6)	—	—
Settlements (2)	(40.6)	22.5	—
Transfers from (to):			
Loans held for investment, at fair value	3.0	—	—
Loans held for sale, at fair value (1)	—	—	(16.3)
REO (Other assets)	(10.6)	—	—
Receivables, net	(27.5)	—	—
Advances - (capitalization upon Ginnie Mae modification)	3.0	—	—
Other	4.1	—	—
Net additions (disposition/derecognition)	158.1	(46.2)	23.0
Included in earnings:			
Change in fair value (1)	9.7	(10.2)	(23.5)
Ending balance	\$ 199.8	\$ (255.4)	\$ (1.1)

(1) IRLC activity (issuances and transfers) represent changes in fair value included in earnings. This activity is presented on a gross basis in the table for disclosure purposes. Total net change in fair value included in earnings attributed to IRLCs is a gain (loss) of \$1.1 million and \$(0.4) million for the three and nine months ended September 30, 2024, respectively, and \$(2.6) million and \$0.4 million for the three and nine months ended September 30, 2023, respectively. See Note 15 – Derivative Financial Instruments and Hedging Activities.

(2) ESS financing liability settlement is determined based on collections on reference pools of the related mortgage loans. ESS financing liabilities are presented within Other financing liabilities, at fair value in our consolidated balance sheets.

A reconciliation from the beginning balances to the ending balances of Loans held for investment and HMBS-related borrowings, MSRs and Pledged MSR liabilities that we measure at fair value on a recurring basis is disclosed in Note 5 - Reverse Mortgages, Note 7 – Mortgage Servicing and Note 8 — Other Financing Liabilities, at Fair Value, respectively.

The significant unobservable assumptions that we make to estimate the fair value of certain assets and liabilities classified as Level 3 and measured at fair value on a recurring basis are provided below.

Loans Held for Sale

The fair value of residential forward and reverse mortgage loans we purchased from Ginnie Mae guaranteed securitizations or from third parties (including government insured reverse buyouts previously purchased from Ginnie Mae guaranteed securitizations) is estimated using both observable and unobservable inputs, including published Ginnie Mae prices or expected collateral values, as well as estimated default, prepayment, and discount rates. Significant unobservable inputs in estimating fair value include the estimated default rate and, for reverse loans the prepayment rate and liquidation timeline. Accordingly, these repurchased Ginnie Mae forward and reverse loans are classified as Level 3 within the valuation hierarchy.

Loans Held for Investment - Reverse Mortgages

Reverse mortgage loans held for investment are carried at fair value and classified as Level 3 within the valuation hierarchy. We measure these loans at fair value based on the expected future cash flows discounted over the expected life of the loans at a rate commensurate with the risk of the estimated cash flows, including future draw commitments for HECM loans. We engage third-party valuation experts in the determination of fair value. Significant unobservable assumptions include conditional prepayment rate and discount rate. The conditional prepayment rate assumption displayed in the table below is inclusive of voluntary (repayment or payoff) and involuntary (inactive/delinquent status and default) prepayments. The discount rate assumption is primarily based on an assessment of current market yields on reverse mortgage loan and tail securitizations, expected duration of the asset and current market interest rates.

Significant unobservable assumptions	September 30, 2024	December 31, 2023
Life in years		
Range	0.5 to 7.9	0.8 to 7.9
Weighted average	5.3	5.2
Conditional prepayment rate (CPR), including voluntary and involuntary prepayments (a)		
Range	11.3% to 31.7%	12.0% to 35.4%
Weighted average	16.9 %	17.2 %
Discount rate	4.7 %	4.9 %

(a) Annualized rate of lifetime projected prepayments as a percentage of the UPB at the beginning of any given period.

Significant changes in any of these assumptions in isolation could result in a significant change in fair value. The effects of changes in the assumptions used to value the securitized loans held for investment, excluding future draw commitments, are partially offset by the effects of changes in the assumptions used to value the HMBS-related borrowings that are associated with these loans.

MSRs

MSRs are carried at fair value and classified within Level 3 of the valuation hierarchy. The fair value is equal to the fair value mark provided by the third-party valuation experts, without adjustment, except in the event we have a potential or completed sale, including transactions where we have executed letters of intent, in which case the fair value of the MSRs is recorded at the estimated sale price.

We engage third-party valuation experts who generally utilize: (a) transactions involving instruments with similar collateral and risk profiles, adjusted as necessary based on specific characteristics of the asset or liability being valued; and/or (b) industry-standard modeling, such as a discounted cash flow model and prepayment model, in arriving at their estimate of fair value. The prices provided by the valuation experts reflect their observations and assumptions related to market activity, generally the bulk market, incorporating available industry survey results, client feedback and our actual trade activity, and including risk premiums and liquidity adjustments. While interest rates are a key value driver, MSR fair value may change for other market-driven factors, including but not limited to the supply and demand of the market or the required yield or perceived value by investors of such MSRs. While the models and related assumptions used by the valuation experts are proprietary to

them, we understand the methodologies and assumptions used to develop the prices based on our ongoing due diligence, which includes regular discussions with the valuation experts. We evaluate the reasonableness of our third-party experts' assumptions using historical experience, or cash flow backtesting, adjusted for prevailing market conditions and benchmarks of assumptions and value estimates. We believe that the procedures executed by the valuation experts, supported by our verification and analytical procedures, provide reasonable assurance that the prices used in our consolidated financial statements comply with the accounting guidance for fair value measurements and disclosures and reflect the assumptions that a market participant would use.

A change in the valuation inputs or assumptions may result in a significantly higher or lower fair value measurement. Changes in market interest rates predominantly impact the fair value of Agency MSR's via prepayment speeds by altering the borrower refinance incentive and the non-Agency MSR's due to the impact on advance funding costs. In addition, changes in market interest rates impact float income. The significant unobservable assumptions used in the valuation of these MSR's include prepayment speeds, delinquency rates, cost to service and discount rates.

Significant unobservable assumptions	September 30, 2024		December 31, 2023	
	Agency	Non-Agency	Agency	Non-Agency
Weighted average prepayment speed	7.0 %	7.8%	7.7 %	7.9 %
Weighted average lifetime delinquency rate	1.2 %	10.1%	1.3 %	10.0 %
Weighted average discount rate	9.1 %	10.9%	9.2 %	11.4 %
Weighted average cost to service (in dollars)	\$ 72	\$ 192	\$ 71	\$ 192

Because the mortgages underlying these MSR's permit the borrowers to prepay the loans, the value of the MSR's generally tends to diminish in periods of declining interest rates, an improving housing market or expanded product availability (as prepayments increase) and increase in periods of rising interest rates, a deteriorating housing market or reduced product availability (as prepayments decrease). The following table summarizes the estimated change in the value of the MSR's as of September 30, 2024 given hypothetical increases in lifetime prepayments and yield assumptions:

Adverse change in fair value	10%		20%	
Change in weighted average prepayment speeds (in percentage points)		0.8		1.7
Change in fair value due to change in weighted average prepayment speeds	\$	(60.4)	\$	(118.3)
Change in weighted average discount rate (in percentage points)		0.9		1.9
Change in fair value due to change in weighted average discount rate	\$	(68.7)	\$	(132.3)

Financing Liabilities

HMBS-Related Borrowings

HMBS-related borrowings are carried at fair value and classified as Level 3 within the valuation hierarchy. These borrowings are not actively traded, and therefore, quoted market prices are not available. We determine fair value using a discounted cash flow approach, by discounting the projected recovery of principal and interest over the estimated life of the borrowing at a market rate commensurate with the risk of the estimated cash flows.

We engage third-party valuation experts to support our valuation and provide observations and assumptions related to market activities. The fair value is equal to the fair value mark provided by a third-party valuation expert. We evaluate the reasonableness of our fair value estimate and assumptions using historical experience, or cash flow backtesting, adjusted for prevailing market conditions and benchmarks of assumptions and value estimates.

Significant unobservable assumptions include yield spread and discount rate. The yield spread and discount rate assumption for these liabilities are primarily based on an assessment of current market yields for newly issued HMBS, expected duration and current market interest rates.

Significant unobservable assumptions	September 30, 2024	December 31, 2023
Life in years		
Range	0.5 to 7.9	0.8 to 7.9
Weighted average	5.3	5.2
Conditional prepayment rate		
Range	11.3% to 31.7%	12.0% to 35.4%
Weighted average	16.9 %	17.2 %
Discount rate	4.6 %	4.9 %

Significant changes in any of these assumptions in isolation could result in a significant change in fair value. The effects of changes in the assumptions used to value the HMBS-related borrowings are partially offset by the effects of changes in the assumptions used to value the associated pledged loans held for investment, excluding future draw commitments.

Pledged MSR Liabilities

Pledged MSR liabilities are carried at fair value and classified as Level 3 within the valuation hierarchy. We determine the fair value of the pledged MSR liability following a similar approach as for the associated transferred MSRs. Fair value of the pledged MSR liability in connection with the MSR capital partner transactions (including MAV) is determined using the fair value mark provided by third-party valuation expert, consistent with the associated MSR, using the same methodology and assumptions, while considering cash flows contractually retained by PHH and expected life of subservicing agreement, when applicable.

Significant unobservable assumptions	September 30, 2024	December 31, 2023
Weighted average prepayment speed	5.5 %	6.5 %
Weighted average delinquency rate	3.0 %	2.8 %
Weighted average subservicing life (in years)	4.6	4.3
Weighted average discount rate	9.7 %	9.6 %
Weighted average cost to service (in dollars)	\$ 133	\$ 130

Significant increases or decreases in these assumptions in isolation would result in a significantly higher or lower fair value.

ESS Financing Liability

The Excess Servicing Spread (ESS) financing liability consists of the obligation to remit to a third party a specified percentage of future servicing fee collections on reference pools of mortgage loans, which we are entitled to as owner of the related MSRs. We have elected to carry the ESS financing liability at fair value and have classified it as Level 3 within the valuation hierarchy. The fair value represents the net present value of the expected servicing spread cash flows, consistent with the valuation model and behavioral projections of the underlying MSR, as applicable. The fair value of the ESS financing liability is determined using a third-party valuation expert. The significant unobservable assumptions used in the valuation of the ESS financing liability include prepayment speeds, delinquency rates, and discount rates. The discount rate is initially determined based on the expected cash flows and the proceeds from each issuance, and is subsequently updated, at each issuance level, to incorporate discount rate assumption updates for the underlying MSR or other factors, as provided by third-party valuation expert. At September 30, 2024 and December 31, 2023, the weighted average discount rate of the ESS financing liability was 9.4% and 9.4%, respectively. Refer to MSRs above for a description of other significant unobservable assumptions. Also see Note 8 — Other Financing Liabilities, at Fair Value.

Derivative Financial Instruments

IRLCs are classified as Level 3 assets as fallout rates were determined to be significant unobservable assumptions.

Note 4 – Loans Held for Sale - Fair Value

The following table presents the estimated fair value of Loans held for sale for which we elected the fair value option:

	September 30, 2024	December 31, 2023
Unpaid principal balance	\$ 1,283.6	\$ 678.8
Premium (discount)	(89.5)	(2.4)
Unrealized gain (loss)	1.4	(2.2)
Total fair value	<u>\$ 1,195.5</u>	<u>\$ 674.2</u>

The following table presents the composition of Loans held for sale, at fair value by type:

	September 30, 2024	December 31, 2023
GSE loans	\$ 630.7	\$ 219.3
Government- Forward loans	130.9	254.0
Forward loans repurchased from Ginnie Mae guaranteed securitization (1)	19.9	19.1
Reverse loans (2)	407.5	166.6
Other residential mortgage loans	6.6	15.2
Total	<u>\$ 1,195.5</u>	<u>\$ 674.2</u>

(1) Pursuant to Ginnie Mae servicing guidelines.

(2) Includes government-insured inactive reverse mortgage loans purchased from Ginnie Mae securitization pools that reached the 98% of maximum claim amount and are generally liquidated through foreclosure and subsequent sale of the REO properties. As of September 30, 2024 and December 31, 2023, the balance includes \$395.2 million and \$119.5 million, respectively, of loans pledged as collateral for the Asset-Backed Notes issued by OLIT. Also see Note 2 – Securitizations and Variable Interest Entities and Note 13 – Borrowings.

The following table presents the activity of Loans held for sale, at fair value:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Beginning balance	\$ 1,103.9	\$ 1,352.9	\$ 674.2	\$ 617.8
Originations and purchases	4,856.2	4,418.0	12,265.6	9,830.3
Proceeds from sales	(4,733.8)	(4,697.9)	(11,571.2)	(9,273.6)
Principal collections	(23.5)	(19.6)	(74.1)	(66.6)
Transfers from (to):				
Loans held for investment, at fair value	1.0	1.5	2.9	4.6
Receivables, net	(9.2)	(11.5)	(27.4)	(26.0)
REO (Other assets)	(8.2)	(3.6)	(15.5)	(14.8)
Advances (capitalization upon Ginnie Mae modifications)	2.1	1.3	7.0	5.0
Fair value gain (loss) on loans held for sale, at fair value (1)	(0.1)	(93.9)	(82.3)	(135.0)
Other	7.2	(2.5)	16.4	3.0
Ending balance	<u>\$ 1,195.5</u>	<u>\$ 944.7</u>	<u>\$ 1,195.5</u>	<u>\$ 944.7</u>

(1) Excludes retained MSR upon securitization. See below table of gain (loss) on loans held for sale, net.

The following table presents the components of Gain (loss) of loans held for sale at fair value, net:

Gain (Loss) on Loans Held for Sale, Net	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
MSRs retained on transfers of forward mortgage loans	\$ 61.6	\$ 71.4	\$ 163.9	\$ 134.0
Gain (loss) on sale of mortgage loans (1)	(7.9)	(89.4)	(85.7)	(139.6)
Gain (loss) on sale of repurchased Ginnie Mae loans (1)	—	(0.5)	(1.0)	(0.5)
Change in fair value of loans held for sale	7.8	(4.1)	4.4	5.0
Gain on loans held for sale, at fair value	61.4	(22.5)	81.7	(1.0)
Gain (loss) on derivative instruments (Pipeline economic hedge)	(36.0)	34.1	(26.3)	38.9
Change in fair value of IRLCs	1.1	(2.7)	(0.4)	(0.2)
Provision for representation and warranty obligations	(0.8)	(0.7)	(1.7)	(1.3)
	<u>\$ 25.8</u>	<u>\$ 8.2</u>	<u>\$ 53.2</u>	<u>\$ 36.3</u>

(1) Realized gain (loss) on sale of loans, excluding retained MSRs.

Note 5 - Reverse Mortgages

The following table presents the estimated fair value of reverse mortgage loans held for investment for which we elected the fair value option:

	September 30,	December 31, 2023
	2024	
Unpaid principal balance	\$ 7,927.3	\$ 7,664.7
Fair value adjustments	399.0	305.3
Total fair value	<u>\$ 8,326.3</u>	<u>\$ 7,970.0</u>

The following table presents the composition of reverse mortgage loans held for investment, at fair value by type:

	September 30, 2024	December 31, 2023
HECM loans - securitized, pledged to HMBS-related borrowings (1)	\$ 8,214.4	\$ 7,868.5
New HECM loan originations and HECM loan tails (2) - unsecuritized	111.9	101.5
Total fair value	<u>\$ 8,326.3</u>	<u>\$ 7,970.0</u>

(1) The Ginnie Mae securitization of conventional, HECM loans does not qualify for sale accounting treatment and is accounted for as a secured financing transaction, with the recognition of both loans and HMBS-related borrowing on the consolidated balance sheets.

(2) Tails include draws on securitized HECM loans, mortgage insurance premium, servicing fee and other advances which we subsequently securitize.

The following table summarizes the activity in reverse mortgage loans held for investment and HMBS related borrowings that do not qualify for sale accounting and for which we elected the fair value option:

	Three Months Ended September 30,			
	2024		2023	
	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings
Beginning balance	\$ 8,222.4	\$ (8,035.4)	\$ 7,674.8	\$ (7,486.4)
Originations	284.7	—	264.4	—
Securitization of HECM loans accounted for as a financing	—	(284.6)	—	(281.3)
Additional proceeds from securitization of HECM loans and tails	—	(2.2)	—	(0.9)
Repayments (principal payments received)	(338.8)	334.8	(280.0)	277.3
Transfers to:				
Loans held for sale, at fair value	(1.0)	—	(1.5)	—
Receivables, net	(0.5)	—	(0.6)	—
REO (Other assets)	(0.2)	—	—	—
Other	(2.7)	—	—	—
Fair value gains (losses) included in earnings (1)	162.4	(145.0)	120.6	(122.4)
Ending balance	<u>\$ 8,326.3</u>	<u>\$ (8,132.5)</u>	<u>\$ 7,777.6</u>	<u>\$ (7,613.6)</u>
	Nine Months Ended September 30,			
	2024		2023	
	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings
Beginning balance	\$ 7,970.0	\$ (7,797.3)	\$ 7,504.1	\$ (7,326.8)
Originations	804.9	—	771.8	—
Securitization of HECM loans accounted for as a financing (including realized fair value changes)	—	(792.3)	—	(783.7)
Additional proceeds from securitization of HECM loans and tails	—	(8.6)	—	(7.1)
Repayments (principal payments received)	(937.7)	922.8	(807.3)	802.4
Transfers to:				
Loans held for sale, at fair value	(2.9)	—	(4.6)	—
Receivables, net	(1.9)	—	(2.6)	—
REO (Other assets)	(0.2)	—	(0.1)	—
Other	(2.7)	—	—	—
Fair value gains (losses) included in earnings (1)	496.8	(457.1)	316.3	(298.5)
Ending balance	<u>\$ 8,326.3</u>	<u>\$ (8,132.5)</u>	<u>\$ 7,777.6</u>	<u>\$ (7,613.6)</u>
Securitized loans (pledged to HMBS-related borrowings)	\$ 8,214.4	\$ (8,132.5)	\$ 7,671.1	\$ (7,613.6)
Unsecuritized loans	111.9		106.5	
Total	<u>\$ 8,326.3</u>		<u>\$ 7,777.6</u>	

(1) See further breakdown of the net gain (loss) in the table below. Includes interest accruals.

Gain (Loss) on Reverse Loans Held for Investment and HMBS-related Borrowings, Net

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Gain on new originations (1)	\$ 5.5	\$ 4.4	\$ 16.5	\$ 13.9
Net interest income (servicing fee) (2)	6.2	5.9	18.2	17.7
Other change in fair value of securitized loans held for investment and HMBS-related borrowings, net	5.7	(12.0)	5.0	(13.8)
Fair value gains (losses) included in earnings (3)	17.3	(1.7)	39.7	17.8
Loan fees and other	0.7	1.3	2.2	3.7
	<u>\$ 18.0</u>	<u>\$ (0.4)</u>	<u>\$ 41.9</u>	<u>\$ 21.5</u>

Fair value gains (losses) included in earnings;

Fair value gains (losses) on Reverse loans held for investment	\$ 162.4	120.6	496.8	\$ 316.3
Fair value gains (losses) on HMBS related borrowings	(145.0)	(122.4)	(457.1)	(298.5)
Total	<u>\$ 17.3</u>	<u>(1.7)</u>	<u>39.7</u>	<u>\$ 17.8</u>

- (1) Includes the changes in fair value of newly originated loans held for investment in the period from interest rate lock commitment date through securitization date.
(2) Includes the interest income on loans held for investment less the interest expense on HMBS-related borrowings. The net interest income includes the servicing fee Onity is contractually entitled to on securitized loans.
(3) See below breakdown between Loans held for investment and HMBS-related borrowings.

Note 6 – Advances

The following table presents the composition of servicing advances by type:

	September 30, 2024	December 31, 2023
Principal and interest	\$ 166.1	\$ 212.5
Taxes and insurance	240.3	343.3
Foreclosures, bankruptcy, REO and other (1)	124.7	130.3
Total advances, before allowance for losses	531.1	686.1
Allowance for losses	(8.4)	(7.3)
Advances, net	<u>\$ 522.7</u>	<u>\$ 678.8</u>

- (1) Balance at September 30, 2024 includes servicing advances of \$33.5 million (New York), \$9.1 million (Florida), \$8.9 million (California), \$5.7 million (Pennsylvania) and \$5.3 million (New Jersey) based on the underlying property location of the related mortgage loans.

The following table presents the composition of servicing advances by investor:

	September 30, 2024	December 31, 2023
GSE	\$ 49.8	\$ 100.8
Ginnie Mae	54.3	60.2
Non-Agency	418.6	517.7
Advances, net	<u>\$ 522.7</u>	<u>\$ 678.8</u>

The following table summarizes the activity in net advances:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Beginning balance - before Allowance for Losses	\$ 559.5	\$ 610.0	\$ 686.1	\$ 725.1
Acquisition of advances in connection with the purchase of MSRs	0.3	—	0.3	—
New advances	196.3	145.6	599.9	480.9
Transfer from (to) Receivables	2.0	(0.3)	7.0	10.8
Sales of advances	(0.7)	(0.8)	(10.0)	(5.7)
Collections of advances and other	(226.3)	(182.6)	(752.2)	(639.3)
Ending balance - before Allowance for Losses	531.1	571.8	531.1	571.8
Beginning balance - Allowance for Losses	(8.9)	(7.4)	(7.3)	(6.2)
Provision expense	(2.2)	(2.0)	(9.3)	(6.6)
Net charge-offs and other	2.7	2.1	8.2	5.5
Ending balance - Allowance for Losses	(8.4)	(7.2)	(8.4)	(7.2)
Ending balance, net	\$ 522.7	\$ 564.6	\$ 522.7	\$ 564.6

Note 7 – Mortgage Servicing

The following table presents the composition of our MSR portfolio:

MSR UPB and Fair Value	September 30, 2024		December 31, 2023	
	Fair Value	UPB (\$ billions)	Fair Value	UPB (\$ billions)
Owned MSRs	\$ 1,630.0	\$ 118.9	\$ 1,604.6	\$ 122.7
Rithm and others transferred MSRs (1)	256.2	18.7	244.8	18.1
MAV transferred MSRs (1)	337.4	21.9	422.8	28.8
Total transferred MSR, subject to Pledged MSR liability, at fair value (1)	593.6	40.6	667.6	46.9
Total MSRs	\$ 2,223.6	\$ 159.5	\$ 2,272.2	\$ 169.7

(1) MSRs subject to sale agreements that do not meet sale accounting criteria. See Note 8 — Other Financing Liabilities, at Fair Value.

The following table presents the composition of our MSR portfolio by investor:

MSR UPB and Fair Value	September 30, 2024		December 31, 2023	
	Fair Value	UPB (\$ billions)	Fair Value	UPB (\$ billions)
GSE	\$ 1,702.1	\$ 118.9	\$ 1,773.9	\$ 127.3
GNMA	307.6	18.4	277.1	18.6
Non-Agency	213.9	22.1	221.2	23.8
Total MSRs	\$ 2,223.6	\$ 159.5	\$ 2,272.2	\$ 169.7

The following table summarizes the delinquency status of the loans underlying our MSR:

Delinquent loans	September 30, 2024				December 31, 2023			
	GSE	GNMA	Non - Agency	Total	GSE	GNMA	Non - Agency	Total
30 days	1.1 %	5.3 %	8.2 %	3.2 %	1.2 %	6.1 %	9.4 %	3.7 %
60 days	0.3	2.0	3.5	1.2	0.2	2.0	3.6	1.2
90 days or more	0.5	4.2	6.9	2.4	0.5	3.7	8.2	2.6
Total 30-60-90 days or more	1.9 %	11.5 %	18.6 %	6.9 %	1.9 %	11.8 %	21.2 %	7.5 %

The following table summarizes the activity of our MSR at fair value:

Mortgage Servicing Rights – At Fair Value	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Beginning balance	\$ 2,327.7	\$ 2,675.7	\$ 2,272.2	\$ 2,665.2
Sales	(108.8)	—	(209.7)	—
Additions:				
Recognized on the sale of residential mortgage loans	61.6	71.4	163.9	134.0
Purchases of MSR	53.4	35.7	115.3	79.8
Servicing transfers and adjustments (1)	(0.1)	—	(87.1)	(32.6)
Net additions (sales)	6.1	107.1	(17.6)	181.2
Changes in fair value recognized in earnings:				
Changes in valuation inputs or assumptions	(53.0)	137.7	141.4	190.9
Realization of cash flows	(57.3)	(60.7)	(172.5)	(177.5)
Fair value gains (losses) recognized in earnings	(110.3)	77.0	(31.1)	13.4
Ending balance	\$ 2,223.6	\$ 2,859.8	\$ 2,223.6	\$ 2,859.8

- (1) Servicing transfers and adjustments for the nine months ended September 30, 2024 and 2023 include a \$85.8 million and a \$32.5 million, respectively, derecognition of GSE MSR previously sold to MAV in a transaction which did not qualify for sale accounting treatment. We derecognized the MSR with a UPB of \$5.5 billion and \$2.3 billion, respectively, from our balance sheets together with the associated Pledged MSR liability upon the sale of the MSR by MAV to a third party. See Note 8 — Other Financing Liabilities, at Fair Value for further information.

The following table summarizes the components of our servicing and subservicing fee revenue:

Servicing Revenue	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Loan servicing and subservicing fees				
Servicing fee	\$ 91.9	\$ 82.0	\$ 274.0	\$ 261.4
Subservicing fee (4)	26.7	17.4	81.0	55.4
MAV Subservicing fee	2.2	2.0	6.1	5.8
MAV Servicing fee / Transferred MSR (1)	14.1	17.2	49.9	49.1
Rithm and Others Servicing fee / Transferred MSR (1) (3)	19.1	62.1	56.9	180.9
	<u>154.0</u>	<u>180.7</u>	<u>467.9</u>	<u>552.6</u>
Ancillary income				
Custodial accounts (float earnings)	35.4	31.5	94.5	77.9
Late charges	8.8	9.8	25.5	28.8
Reverse subservicing ancillary fees	5.2	8.1	18.1	26.1
Other	7.7	7.6	20.6	22.1
	<u>57.1</u>	<u>57.1</u>	<u>158.6</u>	<u>155.0</u>
Total Servicing and subservicing fees	<u>\$ 211.1</u>	<u>\$ 237.8</u>	<u>\$ 626.5</u>	<u>\$ 707.5</u>
Owned MSR and Subservicing	\$ 173.5	\$ 152.8	\$ 507.6	\$ 461.5
Transferred MSR (1) (2)	37.6	85.0	118.9	246.1

- (1) Includes servicing fees collected on behalf of respective parties related to transferred MSRs that do not achieve sale accounting. See Note 8 — Other Financing Liabilities, at Fair Value.
- (2) Includes \$4.4 million and \$12.1 million for the three and nine months ended September 30, 2024, respectively, and \$5.7 million and \$16.1 million for the three and nine months ended September 30, 2023, respectively, of ancillary income associated with transferred MSRs that do not achieve sale accounting.
- (3) Includes \$42.7 million and \$133.6 million of servicing fees in the three and nine months ended September 30, 2023, respectively, related to MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023. See Note 8 — Other Financing Liabilities, at Fair Value.
- (4) Includes \$11.2 million and \$34.6 million of subservicing fees in the three and nine months ended September 30, 2024, respectively, related to MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023. See Note 8 — Other Financing Liabilities, at Fair Value.

Float balances, on which we earn interest referred to as float earnings (balances in custodial accounts, which represent collections of principal and interest that we receive from borrowers on behalf of investors and tax and insurance payments) are held in escrow by unaffiliated banks and are excluded from our consolidated balance sheets. Float balances amounted to \$2.43 billion and \$1.56 billion at September 30, 2024 and December 31, 2023, respectively.

Note 8 — Other Financing Liabilities, at Fair Value

The following table presents financing liabilities carried at fair value which include pledged MSR liabilities recorded in connection with MSR transfers, subservicing retained, that do not qualify for sale accounting, liabilities of consolidated mortgage-backed securitization trusts and MSR excess servicing spread (ESS) financing liability carried at fair value (see Note 13 – Borrowings for ESS financing liability carried at amortized cost).

Borrowing Type	Collateral	Maturity	Outstanding Balance	
			September 30, 2024	December 31, 2023
MSR transfers not qualifying for sale accounting (1):				
Pledged MSR liability, at fair value - MAV	MSRs	(1)	\$ 327.5	\$ 409.2
Rights to MSRs Agreements, at fair value - Rithm	MSRs	(1)	116.8	121.0
Pledged MSR liability, at fair value - Others	MSRs	(1)	133.3	115.3
Total Pledged MSR liability, at fair value			577.7	645.5
Financing liability - Owed to securitization investors, at fair value: Residential Asset Securitization Trust 2003-A11 (RAST 2003-A11) (2)	Loans held for investment	November 2033	5.2	5.6
ESS financing liability, at fair value (3)	MSRs (3)	(3)	243.3	248.9
Total Other financing liabilities, at fair value			\$ 826.2	\$ 900.0

- (1) MSRs transferred, subservicing retained, or sold in transactions which do not qualify for sale accounting treatment are accounted for as secured financings. Until such time as the transaction qualifies as a sale for accounting purposes, we continue to recognize the MSRs and the related financing liability (referred as Pledged MSR liability) on our consolidated balance sheets, as well as the full amount of servicing fee collected as revenue and the servicing fee remitted as Pledged MSR liability expense in our consolidated statements of operations. Fair value gains and losses of the Pledged MSR liability are recognized in MSR valuation adjustments, net in the consolidated statements of operations - See Note 7 – Mortgage Servicing and Note 9 – MSR Valuation Adjustments, Net.
- (2) Consists of securitization debt certificates due to third parties that represent beneficial interests in trusts that are consolidated.
- (3) Consists of the obligation to remit to a third party a specified percentage of future servicing fee collections (servicing spread) on reference pools of MSRs, which we are entitled to as owner of the related MSRs. The servicing spread remittance is reported in Pledged MSR liability expense and fair value gains and losses of the ESS financing liability are reported in MSR valuation adjustment, net.

\$33.4 billion UPB of MSR and Pledged MSR liability associated with Rithm servicing agreements were derecognized on December 31, 2023 as MSR sale accounting criteria were met. Effective January 1, 2024, as PHH continues to subservice the portfolio, the statement of operations reflects subservicing fee revenue as opposed to the gross presentation of servicing fee revenue and separate offsetting presentation of servicing fee remittances within Pledged MSR liability expense prior to January 1, 2024.

The following tables present the activity of the pledged MSR liability recorded in connection with the MSR transfer agreements with MAV and other unrelated parties, including Rithm, that do not qualify for sale accounting.

Pledged MSR Liability	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Beginning balance	\$ 590.0	\$ 1,009.5	\$ 645.5	\$ 931.7
MSR transfers				
MSR transfers to MAV	—	80.8	—	81.0
MSR transfers to others	5.0	0.9	17.7	98.5
Total MSR transfers	5.0	81.7	17.7	179.5
Derecognition of financing liability (2)	(0.1)	—	(85.7)	(32.5)
Fair value (gain) loss				
Changes in fair value due to inputs and assumptions	(7.1)	45.5	33.3	88.2
Realization of expected cash flows	(10.2)	(17.6)	(33.1)	(47.8)
Total fair value (gain) loss	(17.2)	27.9	0.2	40.5
Ending balance (1)	\$ 577.7	\$ 1,119.1	\$ 577.7	\$ 1,119.1

- (1) The fair value of the Pledged MSR liability differs from the fair value of the associated transferred MSR asset mostly due to the portion of ancillary income that is contractually retained by PHH and other contractual cash flows.
- (2) During the nine months ended September 30, 2024 and September 30, 2023, we derecognized a portion of the MAV Pledged MSR liability upon sale of the related MSRs by MAV to third parties with a UPB of \$5.5 billion and \$2.3 billion, respectively.

The following tables present the Pledged MSR liability expense recorded in connection with the MSR sale agreements with MAV and other unrelated parties (including Rithm) that do not qualify for sale accounting and the ESS financing liabilities.

	Three Months Ended September 30,					
	2024			2023		
	Rithm and Others	MAV	Total	Rithm and Others (1)	MAV	Total
Servicing fees collected on behalf of MAV, Rithm and others	\$ 19.1	\$ 14.1	\$ 33.2	\$ 62.1	\$ 17.2	\$ 79.3
Less: Subservicing fee retained by Onity	(4.4)	(2.1)	(6.5)	(17.2)	(2.3)	(19.6)
Ancillary fee/income and other settlement (including expense reimbursement)	3.4	(0.6)	2.8	3.5	(0.3)	3.2
Transferred MSR net servicing fee remittance	\$ 18.1	\$ 11.4	29.5	\$ 48.4	\$ 14.5	62.9
ESS servicing spread remittance			12.8			13.6
Pledged MSR liability expense			\$ 42.3			\$ 76.5

(1) Includes \$42.7 million of servicing fees collected on behalf of Rithm, \$12.5 million of subservicing fee retained and \$30.3 million of net servicing fee remittance in the three months ended September 30, 2023 related to MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023.

	Nine Months Ended September 30,					
	2024			2023		
	Rithm and Others	MAV	Total	Rithm and Others (1)	MAV	Total
Servicing fees collected on behalf of Rithm, MAV and others	\$ 56.9	\$ 49.9	\$ 106.8	\$ 180.9	\$ 49.1	\$ 230.0
Less: Subservicing fee retained by Onity	(13.4)	(7.0)	(20.4)	(51.4)	(6.7)	(58.1)
Ancillary fee/income and other settlement (including expense reimbursement)	8.9	(0.9)	8.0	10.4	(0.5)	9.9
Transferred MSR net servicing fee remittance	\$ 52.4	\$ 42.1	94.4	\$ 139.9	\$ 41.8	181.7
ESS servicing spread remittance			38.9			38.1
Pledged MSR liability expense			\$ 133.3			\$ 219.8

(1) Includes \$133.6 million of servicing fees collected on behalf of Rithm, \$38.3 million of subservicing fee retained and \$95.3 million of net servicing fee remittance in the nine months ended September 30, 2023 related to MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023.

MAV (Related Party) Transactions

PHH entered into agreements to sell MSR portfolios to its related party MAV, on a bulk and flow basis, for which PHH has been retained as servicer. While MSR legal title has transferred to MAV, the transactions do not qualify for sale accounting treatment primarily due to the termination restrictions of the subservicing agreement. See Note 11 - Investment in Equity Method Investee and Related Party Transactions. Accordingly, we continue to report the MSR and an associated Pledged MSR liability on our consolidated balance sheet.

Rithm Transactions

Starting in 2012, Onity and PHH entered into agreements to sell MSRs and the related servicing advances to Rithm, and in all cases have been retained by Rithm as servicer. As of September 30, 2024, all transactions met sale accounting treatment except for the agreement to sell a \$9.3 billion MSR portfolio to Rithm, referred to as Rights to MSRs (or RMSR). While most of the economics and risks of the MSR and related advances have contractually transferred to Rithm, the MSR legal title was retained by Onity and the third-party consents required for title transfer were not obtained, causing the transactions to be accounted for as secured financings. Accordingly, we continue to report the \$116.8 million MSR and an associated Pledged MSR liability on our consolidated balance sheet.

Prior to December 31, 2023, while MSR legal title had transferred to Rithm, other MSR sale transactions with a UPB of \$33.4 billion did not qualify for sale accounting treatment, primarily due to the length of the non-cancellable term of the subservicing agreements. On December 31, 2023, we derecognized \$421.7 million non-Agency MSRs and Pledged MSR liability associated with Rithm servicing agreements with a UPB of \$33.4 billion for which MSR sale accounting criteria was met. Specifically, with the amendments described below, starting on December 31, 2023, the parties have the right to cancel or decline to renew the servicing agreements within a reasonable period of time.

On May 2, 2022, Onity entered into amendments to its servicing agreements (consisting of two subservicing agreements and the RMSR agreement) with Rithm to extend their terms to December 31, 2023 and provide for subsequent, automatic one-year renewals, unless Onity provides six months' advance notice of termination (by July 1), or Rithm provides three months' advance notice of termination (by October 1), among other changes. Onity and Rithm did not provide notice of termination by July 1, 2024 and October 1, 2024, respectively, with respect to any of these agreements.

Onity and Rithm agreed to extend Rithm's termination rights with respect to its subservicing agreements from October 1, 2024 through November 15, 2024. In addition, Onity and Rithm agreed to extend the current terms of the \$32.9 billion of subservicing agreements with Rithm through February 1, 2025, with subsequent, automatic one-year renewals if notice of termination is not provided by July 1, 2025 or October 1, 2025 by Onity and Rithm, respectively.

Rithm's termination rights with respect to the RMSR agreement were not extended; accordingly, as Rithm did not give notice of termination by October 1, 2024, the RMSR agreement will continue for an additional one-year term ending December 31, 2025. Rithm has the right to terminate the \$9.3 billion RMSR agreements for convenience, in whole but not in part, subject to complying with the requirements to give notice of non-renewal as described above. If Rithm exercises this termination right, Rithm has the option of seeking (i) the transfer of the MSRs through a sale to a third party of its Rights to MSRs (together with a transfer of Onity's title to those MSRs) or (ii) a substitute RMSR arrangement that substantially replicates the Rights to MSRs structure under which we would transfer title to the MSRs to a successor servicer and Rithm would continue to own the economic rights and obligations related to the MSRs. In the case of option (i), we have a purchase option, as specified in the RMSR Agreements. If Rithm is not able to sell the Rights to MSRs or establish a substitute RMSR arrangement with another servicer, Rithm has the right to revoke its termination notice and re-instate the applicable servicing addendum or to establish a subservicing arrangement whereby the MSRs remaining subject to the RMSR Agreements would be transferred to up to three subservicers who would subservice under Onity's oversight. If such a subservicing arrangement were established, Onity would receive an oversight fee and reimbursement of expenses. We may also agree on alternative arrangements that are not contemplated under our existing agreements or that are variations of those contemplated under our existing agreements.

Other MSR Capital Partner Transactions

PHH entered into agreements to sell MSR portfolios to different unrelated third parties, referred to as MSR capital partners, on a bulk and flow basis, for which PHH has been retained as subservicer. While MSR legal title has transferred to the MSR capital partners, the transactions do not qualify for sale accounting treatment primarily due to the termination restrictions of the subservicing agreements. Accordingly, we continue to report the MSR and an associated Pledged MSR liability on our consolidated balance sheet.

Note 9 – MSR Valuation Adjustments, Net

The table below presents the components of MSR valuation adjustments, net, that include four MSR related instruments which we account for at fair value with changes in fair value recorded in earnings:

- (i) the fair value changes of the total MSR portfolio (Total MSRs) recorded on our consolidated balance sheets (\$2,223.6 million fair value asset at September 30, 2024). Total MSRs include owned MSRs and MSRs that have been sold or transferred to third parties in transactions that do not achieve sale accounting criteria. Owned MSRs include MSRs subject to ESS financing transactions;
- (ii) the fair value changes of the Pledged MSR liabilities recorded as liabilities on our consolidated balance sheets when MSR sale accounting criteria are not achieved (\$577.7 million fair value liability at September 30, 2024);
- (iii) the fair value changes of the ESS financing liabilities for which we elected the fair value option (\$243.3 million fair value liability at September 30, 2024); and
- (iv) the fair value changes of the derivative instruments economically hedging the MSR exposure.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total MSR (1)	\$ (110.3)	\$ 77.0	\$ (31.1)	\$ 13.7
Pledged MSR liabilities (2) (3)	17.2	(27.8)	(0.2)	(40.5)
ESS financing liabilities (2)	7.2	3.1	5.5	12.3
Derivative fair value gain (loss) (MSR economic hedges) (4)	54.3	(68.6)	(50.0)	(119.7)
MSR valuation adjustments, net	\$ (31.5)	\$ (16.4)	\$ (75.8)	\$ (134.2)

(1) Also refer to Note 7 – Mortgage Servicing.

(2) Also refer to Note 8 — Other Financing Liabilities, at Fair Value for additional information related to the ESS financing liability and Pledged MSR liability, including a tabular presentation of activity of the Pledged MSR liability for the reported years.

(3) MSR transfers that do not achieve sale accounting.

(4) Also refer to Note 15 – Derivative Financial Instruments and Hedging Activities.

MSR valuation adjustments, net exclude fair value changes of reverse mortgage loans net of HMBS related-borrowings which are included in our economic MSR interest rate risk hedge strategy (refer to Note 15 – Derivative Financial Instruments and Hedging Activities), and are separately presented as Gain on reverse loans held for investment and HMBS-related borrowings, net within our consolidated statement of operations (refer to Note 5 - Reverse Mortgages).

Note 10 – Receivables

	September 30, 2024	December 31, 2023
Servicing-related receivables:		
Government-insured loan claims - Reverse	\$ 63.2	\$ 64.5
Government-insured loan claims - Forward	34.2	43.6
Due from custodial accounts	20.1	13.8
Receivable from sale of MSRs (holdback)	16.9	5.1
Subservicing fees and reimbursable expenses	15.7	14.3
Subservicing fees, reimbursable expenses and other - Due from MAV	2.2	3.4
Other	6.5	4.5
	158.8	149.2
Income taxes receivable (1)	28.2	27.1
Other receivables	4.9	3.6
	191.9	179.9
Allowance for losses	(19.7)	(25.1)
	<u>\$ 172.2</u>	<u>\$ 154.8</u>

(1) Includes \$26.3 million and \$25.2 million at September 30, 2024 and December 31, 2023, respectively, from the USVI Bureau of Internal Revenue (BIR) for a refund of income taxes paid in prior years. In December 2022, we executed an agreement with the BIR for payment of the income tax refunds related to tax years 2013 through 2015, plus accrued interest, over a two-year period ending December 31, 2024. The BIR did not make the payment that was due on December 31, 2023 nor any subsequent payments pursuant to the agreement. On February 8, 2024, we filed a lawsuit against the USVI for the refund of income taxes paid in prior years and for the USVI's breach of the above-referenced agreement; the USVI is defending against such claims and contesting that such refunds are owed.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Allowance for Losses				
Beginning balance	\$ 20.4	\$ 27.4	\$ 25.1	\$ 34.3
Provision	4.1	5.4	11.3	13.4
Charge-offs and other, net	(4.9)	(4.5)	(16.7)	(19.3)
Ending balance	<u>\$ 19.7</u>	<u>\$ 28.4</u>	<u>\$ 19.7</u>	<u>\$ 28.4</u>

At September 30, 2024 and December 31, 2023, the allowance for losses related to FHA-, VA- or USDA insured loans repurchased from Ginnie Mae guaranteed securitizations (government-insured claims) was \$19.1 million and \$24.6 million, respectively.

Note 11 - Investment in Equity Method Investee and Related Party Transactions

We account for our 15% investment in MAV Canopy under the equity method. Under the Amended & Restated Limited Liability Company Agreement with MAV Canopy, Onity is entitled to receive its 15% percentage interest share of MAV Canopy's earnings, subject to certain adjustments. In addition, upon MAV Canopy liquidation or upon determination of the MAV Canopy Board of Directors to make advance distributions, Onity is entitled to receive a specified portion of the distribution amount available (Promote Distribution), after satisfaction of required distribution thresholds, including a specified internal rate of return threshold on the Oaktree Capital Management L.P. and its affiliates (Oaktree) member's gross adjusted capital contributions. We determined that the Promote Distribution represents an incentive fee under our various service agreements with MAV with a variable consideration and is recognized in earnings when it is probable that a significant reversal will not occur. As of September 30, 2024, Onity has not recognized any such Promote Distribution income. See the Transaction Agreement discussed below and Note 22 – Subsequent Events.

PHH entered into a Subservicing Agreement with MAV for exclusive rights to service the mortgage loans underlying MSR's owned by MAV. The Subservicing Agreement will continue until terminated by mutual agreement of the parties or for cause, as defined. MAV is permitted to sell the underlying MSR, in whole or in part, without Onity's consent after May 3, 2024. See the Transaction Agreement discussed below and Note 22 – Subsequent Events.

As of September 30, 2024, PHH subserviced a total of \$41.9 billion UPB on behalf of MAV under the Subservicing Agreement, of which \$21.9 billion of MSR's were previously sold by PHH to MAV and do not qualify for sale accounting and thus remain reported on the consolidated balance sheet of PHH, with a fair value of \$337.4 million MSR and \$327.5 million Pledged MSR liability - see Note 8 — Other Financing Liabilities, at Fair Value. The fair value of the Pledged MSR liability is determined using the fair value mark provided by third-party valuation experts, consistent with the associated MSR, using the same methodology and assumptions, while considering cash flows contractually retained by PHH during the expected life of the Subservicing Agreement. We are exposed to a risk of loss of this net \$9.9 million asset value if, and to the extent that MAV sells the \$21.9 billion MSR portfolio, in whole or in part at a faster pace than anticipated or if prepayments exceeds expectations, among other factors.

MAV Canopy, MAV and Oaktree are deemed related parties to Onity. In addition to the transactions described above and our 15% equity investment in MAV Canopy, Onity issued common stock, warrants and senior secured notes to Oaktree in 2021. See also Note 13 – Borrowings and Note 16 – Interest Expense.

On September 30, 2024, Onity entered into a definitive Transaction Agreement with Oaktree, MAV Canopy and MAV, that provides a framework pursuant to which the parties intend to consummate a series of transactions as follows:

- *Redemption Agreement and MAV Sale* - Onity will sell its 15% ownership interest in MAV Canopy, including its right to the Promote Distribution (MAV Sale), for a cash payment of 15% of the adjusted book value of MAV Canopy upon closing, plus \$15 million, subject to certain adjustments. The MAV sale is conditioned upon the completion of a debt financing transaction by Onity, with certain criteria (Debt Financing), to redeem all of the outstanding PMC Senior Secured Notes due 2026 and, the Onity Senior Secured Notes to the extent of any remaining proceeds. Oaktree also agreed to participate as an anchor investor in the Debt Financing at different levels depending upon its size and pricing. Closing of the MAV sale is also subject to the receipt of necessary regulatory consents and approvals, and other customary closing conditions.
- *Amendment to Subservicing Agreement* - Upon closing of the MAV sale, PHH and MAV will amend their current subservicing agreement, pursuant to which PHH will have the right to be the exclusive servicer for an initial term of five years subject to certain extensions of all MSR's that MAV currently owns, which had a UPB of \$41.9 billion as of September 30, 2024, for all future MSR's that MAV acquires from PHH, and for the majority of MAV's MSR portfolio overall, as defined. PHH will have an obligation to provide MAV with a right of first offer for any GSE MSR's that PHH desires to sell that meet certain criteria.
- *MSR Sale Lockout Period* - Upon closing of the MAV sale, the Transaction Agreement provides for a six-month lockout during which MAV shall not sell or otherwise transfer any MSR's owned by MAV at the effective date without the prior consent of PHH. Following this initial six-month period, this lockout restriction is subject to reduction in 25% increments through September 30, 2027. MAV may freely sell or transfer any MSR's thereafter.
- *Warrant Amendments* - Upon the pricing of the Debt Financing, the warrants were amended to provide that upon their exercise Oaktree can elect the cash exercise option only with the consent of Onity and, without the consent of Onity,

the exercise price can only be paid via the net share settlement option. Currently, Oaktree has the option to pay the exercise price either in cash or via net share settlement.

- *Note Purchase Agreement (NPA) Amendment; Oaktree Parties' Participation in a Debt Financing* - The Onity Senior Secured Notes agreement were amended to (i) permit a Debt Financing by Onity, (ii) waive the make-whole premium, which is currently due in connection with any optional redemption of the Onity Senior Secured Notes on or prior to March 4, 2026, in connection with the redemptions described in this paragraph and (iii) require Onity to redeem the Onity Senior Secured Notes with the cash proceeds from the following transactions at reduced redemption prices.
 - First, Onity is required to redeem a principal amount of Onity Senior Secured Notes equal to the cash proceeds from the MAV Sale at a redemption price equal to 100% of the principal amount of Onity Senior Secured Notes so redeemed plus accrued interest.
 - Second, Onity is required to redeem a principal amount of Onity Senior Secured Notes equal to (x) any remaining net proceeds from a Debt Financing, after repurchasing, redeeming or defeasing the PMC Notes in full, (y) the cash proceeds from the MAM Asset Acquisition and the proceeds from any debt financing secured with the assets acquired in the MAM Asset Acquisition, and (z) the net cash proceeds from the reverse mortgage asset OLIT securitization completed in September 2024 (see Note 13 – Borrowings, footnote 13), in each case, at a redemption price equal to 102.5% of the principal amount of Onity Senior Secured Notes so redeemed plus accrued interest.
 - Finally, Onity has the option to redeem up to an additional \$50.0 million principal amount of Onity Senior Secured Notes prior to December 31, 2024 at a redemption price equal to 102.5% of the principal amount of Onity Senior Secured Notes so redeemed plus accrued interest.

The effectiveness of the amendments in the NPA Amendment is subject to the pricing of a Debt Financing .

In return for Oaktree agreeing to undertake the MAV sale, participate as an anchor investor in a Debt Financing, amend the Onity Senior Secured Notes NPA to permit a Debt Financing and amend the terms of the redemption provisions of the Oaktree Notes to waive the make-whole premium and make the other changes described above, Onity has agreed to pay Oaktree a transaction fee that is dependent on the size and pricing of the financing (See Note 22 – Subsequent Events).

- *Termination* - The Transaction Agreement may be terminated prior to the consummation of the MAV Sale (i) by mutual agreement of the parties, (ii) by either party, if any governmental approval has been denied or if any governmental authority has enjoined or otherwise prohibited the consummation of the MAV Sale, (iii) subject to certain conditions and cure periods, by either party, upon the breach of the representations, warranties or covenants by the other party or (iv) by either party, subject to certain limitations, if the closing of the MAV Sale has not occurred on or before February 1, 2025 (the Outside Date), or thirty (30) days after the Outside Date, if, as of five (5) business days prior to the Outside Date, all conditions, other than the obtaining of any required regulatory consent and approvals, have been satisfied or are reasonably capable of being satisfied on or prior to the Outside Date.

Note 12 – Other Assets

	September 30, 2024	December 31, 2023
REO	\$ 44.4	\$ 18.3
Prepaid expenses (including prepaid lender fees)	22.9	34.3
Derivatives, at fair value	10.1	21.6
Prepaid representation, warranty and indemnification claims - Agency MSR sale	5.0	5.0
Intangible assets, net (net of accumulated amortization of \$12.4 million and \$10.1 million)	4.0	6.2
Deferred tax asset, net	3.4	3.1
Derivative margin deposit	1.8	12.8
Other	4.2	5.0
	<u>\$ 95.8</u>	<u>\$ 106.2</u>

Note 13 – Borrowings

Advance Match Funded Liabilities

Borrowing Type	Expected Repayment Date (1)	Available Borrowing Capacity		Outstanding Balance	
		Uncommitted	Committed	September 30, 2024	December 31, 2023
\$500 million Ocwen Master Advance Receivables Trust (OMART) - Advance Receivables Backed Notes - Series 2015-Variable Funding (VF) 5 (2)	August 2025	\$ 50.0	\$ 117.2	\$ 332.8	\$ 409.8
\$200 million Ocwen GSE Advance Funding (OGAF) - Advance Receivables Backed Notes, Series 2015-VF1 (2)	August 2025	—	156.2	43.8	89.1
\$14.4 million EBO Advance facility (3)	May 2026	13.8	—	0.6	0.9
Total Advance match funded liabilities		\$ 63.8	\$ 273.4	\$ 377.2	\$ 499.7
Weighted average interest rate (4)				7.85 %	8.07 %

- (1) The Expected Repayment Date of our facilities, as defined, is the date on which the revolving period ends under each advance facility note and repayment of the outstanding balance is required if the note is not renewed or extended. In certain of our advance facilities, there are multiple notes outstanding.
- (2) The committed borrowing capacity under the OMART and OGAF facilities is available to us provided that we have sufficient eligible collateral to pledge. At September 30, 2024, none of the available borrowing capacity of the OMART and OGAF advance financing notes could be used based on the amount of eligible collateral.
- (3) At September 30, 2024, none of the available borrowing capacity of the facility could be used based on the amount of eligible collateral.
- (4) The weighted average interest rate excludes the effect of the amortization of prepaid lender fees. At September 30, 2024 and December 31, 2023, the balance of unamortized prepaid lender fees was \$2.9 million and \$5.5 million, respectively, and are included in Other assets in our consolidated balance sheets. At September 30, 2024 and December 31, 2023, 1-Month (1M) Term Secured Overnight Financing Rate (SOFR) was 4.85% and 5.35%, respectively.

Mortgage Loan Financing Facilities

Borrowing Type	Collateral	Maturity	Available Borrowing Capacity		Outstanding Balance	
			Uncommitted	Committed (1)	September 30, 2024	December 31, 2023
Financing Agreements						
\$175 million Master repurchase agreement (2)	Loans held for sale (LHFS), Receivables and REO	November 2024	\$ 125.0	\$ 45.6	\$ 4.4	\$ 15.7
\$40 million Mortgage warehouse agreement (3)	LHFI	December 2024	—	40.0	—	—
\$500 million Master repurchase agreement (4)	LHFS and LHFI	January 2025	240.0	—	260.0	168.4
\$205 million Mortgage warehouse agreement (5)	LHFS and LHFI	May 2025	65.8	—	139.2	71.1
Master repurchase agreement (6)	LHFS	September 2025	—	1.0	—	—
\$500 million Participation agreement (7)	LHFS	September 2025	355.5	—	144.5	83.9
\$250 million Master repurchase agreement (8)	LHFS, LHFI and Receivables	September 2025	—	190.2	59.8	64.2
\$40 million Loan and security agreement (9)	LHFI	September 2025	—	28.6	11.4	—
Securities Master repurchase agreement (10)	Reverse LHFS, Receivables and REO	N/A	3.5	—	6.0	—
\$350 million Mortgage warehouse agreement (11)	LHFS	N/A	350.0	—	—	—

Mortgage Loan Financing Facilities			Available Borrowing Capacity		Outstanding Balance	
Borrowing Type	Collateral	Maturity	Uncommitted	Committed (1)	September 30, 2024	December 31, 2023
Financing Agreements						
\$230 million Mortgage warehouse agreement (12)	LHFS and Receivables	(12)	220.2	—	9.8	12.2
Master repurchase agreement (13)	LHFS	(13)	—	—	202.1	151.7
\$200 million Master repurchase agreement (14)	LHFS, Receivables and REO	April 2024	—	—	—	—
\$50 million Loan and security agreement (15)	LHFS and Receivables	June 2024	—	—	—	—
			1,360.0	305.4	837.2	567.2
Securitization Notes						
OLIT Asset-Backed Notes, Series 2023-HB1 (16)	Reverse LHFS, Receivables and REO	June 2036	—	—	117.0	164.4
OLIT Asset-Backed Notes, Series 2024-HB1 (16)	Reverse LHFS, Receivables and REO	February 2037	—	—	172.0	—
OLIT Asset-Backed Notes, Series 2024-HB2 (16)	Reverse LHFS, Receivables and REO	August 2037	—	—	270.8	—
			—	—	559.8	164.4
Total Mortgage loan financing facilities			\$ 1,360.0	\$ 305.4	1,397.0	731.6
Unamortized discount and debt issuance costs - OLIT Notes					(41.1)	(21.0)
Total Mortgage loan financing facilities, net					\$ 1,355.9	\$ 710.6
Weighted average interest rate (17)					5.64 %	6.15 %

- (1) Of the borrowing capacity on mortgage loan financing facilities extended on a committed basis, none of the available borrowing capacity could be used at September 30, 2024 based on the amount of eligible collateral that could be pledged on a committed basis.
- (2) In October 2024, the maturity date was extended to November 29, 2024.
- (3) In September 2024, the maturity date was extended to December 31, 2024.
- (4) In January 2024, the maturity date was extended to January 3, 2025.
- (5) In May 2024, the maturity date was extended to May 31, 2025 and the total maximum borrowing under this agreement was increased to \$205.0 million.
- (6) In September 2024, the maturity date was extended to September 20, 2025.
- (7) In September 2024, the maturity date was extended to September 20, 2025 and the total maximum borrowing under this agreement was temporarily increased to \$500.0 million through December 31, 2024.
- (8) In September 2024, the maturity date was extended to September 20, 2025 and the total maximum borrowing under this agreement was increased to \$250.0 million.
- (9) In September 2024, the maturity date was extended to September 20, 2025 and the total maximum borrowing under this agreement was increased to \$40.0 million.
- (10) In June 2024, we entered into a repurchase agreement which provides borrowing at our discretion up to a certain maximum amount of capacity on a rolling 30-day uncommitted basis. This facility is structured as a repurchase facility whereby the retained notes of the OLIT 2023 transaction are pledged as collateral for the borrowings and this agreement has no stated maturity date. Also see (16) below and Note 2 – Securitizations and Variable Interest Entities.
- (11) This agreement has no stated maturity date.
- (12) The agreement has no stated maturity date, however each transaction has a maximum duration of four years.
- (13) This repurchase agreement provides borrowing at our discretion up to a certain maximum amount of capacity on a rolling 90-day committed basis. This facility is structured as a gestation repurchase facility whereby dry Agency mortgage loans are transferred to a trust which issues a trust certificate that is pledged as the collateral for the borrowings. Each certificate is renewed monthly. In April 2024, we voluntarily increased the trust certificates by \$50.0 million to \$200.0 million. See Note 2 – Securitizations and Variable Interest Entities for additional information.
- (14) On April 1, 2024, we voluntarily allowed the facility to mature.
- (15) On June 28, 2024, we voluntarily allowed the facility to mature.

(16) In June 2023, February 2024 and September 2024, OLIT issued different classes of Asset-Backed Notes with an initial principal amount of \$264.9 million, \$268.6 million and \$330.6 million at a discount and a mandatory call date of June 2026, February 2027 and August 2027, respectively. The notes have a stated interest rate of 3.0%, 3.0%, and 5.0%, respectively. Payments of interest and principal are made from available funds from a pool of reverse mortgage buyout loans and REOs in accordance with the indenture priority of payments. Also see Note 2 – Securitizations and Variable Interest Entities.

(17) The weighted average interest rate excludes the effect of the amortization of discount, debt issuance costs and prepaid lender fees. At September 30, 2024 and December 31, 2023, unamortized prepaid lender fees were \$1.3 million and \$1.0 million, respectively, and are included in Other assets in our consolidated balance sheets.

MSR Financing Facilities

Borrowing Type	Collateral	Maturity	Available Borrowing Capacity		Outstanding Balance	
			Uncommitted	Committed (1)	September 30, 2024	December 31, 2023
\$500 million GSE MSR financing facility (2)	MSRs	September 2025	\$ —	\$ 293.7	\$ 206.3	\$ 242.9
\$300 million Ginnie Mae MSR financing facility (3)	MSRs, Advances	February 2025	163.5	—	136.5	212.5
Ocwen Excess Spread-Collateralized Notes, Series 2022-PLS1 (4)	MSRs	February 2025	—	—	28.8	39.2
2022-PLS1 Notes Issuer Membership Interest Master repurchase agreement (5)	MSRs	February 2025	—	—	34.0	—
\$400 million GSE MSR financing facility (6)	MSRs	December 2025	—	24.8	375.2	393.9
Secured Notes, Ocwen Asset Servicing Income Series Notes, Series 2014-1	MSRs	February 2028	—	—	24.3	28.1
Total MSR financing facilities			<u>\$ 163.5</u>	<u>\$ 318.5</u>	<u>805.0</u>	<u>916.6</u>
Unamortized debt issuance costs - PLS facilities (7)					(0.3)	(0.4)
Total MSR financing facilities, net					<u>\$ 804.8</u>	<u>\$ 916.2</u>
Weighted average interest rate (8)					7.86%	8.18%

(1) Of the borrowing capacity on MSR financing facilities extended on a committed basis, \$27.1 million of the available borrowing capacity could be used at September 30, 2024 based on the amount of eligible collateral that could be pledged on a committed basis.

(2) PHH's obligations under this facility are secured by a lien on certain related MSRs. Onity guarantees the obligations of PHH under this facility. See Note 2 – Securitizations and Variable Interest Entities for additional information. We are subject to daily margining requirements under the terms of the facility. In September 2024, the maturity date was extended to September 11, 2025 and the borrowing capacity was increased to \$500.0 million.

(3) PHH's obligations under this facility are secured by a lien on the related Ginnie Mae MSRs and servicing advances. Onity guarantees the obligations of PHH under the facility. We are subject to daily margining requirements under the terms of the facility. In March 2024, the maturity date was extended to February 25, 2025 and the uncommitted borrowing capacity was increased to \$300.0 million.

(4) The single class PLS Notes are an amortizing debt instrument with an original principal amount of \$75.0 million and a fixed interest rate of 5.114%. The PLS Notes are issued by a trust (PLS Issuer) that is included in our consolidated financial statements, and PLS Issuer's obligations under the facility are secured by a lien on the related PLS MSRs. Onity guarantees the obligations of PLS Issuer under the facility. The principal balance amortizes in accordance with a predetermined schedule subject to modification under certain events, with a final payment due in February 2025. See Note 2 – Securitizations and Variable Interest Entities for additional information.

(5) On March 4, 2024, PHH entered into a \$34.0 million repurchase agreement pursuant to which PHH sold the membership interest certificate representing 100% of the limited liability company interests in PLS Issuer and has agreed to repurchase such membership interest certificate at a specified future date at the price set forth in the repurchase agreement. Onity guarantees the obligations of PHH under the facility subject to the terms and conditions set forth in the guaranty. We are subject to daily margining requirements under the terms of the facility. Refer to Note 2 – Securitizations and Variable Interest Entities for additional information regarding PLS Issuer and the PLS Notes.

(6) This facility is secured by a lien on certain of PHH's Agency MSRs and is subject to daily margining requirements. Any outstanding borrowings on the revolving loan will convert into a term loan on February 27, 2025.

(7) At September 30, 2024 and December 31, 2023, unamortized prepaid lender fees related to revolving-type MSR financing facilities were \$2.7 million and \$3.6 million, respectively, and are included in Other assets in our consolidated balance sheets.

(8) Weighted average interest rate excludes the effect of the amortization of debt issuance costs and prepaid lender fees.

Senior Notes	Interest Rate (1)	Maturity	Outstanding Balance	
			September 30, 2024	December 31, 2023
PMC Senior Secured Notes (2)	7.875%	March 2026	\$ 289.1	\$ 360.0
	12% paid in cash or 13.25% paid-in-kind (see below)	March 2027	285.0	285.0
Onity Senior Secured Notes (due to related parties) (3)				
Principal balance			574.1	645.0
Unamortized discount			(0.4)	(0.9)
Unamortized debt issuance costs			(1.8)	(3.0)
PMC Senior Secured Notes			(2.2)	(3.9)
Unamortized discount			(31.8)	(39.1)
Unamortized debt issuance costs			(5.0)	(6.2)
Onity Senior Secured Notes			(36.8)	(45.3)
			\$ 535.1	\$ 595.8

(1) Excludes the effect of the amortization of debt issuance costs and discount.

(2) Redeemable at 101.969% before March 15, 2025, at par thereafter. The Indenture contains customary covenants for debt securities of this type that limit the ability of PHH Corporation and its restricted subsidiaries (including PHH) to, among other things, (i) incur or guarantee additional indebtedness, (ii) incur liens, (iii) pay dividends on or make distributions in respect of PHH Corporation's capital stock or make other restricted payments, (iv) make investments, (v) consolidate, merge, sell or otherwise dispose of certain assets, and (vi) enter into transactions with Onity's affiliates.

(3) Redeemable at par plus a make-whole premium prior to March 4, 2026, at par thereafter. The make-whole premium represents the present value of all scheduled interest payments due through March 4, 2026. The Notes are solely the obligation of Onity and are secured by a pledge of substantially all of the assets of Onity, including a pledge of the equity of Onity's directly held subsidiaries. See Note 11 - Investment in Equity Method Investee and Related Party Transactions.

During March and September 2024, we repurchased a total of \$47.4 million and \$23.5 million, respectively, of the PMC Senior Secured Notes for a price of \$45.5 million and \$23.0 million, and recognized a gain of \$1.4 million and \$0.3 million on debt extinguishment, net of the associated write-off of unamortized discount and debt issuance costs.

On November 6, 2024, Onity issued \$500 million aggregate principal amount of 9.875% Senior Notes due 2029 at a price of 99.556% of the principal amount. Upon release of funds from escrow, the net proceeds from the offering will be used, together with the net proceeds from the MAV Sale and available liquidity, to redeem all of the outstanding PMC Senior Secured Notes and Onity Senior Secured Notes described above, refer to Note 22 – Subsequent Events.

Credit Ratings

On October 21, 2024, Moody's assigned a Caa1 rating to the new \$500 million PHH Corporation Senior Notes due in 2029 (See Note 22 – Subsequent Events). Moody's also assigned a B3 corporate family rating to Onity and withdrew the B3 corporate family rating of PHH Mortgage Corporation. The entities' outlooks are stable.

On October 21, 2024, S&P assigned a B- rating to the new \$500 million PHH Corporation Senior Notes due in 2029 (See Note 22 – Subsequent Events). S&P also affirmed the B- rating of Onity with a Stable Outlook

Covenants

Under the terms of our debt agreements in effect as of September 30, 2024, we are subject to various affirmative and negative covenants. Collectively, these covenants include:

- Financial covenants, including, but not limited to, specified levels of net worth, liquidity and leverage;
- Covenants to operate in material compliance with applicable laws;
- Restrictions on our ability to engage in various activities, including but not limited to incurring or guarantying additional forms of debt, paying dividends or making distributions on or purchasing equity interests of Onity and its subsidiaries, repurchasing or redeeming capital stock or junior capital, repurchasing or redeeming subordinated debt prior to maturity, issuing preferred stock, selling or transferring assets or making loans or investments or other restricted payments, entering into mergers or consolidations or sales of all or substantially all of the assets of Onity and

its subsidiaries or of PHH Corporation or PHH and their respective subsidiaries, creating liens on assets to secure debt, and entering into transactions with affiliates;

- Monitoring and reporting of various specified transactions or events, including specific reporting on defined events affecting collateral underlying certain debt agreements; and
- Requirements to provide audited financial statements within specified timeframes, including requirements that Onity's financial statements and the related audit report be unqualified as to going concern.

The most restrictive consolidated net worth requirement contained in our debt agreements with borrowings outstanding at September 30, 2024, excluding additional Agency minimum requirements, is a minimum of \$275.0 million and \$300.0 million, tangible net worth for Onity and PHH, respectively. The most restrictive liquidity requirement under our debt agreements with borrowings outstanding at September 30, 2024, excluding additional Agency minimum requirements, is for a minimum of \$75.0 million for both Onity and PHH consolidated liquidity. The minimum tangible net worth and liquidity requirements at PHH contained in some debt agreements are also subject to the minimum requirements set forth by the Agencies. See Note 19 – Regulatory Requirements.

We believe we were in compliance with all of the covenants in our debt agreements as of the date of these unaudited consolidated financial statements.

Collateral

Our assets held as collateral for secured borrowings and other unencumbered assets which may be subject to a lien under various collateralized borrowings are as follows at September 30, 2024:

	Assets	Pledged Assets	Collateralized Borrowings	Unencumbered Assets (1)
Cash	\$ 201.6	\$ —	\$ —	\$ 201.6
Restricted cash	78.5	78.5	15.7	—
Loans held for sale	1,197.7	1,174.1	1,198.4	23.6
Loans held for investment - securitized (2)	8,214.4	8,214.4	8,132.5	—
Loans held for investment - unsecuritized	111.9	77.2	68.9	34.7
MSRs (3)	1,631.3	1,636.4	1,018.0	—
Advances, net	522.7	496.8	407.5	25.9
Receivables, net	172.2	59.6	67.6	112.6
REO	44.4	40.5	46.5	3.9
Total (4)	<u>\$ 12,174.7</u>	<u>\$ 11,777.4</u>	<u>\$ 10,955.0</u>	<u>\$ 402.3</u>

(1) Certain assets are pledged as collateral to the PMC Senior Secured Notes and Onity Senior Secured (second lien) Notes.

(2) Reverse mortgage loans and real estate owned are pledged as collateral to the HMBS beneficial interest holders, and are not available to satisfy the claims of our creditors. Ginnie Mae, as guarantor of the HMBS, is obligated to the holders of the HMBS in an instance of PHH's default on its servicing obligations, or if the proceeds realized on HECMs are insufficient to repay all outstanding HMBS related obligations. Ginnie Mae has recourse to PHH in connection with certain claims relating to the performance and obligations of PHH as both issuer of HMBS and servicer of HECMs underlying HMBS.

(3) Excludes MSR transfers to MAV, Rithm and others, and associated Pledged MSR liability recorded as sale accounting criteria are not met. Pledged assets exceed the MSR asset balance primarily due to the netting of certain PLS MSR portfolios with negative and positive fair values as eligible collateral.

(4) The total of selected assets disclosed in the above table does not represent the total consolidated assets of Onity. For example, the total excludes premises and equipment and certain other assets.

The Onity Senior Secured Notes due 2027 have a second lien priority on specified security interests, as defined under the Onity Senior Secured Note Agreement and summarized in the table below, and have a priority lien on the following assets: investments by Onity in subsidiaries not guaranteeing the PMC Senior Secured Notes, including PHH Corporation and MAV; cash and investment accounts at Onity; and certain other assets, including receivables.

	September 30, 2024
Specified net servicing advances	\$ 156.4
Specified deferred servicing fee	6.1
Specified MSR value less borrowings	720.3
Specified unrestricted cash balances	124.3
Specified advance facility reserves	11.3
Specified loan value	26.8
Specified residual value	—
Total	<u>\$ 1,045.1</u>

Note 14 – Other Liabilities

	September 30, 2024	December 31, 2023
Other accrued expenses	\$ 61.4	\$ 67.5
Due to Rithm - Advance collections and servicing fees	57.2	50.3
Checks held for escheat	55.2	52.0
Servicing-related obligations	54.8	48.4
Liability for indemnification obligations	33.5	35.5
Accrued legal fees and settlements	16.3	8.3
Derivatives, at fair value	13.9	7.0
Liability for uncertain tax positions	13.1	12.2
Accrued interest payable	12.1	14.3
Lease liability	9.9	10.2
Derivative related payables	9.4	10.7
Liability for unfunded pension obligation and India gratuity plan	7.8	9.2
Income taxes payable	7.8	8.2
Mortgage insurance premium payable	5.2	5.0
MSR purchase price holdback	4.3	3.8
Excess servicing fee spread payable	1.8	3.6
Other	2.3	3.2
	<u>\$ 366.0</u>	<u>\$ 349.3</u>

Note 15 – Derivative Financial Instruments and Hedging Activities

The table below summarizes the fair value, notional and maturity of our derivative instruments. The notional amount of our contracts does not represent our exposure to credit loss. None of the derivatives were designated as a hedge for accounting purposes as of or during the nine months ended September 30, 2024 and 2023.

	September 30, 2024			December 31, 2023		
	Maturities	Notional	Fair value	Maturities	Notional	Fair value
Derivative Assets (Other assets)						
Forward sales of Reverse loans	October 2024	\$ 20.0	\$ —	N/A	\$ —	\$ —
Forward loans IRLCs	October 2024 - January 2025	1,673.4	4.6	January - May 2024	592.5	5.1
Reverse loans IRLCs	November 2024	26.9	0.6	February 2024	22.1	0.6
TBA forward MBS trades	October 2024 - December 2024	1,205.8	3.9	January - March 2024	1,818.6	10.1
Forward sales of Forward loans	October 2024 - November 2024	170.0	0.5	January 2024	5.5	—
Interest rate swap futures	December 2024	75.0	0.4	March 2024	790.0	3.9
Interest rate option contracts	N/A	—	—	January 2024	750.0	1.9
Total		<u>\$ 3,171.1</u>	<u>\$ 10.1</u>		<u>\$ 3,978.7</u>	<u>\$ 21.6</u>
Derivative Liabilities (Other liabilities)						
Forward sales of Reverse loans	October 2024	20.0	—	January 2024	50.0	(0.1)
TBA forward MBS trades	October 2024 - December 2024	979.3	(5.3)	January - March 2024	854.9	(6.8)
Forward sales of Forward loans	October 2024	90.0	—	N/A	—	—
Interest rate swap futures	December 2024	675.0	(8.6)	N/A	—	—
Other	N/A	—	—	N/A	15.3	(0.1)
Total		<u>\$ 1,764.3</u>	<u>\$ (13.9)</u>		<u>\$ 920.2</u>	<u>\$ (7.0)</u>

The table below summarizes the net gains and losses of our derivative instruments recognized in our unaudited consolidated statements of operations.

Gain (Loss)	Three Months Ended September 30,		Nine Months Ended September 30,		Financial Statement Line
	2024	2023	2024	2023	
Derivative Instruments					
Forward loans IRLCs	\$ 1.1	\$ (2.7)	\$ (0.4)	\$ (0.2)	Gain on loans held for sale, net
Reverse loans IRLCs	(0.1)	0.1	—	(0.2)	Gain on reverse loans held for investment and HMBS-related borrowings, net
Forward trades (economically hedging forward pipeline trades and EBO pipeline)	0.5	1.0	0.5	1.0	Gain on loans held for sale, net (Economic hedge)
TBA trades (economically hedging forward pipeline trades and EBO pipeline)	(36.5)	33.1	(26.8)	37.9	Gain on loans held for sale, net (Economic hedge)
Interest rate futures, TBA trades and interest rate option contracts (economically hedging MSR)	54.3	(68.6)	(50.0)	(119.7)	MSR valuation adjustments, net
Forward sales of Reverse loans	—	(0.2)	0.1	(0.2)	Gain on reverse loans held for investment and HMBS-related borrowings, net
Other	—	(0.1)	—	0.2	Other, net
Total	\$ 19.4	\$ (37.3)	\$ (76.7)	\$ (81.3)	

Interest Rate Risk

MSR Hedging

MSRs are carried at fair value with changes in fair value being recorded in earnings in the period in which the changes occur. The fair value of MSRs is subject to changes in market interest rates among other inputs and assumptions.

The objective of our MSR interest rate risk management and hedging policy is to protect shareholders' equity and earnings against the fair value volatility of interest-rate sensitive MSR portfolio exposure, considering market, liquidity, cost and other conditions. The interest-rate sensitive MSR portfolio exposure is defined as follows:

- Agency MSR portfolio,
- expected Agency MSR bulk transactions subject to letters of intent (LOI),
- less the Agency MSRs subject to our sale agreements with MAV, Rithm and others, also referred to as Pledged MSR liabilities (See Note 8 — Other Financing Liabilities, at Fair Value),
- less the asset value for securitized HECM loans, net of the corresponding HMBS-related borrowings,
- other interest-rate sensitive exposures, including our ESS financing liabilities, as deemed appropriate by the Market Risk Committee.

The hedge coverage ratio, defined as the ratio of hedge and asset rate sensitivity (referred to as DV01) is subject to lower and upper target thresholds under our policy. We regularly evaluate the hedge coverage ratio at the intended shock interval to determine if it is relevant or warrants adjustment based on market conditions, symmetry of interest rate risk exposure, liquidity impacts under shock scenarios and other factors. As the market dictates, management may choose to maintain the hedge coverage ratio at different thresholds, with approval of the Market Risk Committee, in order to preserve liquidity and/or optimize asset returns.

Effective September 2022, a minimum 25% and 30% hedge coverage ratios were required for interest rate declines less than, and more than 50 basis points, respectively. During the second quarter of 2023, management raised its minimum hedge coverage ratio to 60%. Effective December 2023, we established a targeted hedge coverage ratio range between 95% and 105%. In April 2024, we changed the risk measure to a dollar DV01 that resulted in an equivalent range of approximately 90% to 110%.

With a partial hedge coverage ratio, the changes in fair value of our hedging instruments may not fully offset the changes in fair value of our net MSR portfolio exposure attributable to interest rate changes. In addition, while DV01 measures may remain within the range of our hedging strategy's objective, actual changes in fair value of the derivatives and MSR portfolio

may not offset to the same extent, due to many factors. These factors include non-parallel changes in the interest rate curve, the convexity of the MSR, the basis risk inherent in the MSR profile and hedging instruments, model risk observed between actual vs. expected fair value changes, and hedge costs. We continuously evaluate the use of hedging instruments with the objective of enhancing the effectiveness of our interest rate hedging strategy.

Our derivative instruments include forward trades of MBS or Agency TBAs with different banking counterparties, exchange-traded interest rate futures and interest rate options. These derivative instruments are not designated as accounting hedges. TBAs, or To-Be-Announced securities, are actively traded, forward contracts to purchase or sell Agency MBS on a specific future date. From time-to-time, we enter into exchange-traded options contracts with purchased put options financed by written call options. We report changes in fair value of these derivative instruments in MSR valuation adjustments, net in our consolidated statements of operations, within the Servicing segment. We may, from time to time, establish inter-segment derivative instruments between the MSR and pipeline hedging strategies to minimize the use of third-party derivatives. The fair value gains and losses of such inter-segment derivatives effectively reclassify certain derivative gains and losses between MSR valuation adjustments, net within the Servicing segment and Gain on loans held for sale, net within the Originations segment to reflect the performance of these economic hedging strategies in the appropriate segments (see Note 18 – Business Segment Reporting for the amount of such reclassification). Such inter-segment derivatives are eliminated in our consolidated financial statements.

The derivative instruments are subject to margin requirements, posted as either initial or variation margin. Onity may be required to post or may be entitled to receive cash collateral with its counterparties through margin calls, based on daily value changes of the instruments. Changes in market factors, including interest rates, and our credit rating may require us to post additional cash collateral and could have a material adverse impact on our financial condition and liquidity.

Pipeline Hedging - Interest Rate Lock Commitments and Loans Held for Sale, at Fair Value

In our Originations business, we are exposed to interest rate risk and related price risk during the period from the date of the interest rate lock commitment through (i) the lock commitment cancellation or expiration date or (ii) through the date of sale or securitization of the resulting loan into the secondary mortgage market. Loan commitments for forward loans generally range from 5 to 75 days, with the majority of our commitments to borrowers for 40 to 60 days and our commitments to correspondent sellers for 5 to 30 days. Loans held for sale are generally funded and sold within 5 to 30 days. This interest rate exposure of loans and IRLCs is economically hedged with derivative instruments, including forward sales of Agency TBAs. The objective of our pipeline hedging strategy is to reduce the volatility of the fair value of IRLCs and loans due to market interest rates, thus preserving the initial gain on sale margin at lock date. We report changes in fair value of these derivative instruments as gain or loss on economic hedge instruments within either Gain on loans held for sale, net or Gain on reverse loans held for investment and HMBS-related borrowings, net in our consolidated statements of operations.

Note 16 – Interest Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Mortgage loan financing facilities	\$ 25.7	\$ 26.0	\$ 69.3	\$ 59.4
MSR financing facilities	18.6	16.6	56.1	51.9
Onity Senior Secured Notes (1)	11.5	11.0	34.1	32.6
Advance match funded liabilities	9.1	9.9	28.8	31.0
PMC Senior Secured Notes	6.4	7.8	20.3	23.3
Escrow	2.8	3.1	6.0	6.6
	<u>\$ 74.2</u>	<u>\$ 74.3</u>	<u>\$ 214.6</u>	<u>\$ 204.8</u>

(1) Notes issued to Oaktree affiliates, inclusive of amortization of debt issuance costs and discount of \$2.9 million and \$8.5 million for the three and nine months ended September 30, 2024, respectively, and \$2.4 million and \$7.1 million for the three and nine months ended September 30, 2023, respectively.

Note 17 – Basic and Diluted Earnings (Loss) per Share

Basic earnings or loss per share excludes common stock equivalents and is calculated by dividing net income or loss attributable to Onity common stockholders by the weighted average number of common shares outstanding during the period. We calculate diluted earnings or loss per share by dividing net income or loss attributable to Onity by the weighted average number of common shares outstanding including the potential dilutive common shares related to outstanding restricted stock awards, stock options and warrants as determined using the treasury stock method. For the nine months ended September 30, 2023, we have excluded the effect of all stock options, common stock awards, and warrants from the computation of diluted loss per share because of the anti-dilutive effect of our reported net loss.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Basic earnings (loss) per share				
Net income (loss)	\$ 21.4	\$ 8.5	\$ 62.0	\$ (16.2)
Weighted average shares of common stock outstanding	7,860,572	7,677,008	7,797,974	7,621,569
Basic earnings (loss) per share	\$ 2.72	\$ 1.10	\$ 7.95	\$ (2.13)
Diluted earnings (loss) per share				
Net income (loss)	\$ 21.4	\$ 8.5	\$ 62.0	\$ (16.2)
Weighted average shares of common stock outstanding	7,860,572	7,677,008	7,797,974	7,621,569
Effect of dilutive elements				
Common stock warrants	47,066	174,712	39,788	—
Common stock awards	147,755	208,358	169,219	—
Dilutive weighted average shares of common stock	<u>8,055,393</u>	<u>8,060,078</u>	<u>8,006,981</u>	<u>7,621,569</u>
Diluted earnings (loss) per share	\$ 2.65	\$ 1.05	\$ 7.74	\$ (2.13)
Stock options and common stock awards excluded from the computation of diluted earnings (loss) per share				
Anti-dilutive (1)	27,731	64,870	107,928	61,425
Market-based (2)	64,085	61,354	64,085	61,354

(1) Includes stock options and stock awards that are anti-dilutive based on the application of the treasury stock method.

(2) Shares that are issuable upon the achievement of certain market-based performance criteria related to Onity's stock price.

Note 18 – Business Segment Reporting

Our business segments reflect the internal reporting that our Chief Executive Officer uses to evaluate our operating and financial performance and to assess the allocation of our resources. Our current reportable business segments consist of Servicing, Originations, and Corporate Items and Other. During the three months ended September 30, 2024, there have been no changes to our business segments as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023. Effective in the fourth quarter of 2023, the Servicing segment includes CR Limited (CRL), our wholly-owned captive reinsurance subsidiary previously included in the Corporate Items and Other segment. Segment results for the three and nine months ended September 30, 2023 have been recast to conform to the current segment presentation.

Financial information for our segments is as follows:

Results of Operations	Three Months Ended September 30, 2024			
	Servicing	Originations	Corporate Items and Other	Business Segments Consolidated
Servicing and subservicing fees	\$ 210.2	\$ 1.0	\$ —	\$ 211.1
Gain on reverse loans held for investment and HMBS-related borrowings, net	11.9	6.2	—	18.0
Gain on loans held for sale, net	9.4	16.4	—	25.8
Other revenue, net	4.7	6.1	—	10.8
Revenue	<u>236.1</u>	<u>29.6</u>	<u>—</u>	<u>265.7</u>
MSR valuation adjustments, net	(35.6)	4.1	—	(31.5)
Operating expenses				
Compensation and benefits	26.0	11.8	21.7	59.5
Servicing and origination	8.9	1.8	0.4	11.1
Technology and communications	6.0	1.9	5.3	13.2
Professional services	9.6	0.6	7.2	17.3
Occupancy, equipment and mailing	6.7	0.7	0.5	7.9
Corporate overhead allocations	11.5	4.2	(15.7)	—
Other expenses	0.9	1.3	1.2	3.4
Operating expenses	<u>69.6</u>	<u>22.2</u>	<u>20.6</u>	<u>112.4</u>
Other income (expense):				
Interest income	8.4	14.8	1.3	24.5
Interest expense	(46.6)	(16.2)	(11.4)	(74.2)
Pledged MSR liability expense	(42.3)	—	—	(42.3)
Earnings of equity method investee	0.8	—	—	0.8
Gain on extinguishment of debt	—	—	0.3	0.3
Other, net	(3.4)	—	0.2	(3.3)
Other income (expense), net	<u>(83.2)</u>	<u>(1.4)</u>	<u>(9.6)</u>	<u>(94.1)</u>
Income (loss) before income taxes	<u>\$ 47.7</u>	<u>\$ 10.2</u>	<u>\$ (30.2)</u>	<u>\$ 27.6</u>

Three Months Ended September 30, 2023

Results of Operations	Servicing	Originations	Corporate Items and Other	Business Segments Consolidated
Servicing and subservicing fees	\$ 236.9	\$ 0.8	\$ —	237.8
Gain on reverse loans held for investment and HMBS-related borrowings, net	(6.1)	5.7	—	(0.4)
Gain (loss) on loans held for sale, net	(0.8)	9.0	—	8.2
Other revenue, net	4.4	5.5	—	10.0
Revenue	<u>234.5</u>	<u>21.0</u>	<u>—</u>	<u>255.5</u>
MSR valuation adjustments, net	(21.0)	4.6	—	(16.4)
Operating expenses				
Compensation and benefits	25.2	11.6	18.9	55.7
Servicing and origination	13.2	2.0	0.3	15.5
Technology and communications	6.1	1.9	5.0	13.1
Professional services	8.2	0.7	4.7	13.5
Occupancy, equipment and mailing	6.8	0.6	0.3	7.7
Corporate overhead allocations	11.4	4.5	(15.9)	—
Other expenses	1.9	1.1	1.5	4.6
Operating expenses	<u>72.9</u>	<u>22.3</u>	<u>14.8</u>	<u>110.0</u>
Other income (expense):				
Interest income	5.9	18.7	1.2	25.9
Interest expense	(43.3)	(20.0)	(11.0)	(74.3)
Pledged MSR liability expense	(76.5)	—	—	(76.5)
Earnings of equity method investee	2.8	—	—	2.8
Gain on extinguishment of debt	—	—	1.2	1.2
Other, net	1.2	(0.1)	0.2	1.3
Other income (expense), net	<u>(109.9)</u>	<u>(1.5)</u>	<u>(8.3)</u>	<u>(119.7)</u>
Income (loss) before income taxes	<u>\$ 30.7</u>	<u>\$ 1.9</u>	<u>\$ (23.1)</u>	<u>\$ 9.5</u>

Nine Months Ended September 30, 2024

Results of Operations	Servicing	Originations	Corporate Items and Other	Business Segments Consolidated
Servicing and subservicing fees	\$ 624.5	\$ 2.0	\$ —	\$ 626.5
Gain on reverse loans held for investment and HMBS-related borrowings, net	23.2	18.7	—	41.9
Gain on loans held for sale, net	11.0	42.2	—	53.2
Other revenue, net	13.5	16.1	—	29.6
Revenue	<u>672.3</u>	<u>78.9</u>	<u>—</u>	<u>751.2</u>
MSR valuation adjustments, net	(83.9)	8.1	—	(75.8)
Operating expenses				
Compensation and benefits	75.8	33.3	59.1	168.1
Servicing and origination	33.3	5.5	1.2	40.0
Technology and communications	18.4	5.3	15.3	38.9
Professional services	19.5	1.4	19.1	40.1
Occupancy, equipment and mailing	20.2	1.7	1.3	23.1
Corporate overhead allocations	33.2	12.4	(45.6)	—
Other expenses	2.9	3.7	4.0	10.6
Operating expenses	<u>203.3</u>	<u>63.2</u>	<u>54.3</u>	<u>320.8</u>
Other income (expense):				
Interest income	22.3	38.6	3.6	64.5
Interest expense	(139.4)	(41.4)	(33.8)	(214.6)
Pledged MSR liability expense	(133.4)	—	0.1	(133.3)
Earnings of equity method investee	6.7	—	—	6.7
Gain on extinguishment of debt	—	—	1.8	1.8
Other	(6.9)	(0.3)	0.5	(6.7)
Other income (expense), net	<u>(250.8)</u>	<u>(3.1)</u>	<u>(27.8)</u>	<u>(281.7)</u>
Income (loss) before income taxes	<u>\$ 134.3</u>	<u>\$ 20.7</u>	<u>\$ (82.1)</u>	<u>\$ 72.9</u>

Nine Months Ended September 30, 2023

Results of Operations	Servicing	Originations	Corporate Items and Other	Business Segments Consolidated
Servicing and subservicing fees	\$ 705.9	\$ 1.6	\$ —	\$ 707.5
Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net	3.9	17.7	—	21.5
Gain (loss) on loans held for sale, net	13.0	23.3	—	36.3
Other revenue, net	11.4	12.6	—	24.0
Revenue	<u>734.3</u>	<u>55.2</u>	<u>—</u>	<u>789.4</u>
MSR valuation adjustments, net	(142.4)	8.2	—	(134.2)
Operating expenses				
Compensation and benefits	81.3	32.1	58.0	171.4
Servicing and origination	44.8	3.1	0.8	48.8
Technology and communications	18.6	5.4	15.5	39.5
Professional services	27.5	1.4	(19.0)	9.9
Occupancy, equipment and mailing	21.7	1.6	0.9	24.2
Corporate overhead allocations	34.0	14.4	(48.4)	—
Other expenses	6.4	4.1	4.2	14.7
Operating expenses	<u>234.2</u>	<u>62.1</u>	<u>12.1</u>	<u>308.4</u>
Other income (expense):				
Interest income	16.0	40.8	3.4	60.2
Interest expense	(128.2)	(44.0)	(32.6)	(204.8)
Pledged MSR liability expense	(219.9)	—	0.1	(219.8)
Earnings of equity method investee	5.9	—	—	5.9
Gain on extinguishment of debt	—	—	1.2	1.2
Other	(3.8)	(0.1)	2.0	(1.9)
Other income (expense), net	<u>(329.9)</u>	<u>(3.4)</u>	<u>(26.0)</u>	<u>(359.2)</u>
Income (loss) before income taxes	<u>\$ 27.7</u>	<u>\$ (2.2)</u>	<u>\$ (38.0)</u>	<u>\$ (12.5)</u>

Total Assets	Servicing	Originations	Corporate Items and Other	Business Segments Consolidated
September 30, 2024	\$ 12,110.2	\$ 856.6	\$ 259.9	\$ 13,226.7
December 31, 2023	11,687.6	551.9	274.3	12,513.7

Note 19 – Regulatory Requirements

Our business is subject to extensive regulation and supervision by federal, state, local and foreign governmental authorities, including the Consumer Financial Protection Bureau (CFPB), the Department of Housing and Urban Development (HUD), the SEC and various state agencies that license our servicing and lending activities. Accordingly, we are regularly subject to examinations, inquiries and requests, including civil investigative demands and subpoenas. The GSEs and their conservator, the Federal Housing Finance Agency (FHFA), Ginnie Mae, the United States Treasury Department, various investors, non-Agency securitization trustees and others also subject us to periodic reviews and audits.

We must comply with a large number of federal, state and local consumer protection and other laws and regulations, including, among others, the CARES Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), the Telephone Consumer Protection Act (TCPA), the Gramm-Leach-Bliley Act, the Fair Debt Collection Practices Act (FDCPA), the Real Estate Settlement Procedures Act (RESPA), the Truth in Lending Act (TILA), the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Home Mortgage Disclosure Act (HMDA), the Federal Trade Commission Act,

the Fair Credit Reporting Act, the Equal Credit Opportunity Act, as well as individual state and local laws, and federal and local bankruptcy rules. These laws and regulations apply to all facets of our business, including, but not limited to, licensing, loan originations, consumer disclosures, default servicing and collections, foreclosure, filing of claims, registration of vacant or foreclosed properties, handling of escrow accounts, payment application, interest rate adjustments, assessment of fees, loss mitigation, use of credit reports, handling of unclaimed property, safeguarding of non-public personally identifiable information about our customers, and the ability of our employees to work remotely. These complex requirements can and do change as laws and regulations are enacted, promulgated, amended, interpreted and enforced. The general trend among federal, state and local legislative bodies and regulatory agencies as well as state attorneys general has been toward increasing laws, regulations, investigative proceedings and enforcement actions with regard to residential real estate lenders and servicers, which could increase the possibility of adverse regulatory action against us.

In addition, a number of foreign laws and regulations apply to our operations outside of the U.S., including laws and regulations that govern licensing, privacy, employment, safety, payroll and other taxes and insurance and laws and regulations that govern the creation, continuation and the winding up of companies as well as the relationships between shareholders, our corporate entities, the public and the government in these countries. Our foreign subsidiaries are subject to inquiries and examinations from foreign governmental regulators in the countries in which we operate outside of the U.S.

Our licensed entities are required to renew their licenses, typically on an annual basis, and to do so they must satisfy the license renewal requirements of each jurisdiction, which generally include financial requirements such as providing audited financial statements and satisfying minimum net worth requirements and non-financial requirements such as satisfactory completion of examinations relating to the licensee's compliance with applicable laws and regulations.

We are also subject to seller/servicer obligations under agreements with the GSEs, HUD, FHA, VA and Ginnie Mae, including capital requirements related to tangible net worth, as defined by the applicable agency, liquidity requirements, an obligation to provide audited financial statements within 90 days of the applicable entity's fiscal year end as well as extensive requirements regarding servicing, selling and other matters. PHH's minimum financial eligibility requirements for GSE seller/servicers and Ginnie Mae issuers were updated by the GSEs and Ginnie Mae effective September 30, 2023.

We believe our licensed entities were in compliance with all of their minimum net worth and liquidity requirements at September 30, 2024. Our non-Agency servicing agreements also contain requirements regarding servicing practices and other matters, and a failure to comply with these requirements could have a material adverse impact on our business.

The most restrictive of the various net worth and liquidity requirements for licensing and seller/servicer obligations referenced above are mostly based on the UPB of assets serviced by PHH. Under the applicable formula, the required minimum net worth was \$431.7 million at September 30, 2024. PHH's adjusted net worth was \$578.1 million at September 30, 2024. The most restrictive of the various liquidity requirements for licensing and seller/servicer obligations referenced above pertains to PHH and the required minimum liquidity was \$118.8 million at September 30, 2024. PHH's eligible liquidity, as defined, for licensing and seller/servicer obligations was \$244.3 million at September 30, 2024.

Ginnie Mae announced a new risk-based capital ratio effective on December 31, 2024 for Ginnie Mae issuers. PHH would not be in compliance with the upcoming risk-based capital requirements if they were in effect as of September 30, 2024. On September 26, 2024, Ginnie Mae issued a waiver extending the deadline by which PHH must meet the risk-based capital ratio requirements to May 1, 2025. We are currently implementing certain actions intended to achieve compliance with the requirements.

New York Department of Financial Services (NY DFS). We operate pursuant to certain regulatory requirements with the NY DFS, including obligations arising under a consent order entered into in March 2017 (the NY Consent Order) and the terms of the NY DFS' conditional approval in September 2018 of our acquisition of PHH Corporation. The conditional approval restricts our ability to acquire MSRs with respect to New York loans, so that Onity may not increase its aggregate portfolio of New York loans serviced or subserviced by Onity by more than 2% per year. This restriction will remain in place until the NY DFS determines that all loans serviced on the Onity legacy REALServicing system have been successfully migrated to Black Knight MSP and that Onity has developed a satisfactory infrastructure to board sizable portfolios of MSRs. We transferred all loans onto Black Knight MSP in 2019 and have not serviced any loans on the REALServicing system since then. We continue to work with the NY DFS to address matters they raise with us as well as to fulfill our commitments under the NY Consent Order and PHH Corporation acquisition conditional approval. We believe we have complied with all terms of the PHH Corporation acquisition conditional approval and the NY Consent Order to date.

Note 20 — Commitments

Unfunded Lending Commitments

We have originated floating-rate reverse mortgage loans under which the borrowers have additional borrowing capacity of \$1.8 billion at September 30, 2024. This additional borrowing capacity is available on a scheduled or unscheduled payment basis. During the nine months ended September 30, 2024, we funded \$179.1 million out of the \$1.8 billion borrowing capacity as of December 31, 2023. We also had short-term commitments to lend \$1.7 billion and \$26.9 million in connection with our forward and reverse mortgage loan IRLCs, respectively, outstanding at September 30, 2024. We finance originated and purchased forward and reverse mortgage loans with repurchase and participation agreements, also referred to as warehouse lines, prior to their respective securitization.

HMBS Issuer Obligations

As an HMBS issuer, we assume certain obligations related to each security issued. The most significant obligation is the requirement to purchase loans out of the Ginnie Mae securitization pools once the outstanding principal balance of a reverse mortgage loan is equal to or greater than 98% of the maximum claim amount (MCA repurchases). The table below provides the breakdown of the portfolio UPB with respect to the percentage of the MCA at September 30, 2024.

Securitized HECM loans at less than 92% MCA	\$	7,236.1
Securitized HECM loans at equal to or greater than 92% and less than 95% MCA		276.8
Securitized HECM loans at equal to or greater than 95% MCA and less than 98% MCA		260.1
Total Securitized HECM loans UPB	\$	7,772.9

For the nine months ended September 30, 2024 and 2023, we repurchased HECM loans from Ginnie Mae securitizations in the amount of \$125.0 million and \$224.9 million, respectively. Activity with regard to HMBS repurchases for the nine months ended September 30, 2024 is as follows:

	Active	Inactive	Total
Beginning balance	\$ 55.4	\$ 130.6	\$ 186.0
Additions	74.0	51.0	125.0
Recoveries, net (1)	(81.1)	(41.3)	(122.4)
Transfers	2.4	(2.4)	—
Changes in value	0.2	(3.4)	(3.2)
Ending balance	\$ 51.0	\$ 134.4	\$ 185.4

(1) Includes amounts received upon assignment of loan to HUD, loan payoff, REO liquidation and claim proceeds less any amounts charged off as unrecoverable.

Our subservicing clients bear the financial obligation and risks associated with purchasing loans out of securitization pools within the portfolio of loans we subservice.

Client Concentration

Our Servicing segment has exposure to concentration risk and client retention risk.

For the nine months ended September 30, 2024, servicing and subservicing fees from Rithm amounted to \$73.5 million, or 16% of total servicing and subservicing fees (excluding ancillary income). In addition, the related Rithm Pledged MSR liability expense amounted to \$27.6 million for the nine months ended September 30, 2024. As of September 30, 2024, Rithm represented \$42.2 billion, or 14% of the UPB and 25% of the loan count of our total servicing and subservicing portfolio, and approximately 64% of all delinquent loans that Onity services. Our Subservicing Agreements and Servicing Addendum with Rithm provide for automatic one-year renewals, unless Onity or Rithm provide advance notice of termination. Onity and Rithm did not provide their respective notice of termination by July 1, 2024 and October 1, 2024. Onity and Rithm agreed to extend Rithm's termination rights with respect to its subservicing agreements (\$32.9 billion UPB) from October 1, 2024 through November 15, 2024. In addition, Onity and Rithm agreed to extend the current terms of the subservicing agreements with Rithm through February 1, 2025, with subsequent, automatic one-year renewals. Rithm's termination rights with respect to the RMSR agreement were not extended; accordingly, as Rithm did not give notice of termination by October 1, 2024, the RMSR agreement (\$9.3 billion UPB) will continue for an additional one-year term ending December 31, 2025. In connection with the RMSR agreement, we reported \$38.8 million servicing fees and \$27.6 million of Pledged MSR liability expense for the nine months ended September 30, 2024.

If Rithm exercises its right to terminate the subservicing agreements for convenience by November 15, 2024 or any of the agreements for cause at any time, we might need to right-size certain aspects of our servicing business as well as the related corporate support functions, and we may need to adjust our daily liquidity management due to the reduction of servicing float balances associated with the Rithm servicing agreements. The impacts to our consolidated statements of operations in connection with our Rithm agreements are disclosed in Note 8 — Other Financing Liabilities, at Fair Value. Other liabilities recorded on our consolidated balance sheets are disclosed in Note 14 – Other Liabilities. Also refer to Note 22 – Subsequent Events.

In addition, for the nine months ended September 30, 2024, servicing and subservicing fees from MAV amounted to \$56.0 million or 12% of total servicing and subservicing fees (excluding ancillary income). In addition, the related MAV Pledged MSR liability expense amounted to \$42.1 million for the nine months ended September 30, 2024. As of September 30, 2024, our servicing and subservicing portfolio with MAV represented \$41.9 billion UPB, or 14% of the UPB and 11% of the loan count in our total servicing and subservicing portfolio. While our servicing agreement with MAV is non-cancellable and provides us with exclusivity, MAV is permitted to sell the underlying MSR without Onity's consent. See Note 11 - Investment in Equity Method Investee and Related Party Transactions, Note 8 — Other Financing Liabilities, at Fair Value and Note 22 – Subsequent Events.

Note 21 – Contingencies

When we become aware of a matter involving uncertainty for which we may incur a loss, we assess the likelihood of any loss. If a loss contingency is probable and the amount of the loss can be reasonably estimated, we record an accrual for the loss. In such cases, there may be an exposure to potential loss in excess of the amount accrued. Where a loss is not probable but is reasonably possible or where a loss in excess of the amount accrued is reasonably possible, we disclose an estimate of the amount of the loss or range of possible losses for the claim if a reasonable estimate can be made, unless the amount of such reasonably possible loss is not material to our financial position, results of operations or cash flows. If a reasonable estimate of loss cannot be made, we do not accrue for any loss or disclose any estimate of exposure to potential loss even if the potential loss could be material and adverse to our business, reputation, financial condition and results of operations. An assessment regarding the ultimate outcome of any such matter involves judgments about future events, actions and circumstances that are inherently uncertain. The actual outcome could differ materially. Where we have retained external legal counsel or other professional advisers, such advisers assist us in making such assessments.

Litigation

In the ordinary course of business, we are a defendant in, or a party or potential party to, many threatened and pending legal proceedings, including proceedings brought by borrowers, regulatory agencies (discussed further under “Regulatory” below), current or former employees, those brought on behalf of various classes of claimants, and those brought derivatively on behalf of Onity against certain current or former officers and directors or others, and those brought under the False Claims Act by private citizens on behalf of the U.S. In addition, we may be a party or potential party to threatened or pending legal proceedings involving fair-housing advocates, current and former commercial counterparties and market competitors, including, among others, claims related to the sale or purchase of loans, MSRs or other assets, and breach of contract actions, parties on whose behalf we service or serviced mortgage loans, parties who provide ancillary services including property preservation and other post-foreclosure related services, applicable taxing authorities, and parties who provide or provided consulting, subservicing, or other services to Onity.

The majority of these proceedings are based on alleged violations of federal, state and local laws and regulations governing our mortgage servicing and lending activities, including, among others, the Dodd-Frank Act, the Gramm-Leach-Bliley Act, the FDICPA, the RESPA, the TILA, the Fair Credit Reporting Act, the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the TCPA, the Equal Credit Opportunity Act, as well as individual state licensing and foreclosure laws, federal and local bankruptcy rules, federal and local tax regulations, and state deceptive trade practices laws. Such proceedings include wrongful foreclosure and eviction actions, bankruptcy violation actions, payment misapplication actions, allegations of wrongdoing in connection with lender-placed insurance and mortgage reinsurance arrangements, claims relating to our property preservation activities, claims related to REO management, claims relating to our written and telephonic communications with our borrowers such as claims under the TCPA and individual state laws, claims related to our payment, escrow and other processing operations, claims relating to fees imposed on borrowers relating to inspection fees, foreclosure attorneys' fees, reinstatement fees, foreclosure registration fees, payment processing, payment facilitation or payment convenience fees, claims related to ancillary products marketed and sold to borrowers, claims related to loan modifications and loan assumptions, claims related to call recordings, claims regarding certifications of our legal compliance related to our participation in certain government programs, claims related to improper occupancy inspections, claims related to untimely recording of mortgage satisfactions, and claims related to tax deficiencies owed by and tax refunds

due to us. In some of these proceedings, claims for substantial monetary damages are asserted against us. For example, we are currently a defendant in various matters alleging that (1) certain fees imposed on borrowers relating to payment processing, payment facilitation or payment convenience violate the FDCA and similar state laws, (2) certain fees we assess on borrowers are improperly assessed and/or marked up improperly in violation of applicable state and federal law, (3) we breached fiduciary duties we purportedly owe to benefit plans due to the discretion we exercise in servicing certain securitized mortgage loans, (4) certain legacy mortgage reinsurance arrangements violated RESPA, (5) we failed to subservice loans appropriately pursuant to subservicing and other agreements, and (6) we did not comply with specific state and federal wage and hour laws for certain non-exempt employees. In the future, we are likely to become subject to other private legal proceedings alleging failures to comply with applicable laws and regulations, including putative class actions, in the ordinary course of our business.

In view of the inherent difficulty of predicting the outcome of any threatened or pending legal proceedings, particularly where the claimants seek very large or indeterminate damages, including punitive damages, or where the matters present novel legal theories or involve a large number of parties, we generally cannot predict what the eventual outcome of such proceedings will be, what the timing of the ultimate resolution will be, or what the eventual loss, if any, will be. Any material adverse resolution could materially and adversely affect our business, reputation, financial condition, liquidity, and results of operations.

Where we determine that a loss contingency is probable in connection with a pending or threatened legal proceeding and the amount of our loss can be reasonably estimated, we record an accrual for the loss. We have accrued for losses relating to threatened and pending litigation that we believe are probable and reasonably estimable based on current information regarding these matters. Where we determine that a loss is not probable but is reasonably possible or where a loss in excess of the amount accrued is reasonably possible, we disclose an estimate of the amount of the loss or range of possible losses for the claim if a reasonable estimate can be made, unless the amount of such reasonably possible loss is not material to our financial position, results of operations or cash flows. It is possible that we will incur losses relating to threatened and pending litigation that materially exceed the amount accrued. Our accrual for probable and estimable legal and regulatory matters, including accrued legal fees, was \$16.3 million at September 30, 2024. We cannot currently estimate the amount, if any, of reasonably possible losses above amounts that have been recorded at September 30, 2024.

As previously disclosed, we are subject to individual lawsuits relating to our FDCA compliance and putative state law class actions based on the FDCA and similar state statutes. We are currently defending a class action lawsuit challenging, under state and federal law, our practice of charging borrowers a fee to use certain optional payment methods, in *Jones v. PHH Mortg. Corp., et al.* (D. NJ), which we have filed a motion to dismiss. On July 23, 2024, the court granted the motion in part, dismissing the majority of the claims. Onity filed an answer to the surviving claims on August 14, 2024. In addition, between November 2022 and June 2023, we settled the previously disclosed cases of *Morris v. PHH Mortg. Corp., et al.* (S.D. FL), *Torliatt v. PHH Mortg. Corp., et al.* (N.D. CA), *Thacker v. PHH Mortg. Corp., et al.* (N.D. WV), *Forest v. PHH Mortg. Corp., et al.* (D. RI), and *Williams v. PHH Mortg. Corp., et al.* (S.D. TX).

In addition, we continue to be involved in legacy matters arising prior to Onity's October 2018 acquisition of PHH Corporation, including a putative class action filed in 2008 in the United States District Court for the Eastern District of California against PHH and related entities alleging that PHH Corporation's legacy mortgage reinsurance arrangements between its captive reinsurer, Atrium Insurance Corporation, and certain mortgage insurance providers violated RESPA. See *Munoz v. PHH Mortgage Corp. et al.* (Eastern District of California). In June 2015, the court certified a class of borrowers who obtained loans with private mortgage insurance through PHH's captive reinsurance arrangement between June 2007 and December 2009. PHH asserted numerous defenses to the merits of the case. Following pre-trial developments in August 2020, the only issues remaining for trial were whether the plaintiffs had standing to bring their claims and whether the reinsurance services provided by PHH Corporation's captive reinsurance subsidiary, Atrium, were actually provided in order for the safe harbor provision of RESPA to apply. In January 2022, the Court denied a motion by the plaintiffs to enter new evidence and a motion by PHH to decertify the class, which motion PHH may renew if the case ultimately goes to trial. Following the entry of this order, at the request of the parties, the Court dismissed all of the plaintiffs' claims for lack of standing and entered judgment in favor of PHH. The plaintiffs appealed to the United States Court of Appeals for the Ninth Circuit, and in February 2023 that court reversed and remanded for further proceedings. Onity will continue to vigorously defend itself. Our current accrual with respect to this matter is included in the \$16.3 million legal and regulatory accrual referenced above. At this time, Onity is unable to predict the outcome of this lawsuit or the possible loss or range of loss, if any, associated with the resolution of such lawsuit. If our efforts to defend this lawsuit are not successful, our business, reputation, financial condition, liquidity and results of operations could be materially and adversely affected.

Onity is a defendant in a certified class action in the U.S. District Court in the Eastern District of California where the plaintiffs claim Onity marked up fees for property valuations and title searches in violation of California state law. See *Weiner v. Ocwen Financial Corp., et al.* In May 2020, the court ruled that plaintiff's recoverable damages are limited to out-of-pocket costs, *i.e.*, the amount of marked-up fees actually paid, rather than the entire cost of the valuation that plaintiffs sought. In October 2023, the parties reached a tentative settlement to resolve the lawsuit prior to trial. A hearing on the parties' motion for preliminary approval was scheduled for February 29, 2024, but the court postponed that hearing pending the submission of

certain additional briefing, which the parties filed on March 8, 2024. On March 29, 2024, the district court entered an order granting preliminary approval of the parties' settlement agreement, and directing notice to the settlement class. The notice process began on April 29, 2024, and continues until September 29, 2025. The Court held a Final Fairness Hearing on September 19, 2024, and on October 10, 2024, the Court entered an order approving the settlement.

We have settled in principle a dispute with a former subservicing client, HSBC Bank USA, N.A. (HSBC). See *HSBC Bank USA, N.A. v. PHH Mortgage Corp.* (Supreme Court of the State of New York). HSBC's claims related to alleged breaches of agreements entered into under a prior subservicing arrangement and origination assistance agreement. In its complaint, HSBC also asserted a claim for fraud, which was dismissed by the Court. PHH answered the complaint and asserted counterclaims against HSBC for breach of contract. PHH filed a motion for summary judgment on December 19, 2022. In June 2024, PHH and HSBC agreed to settle HSBC's claims for \$3.0 million, which amount was previously accrued.

Over the past several years, lawsuits have been filed by RMBS trust investors alleging that the trustees and master servicers breached their contractual and statutory duties by (i) failing to require loan servicers to abide by their contractual obligations; (ii) failing to declare that certain alleged servicing events of default under the applicable contracts occurred; and (iii) failing to demand that loan sellers repurchase allegedly defective loans, among other things. Onity has received several letters from trustees and master servicers purporting to put Onity on notice that the trustees and master servicers may ultimately seek indemnification from Onity in connection with the litigations. Onity has not yet been impleaded into any of these cases, but it has produced and continues to produce documents to the parties in response to third-party subpoenas.

Onity has, however, been impleaded as a third-party defendant into five consolidated loan repurchase cases first filed against Nomura Credit & Capital, Inc. in 2012 and 2013. Onity is vigorously defending itself in those cases against allegations by the mortgage loan seller-defendant that Onity failed to inform its contractual counterparties that it had discovered defective loans in the course of servicing them and had otherwise failed to service the loans in accordance with accepted standards. In September 2023, the Court granted in part Onity's motion for summary judgment, dismissing Nomura's "failure to notify" claim in its entirety; the Court, however, denied Onity's motion with respect to Nomura's second claim alleging failure to service loans in accordance with accepted standards. In May 2024, Onity filed an appeal of the Court's partial denial of Onity's summary judgment motion related to the "negligent servicing" claim. Briefing on that appeal concluded in September 2024. The scope of any resulting trial is uncertain, and thus Onity is unable at this time to predict the ultimate outcome of these matters, the possible loss or range of loss, if any, associated with the resolution of these matters or any potential impact they may have on us or our operations. If, however, we were required to compensate claimants for losses related to the alleged loan servicing breaches, then our business, reputation, financial condition, liquidity and results of operations could be adversely affected.

In addition, several RMBS trustees have received notices of events of default alleging material failures by servicers to comply with applicable servicing agreements. Although Onity has not been sued by an RMBS trustee in response to an event of default notice, there is a risk that Onity could be replaced as servicer as a result of said notices, that the trustees could take legal action on behalf of the trust certificate holders, or, under certain circumstances, that the RMBS investors who issue notices of event of default could seek to press their allegations against Onity, independent of the trustees. We are unable at this time to predict what, if any, actions any trustee will take in response to an event of default notice, nor can we predict at this time the potential loss or range of loss, if any, associated with the resolution of any event of default notice or the potential impact on our operations. If Onity were to be terminated as servicer, or other related legal actions were pursued against Onity, it could have an adverse effect on Onity's business, reputation, financial condition, liquidity, and results of operations.

Regulatory

We are subject to a number of ongoing federal and state regulatory examinations, orders, inquiries, subpoenas, civil investigative demands, requests for information and other actions. We may also on occasion be subject to foreign regulatory actions in the countries where we operate outside the U.S. Where we determine that a loss contingency is probable in connection with a regulatory matter and the amount of our loss can be reasonably estimated, we record an accrual for the loss. Where we determine that a loss is not probable but is reasonably possible or where a loss in excess of the amount accrued is reasonably possible, we disclose an estimate of the amount of the loss or range of possible losses for the claim if a reasonable estimate can be made, unless the amount of such reasonably possible loss is not material to our financial position, results of operations or cash flows. It is possible that we will incur losses relating to regulatory matters that materially exceed any accrued amount. Predicting the outcome of any regulatory matter is inherently difficult and we generally cannot predict the eventual outcome of any regulatory matter or the eventual loss, if any, associated with the outcome.

To the extent that an examination, audit or other regulatory engagement results in an alleged failure by us to comply with applicable laws, regulations or licensing requirements, or if allegations are made that we have failed to comply with applicable laws, regulations or licensing requirements or the commitments we have made in connection with our regulatory settlements (whether such allegations are made through administrative actions such as cease and desist orders, through legal proceedings or otherwise) or if other regulatory actions of a similar or different nature are taken in the future against us, this could lead to (i)

administrative fines and penalties and litigation, (ii) loss of our licenses and approvals to engage in our servicing and lending businesses, (iii) governmental investigations and enforcement actions, (iv) civil and criminal liability, including class action lawsuits and actions to recover incentive and other payments made by governmental entities, (v) breaches of covenants and representations under our servicing, debt or other agreements, (vi) damage to our reputation, (vii) inability to raise capital or otherwise fund our operations and (viii) inability to execute on our business strategy. Any of these occurrences could increase our operating expenses and reduce our revenues, hamper our ability to grow or otherwise materially and adversely affect our business, reputation, financial condition, liquidity and results of operations.

We regularly receive information requests and other inquiries, both formal and informal in nature, from our state financial regulators as part of their general regulatory oversight of our licensed servicing and lending businesses, as well as from state attorneys general, the CFPB and other federal agencies, including the Department of Justice, HUD and various inspectors general. For example, we have received requests regarding the charging of certain fees to borrowers (including our practice of charging borrowers a fee to use certain optional payment methods, or “convenience fees”); the post-boarding process to verify loan and payment terms are properly implemented, calculated, and applied; bankruptcy practices; COVID-19-related forbearance and post-forbearance options; and Homeowner Assistance Fund participation and implementation. Many of our regulatory engagements arise from a complaint that the entity is investigating, although some are formal investigations or proceedings. The GSEs (and their conservator, FHFA), HUD, FHA, VA, Ginnie Mae, the United States Treasury Department, and others also subject us to periodic reviews and audits, and engage with us on various matters. For example, we are currently engaged with several regulators on guidance and applicable law related to borrower convenience fees. We have in the past resolved, and may in the future resolve, matters via consent orders, payments of monetary amounts and other agreements in order to settle issues identified in connection with examinations or other oversight activities, and such resolutions could have material and adverse effects on our business, reputation, operations, results of operations and financial condition. Our current accrual with respect to these matters is included in the \$16.3 million legal and regulatory accrual referenced above.

Loan Put-Back and Related Contingencies

We have exposure to representation, warranty and indemnification obligations relating to our lending, loan sales and securitization activities, and servicing practices. We received origination representations and warranties from our network of approved originators in connection with loans we purchased through our correspondent lending channel. To the extent that we have recourse against a third-party originator, we may recover part or all of any loss we may incur. We do not provide or assume any origination representations and warranties in connection with our MSR purchases.

At September 30, 2024 and September 30, 2023, we had outstanding representation and warranty repurchase demands of \$20.5 million UPB (70 loans) and \$47.7 million UPB (176 loans), respectively. We review each demand and monitor through resolution, primarily through rescission, loan repurchase or make-whole payment.

The following table presents the changes in our liability for representation and warranty obligations and similar indemnification obligations:

	Nine Months Ended September 30,	
	2024	2023
Beginning balance (1)	\$ 32.9	\$ 41.6
Provision for (reversal of) representation and warranty obligations	(3.2)	2.9
Provision for representation and warranty obligations - New production liability	1.7	1.3
Charge-offs and other (2)	(1.2)	(8.3)
Ending balance (1)	<u>\$ 30.2</u>	<u>\$ 37.5</u>

- (1) The liability for representation and warranty obligations and compensatory fees for foreclosures is reported in Other liabilities (a component of Liability for indemnification obligations) on our unaudited consolidated balance sheets.
- (2) Includes reclassification of principal and interest losses in connection with repurchased loans, make-whole, indemnification and fee payments and settlements net of recoveries, if any.

We believe that it is reasonably possible that losses beyond amounts currently recorded for potential representation and warranty obligations and other claims described above could occur, and such losses could have an adverse impact on our results of operations, financial condition or cash flows. However, based on currently available information, we are unable to estimate a range of reasonably possible losses above amounts that have been recorded at September 30, 2024.

Other

We may, from time to time, have affirmative indemnification and other claims against service providers, parties from whom we purchased MSRs or other assets, investors or other parties. Although we pursue these claims, we cannot currently

estimate the amount, if any, of further recoveries. Similarly, from time to time, indemnification and other claims are made against us by parties to whom we sold MSR or other assets or by parties on whose behalf we service mortgage loans. We cannot currently estimate the amount, if any, of reasonably possible loss above amounts recorded.

Note 22 – Subsequent Events

Extension of Rithm Servicing Termination Rights

On October 14, 2024, Onity and Rithm agreed to extend Rithm's termination rights with respect to its subservicing agreements from October 1, 2024 through November 15, 2024. In addition, Onity and Rithm agreed to extend the current terms of the subservicing agreements through February 1, 2025. Onity and Rithm continue to discuss extending their current servicing arrangements. The subservicing UPB subject to termination rights on November 15, 2024 amounted to \$32.9 billion as of September 30, 2024, and the related subservicing fees amounted to \$34.6 million for the nine months ended September 30, 2024. Also refer to Note 20 — Commitments, Client Concentration.

Oaktree Warrant Amendment

On October 23, 2024, pursuant to the Transaction Agreement with Oaktree described in Note 11 - Investment in Equity Method Investee and Related Party Transactions, the warrants held by Oaktree were amended to provide that upon their exercise Oaktree can elect the cash exercise option only with the consent of Onity and, without the consent of Onity, the exercise price can only be paid via the net share settlement option. Previously, Oaktree had the option to pay the exercise price either in cash or via net share settlement. As of September 30, 2024, Oaktree holds 1,184,768 and 261,248 warrants to purchase shares of Onity's common stock at an exercise price of \$26.82 and \$24.31 per share, respectively, subject to anti-dilution adjustments. The amendment will not result in any change in the accounting or presentation of the warrants.

MAM Asset Acquisition and Financing, Preferred Stock Issuance

On October 9, 2024, Onity and PHH entered into a definitive agreement with Mortgage Assets Management, LLC (MAM), a mortgage servicer, and certain investment funds managed by Waterfall Asset Management, LLC that own MAM (collectively "Waterfall") to acquire certain assets of MAM and Waterfall that are currently subserviced by PHH with an estimated book value of \$55.1 million, subject to certain post-closing adjustments ("MAM Asset Acquisition"). Onity had previously entered into a letter of intent with Waterfall on July 26, 2024 in connection with this transaction. The acquired assets include HECM reverse mortgage loans and mortgage servicing rights with a projected UPB of approximately \$3.0 billion (which assets will be reflected on Onity's balance sheet as Loans held for investment, at fair value along with the related borrowings, at fair value), \$20 million in cash, and reverse mortgage buyouts, advances, tails and other related assets.

In consideration of the MAM Asset Acquisition, Onity issued to Waterfall shares of a new series of non-convertible, perpetual preferred stock ("Series B Preferred Stock") with an aggregate liquidation preference amount of \$52.8 million, subject to certain post-closing adjustments. The Series B Preferred Stock will accrue cumulative dividends initially at a rate of 7.875% per year for the first five years, increasing 2.5% each year thereafter up to a maximum rate of 15% per year, which dividends will be payable in cash and in arrears on a quarterly basis when, as and if declared by the board of directors of Onity. After September 15, 2028, Onity will be able to redeem the Series B Preferred Stock, in whole or in part, for cash at a redemption price equal to the liquidation preference plus an amount equal to any accumulated and unpaid dividends thereon. If Onity experiences a change of control, as defined, it would be required to offer to repurchase all of the shares of Series B Preferred Stock at a purchase price equal to 100% of the liquidation preference plus an amount equal to any accumulated and unpaid dividends thereon. The issued shares of Series B Preferred Stock are subject to a Registration Rights Agreement pursuant to which Onity agreed to file a resale registration statement with the Securities and Exchange Commission within 180 days. The preferred stock will be accounted for at their initial fair value less issuance costs and classified as mezzanine equity on our consolidated balance sheet as it is contingently redeemable in the event of a change of control. Net income attributable to Onity common stockholders will be measured as Net income (attributable to Onity stockholders) less Preferred stock dividends.

Concurrently, Onity entered into a Loan and Security Agreement with an entity managed by Waterfall pursuant to which PHH may borrow against certain eligible reverse mortgage assets, as defined, on a revolving basis for two years up to a maximum committed amount ("WAM Financing Agreement"). The maximum committed amount decreases from an initial \$45 million to \$15 million after the first securitization of HECM tails. The obligations of PHH under the Loan and Security Agreement are guaranteed by Onity.

The consummation of the MAM Asset Acquisition, WAM Financing Agreement and Series B Preferred Stock issuance occurred on November 1, 2024. Due to the timing of the transaction, the fair value of the assets acquired and the preferred stock issued on November 1, 2024 has not yet been determined as of the date of issuance of these financial statements.

Issuance of \$500 million PHH Senior Notes due 2029

On November 6, 2024, Onity issued \$500 million aggregate principal amount of 9.875% Senior Notes due 2029 at a price of 99.556% of the principal amount in a syndicated private placement to redeem all of the outstanding \$289.1 million 7.875% PMC Senior Secured Notes due 2026 and \$285.0 million 12% Onity Senior Secured Notes due 2027 subject to certain conditions described below.

The PHH Senior Notes were issued by PHH Escrow Issuer LLC, a special purpose entity wholly-owned and consolidated by PHH Corporation and Onity. Oaktree was allocated \$50 million of the PHH Senior Notes principal amount. The net proceeds from the sale of the PHH Senior Notes, together with approximately \$23 million additional cash from Onity, are placed into escrow pending the satisfaction of certain conditions, including, but not limited to, the consummation of the sale by Onity of its 15% ownership interest in MAV to Oaktree, pursuant to the Transaction Agreement with Oaktree discussed in Note 11 - Investment in Equity Method Investee and Related Party Transactions. We expect to consummate the MAV sale during the fourth quarter of 2024, subject to regulatory approval and customary closing conditions. The total cash proceeds to be received by Onity upon consummation of the MAV Sale are currently expected to be approximately \$49 million resulting in the recognition of a gain on sale of its investment of approximately \$19 million (based on values as of September 30, 2024), excluding transaction costs.

Upon completion of the MAV sale and satisfaction of all escrow conditions, the escrowed proceeds will be released to PHH Corporation as co-issuer and will be used, together with the net proceeds from the MAV sale and available liquidity, to redeem all of the outstanding PMC Senior Secured Notes due 2026 and all of the outstanding Onity Senior Secured Notes due 2027. The PHH Senior Notes will be guaranteed by Onity and certain subsidiaries.

The redemption of all of the outstanding PMC Senior Secured Notes due 2026 and all of the outstanding Onity Senior Secured Notes due 2027 is currently expected to result in the recognition of an estimated \$53 million loss on debt extinguishment due to the accelerated write-off of \$37 million unamortized discount and debt issuance costs, the payment of an \$12 million make-whole redemption premium and \$5 million transaction fee to Oaktree. In addition, a total estimated \$10 million of new debt issuance costs (underwriting, legal and other fees) will be amortized over the life of the PHH Senior Secured Notes due 2029.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in millions, except per share amounts and unless otherwise indicated. Amounts may not add in certain tables due to rounding.)

OVERVIEW

General

We are a leading non-bank mortgage servicer and originator providing solutions through our primary brands, PHH Mortgage and Liberty Reverse Mortgage. PHH is one of the largest non-bank servicers in the country based on UPB, focused on delivering a variety of servicing and lending programs, and is also one of the largest correspondent lenders in the U.S. based on origination UPB. Liberty is one of the nation's largest reverse mortgage lenders and servicer based on origination and securitization UPB, dedicated to education and providing loans that help customers meet their personal and financial needs by drawing upon their home equity. We serviced or subserviced 1.4 million loans with a total UPB of \$298.9 billion on behalf of more than 4,000 investors and 120 subservicing clients as of September 30, 2024. We service all mortgage loan classes, including conventional, government-insured, non-Agency, small-balance commercial and multi-family loans. Our Originations business is part of our balanced business model to generate gains on loan sales and profitable returns, and to support the replenishment and the growth of our servicing portfolio. Through our retail, correspondent and wholesale channels, we originate and purchase conventional and government-insured forward and reverse mortgage loans that we sell or securitize on a servicing retained basis. In addition, we grow our mortgage servicing volume through MSR flow purchase agreements, Agency Cash Window and co-issue programs, bulk MSR purchase transactions, and subservicing agreements. On June 10, 2024, Ocwen Financial Corporation changed its name to Onity Group Inc.

The table below summarizes the volume of Originations by channel on a current and comparative basis. The volume of Originations is a key driver of the profitability of our Originations segment, along with margins, and also a key driver of the replenishment and growth of our Servicing segment. In the third quarter of 2024, we added \$18.5 billion of new volume, mainly \$8.4 billion of new subservicing and \$8.5 billion of new Originations production, as further detailed in the below table.

\$ In billions

	UPB			
	Three Months Ended		Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2024	September 30, 2023
Mortgage servicing originations				
Retail - Consumer Direct MSR (1)	\$ 0.2	\$ 0.2	0.5	\$ 0.3
Correspondent MSR (1)	4.3	4.1	11.1	9.4
Flow and Agency Cash Window MSR purchases	3.8	2.5	7.9	6.6
Reverse mortgage servicing (2)	0.2	0.2	0.5	0.5
Total Originations production	8.5	7.0	20.1	16.7
Bulk MSR purchases (3)	1.5	0.3	2.6	0.4
Total servicing additions	10.1	7.3	22.7	17.1
Interim forward subservicing	2.0	2.0	5.7	4.9
Other new forward subservicing	6.1	9.6	31.7	17.6
Reverse subservicing	0.3	—	0.4	1.3
Total Subservicing additions (4)	8.4	11.6	37.8	23.8
Total servicing and subservicing UPB additions	<u>\$ 18.5</u>	<u>\$ 18.8</u>	<u>60.5</u>	<u>\$ 40.9</u>

- (1) Represents the UPB of loans that have been originated or purchased (funded) during the respective periods and for which we recognize a new MSR on our consolidated balance sheets upon sale or securitization.
- (2) Represents the UPB of reverse mortgage loans that have been securitized on a servicing retained basis. The loans are recognized on our consolidated balance sheets under GAAP without any separate recognition of MSRs.
- (3) Bulk MSR purchases include \$0.9 billion UPB for which PHH was previously performing the subservicing that were purchased from third parties during the third quarter of 2024.
- (4) Includes interim subservicing, including the volume of UPB associated with short-term interim subservicing for certain clients as a support to their originate-to-sell business.

Volume Overview

The following table summarizes the average volume of our Servicing segment, a key driver of the profitability of our Servicing segment, on a current and comparative basis. The relative weight of performing and delinquent loans or servicing and subservicing also drive the amount and timing of gross revenue and expenses. Our average total servicing and subservicing UPB remained flat during the third quarter of 2024 compared to prior quarter.

	Average UPB				\$ Change	
	Three Months Ended		Nine Months Ended		Q3 2024 vs Q2 2024	YTD 2024 vs YTD 2023
	September 30, 2024	June 30, 2024	September 30, 2024	September 30, 2023		
Owned MSR	\$ 122.5	\$ 122.6	\$ 122.7	\$ 124.4	\$ (0.1)	\$ (1.6)
Subservicing (including reverse subservicing)	70.4	67.1	62.5	58.1	3.3	4.4
MAV	49.9	53.3	52.5	50.7	(3.4)	1.9
Rithm	42.6	43.6	43.6	47.6	(1.0)	(3.9)
Other MSR capital partners	9.3	9.0	8.9	3.5	0.3	5.4
Reverse mortgage loans (owned)	8.5	8.2	8.3	7.7	0.3	0.6
Other servicing (including whole loans)	0.9	0.9	0.9	1.0	—	(0.1)
Total servicing and subservicing UPB (average)	\$ 304.2	\$ 304.8	\$ 299.5	\$ 292.9	\$ (0.6)	\$ 6.6

As of September 30, 2024 and June 30, 2024, the total servicing and subservicing UPB amounted to \$298.9 billion and \$304.5 billion, respectively, a net decrease of \$5.6 billion or 2%.

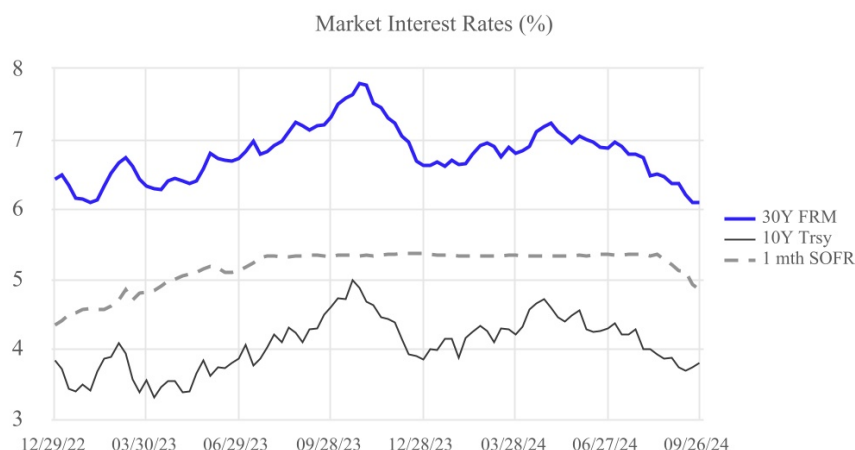
The following table presents key market interest rates which are important drivers of our businesses. As further discussed, the 30-year fixed rate mortgage is a key driver of Originations volume, the 10-year Treasury rate is a key benchmark for MSR valuation and hedging activities, and the 1-month SOFR is a key benchmark for the profitability of our Servicing segment (including float earnings and asset-backed financing cost).

	Three Months Ended		Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2024	September 30, 2023
30-year fixed rate mortgage (FRM) (1)				
Average	6.53%	6.98%	6.75%	6.64%
End of period	6.08%	6.86%	6.08%	7.31%
10-year Treasury rate (end of period)	3.81%	4.36%	3.81%	4.59%
1-month Term SOFR (average)	5.22%	5.33%	5.29%	4.99%

(1) Source: Freddie Mac PMMS - Primary Mortgage Market Survey

Quarter over quarter, the average 30-year fixed rate mortgage rate declined 45 basis points, the 10-year Treasury rate declined by 55 basis points, and the average 1-month term SOFR declined by 11 basis points. When comparing the nine months ended September 30, 2024 to the nine months ended September 30, 2023, the average 30-year fixed rate mortgage rate increased 11 basis points, the 10-year Treasury rate declined by 78 basis points, and the average 1-month term SOFR increased by 30 basis points.

The following graph compares market interest rates over the current and comparative periods:



Financial Highlights

Results of operations for the third quarter of 2024

- Net income of \$21.4 million, or \$2.72 per share basic and \$2.65 per share diluted
- Servicing and subservicing fee revenue of \$211.1 million
- Originations gain on sale of \$16.4 million
- \$8.7 million MSR valuation gain attributable to rate and assumption changes, net of hedging

Financial condition at September 30, 2024

- Stockholders' equity of \$468.2 million, or \$59.50 book value per common share
- MSR investment of \$2.2 billion, and \$298.9 billion total servicing and subservicing UPB
- Cash position of \$201.6 million
- Total assets of \$13.2 billion

Business Strategy

We established the following strategy to return to sustainable profitability and create long-term value for shareholders:

- **Balance and diversification:** Maintain a scale position in origination and servicing to address market-cycle opportunities;
- **Prudent capital-light growth:** Emphasize on capital-light subservicing to drive servicing portfolio UPB growth and emphasize higher margin origination channels and products to drive accretive MSR investments;
- **Industry-leading cost structure:** Optimize cost structure across the organization to achieve industry cost leadership through continuous cost and process improvement, optimizing technology, global operations, and scale;
- **Top-tier operating performance and capabilities:** Delivering industry top-tier servicing operational performance and driving increased borrower and client satisfaction;
- **Dynamic asset management:** Optimize investment returns and liquidity through opportunistic asset purchases and sales, leveraging third party capital sources, including our multi-investor partnership model to fund new MSR origination to deliver value for shareholders, including deleveraging.

Our growth and asset management strategy includes purchasing assets and/or operations of complementary businesses, by means of acquisition, merger or other transaction forms. Our strategy may also include pursuing large transactions, including bulk purchases or sales of MSRs. We have engaged in such transactions in the past, and we continue to explore opportunities that may be accretive to our business and stockholders' value.

Results of Operations and Financial Condition

The following discussion and analysis of our results of operations and financial condition should be read in conjunction with our unaudited consolidated financial statements and the related notes appearing elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and related notes and management's discussion and analysis of financial condition and results of operations appearing in our Annual Report filed on Form 10-K for the fiscal year ended December 31, 2023. In our discussion of results of operations, we compare our current quarterly results to the immediately preceding quarter, and current year-to-date results to the corresponding year-to-date results of the preceding year.

Condensed Statements of Operations	Three Months Ended			Nine Months Ended		
	September 30,	June 30,	% Change	September 30,	September 30,	% Change
	2024	2024		2024	2023	
Revenue	\$ 265.7	\$ 246.4	8%	751.2	\$ 789.4	(5)%
MSR valuation adjustments, net	(31.5)	(32.7)	(4)	(75.8)	(134.2)	(44)
Operating expenses	112.4	104.0	8	320.8	308.4	4
Other income (expense), net	(94.1)	(96.2)	(2)	(281.7)	(359.2)	(22)
Income (loss) before income taxes	27.6	13.5	105	72.9	(12.5)	(686)
Income tax expense	6.3	3.0	109	10.9	3.8	189
Net income (loss)	\$ 21.4	\$ 10.5	103%	\$ 62.0	\$ (16.2)	(482)%
Segment income (loss) before income taxes						
Servicing	\$ 47.7	\$ 32.6	46%	\$ 134.3	\$ 27.7	384 %
Originations	10.2	9.4	8	20.7	(2.2)	n/m
Corporate Items and Other	(30.2)	(28.5)	6	(82.1)	(38.0)	116
	\$ 27.6	\$ 13.5	105%	\$ 72.9	\$ (12.5)	(686)%

n/m: not meaningful

Onity reported \$21.4 million net income in the third quarter of 2024, an increase of \$10.9 million compared to the second quarter of 2024, mostly driven by the following:

- A \$19.3 million increase in revenue, mostly attributed to our Servicing segment due to a \$9.6 million favorable change in fair value of loans held for sale attributed to market interest rate declines and favorable assumption updates on reverse buyouts and \$9.1 million additional gains on our reverse mortgage portfolio of loans held for investment and HMBS-related borrowings. The reverse portfolio gains in the third quarter are driven by a decline in market interest rates (vs. an increase in the second quarter) and are part of our MSR hedge strategy.
- Mostly flat MSR valuation adjustments, net with the net loss in both quarters driven by the MSR realization of expected cash flows or runoff. In both the second and third quarters of 2024, the fair value changes of the MSR exposure due to interest rates were largely offset with hedging derivatives.
- An \$8.5 million increase in Operating expenses, primarily due to reimbursements received in the second quarter of 2024 from mortgage loan investors related to prior year legal expenses and payments following resolution of legacy litigation matters, and a higher estimated annual cash awards expense based on our year-to-date financial performance.
- A \$3.3 million increase in Income tax expense, mostly due to the increase in pre-tax earnings.

When comparing to the nine months ended September 30, 2024, the statement of operations for the nine months ended September 30, 2023 reflects \$95.3 million servicing fees collected on behalf of and remitted to Rithm and reported gross, both as Revenue (Servicing and subservicing fees) and as Other income (expense), net (Pledged MSR liability expense) associated with the MSR that achieved sale accounting treatment on December 31, 2023, with no impact on Net income (loss). On December 31, 2023, we derecognized from our balance sheet \$421.7 million non-Agency MSRs and Pledged MSR liability associated with Rithm servicing agreements with a UPB of \$33.4 billion for which MSR sale accounting criteria was met. As PHH continues to subservice the portfolio, our statement of operations in 2024 reflects subservicing fee revenue as opposed to the gross presentation of servicing fee revenue and offsetting servicing fee remittances within Pledged MSR liability expense, a component of Other income (expense), net, prior to December 31, 2023. These required presentation changes do not affect the amount of net fee retained by Onity in connection with the Rithm servicing agreements.

Total Revenue

The below table presents total revenue by type and segment:

Revenue	Three Months Ended			Nine Months Ended		
	September 30, 2024	June 30, 2024	% Change	September 30, 2024	September 30, 2023	% Change
Servicing and subservicing fees	\$ 211.1	\$ 210.8	— %	\$ 626.5	\$ 707.5	(11)%
Reverse mortgage revenue, net	18.0	8.5	113 %	41.9	21.5	95 %
Gain on loans held for sale, net	25.8	16.5	57 %	53.2	36.3	47 %
Other revenue, net	10.8	10.6	1 %	29.6	24.0	23 %
Total revenue	\$ 265.7	\$ 246.4	8 %	\$ 751.2	\$ 789.4	(5)%
Servicing	\$ 236.1	\$ 217.2	9 %	\$ 672.3	\$ 734.3	(8)%
Originations	29.6	29.2	1	78.9	55.2	43
Corporate	—	—	n/m	—	—	n/m
Total segment revenue	\$ 265.7	\$ 246.4	8 %	\$ 751.2	\$ 789.4	(5)%

n/m: not meaningful

Total segment revenue for the three months ended September 30, 2024 increased \$19.3 million, or 8% compared to the three months ended June 30, 2024 due to an \$18.9 million increase in Servicing revenue and a \$0.4 million increase in Originations revenue. The increase in Servicing revenue is driven by a \$9.6 million increase in Gain on loans held for sale, net mostly attributed to reverse mortgage loan buyouts in the third quarter of 2024, and a \$9.1 million increase in Gain on reverse loans held for investment and HMBS-related borrowings, net driven by a favorable decline in market rates (vs. an increase in the second quarter), partially offset by unfavorable yield spread widening (vs. favorable tightening in the second quarter). In addition, servicing and subservicing fees increased by \$0.1 million with offsetting factors as float earnings increased with seasonally higher average float balances, offset by a decrease in servicing fees mostly due to MAV's sale of MSRs (previously sold by Onity to MAV in a transaction which did not qualify for sale accounting treatment) during the three months ended June 30, 2024.

Compared to the nine months ended September 30, 2023, total segment revenue for the nine months ended September 30, 2024 was \$38.2 million or 5% lower, due to a \$62.0 million decline in Servicing revenue offset by a \$23.7 million increase in Originations revenue.

- The decline in Servicing revenue is mostly due to an \$81.4 million decrease in servicing and subservicing fees largely due to the effects of our accounting derecognition of MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023, as discussed above (\$95.3 million fees collected and remitted to Rithm recognized in the nine months ended September 30, 2023). Partially offsetting this decrease, Gain on reverse loans held for investment and HMBS-related borrowings, net increased \$19.4 million due to a decrease in market rates vs. an increase in the prior year period and yield spread tightening vs. widening in the prior year period.
- The increase in Originations revenue is primarily driven by an \$18.9 million increase in Gain on loans held for sale, net (forward loans) due to an increase in volume and margin for both our Correspondent and Consumer Direct channel. The increase in Correspondent volume is mostly attributed to our owned MSR replenishment strategy after the opportunistic MSR bulk sales in 2024. The increase in Consumer Direct volume is driven by the recent decline in interest rates generating additional recapture opportunities.

MSR Valuation Adjustments, Net

The table below presents the key components of MSR valuation adjustments, net which include MSRs, MSR pledged liabilities and ESS financing liabilities at fair value, together with MSR hedging derivatives:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2024	September 30, 2023
Realization of expected cash flows (runoff)	\$ (40.2)	\$ (38.0)	\$ (118.2)	\$ (107.0)
Fair value gains (losses) due to rate and assumption changes	(45.6)	56.0	92.4	92.5
MSR hedging derivative fair value gain (loss)	54.3	(50.6)	(50.0)	(119.7)
MSR valuation adjustments, net (1)	\$ (31.5)	\$ (32.7)	\$ (75.8)	\$ (134.2)

(1) Excludes fair value changes of reverse mortgage loans held-for-investment and HMBS related borrowing due to rates and assumptions that are part of the MSR hedging strategy. Refer to MSR Hedging Strategy section of Item 3. Quantitative and Qualitative Disclosures about Market Risks for further detail and the discussion below within Servicing.

The \$31.5 million loss on MSR valuation adjustments, net for the three months ended September 30, 2024 is comprised of \$40.2 million runoff, \$45.6 million fair value loss attributed to rate and assumption changes and \$54.3 million gain on MSR hedging derivatives. As we maintained a high hedge coverage ratio in both quarters, the \$1.2 million lower loss in MSR valuation adjustments, net in the three months ended September 30, 2024 compared to the three months ended June 30, 2024 is largely driven by lower hedge costs in the third quarter of 2024 and certain favorable assumption updates to reflect actual market trade pricing levels.

- MSRs are subject to runoff, a fair value decline due to the realization of expected cash flows and yield based on projected borrower behavior, including scheduled amortization of the loan UPB together with projected voluntary and involuntary prepayments. The unfavorable \$2.2 million higher runoff quarter-over-quarter is mostly due to the impact of lower market rates on expected cash flows.
- The \$45.6 million fair value loss due to rate and assumption changes is attributed to a decline in interest rates in the quarter, partially offset by favorable assumption updates to reflect market participant perspectives on MSRs and actual market trade pricing levels. The change from a \$56.0 million fair value gain in the three months ended June 30, 2024 to a \$45.6 million fair value loss in the three months ended September 30, 2024 is mostly driven by changes in market interest rates as the 10-year Treasury rate declined 55 basis points in the three months ended September 30, 2024 and increased 16 basis points in the three months ended June 30, 2024.
- MSR hedging derivative fair value gains or losses are designed to partially offset the expected fair value losses or gains, respectively, of the net MSR, MSR pledged liabilities and ESS exposure, commensurate with our target hedge coverage ratio. The \$54.3 million derivative gain recognized in the three months ended September 30, 2024 is primarily driven by the rate decrease discussed above. Also refer to Item 3. Quantitative and Qualitative Disclosures about Market Risk for further detail on our hedging strategy and its effectiveness.

For the nine months ended September 30, 2024, the \$75.8 million loss on MSR valuation adjustments, net is comprised of \$118.2 million runoff, \$92.4 million fair value gain attributed to rate and assumption changes and \$50.0 million loss on MSR hedging derivatives.

- The unfavorable \$11.2 million increase in runoff is mostly due to the impact of lower market rates on expected cash flows and our replenishment of lower note rate MSRs sold in 2023 with new higher note rate originations.
- Fair value changes attributed to rates and assumptions remained flat. The market interest rate impact as the 10-year Treasury rate declined 7 basis points during the nine months ended September 30, 2024 compared to an increase of 71 basis points during the same period of 2023 was offset by certain favorable assumption updates in the nine months ended September 30, 2024 to reflect actual market trade pricing levels.
- The \$69.7 million lower loss from derivatives is mainly due to the market interest rate changes noted above, and the impact of our hedge coverage ratio. During the first nine months of 2023, we gradually increased our minimum hedge coverage ratio from 25% to 60%, with the minimum increasing to 95% in December 2023, adjusted to 90% in April 2024.

Operating Expenses

The table below presents the key components of operating expenses:

	Three Months Ended			Nine Months Ended		
	September 30, 2024	June 30, 2024	% Change	September 30, 2024	September 30, 2023	% Change
Compensation and benefits	\$ 59.5	\$ 55.0	8 %	\$ 168.1	\$ 171.4	(2)%
Servicing and origination	11.1	13.9	(21)	40.0	48.8	(18)
Technology and communications	13.2	13.0	2	38.9	39.5	(1)
Professional services	17.3	10.7	61	40.1	9.9	306
Occupancy, equipment and mailing	7.9	7.5	5	23.1	24.2	(4)
Other expenses	3.4	3.9	(11)	10.6	14.7	(28)
Total operating expenses	\$ 112.4	\$ 104.0	8 %	\$ 320.8	\$ 308.4	4 %
Servicing	\$ 69.6	\$ 63.1	10 %	\$ 203.3	\$ 234.2	(13)%
Originations	22.2	22.0	1	63.2	62.1	2
Corporate	20.6	18.9	9	54.3	12.1	350
	\$ 112.4	\$ 104.0	8 %	\$ 320.8	\$ 308.4	4 %
Average headcount	4,305	4,374	(2)%	4,391	4,700	(7)%

Compensation and benefits expense for the three months ended September 30, 2024 increased \$4.6 million, or 8% compared to the three months ended June 30, 2024, largely due to higher estimated annual cash awards expense based on our year-to-date financial performance.

Compared to the nine months ended September 30, 2023, Compensation and benefits expense for the nine months ended September 30, 2024 decreased \$3.3 million, or 2% largely due to a decrease in salaries and benefits, offset in part by an increase in estimated annual cash awards expense discussed above. Our total average headcount declined 7%, mostly due to efficiencies in Servicing and runoff of our reverse subservicing portfolio.

Servicing and origination expense for the three months ended September 30, 2024 decreased \$2.9 million compared to the three months ended June 30, 2024, mostly driven by the reversal of a liability for representation and warranty indemnification obligations due to a favorable settlement in the third quarter of 2024.

Compared to the nine months ended September 30, 2023, Servicing and origination expenses for the nine months ended September 30, 2024 decreased \$8.7 million mostly due to an \$11.5 million decrease in Servicing, partially offset by \$2.4 million incremental expenses in Originations. The decline in Servicing expense is primarily attributed to the release of indemnification obligations driven by recoveries and favorable resolutions in the nine months ended September 30, 2024, partially offset by higher provision expense on reverse servicing portfolio related advances and higher loss adjustment expense in line with higher reinsurance premiums assumed. The increase in Originations expense is mostly driven by higher production volume and a provision release for representation and warranty indemnification obligations recorded in the first nine months of 2023 due to favorable resolution of demands.

Professional services expense for the three months ended September 30, 2024 increased \$6.6 million compared to the three months ended June 30, 2024 primarily due to reimbursements received in the second quarter of 2024 from mortgage loan investors related to prior year legal expenses and payments following favorable resolution of legacy litigation matters.

Compared to the nine months ended September 30, 2023, Professional services expense for the nine months ended September 30, 2024 increased \$30.2 million primarily due to the reversal of our loss contingency accrual related to the CFPB matter resolved in our favor in the second quarter of 2023 and an increase in other litigation-related expenses recognized in the nine months ended September 30, 2024, largely offset by the reimbursements received in the second quarter of 2024 related to legacy litigation matters.

Other Income (Expense)

	Three Months Ended			Nine Months Ended		
	September 30, 2024	June 30, 2024	% Change	September 30, 2024	September 30, 2023	% Change
Interest income	\$ 24.5	\$ 22.5	9 %	\$ 64.5	\$ 60.2	7 %
Interest expense	(74.2)	(73.1)	2	(214.6)	(204.8)	5
Net interest expense	\$ (49.7)	\$ (50.5)	(2)%	\$ (150.1)	\$ (144.6)	4 %
Pledged MSR liability expense	(42.3)	(46.1)	(8)	(133.3)	(219.8)	(39)
Earnings of equity method investee	0.8	3.1	(74)	6.7	5.9	13
Gain on extinguishment of debt	0.3	—	n/m	1.8	1.2	50
Other, net	(3.3)	(2.7)	23	(6.7)	(1.9)	251
Other income (expense), net	\$ (94.1)	\$ (96.2)	(2)%	\$ (281.7)	\$ (359.2)	(22)%

Net interest expense for the three months ended September 30, 2024 remained mostly flat compared to the three months ended June 30, 2024. Compared to the nine months ended September 30, 2023, Net interest expense for the nine months ended September 30, 2024 increased \$5.5 million, mostly driven by the additional financing cost incurred in connection with our acquisition and securitization of reverse mortgage buyouts and the second lien PLS MSR financing facility entered into in March 2024. The increase in average short-term market interest rates in the first nine months of 2024 compared to the first nine months of 2023, on our variable rate borrowings was mostly offset by the decline in our average debt balances for servicing advances due to our collection efforts and lower Corporate debt interest expense attributed to our partial debt repayment.

During March 2024 and September 2024, we repurchased a total of \$47.4 million and \$23.5 million, respectively, of the PMC Senior Secured Notes for a price of \$45.5 million and \$23.0 million, and recognized a gain of \$1.4 million and \$0.3 million on debt extinguishment, net of the associated write-off of unamortized discount and debt issuance costs. During September 2023, we repurchased a total of \$13.9 million of the PMC Senior Secured Notes for a price of \$12.5 million and recognized a \$1.2 million gain on debt extinguishment, net of the associated write-off of unamortized discount and debt issuance costs.

Refer to Servicing segment for discussion of Pledged MSR liability expense (primarily impacted by the accounting presentation change of the derecognized Rithm MSR on December 31, 2023) and Earnings of equity method investee (predominantly impacted by the fair value changes of MAV's MSR portfolio).

Income Tax Expense (Benefit)

	Three Months Ended			Nine Months Ended		
	September 30, 2024	June 30, 2024	% Change	September 30, 2024	September 30, 2023	% Change
Income tax expense	\$ 6.3	\$ 3.0	109 %	\$ 10.9	\$ 3.8	189 %
Income (loss) before income taxes	\$ 27.6	\$ 13.5	105	\$ 72.9	\$ (12.5)	(686)
Effective tax rate	22.7 %	22.2 %	2 %	15.0 %	(30.3)%	(149)%

Our annual effective tax rate is generally lower than the 21% federal statutory income tax rate primarily due to the full valuation allowance recorded on our net U.S. federal and state deferred tax assets. We evaluated all positive and negative evidence to determine whether it is more likely than not that the deferred tax asset can be realized in future periods and determined that a full valuation allowance at September 30, 2024 remains appropriate.

Our income tax expense is primarily driven by the jurisdictional mix of our earnings. The increase in the effective tax rate for the nine months ended September 30, 2024 compared to the same period of 2023 is primarily due to recognizing income tax expense in the U.S. driven by the increase in pre-tax earnings.

Under our transfer pricing agreements, our operations in India and Philippines are compensated on a cost-plus basis for the services they provide, such that even when we have a consolidated pre-tax loss from operations these foreign operations have taxable income, which is subject to statutory tax rates in these jurisdictions that are higher than the U.S. statutory rate of 21%.

Financial Condition

Financial Condition Summary	September 30, 2024	December 31, 2023	\$ Change	% Change
Cash and cash equivalents	\$ 201.6	\$ 201.6	\$ —	— %
Restricted cash	78.5	53.5	25.0	47
MSRs, at fair value	2,223.6	2,272.2	(48.7)	(2)
Advances, net	522.7	678.8	(156.1)	(23)
Loans held for sale	1,197.7	677.3	520.4	77
Loans held for investment, at fair value	8,331.5	7,975.5	356.0	4
Receivables, net	172.2	154.8	17.4	11
Investment in equity method investee	30.6	37.8	(7.2)	(19)
Premises and equipment, net	11.7	13.1	(1.4)	(11)
Other assets	95.8	106.2	(10.3)	(10)
Contingent loan repurchase asset	360.9	343.0	17.8	5
Total assets	\$ 13,226.7	\$ 12,513.7	\$ 713.0	6 %
Total Assets by Segment				
Servicing	\$ 12,110.2	\$ 11,687.6	\$ 422.6	4 %
Originations	856.6	551.9	304.7	55
Corporate Items and Other	259.9	274.3	(14.3)	(5)
	\$ 13,226.7	\$ 12,513.7	\$ 713.0	6 %
HMBS-related borrowings, at fair value	\$ 8,132.5	\$ 7,797.3	\$ 335.1	4 %
Other financing liabilities, at fair value	826.2	900.0	(73.8)	(8)
Advance match funded liabilities	377.2	499.7	(122.5)	(25)
Mortgage loan financing facilities, net	1,355.9	710.6	645.3	91
MSR financing facilities, net	804.8	916.2	(111.4)	(12)
Senior notes, net	535.1	595.8	(60.7)	(10)
Other liabilities	366.0	349.3	16.7	5
Contingent loan repurchase liability	360.9	343.0	17.8	5
Total liabilities	12,758.5	12,111.9	646.6	5 %
Total stockholders' equity	468.2	401.8	66.4	17
Total liabilities and equity	\$ 13,226.7	\$ 12,513.7	\$ 713.0	6 %
Total Liabilities by Segment				
Servicing	\$ 11,643.3	\$ 11,276.5	\$ 366.9	3 %
Originations	822.8	517.5	305.4	59
Corporate Items and Other	292.4	318.0	(25.6)	(8)
	\$ 12,758.5	\$ 12,111.9	\$ 646.6	5 %
Book value per share	\$ 59.50	\$ 52.29	\$ 7.21	14 %

Total assets increased \$713.0 million, or 6%, between December 31, 2023 and September 30, 2024 with a \$520.4 million increase in our Loans held for sale portfolio driven by the growth our Originations pipeline and our acquisition of reverse mortgage buyouts and a \$356.0 million fair value increase in reverse Loans held for investment mostly driven by capitalization of interest. These increases were offset in part by a \$156.1 million decline in servicing advances that was largely driven by seasonal reduction of balances and a \$48.7 million decrease in our MSR portfolio due to MSR sales and derecognition of MSRs previously sold to MAV, offset in part by fair value gains attributed to rates and assumptions and new additions in excess of runoff.

Total liabilities increased by \$646.6 million, or 5%, compared to December 31, 2023, due largely to factors described above. Our borrowings under Mortgage loan financing facilities increased \$645.3 million due to the higher loans held for sale balance at September 30, 2024, including the issuance of OLIT Notes in 2024 in connection with the securitization of reverse mortgage loan buyouts. Our HMBS-related borrowings increased by \$335.1 million mostly due to fair value changes attributable to interest. Partially offsetting these increases, Advance match funded liabilities decreased \$122.5 million consistent with the decline in servicing advances driven by our collection efforts, and Senior notes, net decreased \$60.7 million mostly due to our repurchases of PMC Senior Secured Notes during the first and third quarters of 2024. MSR financing facilities declined \$111.4 million with a decrease in our MSR portfolio and lower utilization of available borrowing capacity at September 30, 2024. Other financing liabilities declined by \$73.8 million primarily due to the derecognition of MSRs previously sold to MAV.

Total equity increased \$66.4 million during the nine months ended September 30, 2024, mainly due to \$62.0 million net income for the period and \$2.9 million compensation related to equity-classified awards.

Also refer to Key Trends and Outlook below and Note 22 – Subsequent Events for discussion of recent asset acquisitions and financing transactions.

Key Trends and Outlook

The following discussion provides information regarding certain key drivers of our financial performance and includes certain forward-looking statements that are based on the current beliefs and expectations of Onity's management and are subject to significant risks and uncertainties. Refer to Forward-Looking Statements beginning on page 2 of this Form 10-Q and Part I, Item 1.A. of our Annual Report on Form 10-K for the year ended December 31, 2023, for discussion of certain of those risks and uncertainties and other factors that could cause Onity's actual results to differ materially because of those risks and uncertainties. There is no assurance that actual results will be in line with the outlook information set forth below, and Onity does not undertake to update any forward-looking statements. Refer to the Segment results of operations section for further detail, the description of our business environment, initiatives and risks.

Servicing and subservicing fee revenue - Our servicing fee revenue is a function of the volume being serviced - UPB for servicing fees and loan count for subservicing fees. We expect we will continue to grow our servicing and subservicing portfolio through our multi-channel Originations platform and through MSR capital partners, with an emphasis on subservicing. We expect ancillary float income to trend with short-term interest rates considering seasonal changes in average float balances.

Gain on sale of loans held for sale - Our gain on sale is driven by both volume and margin and is channel-sensitive. The updated industry forecasts suggest an increase in loan origination in 2025 driven by lower interest rates. We anticipate growth in our Consumer Direct channel considering the updated industry forecast and our increased recapture capabilities. We expect to continue to prudently grow our Correspondent volume at margins that are accretive to the business as part of our MSR replenishment and growth strategy after the opportunistic MSR bulk sales in 2024. We expect continued competitive pressure on margins across all channels.

Gain on reverse loans held for investment and HMBS-related borrowings, net - The reverse mortgage origination gain is driven by the same factors as gain on sale of loans held for sale, with smaller volumes in the reverse mortgage market and generally larger margins. With our experience and brand in the marketplace, we expect to continue to maintain or prudently grow our portfolio albeit with some channel mix changes. We expect continued uncertain market interest rate and spread conditions. The fair value of the net reverse servicing asset is expected to continue to follow market conditions, with fair value gains or losses generally associated with declining or increasing interest rates and spread, respectively, and is part of our forward MSR hedging strategy. On November 1, 2024, we completed the acquisition of \$3.0 billion UPB of HECM loans along with HMBS-related borrowings and other assets from MAM that we subserviced. We expect higher net interest income (reported as fair value changes) due to higher UPB and increased volatility in fair value changes that we expect would largely be offset with our MSR hedging strategy, refer to Note 22 – Subsequent Events and Item 3. Quantitative and Qualitative Disclosures About Market Risk for further detail on our hedge strategy.

MSR valuation adjustments, net - Our net MSR fair value changes include multiple components. First, amortization of our investment is a function of the UPB, capitalized value of the MSR relative to the UPB, and prepayments. We expect the MSR realization of expected cash flows to generally follow the growth or size of our MSR portfolio net of ESS financing liabilities and pledged MSR liabilities with our MSR capital partners. Second, MSR fair value changes are driven by changes in interest rates and assumptions, such as forecasted prepayments. Third, the MSR fair value changes due to changes in interest rates are partially offset by derivative fair value changes that economically hedge the MSR portfolio to the extent of our hedge coverage ratio and hedge performance. Refer to the sensitivity analysis in Item 3. Quantitative and Qualitative Disclosures About Market Risk for further detail.

Operating expenses - Compensation and benefits are a significant component of our cost-to-service and cost-to-originate and is directly correlated to headcount levels. Headcount in Servicing is primarily driven by the number of loans or UPB being serviced and subserviced, and by the relative mix of performing, delinquent and defaulted loans. As servicing volume is

expected to modestly increase (see above), we expect a stable workforce with productivity gains. We expect our Originations headcount and operating expenses to align with the expected growth in volume. Our operating expenses are expected to correlate with volumes, with some productivity and efficiencies expected through our technology and continuous improvement initiatives.

Net interest expense - Interest expense varies based on changes in average debt balance and changes in interest rate on our variable rate debt. The average balance of collateralized financing facilities trends with the balance of the underlying assets discussed above (including MSR, advances and loans). We expect interest expense on our collateralized financing facilities to trend with short-term interest rate changes. Interest expense on our warehouse loan facilities is expected to be largely offset by interest income on our Originations pipeline loans. We also expect interest expense on our corporate debt to decline upon the consummation of our refinancing transactions, refer to Note 22 – Subsequent Events.

Stockholders' equity - With the above considerations, we expect our businesses to continue to generate net income and increase our equity in 2025, absent any significant adverse change in interest rates, hedge performance or other factors. We also expect our profitability in the fourth quarter of 2024 to be negatively affected by our refinancing transactions, partly offset by the expected gain on MAV sale. Conversely, we expect our profitability in 2025 to be favorably impacted by our refinancing transactions, with an overall lower interest expense on our corporate debt after consideration of preferred stock dividend. Refer to Note 22 – Subsequent Events.

SEGMENT RESULTS OF OPERATIONS

Our activities are organized into two reportable business segments that reflect our primary lines of business - Servicing and Originations - as well as a Corporate Items and Other segment.

SERVICING

We earn contractual monthly servicing fees pursuant to servicing agreements pertaining to MSRs we own, which are typically payable as a fixed percentage of UPB, as well as ancillary fees that include float earnings, late fees, and other fees, where permitted. We also earn fees under subservicing arrangements with other institutions that own MSRs, which are typically on a per-loan basis and vary based on loan delinquency status.

As of September 30, 2024, we serviced 1.4 million mortgage loans with an aggregate UPB of \$298.9 billion.

Concentration

Rithm is one of our largest subservicing clients accounting for \$42.2 billion, or 14% of the UPB and 25% of the loan count of our total servicing and subservicing portfolio as of September 30, 2024, and approximately 64% of all delinquent loans that Onity services. The servicing agreements automatically renew annually unless notice of termination is provided. Refer to Note 8 — Other Financing Liabilities, at Fair Value and Note 22 – Subsequent Events.

MAV represented \$41.9 billion, or 14% of the UPB and 11% of the loan count of our total servicing and subservicing portfolio as of September 30, 2024. In May 2021, PHH entered into a subservicing agreement with MAV for exclusive rights to service the mortgage loans underlying MSRs owned by MAV. MAV provides us with a source of additional subservicing volume, either with the MSRs that MAV purchases outright from third parties or with the MSRs that MAV purchases from PHH. Refer to Note 11 - Investment in Equity Method Investee and Related Party Transactions and Note 22 – Subsequent Events.

Loan Resolutions

We have a strong track record of success as a leader in the servicing industry in foreclosure prevention and loss mitigation that helps homeowners stay in their homes and improves financial outcomes for mortgage loan investors. Reducing delinquencies also enables us to recover advances and recognize additional ancillary income such as late fees, which we do not recognize on delinquent loans until they are brought current. Loan resolution activities address the pipeline of delinquent loans and generally lead to (i) modification of the loan terms, (ii) repayment plan alternatives, (iii) a discounted payoff of the loan (e.g., a “short sale”), or (iv) foreclosure or deed-in-lieu-of-foreclosure and sale of the resulting REO. Loan modifications must be made in accordance with the applicable servicing agreement as such agreements may require approvals or impose restrictions upon, or even forbid, loan modifications. To select an appropriate loan modification option for a borrower, we perform a structured analysis, using a proprietary model, of all options using information provided by the borrower as well as external data, including recent broker price opinions to value the mortgaged property. Our proprietary model includes, among other things, an assessment of re-default risk.

Advance Obligation

As a servicer, we are generally obligated to advance funds in the event borrowers are delinquent on their monthly mortgage related payments. We advance principal and interest (P&I Advances), taxes and insurance (T&I Advances) and legal fees, property valuation fees, property inspection fees, maintenance costs and preservation costs on properties that have been foreclosed (Corporate Advances). For certain loans in non-Agency securitization trusts, we have the ability to cease making P&I advances and immediately recover advances previously made from the general collections of the respective trust if we determine that our P&I advances cannot be recovered from the projected future cash flows. With T&I and Corporate advances, we continue to advance if net future cash flows exceed projected future advances without regard to advances already made.

Most of our advances have the highest reimbursement priority (i.e., they are “top of the waterfall”), so we are entitled to repayment from respective loan or REO liquidation proceeds before any interest or principal is paid on the bonds that were issued by the trust. In the majority of cases, advances in excess of respective loan or REO liquidation proceeds may be recovered from pool-level proceeds. The costs incurred in meeting these obligations consist principally of the interest expense incurred in financing the servicing advances. Most subservicing agreements, including our agreements with Rithm and MAV, provide for prompt reimbursement of any advances from the owner of the servicing rights.

MSR Valuation Adjustments

The financial performance of our Servicing segment is impacted by the changes in fair value of the MSR portfolio due to changes in market interest rates, among other factors. Our MSR hedging policy is designed to reduce the expected volatility of the MSR portfolio fair value due to market interest rates commensurate with the target hedge coverage ratio determined by our Market Risk Committee. Refer to Item 3. Quantitative and Qualitative Disclosures about Market Risk for further detail on our hedging strategy.

We report all fair value changes of our MSR portfolio and MSR hedges within MSR valuation adjustments, net. MSR valuation adjustments, net includes the loss on the MSR portfolio associated with the realization of its expected cash flows, or runoff, due to the passage of time, and any fair value gains or losses due to inputs, market interest rates or assumptions, net of hedging gains and losses. Included in MSR valuation adjustments, net are fair value gains and losses of the MSR pledged liability associated with the MSR transfers that do not meet sale accounting and the ESS financing liabilities for which we elected the fair value option and that is collateralized by MSRs.

Reverse Mortgages

We originate and purchase reverse mortgage loans through our Originations business, under the guidelines of the HECM reverse mortgage insurance program of the FHA. Loans are generally insured by the FHA, which provides protection against risk of borrower default, and are securitized through the Ginnie Mae program. As the securitization of reverse mortgage loans does not achieve sale accounting treatment, the loans remain on our balance sheet as Loans held for investment, at fair value together with the securitization HMBS-related borrowings, at fair value.

Our servicing activities of reverse loans are generally consistent with forward mortgage loan servicing as described above, with the following additional functions: the funding of borrower advances or draws under their approved borrowing capacity and the repurchase of loans upon reaching a limit:

- a. *Borrower draw funding obligation* - Under the terms of ARM-based HECM loan agreements, the borrowers have additional borrowing capacity. Any borrower draws or tails are funded by the servicer and are securitized. We do not incur any substantive underwriting, marketing or compensation costs in connection with any future draws, although we must maintain sufficient capital resources and available borrowing capacity to ensure that we are able to fund these future draws prior to securitization with Ginnie Mae (generally less than 30 days). Also refer to Liquidity and Capital Resources, Use of Funds.
- b. *Loan repurchase obligation* - As an HMBS issuer, we are required to purchase loans out of the Ginnie Mae securitization pools once they reach 98% of the maximum claim amount (MCA buyouts). Active buyouts are assigned to HUD and payment is received from HUD through a claims process, generally within 30 days. HUD reimburses us for the outstanding principal balance on the loan up to the maximum claim amount; we bear the risk of exposure if the outstanding balance on a loan exceeds the maximum claim amount. Inactive buyouts (loans that are in default for one of the following reasons - title conveyances or the borrower is deceased, no longer occupies the property or is delinquent on tax and insurance payments) are generally liquidated through foreclosure and subsequent sale of REO. State specific foreclosure and REO liquidation timelines have a significant impact on the timing and amount of our recovery. If we are unable to sell the property securing the inactive reverse loan for an acceptable price within the timeframe established by HUD (six months), we are required to make an appraisal-based claim to HUD. In such cases, HUD reimburses us for the loan balance, eligible expenses and interest, less the appraised value of the underlying property. Thereafter, all the risks and costs associated with maintaining and liquidating the property remains with us; we may incur additional losses on REO properties as they progress through the liquidation processes related to delayed

timelines due to market conditions, sales commissions, property preservation costs or property tax and insurance advances. The significance of future losses associated with appraisal-based claims is dependent upon the volume of inactive loans, condition of foreclosed properties and the general real estate market.

The Gain on reverse loans held for investment and HMBS-related borrowings, net reported within the Servicing segment includes the net fair value changes of securitized reverse mortgage loans held for investment and HMBS-related borrowings, that comprise the following:

- contractual interest income earned on securitized reverse mortgage loans, or HECM loans, net of interest expense on HMBS-related borrowings, that is, on a net basis, the servicing fee we are contractually entitled to and collect on a monthly basis under the Ginnie Mae MBS Guide regarding servicing HMBS; and
- other fair value changes of the net balance of securitized loans held for investment and HMBS-related borrowings, that effectively represents servicing and tails. Tails are participations in previously securitized HECMs and are created by additions to principal for borrower draws on lines-of-credit (scheduled and unscheduled), interest, servicing fees, and mortgage insurance premiums.

The fair value of our Ginnie Mae securitized HECM loan portfolio net of HMBS-related Borrowings generally decreases as market interest rates rise and increases as market rates fall. The exposure is managed as part of our MSR hedging strategy (see Item 3 - Quantitative and qualitative disclosures about market risk, Loans Held for Investment and HMBS-related Borrowings and the associated interest rate sensitivity disclosure).

Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net strictly reflects the financial performance of owned loans/servicing and excludes any subservicing activity. The financial performance associated with the subservicing of reverse mortgage loans on behalf of investors is primarily reflected within Servicing and subservicing fees, net.

Since 2023, we have opportunistically acquired reverse mortgage assets from financial institutions, including active and inactive reverse mortgage loan buyouts, advances, claim receivables from HUD and real estate properties. We finance our asset acquisitions together with the buyouts of our own portfolio through on-balance sheet private placement securitizations (referred to as OLIT). The financial performance of our reverse asset management is reported within the Servicing segment, primarily as Gains (losses) on loans held for sale, and is affected by multiple factors, including liquidation timeline and changes in market interest rates.

Third-Party Servicer Ratings

Like other servicers, we are the subject of mortgage servicer ratings or rankings (collectively, ratings) issued and revised from time to time by rating agencies including Moody's Investors Service, Inc. (Moody's), S&P Global Ratings, Inc. (S&P) and Fitch Ratings, Inc.(Fitch). Favorable ratings from these agencies are important to the conduct of our loan servicing and lending businesses.

The following table summarizes our latest key servicer ratings:

	PHH		
	Moody's	S&P	Fitch
Forward			
Residential Prime Servicer	SQ3+	Above Average	RPS3+
Residential Subprime Servicer	SQ3+	Above Average	RPS3+
Residential Special Servicer	SQ3+	Above Average	RSS3
Residential Second/Subordinate Lien Servicer	SQ3+	Above Average	RPS3
Residential Home Equity Servicer	—	—	RPS3
Residential Alt-A Servicer	—	—	RPS3
Master Servicer	SQ3+	Above Average	RMS3
Ratings Outlook	N/A	Stable	Stable
Date of last action	August 10, 2023	October 11, 2024	February 15, 2024
Reverse			
Residential Reverse Servicer	—	Above Average	—
Ratings Outlook	—	Stable	—
Date of last action	—	October 11, 2024	—

In addition to servicer ratings, the agencies may from time to time assign an outlook to the rating status. A negative outlook is generally used to indicate that a rating "may be lowered," while a positive outlook is generally used to indicate a rating "may be raised".

On February 13, 2024, Fitch affirmed PHH's residential servicer ratings and revised its outlook from Positive to Stable for Prime and Subprime products. The rating outlook remains Stable for the other products. The rating actions reflect PHH's comprehensive enterprise-wide internal control environment, extensive industry experience and highly-developed global loan servicing platform, competitive loan servicing performance metrics, and effective technology platform. The ratings also consider the financial condition of PHH's parent, Onity Group Inc. The affirmed ratings and Stable outlook on PHH's residential servicer ratings are reflective of the company's continued business growth, diversified sourcing strategies and overall loan servicing performance.

On February 15, 2024, Fitch affirmed PHH's Master Servicer rating and Stable outlook, reflecting the company's effective enterprise-wide risk environment and compliance management framework, satisfactory loan servicing performance metrics and efficient servicing technology. The ratings also consider the financial condition of PHH's parent, Onity Group Inc.

On October 11, 2024, S&P affirmed the Above Average ratings and Stable outlook citing the company's experienced management and team, effective systems and technology, sound control framework and good servicing performance metrics, among other factors.

Operating Metrics

The following table provides selected operating statistics for our Servicing segment:

Selected Operating Statistics	September 30,		% Change	September 30,	
	2024	June 30, 2024		2023	% Change
Assets Serviced					
<i>Unpaid principal balance (UPB) in billions:</i>					
Performing loans (1)	\$ 288.2	\$ 292.3	(1)%	\$ 283.4	2 %
Non-performing loans	10.3	11.7	(12)	11.8	(12)
Non-performing real estate	0.4	0.5	(2)	0.5	(7)
Total	<u>\$ 298.9</u>	<u>\$ 304.5</u>	(2)%	<u>\$ 295.7</u>	1 %
Non-performing to total %	3.6 %	4.0 %	(10)%	4.1 %	(13)%
Conventional loans (2)	\$ 196.9	\$ 203.7	(3)%	\$ 193.7	2 %
Government-insured loans	38.1	35.4	8	36.0	6
Non-Agency loans	64.0	65.4	(2)	65.9	(3)
Total	<u>\$ 298.9</u>	<u>\$ 304.5</u>	(2)%	<u>\$ 295.7</u>	1 %
Conventional loans to total %	65.9 %	66.9 %	(2)%	65.5 %	1 %
Servicing portfolio (3)	\$ 129.0	\$ 131.1	(2)%	\$ 128.2	1 %
Subservicing portfolio					
Subservicing - forward	59.7	50.0	20 %	34.6	73 %
Subservicing - commercial	4.2	4.0	5 %	3.3	25 %
Subservicing - reverse	12.6	14.2	(11)	18.6	(32)
Total subservicing	76.4	68.1	12	56.5	35
MAV (4) (5)	41.9	52.9	(21)	56.7	(26)
Rithm (5) (6)	42.2	43.1	(2)	46.0	(8)
Other MSR capital partners (5)	9.4	9.1	3	8.2	15
Total	<u>\$ 298.9</u>	<u>\$ 304.5</u>	(2)%	<u>\$ 295.7</u>	1 %

	Three Months Ended			Nine Months Ended		
	September 30,	June 30,	% Change	September 30,	September 30,	% Change
	2024	2024		2024	2023	
<i>Prepayment speed (CPR) (7):</i>						
% Voluntary CPR	5.5 %	4.8 %	14 %	4.7 %	4.2 %	11 %
% Involuntary CPR	0.3	0.3	(9)	0.3	0.3	7
% Total CPR	9.0 %	8.4 %	8 %	8.2 %	7.8 %	5 %
Number of completed modifications (in thousands)	4.8	4.7	2 %	13.4	11.2	20 %

- (1) Performing loans include those loans that are less than 90 days past due and those loans for which borrowers are making scheduled payments under loan modification, forbearance or bankruptcy plans. We consider all other loans to be non-performing.
- (2) Conventional loans include prime loans with a UPB of \$10.2 billion and \$10.5 billion at September 30, 2024 and June 30, 2024, respectively, that we service or subservice. This compares to prime loans with a UPB of \$13.3 billion at September 30, 2023. Prime loans are generally good credit quality loans that meet GSE underwriting standards.
- (3) Includes HECM reverse mortgage loans held for investment with a UPB of \$7.9 billion that are recognized in our unaudited consolidated balance sheet at September 30, 2024.
- (4) Includes \$20.1 billion UPB subserviced and \$21.9 billion UPB of MSRs sold to MAV that did not achieve sale accounting treatment at September 30, 2024.

- (5) Loans serviced pursuant to our sale or transfer agreements with MAV, Rithm or others for which sale accounting is not achieved, and loans subserviced.
(6) Includes \$32.9 billion UPB of subserviced loans on behalf of Rithm at September 30, 2024.
(7) Total 3-month % CPR includes voluntary and involuntary prepayments, as shown in the table, plus scheduled principal amortization.

The following table provides the rollforward of activity of our portfolio of mortgage loans serviced that includes MSRs, whole loans and subserviced loans, both forward and reverse:

	Amount of UPB (\$ in billions)		Count (000's)	
	2024	2023	2024	2023
Portfolio at January 1	\$ 288.4	\$ 289.7	1,344.5	1,378.9
Additions (1)	23.1	17.5	74.0	59.5
MSR sales	—	—	(0.1)	(0.1)
Servicing transfers (1)	(2.6)	(2.2)	(9.7)	(7.7)
Runoff	(6.6)	(6.5)	(25.8)	(26.9)
Portfolio at March 31	302.3	298.5	1,382.9	1,403.7
Additions (1)	18.8	7.4	61.6	23.1
MSR sales	(6.2)	—	(25.8)	(0.1)
Servicing transfers (1)	(3.0)	(9.3)	(11.9)	(34.7)
Runoff	(7.4)	(8.0)	(28.4)	(32.9)
Portfolio at June 30	304.5	288.5	1,378.5	1,359.1
Additions (1) (2) (3) (4)	26.0	16.0	85.1	49.7
MSR Sales (3)	(8.6)	—	(28.4)	—
Servicing transfers (1)	(15.4)	(1.4)	(57.0)	(5.0)
Runoff	(7.6)	(7.5)	(27.8)	(30.5)
Portfolio at September 30	\$ 298.9	\$ 295.7	1,350.5	1,373.2

- (1) Includes the volume UPB associated with short-term interim subservicing for some clients as a support to their originate-to-sell business, where loans may be boarded and deboarded within the same quarter.
(2) Additions include purchased MSRs on portfolios with a UPB of \$472.9 million and \$113.0 million that have not yet transferred to the PHH servicing system as of September 30, 2024 and September 30, 2023, respectively, but for which we have legal title. The seller continues to subservice the loans on an interim basis until servicing transfer.
(3) Includes MSRs sold to an unrelated third party with a UPB of \$8.5 billion for which PHH is performing interim subservicing.
(4) Excludes MSRs and whole loans acquired from unrelated third parties in the third quarter of 2024 with a UPB of \$0.9 billion for which PHH was previously performing the subservicing.

The following table provides a breakdown of our servicer advances, net of allowance for losses:

Advances by investor type	September 30, 2024				December 31, 2023			
	Principal and Interest	Taxes and Insurance	Foreclosures, Bankruptcy, REO and Other	Total	Principal and Interest	Taxes and Insurance	Foreclosures, Bankruptcy, REO and Other	Total
Conventional	\$ 1.0	\$ 42.1	\$ 6.7	\$ 49.8	\$ 3.5	\$ 91.2	\$ 6.2	\$ 100.8
Government-insured	4.1	28.3	21.8	54.3	3.3	37.7	19.3	60.2
Non-Agency	160.7	169.8	88.1	418.6	205.5	214.3	97.9	517.7
Total, net	\$ 165.8	\$ 240.3	\$ 116.6	\$ 522.7	\$ 212.2	\$ 343.2	\$ 123.3	\$ 678.8

The following table provides selected operating statistics related to our reverse mortgage loans reported within our Servicing segment:

	September 30, 2024	June 30, 2024	% Change	September 30, 2023	% Change
Reverse Mortgage Loans					
<i>Unpaid principal balance (UPB) in millions:</i>					
Loans held for investment (1)	\$ 7,867.2	\$ 7,782.2	1 %	\$ 7,488.1	5 %
Active Buyouts (2)	141.5	96.2	47	62.6	126
Inactive Buyouts (2)	492.4	286.9	72	196.3	151
Total	<u>\$ 8,501.1</u>	<u>\$ 8,165.3</u>	4 %	<u>\$ 7,747.1</u>	10 %
<i>Inactive buyouts % to total</i>	5.8 %	3.5 %	2.3 %	2.5 %	3.3 %
<i>Future draw commitments (UPB) in millions:</i>	1,822.7	1,799.3	1 %	1,762.2	3 %
<i>Fair value in millions:</i>					
Loans held for investment (1)	\$ 8,214.4	\$ 8,109.4	1 %	\$ 7,671.1	7 %
HMBS related borrowings	8,132.5	8,035.4	1	7,613.6	7
Net asset value (HECM or reverse MSR)	<u>\$ 81.9</u>	<u>\$ 74.0</u>	11 %	<u>\$ 57.5</u>	43 %
Net asset value to UPB	1.04 %	0.95 %		0.77 %	

(1) Securitized loans only; excludes unsecuritized loans reported within the Originations segment.

(2) Buyouts are reported as Loans held for sale, Accounts Receivable or REO depending on the loan and foreclosure status.

Financial Performance

The following table presents selected results of operations of our Servicing segment. The amounts presented are before the elimination of balances and transactions with our other segments:

	Three Months Ended			Nine Months Ended		
	September 30, 2024	June 30, 2024	% Change	September 30, 2024	September 30, 2023	% Change
Revenue						
Servicing and subservicing fees	\$ 210.2	\$ 210.1	— %	624.5	\$ 705.9	(12)%
Gain (loss) on loans held for sale, net	9.4	(0.2)	n/m	11.0	13.0	(15)
Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net	11.9	2.8	323	23.2	3.9	500
Other revenue, net	4.7	4.4	6	13.5	11.4	18
Total revenue	236.1	217.2	9 %	672.3	734.3	(8)%
MSR valuation adjustments, net	(35.6)	(35.8)	— %	(83.9)	(142.4)	(41)%
Operating expenses						
Compensation and benefits	26.0	24.5	6 %	75.8	81.3	(7)%
Servicing expense	8.9	11.2	(20)	33.3	44.8	(26)
Occupancy, equipment and mailing	6.7	6.6	2	20.2	21.7	(7)
Technology and communications	6.0	6.2	(3)	18.4	18.6	(1)
Professional services	9.6	2.8	238	19.5	27.5	(29)
Corporate overhead allocations	11.5	10.8	7	33.2	34.0	(2)
Other expenses	0.9	0.9	(1)	2.9	6.4	(55)
Total operating expenses	69.6	63.1	10 %	203.3	234.2	(13)%
Other income (expense)						
Interest income	8.4	7.2	17 %	22.3	16.0	39 %
Interest expense	(46.6)	(47.0)	(1)	(139.4)	(128.2)	9
Pledged MSR liability expense	(42.3)	(46.1)	(8)	(133.4)	(219.9)	(39)
Earnings of equity method investee	0.8	3.1	(74)	6.7	5.9	13
Other, net	(3.4)	(2.9)	20	(6.9)	(3.8)	82
Other income (expense), net	(83.2)	(85.7)	(3)%	(250.8)	(329.9)	(24)%
Income (loss) before income taxes	\$ 47.7	\$ 32.6	46 %	\$ 134.3	\$ 27.7	384 %

Servicing and Subservicing Fees

	Three Months Ended			Nine Months Ended		
	September 30, 2024	June 30, 2024	% Change	September 30, 2024	September 30, 2023	% Change
Loan servicing and subservicing fees:						
Servicing and subservicing fees	154.0	157.2	(2)%	467.9	552.6	(15)%
Ancillary income	56.1	52.9	6	156.6	153.4	2
Total	<u>\$ 210.2</u>	<u>\$ 210.1</u>	— %	<u>\$ 624.5</u>	<u>\$ 705.9</u>	(12)%

The following table and discussion present the drivers of servicing and subservicing fees.

	Three Months Ended			Nine Months Ended		
	September 30, 2024	June 30, 2024	% Change	September 30, 2024	September 30, 2023	% Change
Servicing fees						
Average servicing UPB (1) (6)	\$ 164.2	\$ 168.9	(3)%	\$ 168.0	\$ 202.3	(17)%
Average servicing fee (2)	0.30	0.30	—	0.30	0.32	(7)
Servicing fees (3)	125.1	\$ 128.6	(3)	\$ 380.8	491.4	(23)
Subservicing fees						
Average number of subserviced loans (4) (7)	606.5	596.1	2	580.9	299.3	94
Average monthly fee per loan (5)	16	16	(1)	17	23	(27)
Subservicing fees (3)	28.9	28.6	1	87.1	57.6	42
Servicing and subservicing fees (excluding Ancillary income)	<u>\$ 154.0</u>	<u>\$ 157.2</u>	(2)%	<u>\$ 467.9</u>	<u>\$ 552.6</u>	(15)%

(1) In \$ billions, (2) In % of UPB, annualized, (3) In \$ millions, (4) In thousands, (5) In dollars.

(6) Includes \$35.3 billion average UPB of MSRs in the nine months ended September 30, 2023, previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023.

(7) Includes an average 255 thousand, 260 thousand and 260 thousand loans subserviced under Rithm agreements in the three months ended September 30, 2024, three months ended June 30, 2024 and nine months ended September 30, 2024, respectively, of MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023.

Servicing and subservicing fees (excluding Ancillary income) for the three months ended September 30, 2024 declined \$3.2 million compared to the three months ended June 30, 2024, due to a 3% decrease in average servicing UPB, driven by MAV's sale of MSRs (previously sold by Onity to MAV in a transaction which did not qualify for sale accounting treatment). Subservicing fees remained unchanged compared to the three months ended June 30, 2024.

Compared to the nine months ended September 30, 2023, our servicing and subservicing fees (excluding Ancillary income) for the nine months ended September 30, 2024 decreased \$84.7 million, or 15% with a \$110.6 million decrease in servicing fees partially offset by a \$25.9 million increase in subservicing fees. These variances are largely due to the effects of our accounting derecognition of MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023 (\$95.3 million servicing fees remitted to Rithm recognized in the nine months ended September 30, 2023). Effective January 1, 2024, as PHH continues to subservice the portfolio, the statement of operations reflects subservicing fee revenue as opposed to the previous gross presentation of servicing fee revenue (collections) and separate offsetting presentation of servicing fee remittances within Pledged MSR liability expense (see further discussion below). These required accounting presentation changes do not affect the amount of net fee retained by Onity in connection with the Rithm servicing agreements (Loan servicing and subservicing fees less Pledged MSR liability expense).

The \$110.6 million decrease in servicing fees compared to the nine months ended September 30, 2023 is primarily attributed to \$133.6 million servicing fees collected on behalf of Rithm recorded in the first nine months of 2023 related to the previously sold MSR's derecognized on December 31, 2023, offset in part by higher fees in the first nine months of 2024 attributed to other MSR capital partners and MAV, growth in Ginnie Mae servicing UPB and \$8.2 million increased collection of previously deferred non-Agency servicing fees. The \$25.9 million increase in subservicing fees is mostly due to the effects of our derecognition of MSR's previously sold to Rithm as discussed above, with \$38.9 million higher forward subservicing fees, partially offset by a \$13.0 million reduction in reverse mortgage subservicing fees due to portfolio runoff.

The following table presents the detail of our ancillary income:

Ancillary Income	Three Months Ended			Nine Months Ended		
	September 30,	June 30,	% Change	September 30,	September 30,	% Change
	2024	2024		2024	2023	
Custodial accounts (float earnings)	\$ 35.4	\$ 31.9	11 %	94.5	\$ 77.9	21 %
Late charges	8.8	8.7	2	\$ 25.5	28.8	(11)
Reverse subservicing ancillary fees	5.2	6.2	(16)	18.1	26.1	(31)
Other	6.7	6.2	8	18.6	20.5	(9)
Ancillary income	\$ 56.1	\$ 52.9	6 %	\$ 156.6	\$ 153.4	2 %

Ancillary income for the three months ended September 30, 2024 increased by \$3.2 million, or 6% compared to the three months ended June 30, 2024 primarily due to a \$3.6 million increase in float earnings mostly attributable to seasonally higher average float balances, offset in part by \$1.0 million decrease in reverse subservicing related ancillary fees driven by portfolio runoff.

Compared to the nine months ended September 30, 2023, ancillary income for the nine months ended September 30, 2024 increased by \$3.2 million, or 2% largely driven by a \$16.6 million increase in float earnings mostly due to higher short-term market interest rates, partially offset by an \$8.0 million decline in reverse subservicing ancillary fees driven by portfolio runoff, a \$3.3 million reduction in late charges and a \$1.8 million decline in loan collection fees primarily driven by the Rithm portfolio derecognition.

Gain (Loss) on Loans Held for Sale, Net

We recognized a \$9.4 million gain on loans held for sale, net for the three months ended September 30, 2024, compared to a \$0.2 million loss recognized in the three months ended June 30, 2024, mostly due to reverse mortgage buyouts in the third quarter of 2024, partly driven by market interest rate decline and favorable assumption updates.

Compared to the nine months ended September 30, 2023, Gain on loans held for sale, net for the nine months ended September 30, 2024 decreased by \$2.0 million, mostly due to reverse mortgage buyouts in connection with our opportunistic acquisitions and securitization strategy.

Gain (Loss) on Reverse Loans Held for Investment and HMBS-Related Borrowings, Net

The following table presents the components of the fair value change of reverse loans held for investment and HMBS-related borrowings, net.

	Three Months Ended			Nine Months Ended		
	September 30, 2024	June 30, 2024	% Change	September 30, 2024	September 30, 2023	% Change
Net interest income (servicing fee)	\$ 6.2	\$ 6.1	2 %	\$ 18.2	\$ 17.7	3 %
Other change in fair value of securitized loans held for investment and HMBS-related borrowings, net	5.7	(3.3)	(273)	5.0	(13.8)	(136)
Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net (Servicing)	\$ 11.9	\$ 2.8	323 %	\$ 23.2	\$ 3.9	500 %

Gain on reverse loans held for investment and HMBS-related borrowings, net increased \$9.1 million for the three months ended September 30, 2024 compared to the three months ended June 30, 2024 largely driven by a favorable decline in market interest rates. While not the only benchmark for the reverse mortgage exposure, the 10-year Treasury rate declined 55 basis points during the three months ended September 30, 2024 and increased 16 basis points during the three months ended June 30, 2024. Net interest income remained mostly flat (+2%), consistent with the portfolio growth.

Compared to the nine months ended September 30, 2023, Gain on reverse loans held for investment and HMBS-related borrowings, net for the nine months ended September 30, 2024 increased \$19.4 million largely due to a decrease in market rates vs. an increase in the prior year period and yield spread tightening vs. widening in the prior year period. The 10-year Treasury rate declined 7 basis points during the nine months ended September 30, 2024 compared to an increase of 71 basis points during the nine months ended September 30, 2023. Net interest income remained mostly flat (+ 3%), consistent with the portfolio growth.

MSR Valuation Adjustments, Net

Refer to the discussion above within Overview-Results of Operations and Financial Condition-MSR Valuation Adjustments, Net.

The following table summarizes the impact of our MSR interest rate hedging strategy on Servicing segment results. Refer to MSR Hedging Strategy section of Item 3. Quantitative and Qualitative Disclosures about Market Risks for further detail. Net MSR portfolio exposure gains (losses) comprise the fair value changes of the MSR portfolio attributable to rates and assumption changes, the MSR hedging derivative gains and losses, and other fair value changes of the HECM loans and HMBS-related borrowings used as a hedge for risk management purposes.

	Three Months Ended		Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2024	September 30, 2023
MSR fair value gains (losses) due to rate and assumption changes (1) - Servicing (2)	(49.7)	52.9	84.3	84.3
MSR hedging derivative fair value gain (loss) (1)	54.3	(50.6)	(50.0)	(119.7)
Other change in fair value of securitized loans held for investment and HMBS-related borrowings, net (3)	5.7	(3.3)	5.0	(13.8)
Net MSR portfolio exposure gains (losses)	\$ 10.3	(1.0)	39.3	\$ (49.2)

(1) See MSR valuation adjustments, net within the Overview section of Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(2) Excludes MSR valuations adjustments, net reported within the Originations Segment.

(3) See "Other change in fair value of securitized loans held for investment and HMBS-related borrowings, net" in above table.

The Net MSR portfolio exposure gains of \$10.3 million for the three months ended September 30, 2024 are largely driven by favorable assumption updates to reflect actual market trade pricing levels as our MSR hedge strategy was effective at reducing net fair value changes due to interest rate changes. With a 90-110% targeted hedge coverage ratio, the fair value losses of the MSR portfolio due to the decline in market interest rates in the third quarter of 2024 were largely offset by gains on MSR hedging derivatives and loans held for investment net of HMBS-related borrowings. The favorable change from the prior quarter is driven by favorable assumption updates, higher hedge performance and lower hedge costs despite volatile market conditions.

The favorable change of Net MSR portfolio exposure gains for the nine months ended September 30, 2024 compared to losses for the nine months ended September 30, 2023 is mainly driven by changes in interest rates, our adoption of a 95-105% hedge coverage ratio in December 2023 (revised to 90-110% in April 2024) and assumption updates that reflect market trade pricing levels in the respective periods.

Compensation and Benefits

	Three Months Ended			Nine Months Ended		
	September 30, 2024	June 30, 2024	% Change	September 30, 2024	September 30, 2023	% Change
Compensation and benefits	\$ 26.0	\$ 24.5	6%	\$ 75.8	\$ 81.3	(7)%
Average Employment - Servicing	3,073	3,148	(2)%	3,169	3,438	(8)%

Compensation and benefits expense for the three months ended September 30, 2024 increased \$1.4 million or 6% compared to the three months ended June 30, 2024 primarily due to an increase in estimated annual cash awards based on our year-to-date financial performance.

Compared to the nine months ended September 30, 2023, Compensation and benefits expense for the nine months ended September 30, 2024 decreased \$5.5 million or 7%, mostly driven by the headcount reduction. The average headcount decreased 8% driven by the integration of reverse servicing and the runoff of our reverse subservicing portfolio. The increase in the estimated annual cash awards in the third quarter of 2024 discussed above was offset by severance expense recorded in the nine months ended September 30, 2023.

Servicing Expense

Servicing expense primarily includes claim losses and interest curtailments on government-insured loans, provision expense for advances and servicing representation and warranties, and certain loan-volume related expenses.

Servicing expense declined \$2.3 million in the three months ended September 30, 2024 compared to the three months ended June 30, 2024, primarily as a result of a release of representation and warranty indemnification obligations due to a favorable settlement in the third quarter of 2024.

Compared to the nine months ended September 30, 2023, Servicing expense for the nine months ended September 30, 2024 declined \$11.5 million. The decline in servicing expenses is primarily attributed to a \$7.2 million favorable change in provision for indemnification obligations driven by recoveries and favorable resolutions in the nine months ended September 30, 2024 and new demands in the nine months ended September 30, 2023. In addition, the decline in servicing expense is due to lower claim loss on Ginnie Mae loan repurchases, driven by lower severity, partially offset by a higher insurance loss expense in line with higher quota share on reinsurance premiums assumed.

Other Operating Expenses

Professional services for the three months ended September 30, 2024 increased \$6.7 million, compared to the three months ended June 30, 2024, mostly due to reimbursements received in the second quarter of 2024 from mortgage loan investors related to prior year legal expenses and payments following resolution of legacy litigation matters.

Compared to the nine months ended September 30, 2023, Professional services expense for the nine months ended September 30, 2024 declined \$7.9 million mostly due to the reimbursements received in the second quarter of 2024 from mortgage loan investors discussed above and a reduction in outsourcing costs in our reverse subservicing business.

Other Income (Expense)

Other income (expense) primarily includes net interest expense and pledged MSR liability expense.

The following table presents details related to interest expense and its drivers.

	Three Months Ended			Nine Months Ended		
	September 30, 2024	June 30, 2024	% Change	September 30, 2024	September 30, 2023	% Change
Interest Expense						
Advance match funded liabilities	\$ 9.1	\$ 9.3	(3)%	\$ 28.8	\$ 31.0	(7)%
Mortgage loan financing facilities	9.8	10.1	(3)	28.3	15.8	79
MSR financing facilities	18.6	19.6	(5)	56.1	51.9	8
Corporate debt interest expense allocation	6.4	6.6	(3)	20.2	22.8	(12)
Escrow	2.8	1.4	98	6.0	6.6	(9)
Total interest expense	\$ 46.6	\$ 47.0	(1)%	\$ 139.4	\$ 128.2	9 %
Average balances						
Advance match funded liabilities	\$ 365.7	\$ 391.2	(7)%	\$ 399.6	\$ 428.4	(7)%
Mortgage loan financing facilities	395.9	347.8	14	342.2	259.9	32
MSR financing facilities	876.0	915.4	(4)	884.3	878.9	1
Total asset-backed financing	\$ 1,637.7	\$ 1,654.5	(1)%	\$ 1,626.0	\$ 1,567.2	4 %
Effective average interest rate						
Advance match funded liabilities	9.91%	9.53%	4 %	9.62%	9.65%	— %
Mortgage loan financing facilities	9.85	11.61	(15)	11.01	8.11	36
MSR financing facilities	8.50	8.58	(1)	8.46	7.87	8
Average 1-month term SOFR	5.22%	5.33%	(2)%	5.29%	4.99%	6 %

Interest expense for the three months ended September 30, 2024 remained mostly flat (decreased 1%), compared to the three months ended June 30, 2024.

Compared to the nine months ended September 30, 2023, interest expense for the nine months ended September 30, 2024 increased \$11.3 million, or 9%, mostly driven by a \$12.5 million increase in interest expense on the OLIT mortgage loan financing relating to our reverse buyouts. In addition, interest expense on MSR financing facilities increased \$4.2 million, largely driven by a higher average funding cost, largely attributed to the second lien PLS MSR financing facility entered into in March 2024 and renegotiation of a GSE financing facility. In addition, average short-term market interest rates increased by 30

basis points in the first nine months of 2024 compared to the same period of 2023. These increases were partially offset by a \$2.2 million decrease in interest on Advance funding liabilities, mostly driven by the decline in average debt balances for servicing advances due to our advance collection efforts, and \$2.6 million lower corporate debt interest allocation due to our repurchase of \$47.4 million and \$23.5 million of the PMC Senior Secured Notes during March 2024 and September 2024, respectively.

Interest income for the three months ended September 30, 2024 increased \$1.2 million compared to the three months ended June 30, 2024 primarily due to reverse mortgage buyouts acquired in the third quarter of 2024. Compared to the nine months ended September 30, 2023, interest income increased \$6.3 million for the nine months ended September 30, 2024, primarily due to the reverse mortgage buyouts acquired in the first and third quarters of 2024 and the second quarter of 2023.

Pledged MSR liability expense includes the servicing fee remittance related to the MSR sales or transfers that do not meet sale accounting criteria and are presented on a gross basis in our consolidated financial statements, together with the servicing spread remittance associated with our ESS financing liability at fair value. See Note 8 — Other Financing Liabilities, at Fair Value to the Unaudited Consolidated Financial Statements.

The following table provides the components of Pledged MSR liability expense:

	Three Months Ended			Nine Months Ended		
	September 30, 2024	June 30, 2024	% Change	September 30, 2024	September 30, 2023	% Change
Servicing fees collected on behalf of third parties	\$ 33.2	\$ 36.9	(10)%	\$ 106.8	\$ 230.0	(54)%
Less: Subservicing fee retained	(6.5)	(6.8)	(4)	(20.4)	(58.1)	(65)
Ancillary fee/income and other settlement (including expense reimbursement)	2.8	3.0	(6)	8.1	9.9	(18)
Net servicing fee remittance (1)	29.5	33.1	(11)	94.6	181.8	(48)
ESS servicing spread remittance	12.8	13.0	(1)	38.9	38.1	2
Pledged MSR liability expense	<u>\$ 42.3</u>	<u>\$ 46.1</u>	<u>(8)%</u>	<u>\$ 133.4</u>	<u>\$ 219.9</u>	<u>(39)%</u>

(1) For MSR transfers that do not meet sale accounting criteria. See Note 8 — Other Financing Liabilities, at Fair Value.

Pledged MSR liability expense for the three months ended September 30, 2024 decreased \$3.7 million, or 8%, compared to the three months ended June 30, 2024, mostly driven by MAV's sale of MSRs (previously sold by Onity to MAV in a transaction which did not qualify for sale accounting treatment) and resultant derecognition of the Pledged MSR liability during the three months ended September 30, 2024.

Compared to the nine months ended September 30, 2023, Pledged MSR liability expense for the nine months ended September 30, 2024 decreased \$86.5 million largely due to the accounting derecognition of MSRs previously sold to Rithm for which sale accounting criteria were met effective December 31, 2023 (\$33.4 billion UPB), partially offset by the increase in the portfolio of MSRs sold to MSR capital partners. Effective January 1, 2024, as PHH continues to subservice the portfolio, the statement of operations reflects subservicing fee revenue as opposed to the previous gross presentation of servicing fee revenue (collections) and separate offsetting presentation of servicing fee remittances within Pledged MSR liability expense.

Servicing fee and Pledged MSR liability expense continues to be presented on a gross basis for those MSRs sold to Rithm for which title has not transferred, also referred to as Right to MSR (\$9.3 billion UPB at September 30, 2024). The following table presents a subset of the above table related to Rithm, specifically the subservicing fees retained by Onity together with the associated serviced UPB on behalf of Rithm:

Rithm Servicing and Subservicing Fees	Three Months Ended			Nine Months Ended		
	September 30,	June 30,	% Change	September 30,	September 30,	% Change
	2024	2024		2024	2023	
Servicing fees collected on behalf of Rithm	\$ 12.8	\$ 13.1	(2)%	\$ 38.8	\$ 175.1	(78)%
Less: Subservicing fee retained (3)	(3.6)	(3.7)	(2)	(11.2)	(50.8)	(78)
Pledged MSR liability expense (Net servicing fees remitted to Rithm) (1) (2)	\$ 9.2	\$ 9.4	(2)%	\$ 27.6	\$ 124.3	(78)%
Average Rithm UPB (\$ in billions)	\$ 9.4	\$ 9.6	(2)%	\$ 9.6	\$ 47.6	(80)%
Average annualized retained subservicing fees as a % of Rithm UPB	0.16%	0.16%	— %	0.16%	0.14%	10 %

(1) Reported within Pledged MSR liability expense.

(2) Excludes ancillary income.

(3) Net subservicing compensation of Onity retained and contractually agreed upon with Rithm.

Earnings of equity method investee represents our 15% share of MAV Canopy. Earnings for the three months ended September 30, 2024 decreased \$2.3 million compared to the three months ended June 30, 2024. Compared to the nine months ended September 30, 2023, earnings increased \$0.8 million for the nine months ended September 30, 2024. The changes are largely attributed to the impact of changes in market interest rates on the underlying MSR portfolio held by MAV in the respective periods and actual trade prices.

ORIGINATIONS

We originate and purchase loans and MSRs through multiple channels. Loans conform to the underwriting standards of Fannie Mae or Freddie Mac (GSEs) or are government-insured (FHA, VA or USDA). We generally sell immediately the loans in the secondary mortgage market through GSE and Ginnie Mae securitizations on a servicing retained basis.

The Originations business generates a gain on sale of loans, which represents the difference between the origination or purchase value and the sale or securitization value of the loans, and fee revenue.

We conduct our Originations business through the following five channels:

1- Consumer Direct

Within retail, our Consumer Direct channel for forward mortgage loans focuses on targeting existing servicing customers by offering them competitive mortgage refinance opportunities, where permitted by the governing servicing and pooling agreement. A portion of our servicing portfolio is susceptible to refinance activity during periods of declining interest rates. Origination recapture volume and related gains are a natural economic hedge, to a certain degree, to the impact of declining MSR values as interest rates decline. In addition to rate and term refinance activities, our Consumer Direct channel targets purchase mortgage loans, cash-out, debt consolidation, mortgage insurance premium reduction, and new customer acquisition.

2- Correspondent Lending

Our correspondent lending channel drives the replenishment and growth of our MSR portfolio. We purchase closed loans that have been underwritten to investor guidelines from our network of correspondent sellers and sell and securitize them, on a servicing retained basis. We offer correspondent sellers the choice to take out mandatory or “best-efforts” contracts, under which the seller’s obligation to deliver the mortgage loan becomes mandatory only when and if the mortgage is closed and funded. Additionally, we offer correspondent sellers the opportunity to leverage a non-delegated underwriting option for best-efforts deliveries. We provide customary origination representations and warranties to investors in connection with our loan sales and securitization activities. We receive customary origination representations and warranties from our network of approved correspondent lenders. As of September 30, 2024, we have relationships with 711 approved correspondent sellers.

3- Reverse Originations

We originate and purchase reverse mortgage loans through our retail, wholesale and correspondent lending channels, under the guidelines of the HECM reverse mortgage insurance program of the FHA. Loans originated under this program are generally insured by the FHA, which provides protection against risk of borrower default. As the securitizations of reverse mortgage loans do not achieve sale accounting treatment and the loans remain reported as Loans held for investment, at fair

value together with the securitization HMBS-related borrowings, revenue mostly include the fair value changes of the loan from lock date to securitization date that are reported in Gain on reverse loans held for investment and HMBS-related borrowings, net.

4- Co-Issue Programs

We purchase MSRs through flow purchase agreements, the Agency Cash Window co-issue programs and bulk MSR purchases. The Agency Cash Window programs we participate in, and purchase MSR from, allow mortgage companies and financial institutions to sell whole loans servicing released to the respective agency and sell the MSR to the winning bidder. In addition, we partner with other originators to replenish our MSRs through flow purchase agreements. As of September 30, 2024, we have relationships with 496 approved sellers through the Agency Cash Window co-issue programs.

5- Subservicing Growth

We source additional servicing volume through our subservicing and interim servicing agreements, with our existing relationships and our enterprise sales initiatives. We do not report any revenue or gain associated with subservicing within the Originations segment as the impact is captured in the Servicing segment. However, sales efforts and certain costs - marginal compensation and benefits - are managed and reported within the Originations segment.

Operating Metrics

The following table provides selected operating statistics for our Originations segment:

	Three Months Ended			Nine Months Ended		
	September 30, 2024	June 30, 2024	% Change	September 30, 2024	September 30, 2023	% Change
Funded Loan UPB by Channel (in billions)						
Forward loans						
Correspondent	\$ 4.32	\$ 4.13	5 %	\$ 11.14	\$ 9.35	19 %
Consumer Direct	0.24	0.16	52	0.51	0.26	94
	<u>\$ 4.57</u>	<u>\$ 4.29</u>	<u>6 %</u>	<u>\$ 11.65</u>	<u>\$ 9.62</u>	<u>21 %</u>
% Purchase production	82 %	83 %	(2)	82 %	85 %	(4)
% Refinance production	18	17	8	18	15	22
Reverse loans (1)						
Correspondent	\$ 0.14	\$ 0.12	17 %	\$ 0.38	\$ 0.30	27 %
Wholesale	0.03	0.04	(18)	0.09	0.13	(33)
Retail	0.02	0.03	(4)	0.07	0.07	3
	<u>\$ 0.20</u>	<u>\$ 0.18</u>	<u>7 %</u>	<u>\$ 0.55</u>	<u>\$ 0.51</u>	<u>8 %</u>
UPB of MSR Purchases by Channel (in billions)						
Agency Cash Window / Flow MSR	\$ 3.79	\$ 2.48	53%	7.90	\$ 6.58	20%
Bulk purchases	0.62	0.31	97	1.55	0.32	377
Bulk reverse purchases	0.91	—	n/m	1.05	0.08	n/m
	<u>\$ 5.31</u>	<u>\$ 2.79</u>	<u>90</u>	<u>\$ 10.50</u>	<u>\$ 6.98</u>	<u>50</u>
Total	<u>\$ 10.08</u>	<u>\$ 7.26</u>	<u>39%</u>	<u>\$ 22.70</u>	<u>\$ 17.10</u>	<u>33%</u>
Short-term loan commitment (2) (at period end; in millions)						
Consumer Direct	\$ 285	\$ 136	109 %	\$ 285	\$ 70	304 %
Correspondent	1,389	1,396	(1)%	1,389	1,056	32 %
Total Forward loans	<u>\$ 1,673</u>	<u>\$ 1,532</u>	<u>9 %</u>	<u>\$ 1,673</u>	<u>\$ 1,126</u>	<u>49 %</u>
Reverse loans	27	22	21 %	27	21	27 %
Average Headcount - Originations	495	480	3 %	480	504	(5)%

(1) Loan production excludes reverse mortgage loan draws by borrowers disbursed subsequent to origination that are reported within the Servicing segment.

(2) Also refer to interest rate lock commitments in Note 15 – Derivative Financial Instruments and Hedging Activities. The amounts are presented before application of any pull-through adjustment.

Financial Performance

The following table presents the results of operations of our Originations segment. The amounts presented are before the elimination of balances and transactions with our other segments:

	Three Months Ended			Nine Months Ended		
	September 30, 2024	June 30, 2024	% Change	September 30, 2024	September 30, 2023	% Change
Revenue						
Gain on loans held for sale, net	\$ 16.4	\$ 16.7	(1)%	\$ 42.2	\$ 23.3	81 %
Gain on reverse loans held for investment and HMBS-related borrowings, net	6.2	5.7	9	18.7	17.7	6
Other revenue, net (1)	7.0	6.9	2	18.0	14.2	27
Total revenue	29.6	29.2	1 %	78.9	55.2	43 %
MSR valuation adjustments, net	4.1	3.1	33	8.1	8.2	(1)
Operating expenses						
Compensation and benefits	11.8	11.3	5 %	33.3	32.1	4 %
Origination expense	1.8	2.3	(24)	5.5	3.1	77
Technology and communications	1.9	1.7	7	5.3	5.4	(2)
Occupancy, equipment and mailing	0.7	0.5	29	1.7	1.6	4
Professional services	0.6	0.5	19	1.4	1.4	(1)
Corporate overhead allocations	4.2	4.3	(2)	12.4	14.4	(14)
Other expenses	1.3	1.4	(8)	3.7	4.1	(9)
Total operating expenses	22.2	22.0	1 %	63.2	62.1	2 %
Other income (expense)						
Interest income	14.8	14.2	4 %	38.6	40.8	(5)%
Interest expense	(16.2)	(14.9)	9	(41.4)	(44.0)	(6)
Other, net	—	(0.2)	(93)	(0.3)	(0.1)	(88)
Other income (expense), net	(1.4)	(0.9)	56 %	(3.1)	(3.4)	(8)%
Income (loss) before income taxes	\$ 10.2	\$ 9.4	8 %	\$ 20.7	\$ (2.2)	n/m

(1) Includes ancillary fee income related to MSR acquisitions reported as Servicing and subservicing fees at the consolidated level of \$1.0 million and \$2.0 million for the three and nine months ended September 30, 2024, respectively, \$0.7 million for the three months ended June 30, 2024 and \$1.6 million for the nine months ended September 30, 2023.

Gain on Loans Held for Sale, Net

The following table provides information regarding Gain on loans held for sale by channel and the related forward loan origination volumes and margins (excluding fees that are presented in Other revenue, net):

	Three Months Ended			Nine Months Ended		
	September 30, 2024	June 30, 2024	% Change	September 30, 2024	September 30, 2023	% Change
Origination UPB (1) (in billions)						
Correspondent	\$ 4.32	\$ 4.13	5 %	\$ 11.14	\$ 9.35	19 %
Consumer Direct	0.24	0.16	52	0.51	0.26	94
	<u>\$ 4.57</u>	<u>\$ 4.29</u>	6 %	<u>\$ 11.65</u>	<u>\$ 9.62</u>	21 %
% Gain on Sale Margin (2)						
Correspondent	0.15 %	0.27 %	(43)%	0.20 %	0.15 %	32 %
Consumer Direct	4.06	3.45	18	3.80	3.35	13
	<u>0.36 %</u>	<u>0.39 %</u>	(7)%	<u>0.36 %</u>	<u>0.24 %</u>	49 %
Gain on Loans Held for Sale						
Correspondent	\$ 6.7	\$ 11.2	(41)%	\$ 22.7	\$ 14.5	57 %
Consumer Direct	9.8	5.5	79	19.4	8.8	120
	<u>\$ 16.4</u>	<u>\$ 16.7</u>	(1)%	<u>\$ 42.2</u>	<u>\$ 23.3</u>	81 %

(1) Defined as the UPB of loans funded in the period.

(2) Ratio of gain on Loans held for sale to funded UPB. Note that the ratio differs from the day-one gain on sale margin upon lock.

Gain on loans held for sale, net for the three months ended September 30, 2024 was flat compared to the three months ended June 30, 2024, with a \$4.5 million decrease in our Correspondent channel offset by a \$4.3 million increase in Consumer Direct. The decrease in our Correspondent channel is due to a 43% decrease in margin, driven by execution gains recognized in the second quarter and a more volatile pricing environment in the third quarter, including as a result of pricing changes by the GSEs. The increase in our Consumer Direct channel is primarily driven by the 52% increase in loan funded volume attributed to the interest rate decline in the third quarter, with a 78 basis point decline in the 30-year fixed rate mortgage. We recognize gains on loans held for sale at the time of the interest rate lock commitment in accordance with GAAP and the margin increase is mostly due to the increase in interest rate lock commitment at September 30, 2024.

Compared to the nine months ended September 30, 2023, Gain on loans held for sale, net for the nine months ended September 30, 2024 increased \$18.9 million, with a \$10.6 million increase in Consumer Direct and an \$8.3 million increase in our Correspondent channel. The increase in Consumer Direct gain is primarily driven by a 94% increase in loan funded volume, attributed to the interest rate decline in the third quarter of 2024 discussed above and our increased recapture operational capability. 2023 was the lowest production year for refinance over the past 20 years. In our Correspondent channel, the \$8.3 million increase is driven by the increased loan production volume, attributed to our MSR replenishment strategy following our opportunistic MSR bulk sales.

Gain on Reverse Loans Held for Investment and HMBS-Related Borrowings, Net

The following table provides information regarding Gain on reverse loans held for investment and HMBS-related borrowings, net, of the Originations segment that comprises fair value changes of the pipeline and unsecuritized reverse mortgage loans held for investment, at fair value, together with volume and margin (including loan fees):

	Three Months Ended			Nine Months Ended		
	September 30, 2024	June 30, 2024	% Change	September 30, 2024	September 30, 2023	% Change
Origination UPB (1) (in billions)	\$ 0.20	\$ 0.18	7 %	\$ 0.55	\$ 0.51	8 %
Origination margin (2)	3.14 %	3.09 %	2	3.42 %	3.49 %	(2)
Gain on reverse loans held for investment and HMBS-related borrowings, net (Originations)	<u>\$ 6.2</u>	<u>\$ 5.7</u>	9 %	<u>\$ 18.7</u>	<u>\$ 17.7</u>	6 %

(1) Defined as the UPB of loans funded in the period.

(2) Ratio of origination gain to funded UPB. Note that the ratio includes loan fees.

Gain on reverse loans held for investment and HMBS-related borrowings, net remained mostly flat when comparing current periods with the prior quarter and the prior nine-month period, with both margins and volume relatively stable. The Reverse Originations production volume remains at a historical low level due to elevated interest rates.

Other Revenue, net

Other revenue, net consists primarily of correspondent and broker fees, and also includes setup fees earned for loans boarded on our servicing platform. Changes in Other revenue, net for the periods presented are primarily attributed to production volume changes.

MSR Valuation Adjustments, Net

MSR valuation adjustments, net includes revaluation gains on certain MSRs opportunistically purchased through the Agency Cash Window programs, and flow purchases. As an aggregator of MSRs, we may purchase MSRs from smaller originators with a purchase price at a discount to fair value and we recognize valuation adjustments for differences in exit markets in accordance with the accounting fair value guidance. We record such valuation adjustments as MSR valuation adjustments, net within the Originations segment since the segment's business objective is the sourcing of new MSRs at targeted returns. Changes in MSR valuation adjustments, net period over period are mostly due to volume changes.

Operating Expenses

Operating expenses for the three months ended September 30, 2024 remained mostly flat, compared to the three months ended June 30, 2024.

Compared to the nine months ended September 30, 2023, Operating expenses for the nine months ended September 30, 2024 increased \$1.1 million. Originations expense increased \$2.4 million and Compensation and benefits increased \$1.2 million driven by higher production volume. The increase in Compensation and benefits was driven by higher commissions with higher production volume, partially offset by a decline in salaries and benefits, with a decrease in average U.S. based headcount as part of our cost-reduction efforts. Overhead allocations declined \$2.0 million due to lower total corporate overhead expenses and a lower allocation percentage to Originations as a result of lower average headcount.

Other Income (Expense)

Interest income consists primarily of interest earned on newly-originated and purchased loans during the pipeline period prior to securitization or sale to investors. Interest expense is incurred to finance the mortgage loans during the same pipeline period, which is generally less than 30 days. Our net interest margin is driven by the difference between the average mortgage note rate and the average warehouse line cost of funds, and by the average number of days loans remain in the pipeline. There were no significant changes in our net interest margin, period-over-period.

CORPORATE ITEMS AND OTHER

Corporate Items and Other includes expenses of corporate support services and activities that are not directly related to other reportable segments.

- Certain expenses incurred by corporate support services, such as technology, risk and compliance are allocated to the Servicing and Originations segments using various methodologies intended to approximate the utilization of such services.
- Interest expense on corporate debt is allocated to the Servicing and the Originations segments based on relative financing uses, with the exception of the Onity Senior Secured Notes issued by the holding company Onity Group Inc. Accordingly, the financing cost of the Servicing and Originations segments reflects and is consistent with the financing structure of the licensed entity PHH that carries out these businesses and does not depend on the financing structure strategy of its parent, as a holding company.
- Effective in the fourth quarter of 2023, CRL, our wholly-owned captive reinsurance subsidiary, is reported in the Servicing segment. Segment results for the nine months ended September 30, 2023 have been recast to conform to the current segment presentation.

The following table presents selected results of operations of Corporate Items and Other. The amounts presented are before the allocation and elimination of balances and transactions with our other segments:

	Three Months Ended			Nine Months Ended		
	September 30, 2024	June 30, 2024	% Change	September 30, 2024	September 30, 2023	% Change
Revenue	\$ —	\$ —	—	—	\$ —	—
Operating expenses						
Compensation and benefits	21.7	19.2	13 %	59.1	58.0	2 %
Professional services	7.2	7.4	(3)	19.1	(19.0)	(201)
Technology and communications	5.3	5.0	6	15.3	15.5	(1)
Servicing and origination	0.4	0.5	(11)	1.2	0.8	44
Occupancy, equipment and mailing	0.5	0.4	39	1.3	0.9	41
Other expenses	1.2	1.5	(20)	4.0	4.2	(6)
Total operating expenses before corporate overhead allocations	36.3	34.0	7 %	99.9	60.4	65 %
Corporate overhead allocations						
Servicing segment	(11.5)	(10.8)	7 %	(33.2)	(34.0)	(2)%
Originations segment	(4.2)	(4.3)	(2)	(12.4)	(14.4)	(14)
Total operating expenses	20.6	18.9	9 %	54.3	12.1	350 %
Other income (expense), net						
Interest income	1.3	1.1	13 %	3.6	3.4	5 %
Interest expense	(11.4)	(11.2)	2	(33.8)	(32.6)	3
Gain on extinguishment of debt	0.3	—	n/m	1.8	1.2	50
Other, net	0.2	0.4	(54)	0.6	2.1	(70)
Other income (expense), net	(9.6)	(9.6)	— %	(27.8)	(26.0)	7 %
Income (loss) before income taxes	<u>\$ (30.2)</u>	<u>\$ (28.5)</u>	6 %	<u>\$ (82.1)</u>	<u>\$ (38.0)</u>	116 %

Operating Expenses

Operating expenses before corporate overhead allocations increased by \$2.4 million, or 7%, for the three months ended September 30, 2024 compared to the three months ended June 30, 2024, primarily driven by Compensation and benefits, specifically incentive compensation. The increase in incentive compensation is mostly due to an increase in estimated annual cash awards based on our year-to-date financial performance.

Operating expenses before corporate overhead allocations increased by \$39.5 million for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023, primarily driven by Professional services. Professional services for the nine months ended September 30, 2023 reflected the reversal of our loss contingency accrual related to the CFPB matter resolved in our favor in the second quarter of 2023 and recoveries of prior years' legal expenses from private mortgage insurers. In addition, legal fees and litigation-related expenses increased by \$2.1 million in the nine months ended September 30, 2024.

LIQUIDITY AND CAPITAL RESOURCES

Overview

In the normal course of business, we are actively engaged with existing and potential lenders and as a result add, terminate, replace or extend our debt agreements to the extent necessary to finance our operations and growth and optimize our financing costs.

In addition, we completed the following transactions during the nine months ended September 30, 2024:

- Repurchased \$70.9 million of our PMC Senior Secured Notes for a price of \$68.5 million, and recognized a \$1.8 million net gain on debt extinguishment;
- Completed two private placement securitizations of HECM loans, and related receivables and REO properties, also referred to as reverse mortgage buyouts. In February and September 2024, different classes of asset-backed notes with an initial principal amount of \$268.6 million and \$330.6 million were issued at a discount, with a stated interest rate of 3% and 5% respectively, and a three-year mandatory call date;
- Entered into a \$34.0 million second-lien repurchase financing arrangement for the membership interest in our PLS MSR, pursuant to which PHH sold the membership interest certificate representing 100% of the limited liability company interests in PMC PLS ESR Issuer LLC (PLS Issuer) and agreed to repurchase such membership interest certificate at a specified future date at the price set forth in the repurchase agreement. The termination date of the facility is February 25, 2025.
- Entered into a repurchase agreement in June 2024 which provides borrowing at our discretion up to a certain maximum amount of capacity on a rolling 30-day uncommitted basis, with the retained notes of the OLIT 2023 transaction pledged as collateral.

In addition, on November 1, 2024, Onity acquired certain reverse mortgage assets of MAM that are currently subserviced by PHH. The acquired assets include HECM reverse mortgage loans and mortgage servicing rights with a projected UPB of approximately \$3 billion (which assets will be reflected on Onity's balance sheet as Loans held for investment, at fair value along with the related borrowings, at fair value), \$20.0 million cash, and other related reverse mortgage assets. In consideration of the MAM asset acquisition, Onity issued to Waterfall shares of a new series of non-convertible, perpetual preferred stock ("Series B Preferred Stock") with an aggregate liquidation preference amount of \$52.8 million, subject to certain post-closing adjustments. Concurrently, Onity entered into a two-year revolving line of credit with Waterfall, collateralized by certain acquired assets. The maximum committed amount decreases from an initial \$45 million to \$15 million after the first securitization of HECM tails. Refer to Note 22 – Subsequent Events.

Further, on November 6, 2024, we issued \$500 million aggregate principal amount of 9.875% Senior Notes due 2029 at a price of 99.556%. The net proceeds from the sale of the notes, together with additional cash from Onity, are placed into escrow pending the satisfaction of certain conditions, including, but not limited to, the consummation of the sale by Onity of its 15% ownership interest in MAV Canopy to Oaktree. Upon satisfaction of the escrow conditions, the escrowed proceeds will be released and will be used, together with the net proceeds from the sale of the investment in MAV Canopy and available liquidity, to redeem all of the outstanding PMC Senior Secured Notes and Onity Senior Secured Notes. Refer to Note 22 – Subsequent Events.

A summary of borrowing capacity under our advance facilities, mortgage warehouse facilities and MSR financing facilities is as follows (see Note 13 – Borrowings to the Unaudited Consolidated Financial Statements for additional information):

	September 30, 2024			December 31, 2023		
	Total Borrowing Capacity (1)	Available Borrowing Capacity - Committed (1)	Available Borrowing Capacity - Uncommitted (1)	Total Borrowing Capacity (1)	Available Borrowing Capacity - Committed (1)	Available Borrowing Capacity - Uncommitted (1)
Advance facilities	\$ 714	\$ 273	\$ 64	\$ 714	\$ 151	\$ 64
Mortgage loan financing facilities	2,503	305	1,360	2,696	373	1,592
MSR financing facilities	1,200	318	164	1,082	128	38
Total	\$ 4,417	\$ 897	\$ 1,587	\$ 4,493	\$ 652	\$ 1,693

(1) Total Borrowing Capacity represents the maximum amount which can be borrowed, subject to eligible collateral. Available Borrowing Capacity represents Total Borrowing Capacity less outstanding borrowings.

At September 30, 2024, none of the available borrowing capacity under our advance financing facilities could be funded based on the amount of eligible collateral that had been pledged to such facilities. We may utilize committed borrowing capacity under our mortgage loan financing facilities and MSR financing facilities to the extent we have sufficient eligible collateral to borrow against and otherwise satisfy the applicable conditions to funding. At September 30, 2024, we had no committed borrowing capacity and \$3.5 million uncommitted borrowing capacity under our mortgage loan financing facilities, and \$27.1 million committed borrowing capacity and \$67.0 million uncommitted borrowing capacity under our MSR financing facilities, based on the amount of eligible collateral. Uncommitted amounts can be advanced at the discretion of the lender, and there can be no assurance that any uncommitted amounts will be available to us at any particular time.

At September 30, 2024, our \$299.2 million total liquidity included \$201.6 million unrestricted cash position and \$97.6 million total available committed and uncommitted borrowing capacity based on the amount of eligible collateral as discussed above. With total liquidity of \$241.6 million at December 31, 2023, the increase is primarily driven by bulk MSR sales, reverse buyout OLIT securitizations, second lien PLS financing, partly offset by \$70.9 million corporate debt repurchases (PMC Senior Secured Notes).

Effective September 30, 2023, we implemented the revised minimum tangible net worth and liquidity requirements for GSE and Ginnie Mae seller/servicers. We believe that we are in compliance with these requirements as of September 30, 2024.

Ginnie Mae announced a new risk-based capital ratio effective on December 31, 2024 for Ginnie Mae issuers. PHH would not be in compliance with the upcoming risk-based capital requirements if they were in effect as of September 30, 2024. On September 26, 2024, Ginnie Mae issued a waiver extending the deadline by which PHH must meet the risk-based capital ratio requirements to May 1, 2025. We are currently implementing certain actions intended to achieve compliance with the requirements. Also refer to Note 19 – Regulatory Requirements.

We optimize our daily cash position to reduce financing costs while closely monitoring our liquidity needs and ongoing funding requirements. We regularly monitor and project cash flows over various time horizons to anticipate and mitigate liquidity risk. We maintain liquidity buffers to be responsive to the level of risks, including stressed market interest rate conditions and operational risk.

Use of Funds

Our primary near-term uses of funds in the normal course include:

- Payment of operating costs and corporate expenses;
- Payments for servicing advances in excess of collections;
- Investment in MSRs (purchased and originated), other asset acquisitions and MAV Canopy equity contributions;
- Originated, purchased and repurchased loans, including reverse mortgage buyouts;
- Payment of margin calls under our MSR financing facilities and derivative instruments;
- Debt service and repayments of borrowings, including under our MSR financing, advance financing and warehouse facilities, and payment of interest expense; and
- Net negative working capital and other general corporate cash outflows.

We have short-term commitments to lend \$1.7 billion in connection with our forward and reverse mortgage loan IRLCs outstanding at September 30, 2024. In addition, we have originated floating-rate reverse mortgage loans under which the borrowers have additional borrowing capacity of \$1.8 billion at September 30, 2024. During the nine months ended September 30, 2024, we funded \$179.1 million out of the \$1.8 billion borrowing capacity available at December 31, 2023. We are able to immediately securitize these borrower draws or advances under the Ginnie Mae program. As an HMBS issuer, we are required to repurchase loans out of the Ginnie Mae securitization pools once the outstanding principal balance of the loan is equal to or greater than 98% of the maximum claim amount (MCA repurchases). We carry these repurchases until reimbursement by HUD and/or property liquidation if inactive. Our reverse subservicing clients bear the financial obligation and risks associated with purchasing loans out of securitization pools within the portfolio we subservice.

Regarding the current maturities of our borrowings, as of September 30, 2024, we have approximately \$1.6 billion of debt outstanding that would either come due, begin amortizing or require partial repayment in the next 12 months. This amount is comprised of \$837.2 million of borrowings under forward and reverse mortgage loan financing facilities, \$376.6 million of notes under advance financing facilities based on expected repayment, \$342.8 million outstanding under GSE and Ginnie Mae MSR financing facilities maturing in the next 12 months, \$28.8 million of scheduled principal amortization on the PLS Notes secured by PLS MSRs and \$34.0 million outstanding under a PHH repurchase agreement.

With respect to liquidity management, we consider our servicing advance requirements during each investor remittance period and the uncertainties of daily margin calls on our collateralized debt facilities and derivative instruments due to interest rate fluctuations.

As servicer, we are required to advance to investors the loan P&I installments not collected from borrowers for those delinquent loans, including those on forbearance plans. Loan payoffs and prepayments are a source of additional liquidity and are dependent on the interest rate environment. We also advance T&I and Corporate advances primarily on properties that are in default or have been foreclosed. Our obligations to make these advances are governed by servicing agreements or guides, depending on investors or guarantor. As subservicer, we are also required to make P&I, T&I and Corporate advances on behalf of servicers following the servicing agreements or guides. However, servicers are generally required to reimburse us within 30 days of our advancing under the terms of the subservicing agreements, and we are generally reimbursed by Rithm the same day we fund P&I advances, or within no more than three days for certain servicing advances.

We are generally subject to daily margining requirements under the terms of our MSR financing facilities and daily cash calls for our TBAs, interest rate swap futures or other derivatives. Declines in fair value of our MSRs due to declines in market interest rates, assumption updates or other factors require that we provide additional collateral to our lenders under MSR financing facilities. Similarly, declines in fair value of our derivative instruments require that we provide additional collateral to the clearing counterparties. While the objective of our hedging strategy is to reduce volatility due to interest rates, it is also designed to address cash and liquidity considerations. Refer to the sensitivity analysis in Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our medium- and long-term requirements for cash include:

- Payment of interest and principal repayment of our PLS Notes that mature in 2025, our PMC Senior Secured Notes that mature in 2026 and our Onity Senior Secured notes owed to Oaktree that mature in 2027;
- Payment of interest and principal repayment of our OLIT securitization note issuances that have a three-year mandatory call date;
- Any payments associated with the confirmation of loss contingencies; and
- Any other payments required under contractual obligations discussed above that extend beyond one year.

We continuously evaluate alternative financings to diversify our sources of funds, optimize maturities and reduce our funding cost. In addition, we evaluate investment and capital allocation opportunities for any excess liquidity.

Sources of Funds

Our primary sources of funds for near-term liquidity in normal course include:

- Collections of servicing and subservicing fees and ancillary revenues;
- Collections of advances in excess of new advances;
- Proceeds from match funded advance financing facilities;
- Proceeds from other borrowings, including warehouse facilities, MSR financing facilities, MSR transfers and ESS financing;
- Proceeds from sales and securitizations of originated loans and purchased loans; and
- Net positive working capital from changes in other assets and liabilities.

Servicing advances are an important component of our business and represent amounts that we, as servicer, are required to advance to, or on behalf of, our servicing clients if we do not receive such amounts from borrowers. Our use of advance financing facilities is integral to our cash and liquidity management strategy. Additionally, certain of our financing and subservicing agreements permit us to retain advance collections for a period ranging from one to two business days before remittance, thus providing a source of short-term liquidity.

We use mortgage loan repurchase and participation facilities (commonly called warehouse lines) to fund newly-originated or purchased loans on a short-term basis until they are sold or securitized to secondary market investors, including GSEs or other third-party investors, and to fund repurchases of certain Ginnie Mae forward loans, HECM loans, second-lien loans and other types of loans. These facilities contain eligibility criteria that include aging and concentration limits by loan type among other provisions. Currently, our financing agreements generally have maximum terms of 364 days. The funds are typically repaid using the proceeds from the sale of the loans to the secondary market investors, usually within 30 days.

We also rely on the secondary mortgage market as a source of liquidity to support our lending operations. Substantially all of the mortgage loans that we originate or purchase are sold or securitized in the secondary mortgage market in the form of residential mortgage-backed securities guaranteed by Fannie Mae or Freddie Mac and, in the case of mortgage-backed securities guaranteed by Ginnie Mae, are mortgage loans insured or guaranteed by the FHA, VA or USDA. In June 2023, we issued a private placement securitization of reverse mortgage buyouts with an initial principal amount of \$264.9 million and a three-year mandatory call date, expanding our access to capital markets and reducing our reliance on warehouse financing facilities. In February 2024 and September 2024, we issued a second and third private placement securitization of reverse mortgage buyouts with an initial principal amount of \$268.6 million and \$330.6 million, respectively, both with a three-year mandatory call date.

We regularly evaluate financing structure options to support our investment plans, address upcoming debt maturities and accommodate our business needs. We strive to diversify our sources of funds and optimize asset-backed financing. We continuously evaluate the allocation of our capital to MSR and other investments, the related returns, funding and liquidity requirements. Accordingly, we may opportunistically acquire or sell MSRs or other investments. The relationships with MAV and other MSR capital partners continue to provide PHH with additional means to grow servicing volume and finance MSRs while maintaining capital and liquidity.

Covenants

Our debt agreements contain various qualitative and quantitative covenants including financial covenants, covenants to operate in material compliance with applicable laws and regulations, monitoring and reporting obligations and restrictions on our ability to engage in various activities, including but not limited to incurring or guarantying additional debt, paying dividends or making distributions on or purchasing equity interests of Onity and its subsidiaries, repurchasing or redeeming capital stock or junior capital, repurchasing or redeeming subordinated debt prior to maturity, issuing preferred stock, selling or transferring assets or making loans or investments or other restricted payments, entering into mergers or consolidations or sales of all or substantially all of the assets of Onity and its subsidiaries, creating liens on assets to secure debt, and entering into transactions with affiliates. These covenants may limit the manner in which we conduct our business and may limit our ability to engage in favorable business activities or raise additional capital to finance future operations or satisfy future liquidity needs. In addition, breaches or events that may result in a default under our debt agreements include, among other things, nonpayment of principal or interest, noncompliance with our covenants, breach of representations, the occurrence of a material adverse change, insolvency, bankruptcy, certain material judgments and litigation and changes of control. See Note 13 – Borrowings to the Unaudited Consolidated Financial Statements for additional information regarding our covenants. The most restrictive liquidity requirement under our debt agreements, excluding additional Agency minimum liquidity requirements, is for a minimum of \$75.0 million in consolidated liquidity, as defined, under certain of our mortgage loan financing and MSR financing facilities agreements. At September 30, 2024, we held unrestricted cash in excess of this minimum amount. The minimum liquidity requirements for PHH contained in some debt agreements are also subject to the minimum requirement set forth by the Agencies. Refer to Note 19 – Regulatory Requirements.

In addition, our debt agreements generally include cross default provisions such that a default under one agreement could trigger defaults under other agreements. If we fail to comply with our debt agreements and are unable to avoid, remedy or secure a waiver of any resulting default, we may be subject to adverse action by our lenders, including termination of further funding, acceleration of outstanding obligations, enforcement of liens against the assets securing or otherwise supporting our obligations, and other legal remedies, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations. We believe that we are in compliance with the covenants in our debt agreements as of September 30, 2024.

Credit Ratings

The following table summarizes our current ratings and outlook by the respective nationally recognized rating agencies.

Rating Agency	Rated Entity	Long-term Corporate Rating	Review Status / Outlook	Date of last action
Moody's	Onity	B3	Stable	October 21, 2024
S&P	Onity	B-	Stable	October 21, 2024

On October 21, 2024, Moody's assigned a Caa1 rating to the new PHH Corporation Senior Notes due in 2029 (See Note 22 – Subsequent Events). Moody's also assigned a B3 corporate family rating to Onity and withdrew the B3 corporate family rating of PHH Mortgage Corporation. The entities' outlooks are stable. Moody's recognizes Onity's improving performance and return to profitability and adequate capitalization. At the same time, Moody's explained the rating is constrained by Onity's modest scale compared to mortgage peers and history of uneven financial performance.

On October 21, 2024, S&P assigned a B- rating to the new PHH Corporation Senior Notes due in 2029 (See Note 22 – Subsequent Events). S&P also affirmed the B- rating to Onity with a Stable Outlook. The Stable Outlook reflects S&P's expectations that Onity will maintain certain levels of debt ratio and debt-interest coverage while continuing to grow and diversify its servicing portfolio.

Cash Flows

Our operating cash flow is primarily impacted by operating results, changes in our servicing advance balances, the level of mortgage loan production, the timing of sales and securitizations of mortgage loans, and the margin calls required under our MSR financing facilities or derivative instruments. As one of the main differences between proceeds from sale and origination or purchase of loans held for sale, newly originated MSRs are effectively classified as operating cash flows. Purchases of MSRs through flow purchase agreements, Agency Cash Window and bulk acquisitions are classified as investing activity. MSR investments, whether originated or purchased, represent a key indicator of our ability to generate future income in our Servicing business.

We classify changes in HECM loans held for investment as investing activity and changes in the related HMBS borrowings as financing activity. Our MSR transfer agreements with MAV, Rithm and others have a significant impact on our consolidated statements of cash flows. Because the payments we received in connection with the HECM loan securitizations and MSR

transfer agreements are recorded as secured financings, additions to, and reductions in, the balance of those secured financings are presented as financing activity in our consolidated statements of cash flows, excluding the changes in fair value attributable to inputs and assumptions.

Our cash flows are summarized as follows:

<i>\$ in millions</i>	Nine Months Ended September 30,	
	2024	2023
Net cash used in operating activities	\$ (356)	\$ (271)
Net cash provided by (used in) investing activities	214	(44)
Net cash provided by financing activities	167	307
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 25	\$ (8)
Cash, cash equivalents and restricted cash at end of period	\$ 280	\$ 266

Cash flows for the nine months ended September 30, 2024

Our operating activities used \$355.8 million of cash primarily due to \$620.1 million net cash paid on loans held for sale as loan production volume exceeded sales, including \$245.9 million for the purchase of reverse mortgage buyouts, and \$163.9 million originated MSR. Offsetting operating cash inflows include net collections of servicing advances of \$140.9 million driven by seasonal activity and our increased collection efforts on legacy advances, and earnings distributions of \$6.7 million received from our equity method investee MAV Canopy.

Our investing activities provided \$214.2 million of cash. Cash inflows primarily include \$193.9 million proceeds from sales of MSRs, \$133.2 million net cash received in connection with our HECM reverse mortgages, \$18.0 million proceeds from sales of real estate as part of our asset recovery strategy, \$10.2 million received from the sale of advances in connection with sales of MSRs, and \$7.1 million of capital distributions received, net of contributions, from our equity method investee MAV Canopy. Offsetting cash outflows include \$114.8 million to purchase MSRs and \$32.9 million to purchase real estate primarily in connection with our reverse mortgage buyout transaction.

Our financing activities provided \$166.6 million of cash. Financing cash inflows are primarily comprised of \$636.1 million net from borrowings under our mortgage loan financing facilities due to the increase in loans held for sale, including \$569.9 million with the issuances of the OLIT securitization of reverse mortgage buyouts and \$22.8 million of proceeds from the sale of MSRs accounted for as a financing in connection with sales of MSRs. Offsetting cash outflows include \$122.5 million of net repayments on advance match funded liabilities due to the decline in servicing advances, \$110.0 million of net repayment on MSR financing facilities, and \$54.3 million of net payments on the financing liabilities related to MSRs transferred and ESS financings due to runoff. We also paid \$68.5 million to repurchase \$70.9 million of our 7.875% PMC Senior Secured Notes. Cash inflows of \$792.3 million received in connection with our reverse mortgage securitizations, which are accounted for as secured financings, were more than offset by repayments on the related financing liability of \$922.8 million.

Cash flows for the nine months ended September 30, 2023

Our operating activities used \$271.4 million of cash primarily due to net cash paid on loans held for sale of \$488.7 million as loan production volume exceeded sales. Offsetting operating cash inflows include net collections of servicing advances of \$147.7 million.

Our investing activities used \$43.6 million of cash. The primary use of cash in our investing activities was \$89.6 million to purchase MSRs. Offsetting cash inflows include \$36.3 million net cash inflows in connection with our HECM reverse mortgages, \$2.7 million of capital distributions, net of contributions, from our equity method investee MAV Canopy and \$6.1 million proceeds from the sale of advances.

Our financing activities provided \$306.7 million of cash. Financing cash inflows are primarily comprised of \$332.9 million net from borrowings under our mortgage loan financing facilities, including the OLIT securitization, due to the increase in loans held for sale, \$173.1 million of proceeds from the sale of MSRs accounted for as a financing in connection with sales of MSRs, and \$68.7 million of proceeds from ESS financing. Offsetting cash outflows include \$110.6 million of net repayments on advance match funded liabilities due to the decline in servicing advances, \$51.0 million of net repayments on MSR financing facilities, and \$70.3 million of net payments on the financing liabilities related to MSRs transferred and ESS financings due to runoff. We also paid \$12.5 million to repurchase \$13.9 million of our 7.875% PMC Senior Secured Notes. Cash inflows of \$783.7 million received in connection with our reverse mortgage securitizations, which are accounted for as secured financings, were more than offset by repayments on the related financing liability of \$802.4 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our ability to measure and report our financial position and operating results is influenced by the need to estimate the impact or outcome of future events based on information available at the date of the financial statements. An accounting estimate is considered critical if it requires that management make assumptions about matters that were highly uncertain at the time the accounting estimate was made. If actual results differ from our judgments and assumptions, then it may have an adverse impact on the results of operations and cash flows. We have processes in place to monitor these judgments and assumptions, and management is required to review critical accounting policies and estimates with the Audit Committee of the Board of Directors.

Our accounting policies and estimates involving significant judgments primarily relate to fair value measurements, income taxes, allowance for losses, and loss contingencies, including indemnification obligations and litigation proceedings. We use fair value measurements to record fair value adjustments to certain instruments in our statement of operations and to determine fair value disclosures, including but not limited to MSRs, Other financing liabilities, Loans held for sale, Loans held for investment-Reverse mortgages, and HMBS-related borrowings. As of September 30, 2024, 89% of our assets and 70% of our liabilities were reported at fair value, with fair value changes reported in our statement of operations. Substantially all our assets and liabilities at fair value were classified as Level 3 instruments due to unobservable inputs.

Our significant accounting policies and critical accounting estimates are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023 in Note 1 to the Consolidated Financial Statements and in Management's Discussion and Analysis of Financial Condition and Results of Operations under "Critical Accounting Policies and Estimates."

RECENT ACCOUNTING DEVELOPMENTS

See Note 1 - Organization and Basis of Presentation to the Unaudited Consolidated Financial Statements for information related to recent accounting standards updates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Dollars in millions unless otherwise indicated)

Interest Rates

Our principal market risk exposure is the impact of interest rate changes on our mortgage-related assets and commitments, including MSRs, loans held for sale, loans held for investment, IRLCs and other derivative instruments. In addition, changes in interest rates could materially and adversely affect the amount of escrow and float income, the volume of mortgage loan originations or result in MSR fair value changes. We also have exposure to the effects of changes in interest rates on our floating-rate borrowings, including MSR and advance financing facilities.

Our management-level Market Risk Committee establishes and maintains policies that govern our risk appetite and associated hedging programs, including such factors as duration and interest rate sensitivity measures, limits, targeted hedge coverage ratios, the hedge instruments that we are permitted to use in our hedging activities, and the counterparties with whom we are permitted to enter into hedging transactions and our liquidity risk profile. See Note 15 – Derivative Financial Instruments and Hedging Activities to the Unaudited Consolidated Financial Statements for additional information regarding our use of derivatives.

MSR Hedging Strategy

MSRs are carried at fair value with changes in fair value being recorded in earnings in the period in which the changes occur. The fair value of MSRs is subject to changes in market interest rates, among other inputs and assumptions.

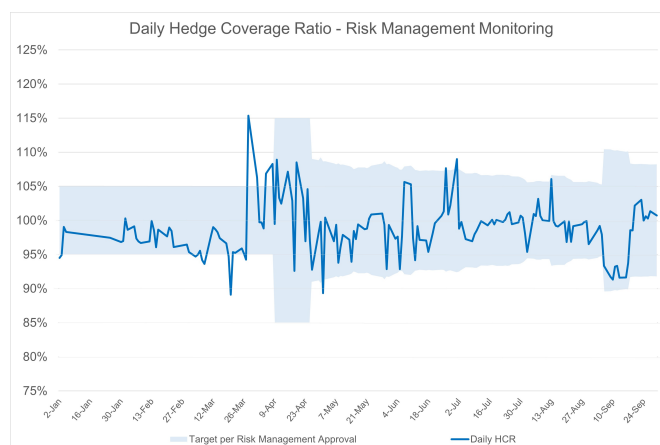
The objective of our MSR interest rate risk management and hedging policy is to protect shareholders' equity and earnings against the fair value volatility of interest-rate sensitive MSR portfolio exposure, considering market, liquidity, cost and other conditions. The interest-rate sensitive MSR portfolio exposure is defined as follows:

- Agency MSR portfolio,
- expected Agency MSR bulk transactions subject to letters of intent (LOI),
- less the Agency MSRs subject to our sale agreements with MAV, Rithm and others, also referred to as Pledged MSR liabilities (See Note 8 — Other Financing Liabilities, at Fair Value),
- less the asset value for securitized HECM loans, net of the corresponding HMBS-related borrowings (also referred to as HECM or reverse MSR for risk management purposes),
- other interest-rate sensitive exposures, including our ESS financing liabilities, as deemed appropriate by the Market Risk Committee.

The hedge coverage ratio, defined as the ratio of hedge (including reverse MSR) to asset rate sensitivity (referred to as DV01) is subject to lower and upper target thresholds under our policy. We regularly evaluate the hedge coverage ratio at the intended shock interval to determine if it is relevant or warrants adjustment based on market conditions, symmetry of interest rate risk exposure, liquidity impacts under shock scenarios, and other factors. As the market dictates, management may choose to maintain the hedge coverage ratio at different thresholds, with approval of the Market Risk Committee, in order to preserve liquidity and/or optimize asset returns.

Effective September 2022, a minimum 25% and 30% hedge coverage ratios were required for interest rate declines less than, and more than 50 basis points, respectively. During the second quarter of 2023, management raised its minimum hedge coverage ratio to 60%. Effective December 2023, we established a targeted hedge coverage ratio range between 95% and 105%. In April 2024, we changed the risk measure to a dollar DV01 that resulted in an equivalent range of approximately 90% to 110%.

Our Chief Investment Office, and Risk Management function, as the second line of defense, monitor fair value changes due to interest rates against the target hedge coverage ratio range on a daily basis. Exceptions are generally pre-approved by Risk Management. The following graph compares the daily hedge coverage ratio (based on interest rate modeled values) with target range and demonstrates the discipline of a highly effective MSR interest rate hedging strategy in the nine months ended September 2024 despite market volatility. The graph also shows the change in the targeted risk metric range starting in April 2024 discussed above.



With a less-than 100% hedge coverage ratio, the changes in fair value of our hedging instruments may not fully offset the changes in fair value of our net MSR portfolio exposure attributable to interest rate changes. In addition, while interest rate sensitivity measures (DV01) may remain within the range of our hedging strategy’s objective, actual changes in fair value of the derivatives and MSR portfolio may not offset to the same extent, due to many factors. These factors include non-parallel changes in the interest rate curve, the convexity of the MSR, the basis risk inherent in the MSR profile and hedging instruments, model risk observed between actual vs. expected fair value changes, and hedge costs.

We continuously evaluate the use of hedging instruments with the objective of enhancing the effectiveness of our interest rate hedging strategy.

Our derivative instruments include forward trades of MBS or Agency TBAs with different banking counterparties, exchange-traded interest rate swap futures and interest rate options. These derivative instruments are not designated as accounting hedges. TBAs, or To-Be-Announced securities are actively traded, forward contracts to purchase or sell Agency MBS on a specific future date. From time to time, we enter into exchange-traded options contracts with purchased put options financed by written call options. We report changes in fair value of these derivative instruments in MSR valuation adjustments, net in our consolidated statements of operations, within the Servicing segment.

The derivative instruments are subject to margin requirements, posted as either initial or variation margin. Onity may be required to post or may be entitled to receive cash collateral with its counterparties through margin calls, based on daily value changes of the instruments. Changes in market factors, including interest rates, and our credit rating may require us to post additional cash collateral and could have a material adverse impact on our financial condition and liquidity.

Loans Held for Investment and HMBS-related Borrowings

The fair value of our securitized HECM loan portfolio generally decreases as market interest rates rise and increases as market rates fall. As our HECM loan portfolio is predominantly comprised of ARMs, higher interest rates cause the loan

balance to accrue and reach a 98% maximum claim amount liquidation event more quickly, while lower interest rates extend the timeline to reach maximum claim amount liquidation. Additionally, portfolio value is heavily influenced by market spreads for fixed and discount margin for ARMs.

The fair value of our securitized HECM loan portfolio net of the fair value of the HMBS-related borrowings represent a reverse mortgage economic MSR (HMSR) for risk management purposes. The fair value of our HMSR generally decreases as market interest rates rise and increases as market rates fall. As our HECM loan portfolio is predominantly comprised of ARMs, higher interest rates cause the loan balance to accrue and reach a 98% maximum claim amount liquidation event more quickly, with lower interest rates extending the timeline to liquidation. HECM loans have a longer duration than HMBS-related borrowings as a result of the future draw commitments, and our obligations as issuer of HMBS to purchase loans out of the Ginnie Mae securitization pools once the outstanding principal balance of the related HECM loan is equal to 98% of the maximum claim amount. This HMSR exposure is used as a partial offset to our forward MSR exposure and managed as part of our MSR hedging strategy described above.

Pipeline Hedging Strategy - Loans Held for Sale and IRLCs

In our Originations business, we are exposed to interest rate risk and related price risk during the period from the date of the interest rate lock commitment through (i) the lock commitment cancellation or expiration date or (ii) through the date of sale or securitization of the resulting loan into the secondary mortgage market. Loan commitments for forward loans generally range from 5 to 75 days, with the majority of our commitments to borrowers for 40 to 60 days and our commitments to correspondent sellers for 5 to 30 days. Loans held for sale are generally funded and sold within 5 to 30 days. This interest rate exposure of loans and IRLCs is economically hedged with derivative instruments, including forward sales of Agency TBAs. The objective of our pipeline hedging strategy is to reduce the volatility of the fair value of IRLCs and loans due to market interest rates, thus preserving the initial gain on sale margin at lock date. The net daily market risk position of net pull-through adjusted locks and loans held for sale, less the offsetting hedges of the pipeline, is monitored daily and its daily limit is +/- 5%. We report changes in fair value of these derivative instruments as gain or loss on economic hedge instruments within either Gain on loans held for sale, net or Gain on reverse loans held for investment and HMBS-related borrowings, net in our consolidated statements of operations.

EBO and Loan Modification Hedging – Loans Held for Sale, at fair value

In our Servicing business, effective February 2022, management started hedging certain Ginnie Mae EBO loans repurchased out of securitization pools for modification and repricing with TBAs to manage the interest rate risk while these loans await redelivery.

Advance Match Funded Liabilities

We monitor the effect of changes in interest rates on the interest paid on our variable-rate advance financing debt. Earnings on cash and float balances are a partial offset to our exposure to changes in interest expense.

Sensitivity Analysis

Fair Value MSRs, Loans Held for Sale, Loans Held for Investment and Related Derivatives

We assess and manage our interest rate risk on a daily basis primarily using sensitivity analyses. We develop sensitivity analyses to determine the impact on our earnings and financial condition across various interest rate scenarios that could be expected over different time horizons. Our interest rate exposure spans from overnight rates to 30-year rates, with increased sensitivity related to the 5-, 10-, and 30-year rates. Sensitivity analyses are based on hypothetical change in values of different interest-rate sensitive assets and liabilities together with our hedges and are presented under a set instantaneous +/- 25 basis point parallel move in rates. Changes in fair value cannot be extrapolated because the relationship to the change in fair value may not be linear and other factors may apply, such as change in yield, spreads or other assumptions.

The following table summarizes the estimated change in the fair value of our MSRs, HECM loans held for investment and loans held for sale that we have elected to carry at fair value as well as any related derivatives at September 30, 2024, given hypothetical instantaneous parallel shifts in the yield curve. These sensitivities are hypothetical and presented for illustrative purposes only. Changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship to the change in fair value may not be linear, among other factors.

	Change in Fair Value	
	Down 25 bps	Up 25 bps
Asset value of securitized HECM loans, net of HMBS-related borrowing	\$ 4	\$ (4)
Loans held for investment - Unsecuritized HECM loans and tails	—	—
Loans held for sale	16	(18)
Derivative instruments	4	(3)
Total MSR's - Agency and non-Agency (1)	(24)	24
IRLCs	(1)	1
Total, net	\$ (2)	\$ 1

(1) Primarily reflects the impact of market interest rate changes on projected prepayments on the Agency MSR portfolio, Rithm and MAV pledged MSR financing liabilities and ESS financing liabilities.

Borrowings

The majority of the collateralized debt used to finance our operations is based on variable rates, but remains exposed to interest rate fluctuations between repricing dates. Our corporate debt is based on fixed interest rates. As servicer, we are also exposed to the impact of interest rate fluctuations on the float income we earn on balances held in trust from the date a loan payment is received from borrowers to the date funds are forwarded to investors.

Based on September 30, 2024 balances, if interest rates were to decrease by 100 bps, we estimate a net negative impact on our profitability of approximately \$6.7 million resulting from a decrease of \$26.3 million in annual interest income and other credits on cash deposits and float balances, and a decrease of \$19.6 million in annual interest expense on our variable-rate debt.

Foreign Currency Exchange Rate Risk

Our operations in India and the Philippines expose us to foreign currency exchange rate risk to the extent that our foreign exchange positions remain unhedged. Depending on the magnitude and risk of our positions we may enter into forward exchange contracts to hedge against the effect of changes in the value of the India Rupee or Philippine Peso. We did not enter into any foreign currency hedging derivative instruments during the nine months ended September 30, 2024.

Home Prices

Inactive reverse mortgage loans for which the maximum claim amount has not been met are generally foreclosed upon on behalf of Ginnie Mae with the REO remaining in the related HMBS until liquidation. Inactive MCA repurchased loans are generally foreclosed upon and liquidated by the HMBS issuer. Although active and inactive reverse mortgage loans are insured by FHA, we may incur expenses and losses in the process of repurchasing and liquidating these loans that are not reimbursable by FHA in accordance with program guidelines. In addition, in certain circumstances, we may be subject to real estate price risk to the extent we are unable to liquidate REO within the FHA program guidelines. As our reverse mortgage portfolio seasons, and the volume of MCA repurchases increases, our exposure to this risk will increase.

ITEM 4. CONTROLS AND PROCEDURES

Our management, under the supervision of and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act), as of September 30, 2024.

Based on such evaluation, management concluded that our disclosure controls and procedures as of September 30, 2024 were (1) designed and functioning effectively to ensure that material information relating to Onity, including its consolidated subsidiaries, is made known to our principal executive officer and principal financial officer by others within those entities, particularly during the period in which this report was being prepared and (2) operating effectively in that they provided reasonable assurance that information required to be disclosed by Onity in the reports that it files or submits under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to management, including our principal executive officer or principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There have not been any changes in our internal control over financial reporting that occurred during the fiscal quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 21 – Contingencies to the Unaudited Consolidated Financial Statements for a description of our material legal proceedings. That information is incorporated into this item by reference.

ITEM 1A. RISK FACTORS

An investment in our common stock involves significant risk. We describe the most significant risks that management believes affect or could affect us under Part I, Item 1.A. of our Annual Report on Form 10-K for the year ended December 31, 2023. Understanding these risks is important to understanding any statement in such reports and in our subsequent SEC filings (including this Form 10-Q) and to evaluating an investment in our common stock. You should carefully read and consider the risks and uncertainties described therein together with all the other information included or incorporated by reference in such Annual Report and in our subsequent SEC filings before you make any decision regarding an investment in our common stock. You should also consider the information set forth under “Forward-Looking Statements.” If any of the risks actually occur, our business, financial condition, liquidity and results of operations could be materially and adversely affected. If this were to happen, the value of our common stock could significantly decline, and you could lose some or all of your investment.

There have been no material changes to the risks described in our Annual Report on Form 10-K for the year ended December 31, 2023, other than the following:

Our ability to conclude our refinancing transaction and redeem all of our PMC Senior Secured Notes and our Onity Senior Secured Notes depends on the closing of the MAV sale, the timing of which is uncertain due to the various required regulatory approvals. If we are not able to close the MAV sale by March 3, 2025, we will be required to repay the escrowed proceeds of the new PHH Senior Notes due 2029, including accrued interest, and our PMC Senior Secured Notes and Onity Senior Secured Notes will not be redeemed and will remain outstanding. If this were to happen, we cannot guarantee that we would be able to refinance the PMC Senior Secured Notes and Onity Senior Secured Notes on equally favorable terms prior to their maturity dates of March 2026 and March 2027, respectively, which could have a material adverse impact on our liquidity and financial condition and could raise concerns among investors, regulators, and current or potential contractual counterparties.

The net proceeds of our PHH Senior Notes that closed on November 6, 2024 were placed into escrow, together with approximately \$23 million additional cash from Onity. It is a condition to the release of funds from the escrow account that the MAV sale has been closed. Closing of the MAV sale requires the approval of various state regulators as well as the approval of the GSEs. Pursuant to the terms of our refinancing agreement, if the MAV sale does not occur on or prior to March 3, 2025, we will be required to redeem all of the new PHH Senior Notes at a redemption price equal to 100% of the initial issue price of the notes, plus accrued and unpaid interest. In addition, we will be unable to redeem our outstanding PMC Senior Secured Notes due March 2026 with a UPB of \$289.1 million and our Onity Senior Secured Notes due March 2027 with a UPB of \$285.0 million. As a result, we will need to seek an alternative refinancing solution for these notes and we cannot guarantee that we will be able to obtain such refinancing on favorable terms, or at all, prior to the notes’ respective maturity dates. In addition, we will be unable to capture the expected benefits of the refinancing and the MAV sale, and third parties such as future debt investors and other potential lending sources may be disincentivized to extend credit to us, potential clients and contractual counterparties may be less inclined to enter business arrangements with us, and regulators may raise concerns during licensing renewal, examinations and other discussions. If any of these events occur, our access to liquidity and financial condition could be materially adversely impacted.

ITEM 6. EXHIBITS

- | | |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1 | Amended and Restated Articles of Incorporation, as amended (filed herewith) |
| 3.2 | Amended and Restated Bylaws of Registrant (1) |
| 4.1 | The Company agrees to furnish to the Securities and Exchange Commission upon request a copy of each instrument with respect to the issuance of long-term debt of the Company and its subsidiaries, the authorized principal amount of which does not exceed 10% of the consolidated assets of the Company and its subsidiaries. |
| 4.2 | Form of Series B Preferred Stock Certificate (filed herewith) |
| 10.1† | Transaction Agreement dated September 30, 2024 among the Company, OCW MAV Holdings, LLC, MAV Canopy Holdco I, LLC, MSR Asset Vehicle LLC and the other parties thereto (filed herewith) |
| 10.2† | Note Purchase Agreement Amendment effective October 23, 2024 among the Company, Oaktree Fund Administration, LLC, as collateral agent, and the other parties thereto (filed herewith) |
| 10.3† | Form of Redemption Agreement among the Company, OCW MAV Holdings, LLC and MAV Canopy Holdco I, LLC (filed herewith) |

- 10.4 Form of Amendment effective October 23, 2024 to Warrants dated March 4, 2021 and May 3, 2021 (filed herewith)
- 10.5 Letter Agreement dated October 14, 2024 regarding Rithm Capital Corp. affiliate subservicing agreement termination rights (filed herewith)
- 10.6 Registration Rights Agreement dated November 1, 2024 between the Company and affiliates of Waterfall Asset Management, LLC (filed herewith)
- 31.1 Certification of the principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 31.2 Certification of the principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 32.1 Certification of the principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
- 32.2 Certification of the principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
- 101 The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 were formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Equity, (v) Consolidated Statements of Cash Flows, and (v) the Notes to Unaudited Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
- 104 The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline XBRL (Included as Exhibit 101).

† Certain information has been omitted in accordance with Item 601(b)(10) of Regulation S-K because it is both not material and is the type of information that the Registrant treats as private or confidential. An unredacted copy will be furnished supplementally to the SEC upon request.

(1) Incorporated by reference to the similarly described exhibit to the Registrant's Form 8-K filed on February 25, 2019.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Onity Group Inc.

By: /s/ Sean B. O'Neil
Sean B. O'Neil
Executive Vice President and Chief Financial Officer
(On behalf of the Registrant and as its principal financial officer)

Date: November 7, 2024

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
OCWEN FINANCIAL CORPORATION

ARTICLE I

CORPORATE NAME

The name of this corporation is:

Ocwen Financial Corporation

ARTICLE II

PRINCIPAL OFFICE

The address of the principal office and the mailing address of this corporation are:

1675 Palm Beach Lakes Boulevard
West Palm Beach, Florida 33401

ARTICLE III

CAPITAL STOCK

The total number of shares of all classes of capital stock that this corporation shall have authority to issue shall be 220,000,000, of which 200,000,000 shares shall be shares of Common Stock, par value \$.01 per share, and 20,000,000 shares shall be shares of Preferred Stock, par value \$.01 per share.

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of the Preferred Stock shall be as follows:

(A) The Board of Directors is expressly authorized at any time, and from time to time, to provide for the issuance of shares of Preferred Stock in one or more series, with such voting powers, full or limited, or without voting powers, and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolutions

providing for the issue thereof adopted by the Board of Directors, and as are not stated and expressed in these Articles of Incorporation, or any amendment thereto, including (but without limiting the generality of the foregoing) the following:

(1) the designation of and number of shares constituting such series;

(2) the dividend rate of such series, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any other class or classes or of any other series of capital stock, and whether such dividends shall be cumulative or non-cumulative;

(3) whether the shares of such series shall be subject to redemption by this corporation, and, if made subject to such redemption, the times, prices and other terms and conditions of such redemption;

(4) the terms and amounts of any sinking fund, if any, provided for the purchase or redemption of the shares of such series;

(5) whether or not the shares of such series shall be convertible into or exchangeable for shares of any other class or classes or of any other series of any class or classes of capital stock of this corporation, and, if provision be made for conversion or exchange, the times, prices, rates, adjustments and other terms and conditions of such conversion or exchange;

(6) the extent, if any, to which the holders of the shares of such series shall be entitled to vote as a class or otherwise with respect to the election of the directors or otherwise;

(7) the restrictions, if any, on the issue or reissue of any additional Preferred Stock; and

(8) the rights of the holders of the shares of such series upon the dissolution of, or upon the distribution of assets of, this corporation.

(B) Except as otherwise required by law and except for such voting powers with respect to the election of directors or other matters as may be stated in the resolutions of the Board of Directors creating any series of Preferred Stock, the holder of any such series shall have no voting power whatsoever.

ARTICLE IV

AFFILIATE TRANSACTIONS; CONTROL-SHARE ACQUISITIONS

This corporation hereby expressly elects not to be governed by Fla. Stat. Section 607.0901, as the same may be amended or supplemented.

Fla. Stat. Section 607.0902, as amended or supplemented, shall not apply to control-share acquisitions of shares of this corporation.

ARTICLE V

INDEMNIFICATION

This corporation shall, to the fullest extent permitted by the provisions of Fla. Stat. Section 607.0850, as the same may be amended and supplemented, indemnify any and all persons whom it shall have power to indemnify under said section from and against any and all of the expenses, liabilities, or other matters referred to in or covered by said section, and the indemnification provided for herein shall not be deemed exclusive of any rights to which those indemnified may be entitled under any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person.

The undersigned have executed, subscribed and acknowledged these Amended and Restated Articles of Incorporation on July 23, 1996.

/s/ William C. Erbey

William C. Erbey, President

**ARTICLES OF AMENDMENT
TO
AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
OCWEN FINANCIAL CORPORATION**

Ocwen Financial Corporation, a Florida corporation (the "Corporation"), acting pursuant to the provisions of Section 607.1006 of the Florida Statutes, does hereby adopt the following Articles of Amendment to its Amended and Restated Articles of Incorporation:

FIRST: The name of the Corporation is: Ocwen Financial Corporation.

SECOND: That at a regular meeting of the members of the Board of Directors of the Corporation held on March 8, 2006, resolutions were duly adopted proposing to amend Article III of the Amended and Restated Articles of Incorporation of the Corporation and declaring such amendment to be advisable.

THIRD: The amendment to the Amended and Restated Articles of Incorporation set forth below does not adversely affect the rights or preferences of the holders of outstanding shares of any class or series and does not materially result in the percentage of authorized shares that remain unissued after the combination exceeding the percentage of authorized shares that were unissued before the combination.

FOURTH: Each ten (10) shares of issued common stock par value \$0.01 per share of the Corporation ("Common Stock") are to be combined into one (1) share of Common Stock, provided that no fractional shares are to be issued to any holder of fewer than ten (10) shares of Common Stock.

FIFTH: Article III of the Amended and Restated Articles of Incorporation shall be deleted in its entirety and replaced with the following:

**"ARTICLE III
CAPITAL STOCK**

The total number of shares of all classes of capital stock that this corporation shall have authority to issue shall be 220,000,000, of which 200,000,000 shares shall be shares of Common Stock, par value \$.01 per share, and 20,000,000 shares shall be shares of Preferred Stock, par value \$.01 per share. The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of the Preferred Stock shall be as follows:

(A) The Board of Directors is expressly authorized at any time, and from time to time, to provide for the issuance of shares of Preferred Stock in one or more series, with such voting powers, full or limited, or without voting powers, and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolutions providing for the issue thereof adopted by the Board of Directors, and as are not stated and expressed in these Articles of Incorporation, or any amendment thereto, including (but without limiting the generality of the foregoing) the following:

- (1) the designation of and number of shares constituting such series;
- (2) the dividend rate of such series, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any other class or classes or of any other series of capital stock, and whether such dividends shall be cumulative or non-cumulative;
- (3) whether the shares of such series shall be subject to redemption by this corporation, and, if made subject to such redemption, the times, prices and other terms and conditions of such redemption;
- (4) the terms and amounts of any sinking fund, if any, provided for the purchase or redemption of the shares of such series;
- (5) whether or not the shares of such series shall be convertible into or exchangeable for shares of any other class or classes or of any other series of any class or classes of capital stock of this corporation, and, if provision be made for conversion or exchange, the times, prices, rates, adjustments and other terms and conditions of such conversion or exchange;
- (6) the extent, if any, to which the holders of the shares of such series shall be entitled to vote as a class or otherwise with respect to the election of the directors or otherwise;

- (7) the restrictions, if any, on the issue or reissue of any additional Preferred Stock; and
- (8) the rights of the holders of the shares of such series upon the dissolution of, or upon the distribution of assets of, this corporation.
- (B) Except as otherwise required by law and except for such voting powers with respect to the election of directors or other matters as may be stated in the resolutions of the Board of Directors creating any series of Preferred Stock, the holder of any such series shall have no voting power whatsoever.

Without regard to any other provision of these Articles of Incorporation (all of which are hereby amended as and to the extent necessary to allow the matters and transactions contemplated and effected hereby), each ten (10) shares of Common Stock, either issued and outstanding or held by the Corporation as treasury stock, immediately prior to the time this amendment becomes effective shall be and are hereby automatically reclassified and changed (without any further act) into one fully-paid and non-assessable share of Common Stock, without increasing or decreasing the amount of stated capital or paid-in surplus of the Corporation, provided that no fractional shares be issued to any holder of fewer than ten (10) shares of Common Stock immediately prior to the time this amendment becomes effective, and that instead of issuing fractional shares to such holders, the Corporation shall pay in cash the fair value of such fractions of a share as of the time when this amendment becomes effective.”

SIXTH: That at the annual meeting of shareholders held on May 4, 2006, said amendments were duly adopted by a sufficient number of shareholders in accordance with Section 1003 of the Florida Statutes.

SEVENTH: That these Articles of Amendment shall become effective at 4:59 p.m. eastern time on May 12, 2006, in accordance with the applicable provisions of the Florida Statutes.

IN WITNESS WHEREOF, Ocwen Financial Corporation has caused this certificate to be signed by its Corporate Secretary this 12th day of May, 2006.

By: /s/ Ronald M. Faris

Ronald M. Faris

President

Articles of Amendment
to
Articles of Incorporation
of
Ocwen Financial Corporation
(Name of Corporation as currently filed with the Florida Dept. of State)
S75556
(Document Number of Corporation (if known))

Pursuant to the provisions of section 607.1006, Florida Statutes, this **Florida Profit Corporation** adopts the following amendment(s) to its Articles of Incorporation:

A. If amending name, enter the new name of the corporation:

The new name must be distinguishable and contain the word "corporation," "company," or "incorporated" or the abbreviation "Corp.," "Inc.," or "Co.," or the designation "Corp.," "Inc.," or "Co." A professional corporation name must contain the word "chartered," "professional association," or the abbreviation "P.A."

B. Enter new principal office address, if applicable: 2002 Summit Boulevard, Suite 600
*(Principal office address **MUST BE A STREET ADDRESS**)* Atlanta, GA 30319

C. Enter new mailing address, if applicable:
*(Mailing address **MAY BE A POST OFFICE BOX**)*

D. If amending the registered agent and/or registered office address in Florida, enter the name of the new registered agent and/or the new registered office address:

Name of New Registered Agent: _____

New Registered Office Address: _____
(Florida street address)

_____, Florida _____
 (City) (Zip Code)

New Registered Agent's Signature, if changing Registered Agent:

I hereby accept the appointment as registered agent. I am familiar with and accept the obligations of the position.

Signature of New Registered Agent, if changing

If amending the Officers and/or Directors, enter the title and name of each officer/director being removed and title, name, and address of each Officer and/or Director being added:

(Attach additional sheets, if necessary)

<u>Title</u>	<u>Name</u>	<u>Address</u>	<u>Type of Action</u>
_____	_____	_____	<input type="radio"/> Add <input type="radio"/> Remove
_____	_____	_____	<input type="radio"/> Add <input type="radio"/> Remove
_____	_____	_____	<input type="radio"/> Add <input type="radio"/> Remove

If amending or adding additional Articles, enter change(s) here:

(attach additional sheets, if necessary). (Be specific)

If an amendment provides for an exchange, reclassification, or cancellation of issued shares, provisions for implementing the amendment if not contained in the amendment itself:

(if not applicable, indicate N/A)

The date of each amendment(s) adoption: July 29, 2010

Effective date if applicable: December 28, 2010

(no more than 90 days after amendment file date)

Adoption of Amendment(s) (CHECK ONE)

The amendment(s) was/were adopted by the shareholders. The number of votes cast for the amendment(s) by the shareholders was/were sufficient for approval.

The amendment(s) was/were approved by the shareholders through voting groups. *The following statement must be separately provided for each voting group entitled to vote separately on the amendment(s):*

“The number of votes cast for the amendment(s) was/were sufficient for approval

by _____.”
(voting group)

The amendment(s) was/were adopted by the board of directors without shareholder action and shareholder action was not required.

The amendment(s) was/were adopted by the incorporators without shareholder action and shareholder action was not required.

Dated: December 28, 2010

Signature: /s/ Ronald M. Faris

(By a director, president or other officer – if directors or officers have not been selected, by an incorporator – if in the hands of a receiver, trustee, or other court appointed fiduciary by that fiduciary)

Ronald M. Faris
(Typed or printed name of person signing)

President and Chief Operating Officer
(Title of person signing)

ARTICLES OF CORRECTION

for

Ocwen Financial Corporation

Document Number (if known): S75556

Pursuant to the provisions of Section 607.0124 or 617.0124, Florida Statutes, this corporation files these Articles of Correction within 30 days of the file date of the document being corrected.

These articles of correction correct the Articles of Amendment to Articles of Incorporation, filed with the Department of State on December 28, 2010.

Specify the inaccuracy, incorrect statement, or defect: The effective date of the Articles of Amendment to Articles of Incorporation of Ocwen Financial Corporation was incorrectly stated as December 28, 2010.

Correct the inaccuracy, incorrect statement, or defect: The effective date of the Articles of Amendment to Articles of Incorporation of Ocwen Financial Corporation is January 1, 2011.

/s/ Kristen Wagner

(Signature of a director, president or other officer – if directors or officers have not been selected, by an incorporator - if in the hands of the receiver, trustee, or other court appointed fiduciary, by that fiduciary.)

Kristen Wagner

(Typed or printed name of person signing)

Assistant Secretary

(Title of person signing)

ARTICLES OF AMENDMENT
TO THE
AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
OCWEN FINANCIAL CORPORATION
ARTICLES OF DESIGNATION, PREFERENCES, AND RIGHTS OF
SERIES A PERPETUAL CONVERTIBLE PREFERRED STOCK

Pursuant to Sections 607.0602 and 607.1006
of the Florida Business Corporation Act

Ocwen Financial Corporation, a Florida corporation (the “Company”), certifies that pursuant to the authority contained in its Amended and Restated Articles of Incorporation (the “Articles of Incorporation”), and in accordance with the provisions of Sections 607.0602 and 607.1006 of the Florida Business Corporation Act, the Board of Directors of the Company (the “Board of Directors”) at a meeting duly called and held on October 2, 2012 duly approved and adopted the following resolution, which resolution remains in full force and effect on the date hereof:

RESOLVED, that pursuant to the authority vested in the Board of Directors by the Articles of Incorporation, the Board of Directors does hereby designate, create, authorize and provide for the issue of a series of preferred stock having a par value of \$0.01 per share, with a liquidation preference of \$1,000 per share (the “Liquidation Preference”), which shall be designated as Series A Perpetual Convertible Preferred Stock, consisting of Two Hundred Thousand (200,000) shares having the following voting powers, preferences and relative, participating, optional and other special rights, and qualifications, limitations and restrictions:

1. Designation and Number of Shares. The series of preferred stock shall be designated as “Series A Perpetual Convertible Preferred Stock”, with a par value of \$0.01 per share (the “Series A Preferred Stock”), and the number of shares so authorized and designated shall be Two Hundred Thousand (200,000). At all times the Company will have sufficient shares authorized and will take all actions necessary to authorize additional shares if required, in each case, to meet its obligations hereunder.

2. Ranking. The Series A Preferred Stock shall, with respect to payment of dividends, redemption and distributions upon the liquidation, winding-up and dissolution of the Company, rank (i) senior to all classes of Common Stock of the Company and to each other class of capital stock or series of preferred stock established after the date hereof by the Board of Directors, the terms of which do not expressly provide that it ranks senior to or on a parity with the Series A Preferred Stock as to dividends, redemptions and distributions upon the liquidation, winding-up and dissolution of the Company (collectively referred to with the Common Stock of the Company as “Junior Securities”); (ii) on a parity with any additional shares of Series A Preferred Stock issued by the Company in the future (subject to compliance with Section 8) and any other class of capital stock or series of preferred stock issued by the Company, the terms of which expressly provide that such class or series will rank on a parity with the Series A Preferred Stock as to dividends, redemptions and distributions upon the liquidation, winding-up and dissolution of the Company (collectively referred to as “Parity Securities”); and (iii) junior to each class of capital stock or series of preferred stock issued by the Company (subject to compliance with Section 8), the terms of which expressly provide that such class or series will rank senior to the Series A Preferred Stock as to dividends, redemptions and distributions upon the liquidation, winding-up and dissolution of the Company (collectively referred to as “Senior Securities”). For the avoidance of doubt, a

security shall not be deemed a Parity Security unless the dividend is payable in kind when the dividend of the Series A Preferred Stock is paid in kind, and a security shall not be deemed not to be a Parity Security solely because the dividend on such security has a coupon equal to or greater than the Series A Preferred Stock.

3. Dividends.

(a) Dividends. Holders of Series A Preferred Stock shall be entitled to receive, to the fullest extent permitted by law, mandatory and cumulative dividends payable quarterly in arrears with respect to each dividend period ending on and including the last calendar day of each quarter ending December 31, March 31, June 30 and September 30, respectively (each such period, a “Dividend Period” and each such date, a “Dividend Payment Date”), at the rate per share equal to the greater of (x) 3.75% per annum multiplied by the Liquidation Preference and (y) in the event the Company pays a regular quarterly dividend on its Common Stock in such quarter, the rate per share payable in respect of such quarterly dividend (treating each holder of shares of Series A Preferred Stock as being the holder of the number of shares of Common Stock into which such holder’s shares would be converted if such shares were converted pursuant to the provisions of Section 5 hereof as of the record date for the determination of holders of Common Stock entitled to receive such dividend); provided that the initial Dividend Period will commence on the Series A Preferred Stock Issue Date and end on the second Dividend Payment Date thereafter. The record date for payment of quarterly dividends on the Series A Preferred Stock will be the 15th day of the calendar month of the applicable Dividend Payment Date, whether or not such date is a Trading Day. If any Dividend Payment Date is not a Trading Day, the applicable payment shall be due on the next succeeding Trading Day.

(b) Special Dividends. If and to the extent the Company intends to pay any dividend or make a distribution on shares of Common Stock (whether or not in the form of cash, but excluding any dividend which results in an adjustment to the Conversion Price as described below) other than a dividend as provided in 3(a) above (a “Special Dividend”), then any such dividend shall be payable to the holders of shares of Common Stock and Series A Preferred Stock on a *pari passu*, pro rata basis (treating each holder of shares of Series A Preferred Stock as being the holder of the number of shares of Common Stock into which such holder’s shares of Series A Preferred Stock had been converted if such shares were converted pursuant to the provisions of Section 5 hereof as of the record date for the determination of holders of Common Stock entitled to receive such dividend). The record date for payment of any Special Dividend will be the same date as the record date for payment of the Special Dividend to holders of Common Stock, whether or not such date is a Trading Day. The payment date of any Special Dividend will be the same date on which payment of such dividend is made to holders of Common Stock (“Special Dividend Payment Date”).

(c) Company’s Ability to Pay Dividends in Cash or Kind. Dividends shall be paid in full, in cash (“Cash Dividend”) for each Dividend Period on the applicable Dividend Payment Date; provided, that at the Company’s option, the Company may pay all or any percentage of the dividends contemplated by paragraphs (a) and (b) above in cash or additional shares of Series A Preferred Stock (“PIK Dividends”). The Company shall provide the holders with at least five (5) Trading Days’ notice of its election to pay all or any percentage of such dividend in shares of Series A Preferred Stock (the Company may indicate in such notice that the election contained in such notice shall continue for later periods until revised by a subsequent notice). If and to the extent that the Company does not for any reason pay the entire dividend payable for a particular Dividend Period either as a Cash Dividend, or a combination of Cash Dividend and PIK Dividend, on the applicable Dividend Payment Date for such period (whether or not the payment of dividends is permitted under applicable law or such dividends are declared by the Board of Directors of the Company), such unpaid dividends shall be paid in kind by issuance of additional Series A Preferred Stock (the “Additional PIK Dividends”) to the holders of the Series A Preferred Stock as of the record date for the applicable Dividend Payment Date, on the first date on which such Additional PIK Dividend can be paid in accordance with applicable law.

(d) Dividend Calculations. Dividends on the Series A Preferred Stock shall be calculated on the basis of a 360-day year, consisting of twelve (12), thirty (30) calendar day periods, and shall accrue daily commencing on the Series A Preferred Stock Issue Date, and shall be deemed to accrue from such date whether or not earned or declared and whether or not there are profits, surplus or other funds of the Company legally available for the payment of dividends. Except as otherwise provided herein, if at any time the Company pays dividends partially in cash and partially in shares of Series A Preferred Stock, then such payment shall be distributed ratably among

the holders of Series A Preferred Stock based upon the number of shares of Series A Preferred Stock held by each such holder on such Dividend Payment Date or Special Dividend Payment Date, as applicable. When a dividend or part thereof is paid in additional shares of Series A Preferred Stock, such number of additional shares shall be calculated by dividing the amount of such dividend or part thereof that would otherwise be paid in cash by the Liquidation Preference of a share of Series A Preferred Stock. For purposes of determining whether funds are legally available for any dividends pursuant to this Section 3, the assets of the Company shall, to the fullest extent permitted by law, be valued at the highest amount permissible under applicable law.

(e) Conversion Prior to or Following a Record Date. If the Conversion Date for any shares of Series A Preferred Stock is prior to the close of business on the record date for a dividend as provided in paragraphs (a) or (b) above, the holder of such shares shall not be entitled to any dividend in respect of such record date. If the Conversion Date for any shares of Series A Preferred Stock is after the close of business on the record date for a dividend as provided in paragraphs (a) or (b) above but prior to the corresponding Dividend Payment Date or Special Dividend Payment Date, as applicable, the holder of such shares as of the applicable record date shall be entitled to receive such dividend, notwithstanding the conversion of such shares prior to the applicable Dividend Payment Date or Special Dividend Payment Date, as applicable.

4. Transfer. The holders of shares of Series A Preferred Stock shall only be permitted to Transfer such shares of Series A Preferred Stock to a Permitted Transferee.

5. Conversion Rights.

(a) At the option of the holder, each share of Series A Preferred Stock may be converted into Common Stock at any time, unless previously redeemed (the "Conversion Right"). Upon exercise of the Conversion Right as provided in this Section 5, the Company shall deliver to the holder the number of shares of Common Stock equal to the quotient obtained by dividing (i) the value of a share of Series A Preferred Stock, which shall be the Liquidation Preference (plus any accrued but unpaid dividends thereon, whether or not declared) on the Conversion Date, by (ii) the Conversion Price in effect on the Conversion Date to determine the number of shares of Common Stock issuable upon conversion of each share of Series A Preferred Stock. Immediately following such conversion, the rights of the holders of converted Series A Preferred Stock shall cease and the persons entitled to receive the Common Stock upon the conversion of Series A Preferred Stock shall be treated for all purposes as having become the owners of such Common Stock.

(b) To convert Series A Preferred Stock, a holder must (A) surrender the certificate or certificates evidencing the shares of Series A Preferred Stock to be converted, duly endorsed in a form satisfactory to the Company, at the office of the Company or Transfer Agent for the Series A Preferred Stock, (B) notify the Company at such office that he elects to convert Series A Preferred Stock and the number of shares he wishes to convert, (C) state in writing the name or names in which he wishes the certificate or certificates for shares of Common Stock to be issued, and (D) pay any transfer or similar tax required by clause (d) below to be paid by the holder. In the event that a holder fails to notify the Company of the number of shares of Series A Preferred Stock which he wishes to convert, he shall be deemed to have elected to convert all shares represented by the certificate or certificates surrendered for conversion. The date on which the holder satisfies all those requirements is the "Conversion Date." As soon as practical following the Conversion Date, the Company shall deliver a certificate for the number of full shares of Common Stock issuable upon the conversion, and a new certificate representing the unconverted portion, if any, of the shares of Series A Preferred Stock represented by the certificate or certificates surrendered for conversion. The person in whose name the Common Stock certificate is registered shall be treated as the stockholder of record on and after the Conversion Date. The holder of record of a share of Series A Preferred Stock at the close of business on a record date with respect to the payment of dividends on the Series A Preferred Stock in accordance with Section 3 hereof will be entitled to receive such dividends with respect to such share of Series A Preferred Stock on the corresponding Dividend Payment Date, notwithstanding the conversion of such share after such record date and prior to such dividend payment date. If a holder of Series A Preferred Stock converts more than one share at a time, the number of full shares of Common Stock issuable upon conversion shall be based on the total Liquidation Preferences of all shares of Series A Preferred Stock converted.

(c) The Company shall not issue any fractional shares of Common Stock upon conversion of Series A Preferred Stock. Instead the Company shall pay a cash adjustment based upon the closing price of the Common Stock on the principal securities exchange on which the Common Stock is then listed on the Business Day prior to the Conversion Date.

(d) If a holder converts shares of Series A Preferred Stock, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon the conversion. However, the holder shall pay any such tax that is due because the shares are issued in a name other than the holder's name.

(e) The Company has reserved (and shall keep available and free from preemptive rights) and shall continue to reserve out of its authorized but unissued Common Stock or its Common Stock held in treasury a sufficient number of shares of Common Stock to permit the conversion of the Series A Preferred Stock in full. All shares of Common Stock that may be issued upon conversion of Series A Preferred Stock shall be fully paid and nonassessable. The Company shall use commercially reasonable efforts to comply with all securities laws regulating the offer and delivery of shares of Common Stock upon conversion of Series A Preferred Stock and shall endeavor to list such shares on each national securities exchange or automated quotation system on which the Common Stock is listed. All shares of Common Stock that are issued upon the exercise of Series A Preferred Stock shall, upon issuance, be validly issued, not subject to any preemptive rights, and, be free from all taxes, liens, security interests, charges, and other encumbrances with respect to the issuance thereof (collectively, "Encumbrances"), other than taxes in respect of any transfer occurring contemporaneously with such issue and Encumbrances created by the holder.

(f) In case the Company shall pay or make a dividend or other distribution on any outstanding class of capital stock of the Company payable in Common Stock, the Conversion Price in effect at the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Conversion Price by a fraction the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator of which shall be the sum of such number of shares outstanding at the close of business on the date fixed for such determination and the total number of shares constituting such dividend or other distribution, such reduction to become effective retroactively to a date immediately following the close of business on the record date for the determination of the holders entitled to such dividends and distributions. For the purposes of this Section 5(f), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

(g) In case the Company shall issue or sell Common Stock or Common Stock Equivalents at a price per share less than 95% of the Current Market Price per share of the Common Stock on the date fixed for the determination of stockholders entitled to receive such Common Stock or Common Stock Equivalents (treating the price per share of Common Stock, in the case of the issuance of any Common Stock Equivalent, as equal to (x) the sum of the price for such Common Stock Equivalent plus any additional consideration payable (without regard to any anti dilution adjustments) upon the conversion, exchange or exercise of such Common Stock Equivalent divided by (y) the number of shares of Common Stock initially underlying such Common Stock Equivalent), the Conversion Price in effect at the opening of business on the day following the date fixed for such determination shall be reduced by multiplying such Conversion Price by a fraction (I) the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription, purchase or acquisition would purchase at such Current Market Price (or, in the case of Common Stock Equivalents, the number of shares of Common Stock which the aggregate consideration received by the Company upon the issuance of such Common Stock Equivalents and receivable by the Company upon the conversion, exchange or exercise of such Common Stock Equivalents would purchase at the Current Market Price of one share of Common Stock on the Relevant Date) and (II) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription, purchase or acquisition (or, in the case of Common Stock Equivalents, the maximum number of shares of Common Stock into which such Common Stock Equivalents initially may convert, exchange or be exercised).

Such reduction shall become effective immediately on the issuance or sale of such Common Stock or Common Stock Equivalents. However, upon the expiration of any Common Stock Equivalent to purchase Common Stock, the issuance of which resulted in an adjustment in the Conversion Price pursuant to this Section 5(g), if any such Common Stock Equivalent shall expire and shall not have been exercised, the Conversion Price shall be recomputed immediately upon such expiration and effective immediately upon such expiration shall be increased to the price it would have been (but reflecting any other adjustments to the Conversion Price made pursuant to the provisions of this Section 5 after the issuance of such Common Stock Equivalents) had the adjustment of the Conversion Price made upon the issuance of such Common Stock Equivalents been made on the basis of offering for subscription or purchase only that number of shares of Common Stock actually purchased upon the exercise of such Common Stock Equivalents. No further adjustment shall be made upon exercise of any Common Stock Equivalent if any adjustment shall be made upon the issuance of such security. For the purposes of this Section 5(g), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company. The Company will not issue any Common Stock Equivalents in respect of shares of Common Stock held in the treasury of the Company. In case at any time any shares of Common Stock or Common Stock Equivalents or any rights or options to purchase any shares of Common Stock or Common Stock Equivalents shall be issued or sold for cash, the consideration received therefor shall be deemed to be the amount received by the Company therefor, without deduction therefrom of any expenses incurred or any underwriting commissions or concessions or discounts paid or allowed by the Company in connection therewith. In case any shares of Common Stock or Common Stock Equivalents or any rights or options to purchase any Common Stock or Common Stock Equivalents shall be issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company shall be deemed to be the fair market value of such consideration, without deduction therefrom of any expenses incurred or any underwriting commissions or concessions or discounts paid or allowed by the Company in connection therewith, as determined by a nationally recognized appraiser selected by the Board of Directors.

(h) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock or the outstanding shares of Common Stock shall be combined into a smaller number of shares, then the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be reduced, and, conversely, in case the outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be increased to equal the product of the Conversion Price in effect on such date and a fraction the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination, as the case may be, and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such subdivision or combination, as the case may be. Such reduction or increase, as the case may be, shall become effective retroactively to the close of business on the day upon which such subdivision or combination becomes effective.

(i) In case a tender offer, exchange offer or other offer to repurchase made by the Company or any subsidiary of the Company for all or any portion of the Common Stock shall expire and such tender offer, exchange offer or other offer to repurchase shall involve the payment by the Company or such subsidiary of consideration per share of Common Stock having a fair market value (as determined by the Board of Directors or, to the extent permitted by applicable law, a duly authorized committee thereof, whose determination shall be conclusive and described in a resolution of the Board of Directors or such duly authorized committee thereof, as the case may be) at the last time (the "Expiration Time") tenders or exchanges may be made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds by 5% or more the current market price per share of the Common Stock on the Trading Day next succeeding the Expiration Time, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the Expiration Time by a fraction of which (I) the numerator shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) on the Expiration Time multiplied by the Current Market Price per share of the Common Stock on the Trading Day next succeeding the Expiration Time and (II) the denominator shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the

terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the “Purchased Shares”) and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) on the Expiration Time and the Current Market Price per share of the Common Stock on the Trading Day next succeeding the Expiration Time, such reduction to become effective immediately prior to the opening of business on the day following the Expiration Time. For the purposes of this Section 5(i), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company.

(j) In case the Company shall issue to one or more Affiliates (other than (a) persons or entities who become Affiliates only as a result of such issuance, (b) directors, officers or employees of the Company under bona fide compensation or benefit arrangements or (c) upon the exercise of options or warrants or the conversion of convertible securities, issued for fair value at the time of any such issuance of options, warrants or convertible securities) Common Stock at a price per share less than the Current Market Price per share of the Common Stock on the date of such issuance (the “Issue Date”), the Conversion Price in effect at the opening of business on the day following the Issue Date shall be reduced by multiplying such Conversion Price by a fraction the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the Issue Date plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so issued would purchase at such Current Market Price and the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the Issue Date plus the number of shares of Common Stock so issued, such reduction to become effective immediately after the opening of business on the day following the Issue Date. For the purposes of this Section 5(j), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

(k) In case the Company at any time or from time to time shall take any action affecting its Common Stock similar to or having an effect similar to any of the actions described in any of Sections 5(f) through 5(j) (but not including any action described in any such Section) then, and in each such case, the Conversion Price shall be adjusted in such manner and at such time as determined in good faith by the Board of Directors (and, for so long as the Initial Holders constitute the Majority Holders, the Majority Holders).

(l) The reclassification or change of Common Stock into securities, including securities other than Common Stock (other than any reclassification upon a consolidation or merger to which Section 6(a) below shall apply), shall be deemed to involve (A) a distribution of such securities other than Common Stock to all holders of Common Stock, and (B) a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of Common Shares outstanding immediately thereafter (and the effective date of such reclassification shall be deemed to be “the day upon which such subdivision becomes effective” or “the day upon which such combination becomes effective,” as the case may be, and “the day upon which such subdivision or combination becomes effective” within the meaning of Section 5(h) above).

(m) All calculations under this Section 5 shall be made to the nearest 1/10,000th of a cent or to the nearest 1/10,000th of a share, as the case may be.

(n) The Company from time to time may reduce the Conversion Price if it considers such reductions to be advisable in order that any event treated for federal income tax purposes as a dividend of stock or stock rights will not be taxable to the holders of Common Stock by any amount.

(o) For purposes of this Section 5, “Common Stock” includes any stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which is not subject to redemption by the Company. However, subject to the provisions of Section 6(a) below, shares issuable on conversion of shares of Series A Preferred Stock shall include only shares of the class designated as Common Stock of the Company on the Series A Preferred Stock Issue Date or shares of any class or classes resulting from any reclassification thereof and which have no preferences in respect of dividends or amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which are not subject to redemption by the Company; provided that, if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such

class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

(p) No adjustment in the Conversion Price shall reduce the Conversion Price below the then par value of the Common Stock.

(q) If: (A) the Company takes any action which requires an adjustment in the Conversion Price pursuant to Section 5; (B) the Company consolidates or merges with, or transfers all or substantially all of its assets to, another corporation, and stockholders of the Company must approve the transaction; or (C) there is a dissolution or liquidation of the Company; the Company shall mail to holders of the Series A Preferred Stock, first class, postage prepaid, a notice stating the proposed record or effective date, as the case may be. The Company shall mail the notice at least ten (10) days before such date. However, failure to mail the notice or any defect in it shall not affect the validity of any transaction referred to in clause (A), (B) or (C) of this Section. Whenever the Conversion Price is adjusted, the Company shall promptly mail to holders of Series A Preferred Stock, first class, postage prepaid, a notice of the adjustment. The Company shall file with the Transfer Agent for the Series A Preferred Stock, if other than the Company, a certificate from the Company's chief financial officer briefly stating the facts requiring the adjustment and the manner of computing it.

(r) In any case in which this Section 5 shall require that an adjustment as a result of any event becomes effective from and after a record date, the Company may elect to defer until after the occurrence of such event the issuance to the holder of any shares of Series A Preferred Stock converted after such record date and before the occurrence of such event of the additional shares of Common Stock issuable upon such conversion over and above the shares issuable on the basis of the Conversion Price in effect immediately prior to adjustment; provided, however, that if such event shall not have occurred and authorization of such event shall be rescinded by the Company, the Conversion Price shall be recomputed immediately upon such rescission to the price that would have been in effect had such event not been authorized, provided that such rescission is permitted by and effective under applicable laws.

6. Change of Control; Liquidation Event.

(a) Change of Control. In the case of any Change in Control of the Company, then, upon consummation of such transaction, each holder of a share of Series A Preferred Stock shall be entitled to receive in respect of such share the greater of (i) the Liquidation Preference plus accrued and unpaid dividends thereon, whether or not declared, if any, or (ii) the amount such holder would receive if such holder converted such share of Series A Preferred Stock into the kind and amount of securities, cash or other assets receivable upon the consummation of the Change in Control by a holder of the number of shares of Common Stock into which such share of Series A Preferred Stock might have been converted immediately prior to such Change in Control (assuming such holder of Common Stock failed to exercise any rights of election and received per share the kind and amount of consideration receivable per share by a plurality of non-electing shares). Appropriate adjustment (as determined by the Board of Directors) shall be made in the application of the provisions herein set forth with respect to the rights and interests thereafter of the holders of Series A Preferred Stock, to the end that the provisions set forth herein (including provisions with respect to changes in and other adjustment of the Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other securities or property thereafter deliverable upon the conversion of Series A Preferred Stock. If this Section 6(a) applies, Sections 5(f), 5(h) and 5(l) do not apply.

(b) Liquidation Event. Upon any Liquidation Event of the Company, each holder of shares of the Series A Preferred Stock will be entitled to payment out of the assets of the Company available for distribution, before any distribution or payment out of such assets may be made to the holders of any Junior Securities, and subject to the rights of the holders of any Senior Securities or Parity Securities upon liquidation and the rights of the Company's creditors, of an amount equal to the Liquidation Preference plus accrued and unpaid dividends thereon, whether or not declared. After payment in full of the Liquidation Preference plus accrued and unpaid dividends thereon to which holders of Series A Preferred Stock are entitled, such holders will not be entitled to any further participation in any distribution of assets of the Company. If, upon any Liquidation Event of the Company, the amounts payable with respect to the Series A Preferred Stock and any other Parity Securities are not paid in full, the holders of the Series A Preferred Stock and such Parity Securities will share equally and ratably in any distribution of assets of the Company in proportion to the full liquidation preference and accumulated and unpaid dividends, if any, and other amounts payable in such event, to which each is entitled.

The following shall be regarded as “Liquidation Events” within the meaning of this Section 5 (without limitation): (a) the commencement of a voluntary or involuntary case with respect to the Company or any subsidiary holding all or substantially all of the Company’s assets (on a consolidated basis) pursuant to or within the meaning of Title 11 of the United States Code, (b) the appointment of a custodian for all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, and (c) a general assignment by the Company for the benefit of its creditors. To the maximum extent that any liquidating distribution is made in a combination of cash and property other than cash, the liquidating distributions to the holders of the Series A Preferred shall be made in cash to the maximum extent possible, in preference and priority to the liquidating distribution payable to any other capital stock, other than Parity Stock (in which case, such distribution in cash shall be made pro rata) or Senior Stock. Whenever the distribution provided for in this Section shall be payable in property other than cash, the value of such distribution shall be the fair market value of such property as determined in good faith by the Board of Directors.

7. Redemptions.

(a) The shares of Series A Preferred Stock shall be redeemable, at the option of the Company, in whole, or, from time to time, in part, at any time beginning on the second anniversary of the Series A Preferred Stock Issue Date, payable by the Company through the issuance of shares of Common Stock. The number of shares of Common Stock to be delivered by the Company with respect to the shares of Series A Preferred Stock being redeemed (the “Redemption Payment”), shall be equal to (1) the Applicable Redemption Amount (as defined below) per share of the Series A Preferred Stock being redeemed, divided by (2) the Current Market Price on the Redemption Date.

(b) The “Applicable Redemption Amount” shall mean:

(i) on and after the second anniversary of the Series A Preferred Stock Issue Date and prior to the third anniversary of the Series A Preferred Stock Issue Date, an amount per share of Series A Preferred Stock being redeemed equal to the product of (i) 103% and (ii) the Liquidation Preference (up to and including the Redemption Date), plus all accrued and unpaid dividends thereon, whether or not declared;

(ii) on and after the third anniversary of the Series A Preferred Stock Issue Date and prior to the fourth anniversary of the Series A Preferred Stock Issue Date, an amount per share of Series A Preferred Stock being redeemed equal to the product of (i) 102% and (ii) the Liquidation Preference (up to and including the Redemption Date) plus all accrued and unpaid dividends thereon, whether or not declared;

(iii) on and after the fourth anniversary of the Series A Preferred Stock Issue Date and prior to the fifth anniversary of the Series A Preferred Stock Issue Date, an amount per share of Series A Preferred Stock being redeemed equal to product of (i) 101% and (ii) the Liquidation Preference (up to and including the Redemption Date) plus all accrued and unpaid dividends thereon, whether or not declared; and

(iii) on and after the fifth anniversary of the Series A Preferred Stock Issue Date and thereafter, at an amount per share of Series A Preferred Stock being redeemed equal to the Liquidation Preference (up to and including the Redemption Date) plus all accrued and unpaid dividends thereon, whether or not declared.

(c) If fewer than all of the outstanding shares of Series A Preferred Stock are to be redeemed pursuant to Section 7(a) hereof, the number of shares to be so redeemed shall be determined by the Board of Directors and the shares to be redeemed shall be pro rata from each holder of Series A Preferred Stock, based upon the number of shares of Series A Preferred Stock held by each holder.

(d) At least thirty (30) days prior to the date fixed for the redemption of shares of Series A Preferred Stock, a written notice shall be mailed in postage prepaid envelope to each holder of record of the shares of Series A Preferred Stock to be redeemed, addressed to such holder at his or her post office address as shown on the records of the Company (or other Transfer Agent), notifying such holder that its shares are subject to redemption, stating the date fixed for redemption thereof (the “Redemption Date”), and calling upon such holder to surrender to the Company, on the Redemption Date at the place designated in such notice, his or her certificate or certificates representing the number of shares specified in such notice of redemption; provided,

however, that such notice shall not prohibit any holder from exercising its Conversion Right at any time prior to the Redemption Date. On or after the Redemption Date, such holder of shares of Series A Preferred Stock to be redeemed shall present and surrender his or her certificate or certificates for such shares to the Company at the place designated in such notice and thereupon the Redemption Payment in respect of such shares shall be paid to the order of the person whose name appears on such certificate or certificates as the owner thereof and such surrendered certificate shall be cancelled. In case less than all the shares represented by any such certificates are redeemed, a new certificate shall be issued representing the unredeemed shares.

(e) From and after the Redemption Date (unless the Company defaults in payment of the Redemption Payment), all dividends on the shares of Series A Preferred Stock designated for redemption in such notice shall cease to accrue, and all rights of the holders thereof as stockholders of the Company, except the right to receive the Redemption Payment in respect of such shares (including an amount equal to all accrued and unpaid dividends thereon, whether or not declared, if any, up to the Redemption Date) upon the surrender of certificates representing the same, shall cease and terminate and such shares shall not thereafter be transferred (except with the consent of the Company) on the books of the Company, and such shares shall not be deemed to be outstanding for any purpose whatsoever; provided however, in the case of the Redemption Date falling after a dividend payment record date and prior to the related Dividend Payment Date or Special Dividend Payment Date, the holders of Series A Preferred Stock at the close of business on such record date will be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date or Special Dividend Payment Date, notwithstanding the redemption of such shares following such dividend payment record date, but such dividend amount shall not be deemed accumulated and unpaid for purposes of calculating the Applicable Redemption Amount hereunder.

(f) If a notice of redemption has been given pursuant to this Section 7 and any holder of shares of Series A Preferred Stock shall, prior to the close of business on the day preceding the Redemption Date, given written notice to the corporation pursuant to Section 5 above of the conversion of any or all of the shares to be redeemed held by such holder (accompanied by a certificate or certificates for such shares, duly endorsed or assigned to the Company, and any necessary transfer tax payment, as required by Section 5 above), then such redemption shall not become effective as to such shares to be converted, such conversion shall become effective as provided in Section 5 above, and any moneys set aside by the Company for the redemption of such shares of converted Series A Preferred Stock shall revert to the general funds of the Company.

8. Voting Rights.

(a) The holders of Series A Preferred Stock shall be entitled to notice of all stockholders meetings in accordance with the Company's bylaws and the FBCA, and except as otherwise required by applicable law, the holders of the Series A Preferred Stock shall be entitled to vote on all matters submitted to the stockholders for a vote, voting together with the holders of the Common Stock as a single class, with each share of Common Stock entitled to one vote per share and each share of Series A Preferred Stock entitled to one vote for each share of Common Stock issuable upon conversion of the Series A Preferred Stock as of the record date for such vote or, if no record date is specified, as of the date of such vote.

(b) So long as any shares of Series A Preferred Stock are outstanding, the Company shall not, either directly or indirectly, by amendment, merger, reorganization, reclassification, recapitalization, conversion, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Articles of Incorporation) the affirmative vote or consent of the Majority Holders, given in person or by proxy, either in writing by consent or by resolution adopted at an annual or special meeting and any act or transaction entered into without such vote or consent shall be void ab initio and of no force and effect:

(i) authorize, create (by way of reclassification or otherwise) or issue any Senior Securities or any obligation or security convertible or exchangeable into or evidencing the right to purchase, shares of any class or series of Senior Securities;

(ii) reclassify, alter or amend any authorized Parity Securities, Senior Securities or Junior Securities of the Company, if such reclassification, alteration or amendment would render such other security senior to (or, in the case of Senior Securities, senior in additional respects to) the Series A Preferred Stock;

(iii) issue any Series A Preferred Stock other than (A) the Series A Preferred Stock issued on the Series A Preferred Stock Issue Date and (B) PIK Dividends;

(iv) prior to the third anniversary of the Series A Preferred Stock Issue Date, issue any Parity Securities or any obligation or security convertible or exchangeable into or evidencing the right to purchase, shares of any class or series of Parity Securities, in each case, to the extent that the aggregate liquidation preference in respect of all Parity Securities then outstanding (other than the Series A Preferred Stock) would exceed \$325,000,000;

(v) amend or otherwise alter these Articles of Designation or the Articles of Incorporation in any manner that under the FBCA requires the prior vote as a separate class of the holders of Series A Preferred Stock;

(vi) amend or otherwise alter these Articles of Designation or the Articles of Incorporation in any manner that would adversely affect the rights, privileges or preferences of the Series A Preferred Stock;

(vii) pay any dividend in cash to the Common Stock, other Junior Securities or Parity Securities in respect of any quarterly dividend unless the dividend payable in respect of such quarter on the Series A Preferred Stock is also paid in cash to the same extent; or

(viii) waive compliance with any provision of these Articles of Designation or take any actions intended to circumvent the provisions of these Articles of Designations.

(c) Without the consent of each holder affected, an amendment or waiver of the Company's Articles of Incorporation or of these Articles of Designation may not (with respect to any shares of Series A Preferred Stock held by a non-consenting holder):

(i) alter the voting rights with respect to the Series A Preferred Stock or reduce the number of shares of Series A Preferred Stock whose holders must consent to an amendment, supplement or waiver;

(ii) reduce the Liquidation Preference or alter the provisions with respect to the redemption of the Series A Preferred Stock;

(iii) alter the conversion rights of the holders of Series A Preferred Stock set forth in Section 5 hereof;

(iv) reduce the rate of payment of dividends on any share of Series A Preferred Stock;

(v) waive the consequences of any failure to pay dividends on the Series A Preferred Stock;

(vi) make any share of Series A Preferred Stock payable in any form other than that stated in these Articles of Designation;

(vii) make any change in the provisions of these Articles of Designation relating to waivers of the rights of holders of Series A Preferred Stock to receive the Liquidation Preference and dividends on the Series A Preferred Stock; or

(viii) waive a redemption payment with respect to any share of Series A Preferred Stock.

(d) Notwithstanding the foregoing, nothing herein or otherwise in the Company's Articles of Incorporation or bylaws shall limit or prevent the right of the holders of the Series A Preferred Stock from, to the fullest extent allowed by law, exercising the voting rights provided in this Section by written consent of the Majority Holders.

9. Board Observer; Information Rights.

(a) The Initial Holders shall have the right to appoint one individual (the "Board Observer") to attend as a nonvoting observer all meetings of the Company's Board of Directors and each committee thereof, except for

any portion of a meeting of the Board of Directors that intends to consider, or any committee formed to consider, a transaction between the Company and the Initial Holders, any of their Affiliates or any holder that is Affiliated with the Board Observer or an Affiliate of any holder that is Affiliated with the Board Observer, and provided that the Board Observer is subject to a customary non-disclosure agreement. The Company shall provide the Board Observer with (i) notice of all meetings of the Board of Directors and (ii) all information delivered to the members of such Board of Directors (or committees thereof) prior to such meetings, and all other materials, including proposed written consent actions, otherwise provided to the Board of Directors, at the same time such notice and information is delivered to the members of the Board of Directors. Notwithstanding the above, the Company has the right to withhold any information from the Board Observer and to exclude the Board Observer from any meeting or portion thereof of the Board of Directors or committees thereof if access to such information or attendance at such meeting, could:

- (1) remove the attorney-client privilege between the Company and its counsel;
- (2) cause the Board of Directors to breach its duties to the Company and its stockholders; or
- (3) result in a direct conflict between interests of the Company, on the one hand, and those of the Board Observer or its Affiliates, on the other hand.

The Company will use its reasonable efforts to ensure that any withholding of information or any restriction on attendance is limited only to the extent necessary set forth in the preceding sentence. Notwithstanding anything in the foregoing to the contrary, the Company shall be entitled to take actions and establish procedures to the extent reasonably required to restrict the access of the Board Observer to any restricted national security data of the Company or of any other Person whose national security data is in the possession or control of the Company. The Board Observer shall not have any authority to bind the Company.

(b) The Company shall permit the Initial Holders, at the Initial Holders' expense and upon reasonable prior notice and such other reasonable conditions as requested by the Company, to visit and inspect the Company's properties, to examine its books of account and records and to discuss its affairs, finances and accounts with such officers as are designated by the Company, all at such reasonable times as may be requested by the Initial Holders; provided, however, that the Company shall not be obligated pursuant to this Section 9(b) to provide access to any information which it reasonably considers to be a trade secret or similar confidential information or such other information as is contemplated by Section 9(a) above.

(c) Notwithstanding the foregoing, at such time as the aggregate amount of outstanding shares of Series A Preferred Stock Beneficially Owned by the Initial Holders is less than 50% of the shares of Series A Preferred Stock issued to the Initial Holders on the Original Issuance Date, the Initial Holders shall no longer be entitled to appoint the Board Observer under Section 9(a) or receive the information and access rights under Section 9(b).

10. Amendment. These Articles of Designation shall not be amended, either directly or indirectly, or through merger or consolidation with another entity or otherwise, in any manner that would alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the Majority Holders, voting separately as a class.

11. Exclusion of Other Rights. Except as may otherwise be required by law, the shares of Series A Preferred Stock shall not have any voting powers, preferences and relative, participating, optional or other special rights, other than those specifically set forth in this resolution (as such resolution may be amended from time to time) and in the Articles of Incorporation. The shares of Series A Preferred Stock shall have no preemptive or subscription rights.

12. Headings of Subdivisions. The headings of the various subdivisions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

13. Severability of Provisions. If any voting powers, preferences and relative, participating, optional and other special rights of the Series A Preferred Stock and qualifications, limitations and restrictions thereof set forth in this resolution (as such resolution may be amended from time to time) is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other voting powers, preferences and relative,

participating, optional and other special rights of Series A Preferred Stock and qualifications, limitations and restrictions thereof set forth in this resolution (as so amended) which can be given effect without the invalid, unlawful or unenforceable voting powers, preferences and relative, participating, optional or other special rights of Series A Preferred Stock and qualifications, limitations and restrictions thereof shall, nevertheless, remain in full force and effect and no voting powers, preferences and relative, participating, optional or other special rights of Series A Preferred Stock and qualifications, limitations and restrictions thereof herein set forth shall be deemed dependent upon any other such voting powers, preferences and relative, participating, optional or other special rights of Series A Preferred Stock and qualifications, limitations and restrictions thereof unless so expressed herein.

14. Re-issuance of Series A Preferred Stock. Shares of Series A Preferred Stock that have been issued and reacquired in any manner, including shares purchased or redeemed or exchanged or converted, shall (upon compliance with any applicable provisions of the laws of Florida) have the status of authorized but unissued shares of preferred stock of the Company undesignated as to series and may be designated or re-designated and issued or reissued, as the case may be, as part of any series of preferred stock of the Company, provided that any issuance of such shares as Series A Preferred Stock must be in compliance with the terms hereof.

15. Mutilated or Missing Series A Preferred Stock Certificates. If physical certificates are issued for the Series A Preferred Stock and if any of such Series A Preferred Stock certificates shall be mutilated, lost, stolen or destroyed, the Company shall issue, at the holder's expense, in exchange and in substitution for and upon cancellation of the mutilated Series A Preferred Stock certificate, or in lieu of and substitution for the Series A Preferred Stock certificate lost, stolen or destroyed, a new Series A Preferred Stock certificate of like tenor and representing an equivalent amount of shares of Series A Preferred Stock, but only upon receipt of evidence of such loss, theft or destruction of such Series A Preferred Stock certificate and indemnity, if requested, satisfactory to the Company and the Transfer Agent (if other than the Company).

16. Transfer Agent, Conversion Agent, Registrar and Paying Agent. The Transfer Agent, conversion agent, registrar and paying agent shall initially be the Company. The Company may appoint a successor to any one or more of such roles (and may remove any such successor in accordance with any agreement with such successor and appoint a new successor). Upon any such removal or appointment, the Company shall notify the holders of the Series A Preferred Stock thereof.

17. Withholding Taxes. All payments and distributions (or deemed distributions) on the shares of Series A Preferred Stock (and any shares of Common Stock issued upon conversion thereof) shall be subject to withholding and backup withholding of tax to the extent required by law, and such amounts withheld, if any, shall be treated as received by the holders of Series A Preferred Stock.

18. Waiver. Except to the extent expressly provided herein, any provision contained herein and any right of the holders of Series A Preferred Stock granted hereunder may be waived as to all shares of Series A Preferred Stock (and the holders thereof) upon the written consent of the Board (or an authorized committee thereof) and the Majority Holders.

19. Certain Definitions. As used in these Articles of Designation, the following terms shall have the following meanings (with terms defined in the singular having comparable meanings when used in the plural and vice versa), unless the context otherwise requires:

“Affiliate” means, with respect to any specified Person, any Person that, directly or indirectly, controls, is controlled by, or is under common control with, such specified Person, through one or more intermediaries or otherwise. For purposes hereof, “control” (including, with correlative meaning, the terms “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Beneficially Owned” means with respect to any securities having “beneficial ownership” of such securities (as determined pursuant to Rule 13d-3 under the Exchange Act).

“Business Day” means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by Law to close.

“Change in Control” means the occurrence of any of the following events: (a) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have “beneficial ownership” of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting capital stock of the Company after the date hereof; (b) the Company consolidates with, or merges with or into, or enters into any other business combination with, another Person or sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any Person, or any Person consolidates with, or merges with or into, the Company, in any such event in a transaction in which the outstanding voting capital stock of the Company is converted into or exchanged for cash, securities or other property, provided that following such transaction the holders of voting stock of the Company immediately prior to such transaction do not own more than 50% of the voting stock of the company surviving such transaction or to which such assets are transferred (unless the Majority Holders elect not to treat such transaction as a Change in Control), or (c) any merger, consolidation or other business combination of the Company with or into another Person that results in the cancellation of any shares of Series A Preferred Stock or that results in the conversion or exchange of any shares of Series A Preferred Stock into or for (1) shares of any other class or series of capital stock of the Company, (2) capital stock of the Company or any other Person (or the right to receive any such capital stock), (3) any property (including, without limitation, cash and the right to receive cash or property) or (4) any combination of the foregoing (unless the Majority Holders elect not to treat such transaction as a Change in Control).

“Common Stock” means the Common Stock, par value \$.01 per share, of the Company as presently constituted.

“Common Stock Equivalent” means any security or obligation which is by its terms, directly or indirectly, convertible into or exchangeable or exercisable for shares of Common Stock, including, without limitation, any option, warrant or other subscription or purchase right with respect to Common Stock or any Common Stock Equivalent.

“Conversion Price” shall initially equal 110% of the lower of (a) \$28.90 and (b) the Thirty Day VWAP prior to the Series A Preferred Stock Issue Date, and thereafter shall be subject to adjustment from time to time pursuant to the terms of Section 5 hereof.

“Current Market Price” per share of Common Stock on any day shall be deemed to be the average of the closing prices of the Common Stock for the twenty (20) consecutive Trading Days ending the day before the day in question, except with respect to issuances of Common Stock or Common Stock Equivalent to employees, directors and consultants, in which case Current Market Price shall be the fair market value of such Common Stock or Common Stock Equivalent on the date of issuance as calculated in accordance with standard Company practices.

“Daily VWAP” means the volume-weighted average price per share of Common Stock as displayed under the heading “Bloomberg VWAP” on the Bloomberg page for the “<equity> AQR” page corresponding to the “ticker” for such Common Stock (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such Trading Day (or if such volume-weighted average price is unavailable, the market value of one share of such Common Stock on such Trading Day. The “volume weighted average price” shall be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“FBCA” means the Florida Business Corporation Act, as amended.

“Initial Holders” means the recipients of the Series A Preferred Stock on the Series A Preferred Stock Issue Date.

“Liquidation Preference” means \$1,000 per share of Series A Preferred Stock.

“Majority Holders” means the holders who at any point in time hold at least 50.1% of the then outstanding shares of the Series A Preferred Stock.

“Person” means any individual, firm, corporation, partnership, limited liability company, incorporated or unincorporated association, joint venture, joint stock company, Governmental Authority or other entity of any kind.

“Permitted Transfer” means a transfer by the holder of Series A Preferred Stock in accordance with all applicable laws and regulations.

“Permitted Transferee” means the recipient of a Permitted Transfer.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“Series A Preferred Stock Issue Date” means the date on which the Series A Preferred Stock was originally issued by the Company to the Initial Holders under these Articles of Designation.

“Thirty Day VWAP” means, with respect to a security, the average of the Daily VWAP of such security for each day during a thirty (30) consecutive Trading Day period ending immediately prior to the date of determination.

“Trading Day” means any day on which the New York Stock Exchange or other applicable stock exchange or market is open for business.

“Transfer” means, as a noun, any voluntary or involuntary transfer, sale, pledge, hypothecation, gift, or other disposition and, as a verb, voluntarily or involuntarily to transfer, sell, pledge, hypothecate, give, or otherwise dispose of. A Transfer of shares of Series A Preferred Stock held by a stockholder shall also include any Transfer of such stockholder or any direct or indirect interest in a stockholder that constitutes a direct or indirect change of control of the stockholder.

“Transfer Agent” shall be the Company unless and until a successor is selected by the Company as provided herein.

IN WITNESS WHEREOF, the Company has caused these Articles of Amendment to be executed by its duly authorized officer.

Dated: December 13, 2012

OCWEN FINANCIAL
CORPORATION

By: /s/ John V. Britti

Name: John V. Britti

Title: Chief Financial Officer

**ARTICLES OF AMENDMENT TO
AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF OCWEN FINANCIAL CORPORATION**

Ocwen Financial Corporation, a Florida corporation (the "Corporation"), acting pursuant to the provisions of Sections 607.1006 and 607.10025 of the Florida Business Corporation Act, does hereby adopt the following Articles of Amendment to its Amended and Restated Articles of Incorporation:

FIRST: The name of the Corporation is: Ocwen Financial Corporation.

SECOND: These Articles of Amendment have been adopted and approved in connection with a share division pursuant to Section 607.10025 of the Florida Business Corporation Act. The resolutions approving the division of shares were adopted and approved by the Board of Directors of the Corporation on July 27, 2020, without shareholder action. Shareholder action was not required pursuant to Section 607.10025(2) of the Florida Business Corporation Act.

THIRD: The amendment to the Amended and Restated Articles of Incorporation set forth below does not adversely affect the rights or preferences of the holders of outstanding shares of the Corporation's common stock, and the percentage of authorized shares of the Corporation's common stock remaining unissued after the division will not exceed the percentage of authorized shares of the Corporation's common stock that were unissued before the division.

FOURTH: Paragraph one (1) of Article III of the Amended and Restated Articles of Incorporation shall be deleted in its entirety and replaced with the following:

"The total number of shares of stock of all classes and series the Company shall have authority to issue is 33,333,333 shares consisting of (i) 13,333,333 shares of common stock, par value of \$0.01 per share, and (ii) 20,000,000 shares of preferred stock, par value \$0.01 per share, with such rights, preferences and limitations as may be set from time to time by resolution of the board of directors and the filing of Articles of Amendment as required by the Florida Business Corporation Act. Upon the filing and effectiveness (the "Effective Time") pursuant to the Florida Business Corporation Act of these Articles of Amendment, each fifteen (15) shares of Common Stock either issued and outstanding immediately prior to the Effective Time shall, automatically and without any action on the part of the respective holders thereof, be combined and converted into one (1) share of Common Stock (the "Reverse Stock Split"). No fractional shares shall be issued in connection with the Reverse Stock Split. Shareholders who otherwise would be entitled to receive fractional shares of Common Stock shall be entitled to receive shares rounded up to the nearest whole share. Each certificate that immediately prior to the Effective Time represented shares of Common Stock ("Old Certificates"), shall from and after the Effective Time, automatically and without the necessity of presenting the same for exchange, represent that number of shares of Common Stock into which the shares of Common Stock represented by the Old Certificate shall have been combined, subject to the elimination of fractional share interests as described above."

FIFTH: That these Articles of Amendment shall become effective at 5:00 P.M. eastern time on August 13, 2020, in accordance with the applicable provisions of the Florida Statutes.

IN WITNESS WHEREOF, the undersigned duly authorized officer of the Corporation has executed these Articles of Amendment as of this 4th day of August, 2020.

OCWEN FINANCIAL CORPORATION

By: /s/ Joseph J. Samarias

Name: Joseph J. Samarias

Title: Secretary

Articles of Amendment
to
Articles of Incorporation
of

Ocwen Financial Corporation

(Name of Corporation as currently filed with the Florida Dept. of State)

S75556

(Document Number of Corporation (if known))

Pursuant to the provisions of section 607.1006, Florida Statutes, this *Florida Profit Corporation* adopts the following amendment(s) to its Articles of Incorporation:

A. If amending name, enter the new name of the corporation:

Onity Group Inc.

The new name must be distinguishable and contain the word "corporation," "company," or "incorporated" or the abbreviation "Corp.," "Inc.," or "Co.," or the designation "Corp.," "Inc.," or "Co." A professional corporation name must contain the word "chartered," "professional association," or the abbreviation "P.A."

N/A

B. Enter new principal office address, if applicable:

(Principal office address MUST BE A STREET ADDRESS)

N/A

C. Enter new mailing address, if applicable:

(Mailing address MAY BE A POST OFFICE BOX)

D. If amending the registered agent and/or registered office address in Florida, enter the name of the new registered agent and/or the new registered office address:

Name of New Registered Agent

C T Corporation System

1200 South Pine Island Road

(Florida street address)

New Registered Office Address:

Plantation

(City)

, Florida


33324

(Zip Code)

SECRETARY OF STATE
TALLAHASSEE, FL
2024 MAY 28 AM 10: 21
FILED

New Registered Agent's Signature, if changing Registered Agent:

I hereby accept the appointment as registered agent. I am familiar with and accept the obligations of the position.



Stephen Rullis, VP & Asst. Secy.

Signature of New Registered Agent, if changing

Check if applicable

The amendment(s) is/are being filed pursuant to s. 607.0120 (11) (e), F.S.

May 28, 2024

The date of each amendment(s) adoption: _____, if other than the date this document was signed.

Effective date if applicable: effective at 12:01 a.m. ET, June 10, 2024

(no more than 90 days after amendment file date)

Note: If the date inserted in this block does not meet the applicable statutory filing requirements, this date will not be listed as the document's effective date on the Department of State's records.

Adoption of Amendment(s) (CHECK ONE)

- The amendment(s) was/were adopted by the incorporators, or board of directors without shareholder action and shareholder action was not required.
- The amendment(s) was/were adopted by the shareholders. The number of votes cast for the amendment(s) by the shareholders was/were sufficient for approval.
- The amendment(s) was/were approved by the shareholders through voting groups. *The following statement must be separately provided for each voting group entitled to vote separately on the amendment(s):*

"The number of votes cast for the amendment(s) was/were sufficient for approval

by _____."
(voting group)

Dated May 28, 2024 _____

Signature Joseph J. Samarias _____

(By a director, president or other officer – if directors or officers have not been selected, by an incorporator – if in the hands of a receiver, trustee, or other court appointed fiduciary by that fiduciary)

Joseph J. Samarias

(Typed or printed name of person signing)

Secretary

(Title of person signing)

ARTICLES OF AMENDMENT
TO THE
AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
ONITY GROUP INC.
ARTICLES OF DESIGNATION, PREFERENCES, AND RIGHTS OF
SERIES B PERPETUAL PREFERRED STOCK

Pursuant to Sections 607.0602 and 607.1006
of the Florida Business Corporation Act

Onity Group Inc., a Florida corporation (the “Company”), certifies that pursuant to the authority contained in its Amended and Restated Articles of Incorporation (the “Articles of Incorporation”), and in accordance with the provisions of Sections 607.0602 and 607.1006 of the Florida Business Corporation Act, the Board of Directors of the Company (the “Board”) by unanimous written consent duly approved and adopted the following resolution, which resolution remains in full force and effect on the date hereof (these “Articles of Designation”):

RESOLVED, that pursuant to the authority vested in the Board by the Articles of Incorporation, the Board does hereby designate, create, authorize and provide for the issuance of a series of preferred stock having a par value of \$0.01 per share, which shall be designated as Series B Perpetual Preferred Stock, consisting of two million four hundred thousand (2,400,000) shares having the following voting powers, preferences and relative, participating, optional and other special rights, and qualifications, limitations and restrictions:

1. Designation; Number of Shares; Certificated Shares; Book-Entry.

(a) The series of preferred stock shall be designated as “Series B Perpetual Preferred Stock”, with a par value of \$0.01 per share (the “Series B Preferred Stock”), and the number of shares so authorized and designated shall be two million four hundred thousand (2,400,000). At all times the Company will have sufficient shares authorized and will take all actions necessary to authorize additional shares if required, in each case, to meet its obligations hereunder.

(b) The shares of Series B Preferred Stock may be issued in the form of one or more definitive shares in fully registered form represented by certificates in substantially the form attached hereto as Exhibit I, with such changes thereto as any authorized officer of the Company, such approval shall be evidenced by his or her signature thereto (the “Series B Preferred Stock Certificate”). Each Series B Preferred Stock Certificate shall reflect the number of shares of Series B Preferred Stock represented thereby, and may have notations, legends, or endorsements required by law, stock exchange rules, agreements to which the Company is subject, if any, or usage (provided that any such notation, legend, or endorsement is in a form acceptable to the Company). Each Series B Preferred Stock Certificate shall be registered in the name or names of the person or persons specified by the Company in a written instrument to the registrar and transfer agent for the Series B Preferred Stock (the “Registrar”). Alternatively, the shares of Series B Preferred Stock may be issued without certificates in book-entry form whereby the owner of record of any and all shares of Series B Preferred Stock shall be set forth in the security register for the Series B Preferred Stock maintained by the Registrar.

(c) The shares of Series B Preferred Stock may be issued in the form of one or more fully registered global certificates (“Global Preferred Shares”) issued to The Depository Trust Company (“DTC”) (and its successors and assigns or with such other depository of the Company’s choosing that is a “clearing Company” within the meaning of the New York Uniform Commercial Code and a clearing agency

under Section 17A of the Exchange Act (the “Securities Depository”) and registered in the name of the Securities Depository or its nominee (which initially shall be Cede & Co, as nominee of DTC), duly executed by the Company and authenticated by the Registrar, and deposited with the Registrar, as custodian for DTC (or such other custodian as the Securities Depository may direct). Upon any shares of Series B Preferred Stock being represented by Global Preferred Shares registered in the name of the Securities Depository or its nominee, no beneficial holder of shares of Series B Preferred Stock will be entitled to receive a certificate evidencing such shares unless otherwise required by law or the Securities Depository gives notice to the Company of its intention to resign or is no longer eligible to act as Securities Depository and the Company has not selected a substitute Securities Depository within 60 days thereafter. The number of shares of Series B Preferred Stock represented by Global Preferred Shares may from time to time be increased or decreased by adjustments made on the records of the Registrar and the Securities Depository as hereinafter provided. Members of, or participants in, the Securities Depository (“Agent Members”) shall have no rights under these terms of the Series B Preferred Stock with respect to any Global Preferred Shares held on their behalf by the Securities Depository or by the Registrar as the custodian of the Securities Depository or under such Global Preferred Shares, and the Securities Depository may be treated by the Company, the Registrar and any agent of the Company or the Registrar as the absolute owner of such Global Preferred Shares for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Registrar or any agent of the Company or the Registrar from giving effect to any written certification, proxy or other authorization furnished by the Securities Depository or impair, as between the Securities Depository and its Agent Members, the operation of customary practices of the Securities Depository governing the exercise of the rights of a holder of a beneficial interest in any Global Preferred Shares.

2. Liquidation Preference. The holders of Series B Preferred Stock shall be entitled, in the event of any liquidation, dissolution or winding up of the Company’s affairs, whether voluntary or involuntary, to receive the liquidation preference of \$25.00 per share of Series B Preferred Stock (the “Liquidation Preference”) in cash plus an amount equal to accumulated and unpaid dividends thereon to the date fixed for payment of such amount (whether or not declared), and no more, before any distribution will be made to the holders of the Common Stock or any other Junior Securities. A consolidation or merger of the Company with or into any other entity, individually or in a series of transactions, will not be deemed a liquidation, dissolution or winding up of the Company’s affairs for this purpose. Written notice of the effective date of any such liquidation, dissolution or winding up of the Company, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by first class mail, postage prepaid, not fewer than 10 nor more than 60 days prior to the payment date stated therein, to each record holder of shares of Series B Preferred Stock at the address of such holder as the same shall appear on the stock transfer records of the Company. In the event that the Company’s assets available for distribution to holders of the Series B Preferred Stock and any other Parity Securities are insufficient to permit payment of all required amounts, the Company’s assets then remaining shall be distributed among the Series B Preferred Stock and any Parity Securities, as applicable, ratably on the basis of their relative aggregate liquidation preferences. After payment of all required amounts to the holders of the outstanding Series B Preferred Stock and other Parity Securities, the Company’s remaining assets and funds shall be distributed among the holders of the Common Stock and any other Junior Securities then outstanding according to their respective rights.

3. Ranking. The Series B Preferred Stock shall, with respect to payment of dividends, redemption and distributions upon the liquidation, winding-up and dissolution of the Company, rank (i) senior to all classes of Common Stock of the Company and to each other class of capital stock or series of preferred stock established after the date hereof by the Board, the terms of which do not expressly provide that it ranks senior to or on a parity with the Series B Preferred Stock as to dividends, redemptions and distributions upon the liquidation, winding-up and dissolution of the Company (collectively referred to with the Common Stock of the Company as “Junior Securities”); (ii) on a parity with any additional shares of Series B Preferred Stock issued by the Company in the future (subject to compliance with Section 7) and any other class of capital stock or series of preferred stock issued by the Company, the terms of which expressly provide that such class or series will rank on a parity with the Series B Preferred Stock as to dividends, redemptions and distributions upon the

liquidation, winding-up and dissolution of the Company (collectively referred to as “Parity Securities”); and (iii) junior to each class of capital stock or series of preferred stock issued by the Company (subject to compliance with Section 7), the terms of which expressly provide that such class or series will rank senior to the Series B Preferred Stock as to dividends, redemptions and distributions upon the liquidation, winding-up and dissolution of the Company (collectively referred to as “Senior Securities”). For the avoidance of doubt, a security shall not be deemed a Parity Security unless the dividend is payable in kind when the dividend of the Series B Preferred Stock is paid in kind, and a security shall not be deemed not to be a Parity Security solely because the dividend on such security has a coupon equal to or greater than the Series B Preferred Stock.

4. Dividends.

(a) *Dividends.* Holders of the Series B Preferred Stock are entitled to receive, when, as and if declared by the Board or an authorized committee thereof, out of funds legally available for the payment of dividends, cash dividends accruing at the Dividend Rate (as defined below) on the Liquidation Preference of the Series B Preferred Stock, payable quarterly in arrears on the 15th day of each March, June, September and December, commencing on December 15, 2024 (each such date, a “Dividend Payment Date”). The “Dividend Rate” shall mean (i) for the period from and including the original date of issuance of the Series B Preferred Stock (the “Issue Date”) to, but excluding, September 15, 2029, an annual rate of 7.875% and (ii) commencing on September 15, 2029 and on each annual anniversary thereof, the Dividend Rate shall automatically increase by 2.50% per annum; provided, however, the Dividend Rate shall not exceed 15.0% per annum (the “Dividend Cap”). The period from and including the Issue Date or any Dividend Payment Date to but excluding the next Dividend Payment Date is a “Dividend Period.” Dividends will accrue in each such Dividend Period from and including the preceding Dividend Payment Date or the Issue Date, as the case may be, to, but excluding, the applicable Dividend Payment Date for such Dividend Period. Any accrued dividends not declared and paid on any Dividend Payment Date will accrue dividends at the Dividend Rate. If any Dividend Payment Date is not a Business Day, then the dividend which would otherwise have been payable on such Dividend Payment Date will be paid on the next succeeding Business Day, and no additional dividends or other sums will accrue on the amount so payable for the period from and after such Dividend Payment Date to that next succeeding Business Day. “Business Day” means any day on which The New York Stock Exchange is open for trading and which is not a Saturday, a Sunday or other day on which banks in New York City are authorized or required by law to close. The amount of dividends payable in respect of each Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends on the Series B Preferred Stock, if declared, will be payable on each Dividend Payment Date to holders of record as they appear in the Company’s stock records for the Series B Preferred Stock at the close of business, New York City time, on the applicable record date, which is the first day of the month in which the applicable Dividend Payment Date occurs (March 1, June 1, September 1 or December 1, as applicable), except that in the case of payments of dividends in arrears, the record date with respect to a Dividend Payment Date will be such date as may be designated by the Board, provided that such record date may not be retroactive. Except as otherwise provided herein, if at any time the Company pays dividends in part and not in full, then such payment shall be distributed ratably among the holders of Series B Preferred Stock based upon the number of shares of Series B Preferred Stock held by each such holder on such Dividend Payment Date, as applicable. So long as shares of Series B Preferred Stock are held of record by the nominee of the Securities Depository, declared dividends will be paid to the Securities Depository in same-day funds on each Dividend Payment Date. The Securities Depository will credit accounts of its participants in accordance with the Securities Depository’s normal procedures. The participants will be responsible for holding or disbursing such payments to beneficial owners of shares of Series B Preferred Stock in accordance with the instructions of such beneficial owners.

(b) *Limiting Documents.* No dividends on the Series B Preferred Stock shall be authorized by the Board or paid or set apart for payment by the Company at any time when the payment thereof

would be unlawful under the applicable provisions of the laws of the State of Florida, or when the terms and provisions of any agreement of the Company, including any agreement relating to the Company's indebtedness (the "Limiting Documents"), prohibit the authorization, payment or setting apart for payment thereof or provide that the authorization, payment or setting apart for payment thereof would constitute a breach of the Limiting Documents or a default under the Limiting Documents, or if the authorization, payment or setting apart for payment shall be restricted or prohibited by law. Notwithstanding the foregoing, dividends on the Series B Preferred Stock shall accrue during any period of time in which the restrictions referred to in this Section 4(b) prohibit the payment of dividends, regardless of whether (i) the Company has earnings, (ii) there are funds legally available for the payment of such dividends or (iii) such dividends are authorized or declared.

(c) *Dividends on Junior Securities or Parity Securities.* No dividend may be declared or paid or set apart for payment on any Junior Securities (other than a dividend payable solely in shares of Junior Securities) unless full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding shares of Series B Preferred Stock and any Parity Securities through the most recent respective dividend payment dates. In addition, in the event that any dividends on the Series B Preferred Stock and any Parity Securities are in arrears, the Company may not repurchase, redeem or otherwise acquire, in whole or in part, any Series B Preferred Stock or Parity Securities except pursuant to a purchase or exchange offer made on the same terms to all holders of Series B Preferred Stock and any Parity Securities. The shares of Common Stock of the Company and any other Junior Securities may not be redeemed, repurchased or otherwise acquired unless there are no dividends on the Series B Preferred Stock and any Parity Securities in arrears.

(d) *Payment of Accrued and Unpaid Dividends.* Accumulated dividends in arrears for any past Dividend Period may be declared by the Board and paid on any date fixed by the Board, whether or not a Dividend Payment Date, to holders of the Series B Preferred Stock on the record date for such payment, which may not be more than 60 days, nor less than 15 days, before such payment date. Subject to the next succeeding sentence, if all accumulated dividends in arrears on all outstanding Series B Preferred Stock and any Parity Securities have not been declared and paid, or sufficient funds for the payment thereof have not been set apart, payment of accumulated dividends in arrears will be made in order of their respective Dividend Payment Dates, commencing with the earliest. If less than all dividends payable with respect to all Series B Preferred Stock and any Parity Securities are paid, any partial payment will be made pro rata with respect to the Series B Preferred Stock and any Parity Securities entitled to a dividend payment at such time in proportion to the aggregate amounts remaining due in respect of such shares at such time. Holders of the Series B Preferred Stock will not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends. Except insofar as dividends accrue on the amount of any accumulated and unpaid dividends as described under Section 4(a), no interest or sum of money in lieu of interest will be payable in respect of any dividend payment which may be in arrears on the Series B Preferred Stock.

5. Redemption.

(a) *Optional Redemption.* On and after September 15, 2028, the Company may, at its option, upon not less than fifteen (15) days' nor more than sixty (60) days' written notice, redeem the shares of Series B Preferred Stock, in whole or in part, for cash at a redemption price equal to the Liquidation Preference of the shares of Series B Preferred Stock to be redeemed, plus an amount equal to all accumulated and unpaid dividends thereon to, but not including, the date fixed for redemption. The Company may undertake multiple redemptions.

(b) *Redemption Procedures.*

(i) Notice of redemption will be mailed at least fifteen (15) days but not more than sixty (60) days before the scheduled redemption date to each holder of record of Series B

Preferred Stock at the address shown on the share transfer books of the Company maintained by the Registrar. Each notice shall state: (A) the redemption date; (B) the number of shares of Series B Preferred Stock to be redeemed and, if less than all outstanding shares of Series B Preferred Stock are to be redeemed, the number (and the identification) of shares to be redeemed from such holder; (C) the redemption price of the Liquidation Preference of the shares of Series B Preferred Stock to be redeemed, plus all accrued and unpaid dividends thereon to, but excluding, the date of redemption; (D) the place where the Series B Preferred Stock Certificates, if any, representing the shares of Series B Preferred Stock to be redeemed are to be presented and surrendered for payment of the redemption price therefor; and (E) that dividends on the shares of Series B Preferred Stock to be redeemed will cease to accrue from and after such redemption date. If fewer than all of the outstanding Series B Preferred Stock are to be redeemed, the number of shares to be redeemed will be determined by the Company, and such shares will be redeemed by pro rata or by lot as determined by the Registrar, or if the shares are held of record by the nominee of the Securities Depository, such method of selection as the Securities Depository shall determine, with adjustments to avoid redemption of fractional shares. So long as any shares of Series B Preferred Stock are held of record by the nominee of the Securities Depository, the Company will give notice, or cause notice to be given, to the Securities Depository of the number of shares of Series B Preferred Stock so held to be redeemed, and the Securities Depository will determine the number of shares of Series B Preferred Stock to be redeemed from the account of each of its participants holding such shares in its participant account. Thereafter, each participant will select the number of shares to be redeemed from each beneficial owner for whom it acts (including the participant, to the extent it holds shares of Series B Preferred Stock for its own account). A participant may determine to redeem shares of Series B Preferred Stock from some beneficial owners (including the participant itself) without redeeming shares of Series B Preferred Stock from the accounts of other beneficial owners.

(ii) So long as shares of Series B Preferred Stock are held of record by the nominee of the Securities Depository, the redemption price will be paid by the paying agent for the Series B Preferred Stock (the "Paying Agent") to the Securities Depository on the redemption date. The normal procedures of DTC, as the initial Securities Depository, provide for it to distribute the amount of the redemption price in same-day funds to its participants who, in turn, are expected to distribute such funds to the persons for whom they are acting as agent.

(iii) If the Company gives or causes to be given a notice of redemption, then the Company shall deposit with the Paying Agent funds sufficient to redeem the shares of Series B Preferred Stock as to which notice has been given by the close of business, New York City time, no later than the Business Day immediately preceding the date fixed for redemption, and shall give the Paying Agent irrevocable instructions and authority to pay the redemption price to the holder or holders thereof upon surrender or deemed surrender (which will occur automatically if the certificate representing such shares is issued in the name of the Securities Depository or its nominee) of the certificates therefor. If notice of redemption shall have been given, unless the Company defaults in providing funds sufficient for such redemption at the time and place specified for payment pursuant to the notice, then from and after the date fixed for redemption, all dividends on such shares will cease to accumulate and all rights of holders of such shares as the Company's shareholders will cease, except the right to receive the redemption price, including an amount equal to accrued and unpaid dividends through the date fixed for redemption, whether or not declared. The Company shall be entitled to receive from the Paying Agent the interest income, if any, earned on such funds deposited with the Paying Agent (to the extent that such interest income is not required to pay the redemption price of the shares to be redeemed), and the holders of any shares so redeemed will have no claim to any such interest income. Any funds deposited with the Paying Agent hereunder by the Company for any reason, including, but not limited to, redemption of Series B Preferred Stock, that remain unclaimed or unpaid after two years after the applicable redemption date or other payment date, shall be, to the extent permitted by law, repaid to the Company upon its

written request, after which repayment the holders of the Series B Preferred Stock entitled to such redemption or other payment shall have recourse only to the Company.

(iv) If only a portion of the Series B Preferred Stock represented by a certificate has been called for redemption, upon surrender of the certificate to the Paying Agent (which will occur automatically if the certificate representing such shares is issued in the name of the Securities Depository or its nominee), the Paying Agent shall issue to the holder of such shares a new certificate (or adjust the applicable book-entry account) representing the number of Series B Preferred Stock represented by the surrendered certificate that have not been called for redemption.

(v) Notwithstanding any notice of redemption, there shall be no redemption of any Series B Preferred Stock called for redemption until funds sufficient to pay the full redemption price of such shares, including all accrued and unpaid dividends to the date of redemption, whether or not declared, have been deposited by the Company with the Paying Agent.

6. Mandatory Offer to Purchase Upon a Change of Control.

(a) *Change of Control Repurchase Right.* Upon the occurrence of a Change of Control, each holder of a share of Series B Preferred Stock shall have the right to require that the Company or the acquiring or surviving entity, as applicable, purchase all or a portion of such holder's shares of Series B Preferred Stock pursuant to the offer described below (the "Change of Control Offer") at a purchase price equal to 100.0% of the Liquidation Preference plus all accrued and unpaid dividends thereon to, but excluding, the date of purchase (subject to the rights of holders of shares of Series B Preferred Stock on the relevant regular record date to receive dividends that have been declared by the Board on the applicable Dividend Payment Date is on or prior to the applicable date of repurchase).

(b) *Change of Control Procedures.*

(i) Within 30 days following the date upon which a Change of Control occurs, the Company or the acquiring or surviving entity, as applicable, shall send a notice to each holder of shares of Series B Preferred Stock, with a copy to the Registrar, which notice shall govern the terms of the Change of Control Offer. Such notice shall state the following information:

(1) that a Change of Control Offer is being made pursuant to this Section 6 and that all shares of Series B Preferred Stock properly tendered pursuant to such Change of Control Offer will be accepted for payment by the Issuer;

(2) the purchase price (the "Change of Control Payment");

(3) the purchase date, which must be no earlier than 30 days nor later than 60 days from the date such notice is mailed, other than as may be required by law (the "Change of Control Payment Date");

(4) that any shares of Series B Preferred Stock not tendered or accepted for payment will remain outstanding and continue to accrue dividends;

(5) that unless the Company or the acquiring or surviving entity, as applicable, defaults in the payment of the Change of Control Payment, all shares of Series B Preferred Stock accepted for payment pursuant to the Change of Control Offer shall cease to accrue dividend after the Change of Control Payment Date;

(6) that Holders electing to have their shares of Series B Preferred Stock purchased pursuant to a Change of Control Offer shall be required to surrender such shares to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day prior to the Change of Control Payment Date;

(7) that Holders shall be entitled to withdraw their tendered shares of Series B Preferred Stock and their election to require the Company or the acquiring or surviving entity, as applicable, to purchase such shares of Series B Preferred Stock; provided that the Paying Agent receives, not later than the close of business on the last day of the offer period, a facsimile transmission or letter, setting forth the name of the holder of the shares of Series B Preferred Stock, the number of shares of Series B Preferred Stock tendered for purchase, and a statement that such holder is withdrawing its tendered shares of Series B Preferred Stock and its election to have such shares purchased; and

(8) any other reasonable and necessary instructions, as determined by the Company or the acquiring or surviving entity, as applicable, in good faith, consistent with this Section 6, that a holder of shares of Series B Preferred Stock must follow.

(c) The Company shall not be required to make a Change of Control Offer upon a Change of Control if (i) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 6 applicable to a Change of Control Offer made by the Company and purchases all shares of Series B Preferred Stock properly tendered and not withdrawn under the Change of Control Offer, or (ii) an unconditional and irrevocable notice of redemption as to all outstanding shares of Series B Preferred Stock has been given pursuant to Sections 5, unless and until there is a default in payment of the applicable redemption price.

(d) Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control conditioned upon such Change of Control if at the time of making of the Change of Control Offer a definitive agreement is in place with respect to such Change of Control.

(e) The Company or the acquiring or surviving entity, as applicable, shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of shares of Series B Preferred Stock pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with this Section 6, the Company or the acquiring or surviving entity, as applicable, shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Section 6 by virtue thereof.

7. Voting Rights.

(a) The shares of Series B Preferred Stock shall have no voting rights, except as provided in this Section 7 and as otherwise provided by the applicable provisions of the laws of the State of Florida.

(b) Prior to the Series B Preferred Stock being listed on the New York Stock Exchange, in the event that dividends payable on the Series B Preferred Stock are in arrears for six or more quarterly periods, whether consecutive or otherwise, the holders of the Series B Preferred Stock shall have the right to appoint, until such dividends are made current, one individual (the "Board Observer") to attend as a nonvoting observer all meetings of the Company's Board and each committee thereof, except for any portion of a meeting of the Board that intends to consider, or any committee formed intends to consider, a transaction between the Company and the holders of the Series B Preferred Stock, any of their Affiliates or any holder that is Affiliated with the Board Observer or an Affiliate of any holder that is Affiliated with the Board Observer, and provided that the Board Observer is subject to a customary non-disclosure agreement. The Company shall provide the Board Observer with (i) notice of all meetings of the Board (and committees thereof) and (ii) all information delivered to the members of such Board (or committees thereof) prior to such meetings, and all other materials, including proposed written consent actions, otherwise provided to the Board, at the same time such notice and information is delivered to the members of the Board. Notwithstanding the above, the Company has the right to withhold any information from the Board Observer and to exclude the Board Observer from any meeting or

portion thereof of the Board or committees thereof if access to such information or attendance at such meeting would, based on the advice of counsel (including the Company's in-house counsel):

- (i) result in the loss of attorney-client privilege between the Company and its counsel;
- (ii) cause the Board to breach its duties to the Company and its stockholders; or
- (iii) result in a direct conflict between interests of the Company, on the one hand, and those of the Board Observer or its Affiliates, on the other hand.

The Company will use its reasonable efforts to ensure that any withholding of information or any restriction on attendance is limited only to the extent necessary set forth in the preceding sentence. Notwithstanding anything in the foregoing to the contrary, the Company shall be entitled to take actions and establish procedures to the extent reasonably required to restrict the access of the Board Observer to any restricted national security data of the Company or of any other Person whose national security data is in the possession or control of the Company. The Board Observer shall not have any authority to bind the Company.

(c) From and after the date that the Series B Preferred Stock is listed on the New York Stock Exchange, in the event that dividends payable on the Series B Preferred Stock are in arrears for six or more quarterly periods, whether consecutive or otherwise, the holders of the Series B Preferred Stock shall have the right to appoint, but not be required to appoint, two (2) directors (each a "Series B Director" and together, the "Series B Directors") to the Company's Board. A Series B Director may serve as a member of any committee of the Board, if duly appointed thereto by the Board, provided, that notwithstanding anything to the contrary herein, membership on any such committee will be dependent upon such director meeting the qualifications, and if applicable, independence criteria deemed necessary to comply with any Listing Requirements of the New York Stock Exchange. A Series B Director may attend all meetings of the Company's Board and each committee of which a Series B Director is a member. The Series B Directors shall be elected by a plurality of the votes cast by the holders of the outstanding shares of Series B Preferred Stock when they have the voting rights set forth in this Section 7(c) in the election to serve until the next annual meeting of stockholders and until their successors are duly elected and qualify or until such directors' right to hold the office terminates as described below, whichever occurs earlier. The right of such holders of Series B Preferred Stock to elect Series B Directors shall continue until such time as there are no accumulated and unpaid dividends in arrears on the Series B Preferred Stock, at which time such right shall terminate, subject to revesting in the event of each and every subsequent failure to pay six quarterly dividends as described above. Upon any termination of the right of the holders of the Series B Preferred Stock to vote as a class for such directors, the term of office of the Series B Directors then in office shall terminate immediately. Each Series B Director shall each be entitled to one vote on any matter before the Board.

(d) Any Series B Director may be removed at any time, by the affirmative vote of, and shall not be removed otherwise than by the affirmative vote of, a majority of the votes entitled to be cast by the holders of record of the outstanding shares of Series B Preferred Stock when they have the voting rights set forth in Section 7(c). So long as the right of holders of Series B Preferred Stock to elect Series B Directors shall continue, any vacancy in the office of a Series B Director may be filled by written consent of the Series B Director remaining in office, or if none remains in office, by a plurality of the votes cast by the holders of the outstanding shares of Series B Preferred Stock when they have the voting rights set forth in Section 7(c).

(e) So long as any shares of Series B Preferred Stock are outstanding, the Company shall not, either directly or indirectly, by amendment, merger, reorganization, reclassification, recapitalization, conversion, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Articles of Incorporation) the applicable affirmative vote or consent set forth below, given in

person or by proxy, either in writing by consent or by resolution adopted at an annual or special meeting and any act or transaction entered into without such vote or consent shall be void ab initio and of no force and effect:

(i) except as otherwise provided in clauses (ii) and (iii) of this Section 7(e), unless the Company has received the affirmative vote or consent of the holders of at least two-thirds of the shares of Series B Preferred Stock and any Parity Stock then outstanding, voting together as a single class, the Company may not amend or otherwise alter these Articles of Designation, the Articles of Incorporation or the bylaws of the Company in any manner that would adversely affect the rights, privileges or preferences of the holders of Series B Preferred Stock and the Parity Securities; provided that if any such amendment or alternation shall materially affect the rights, privileges or preferences of the Series B Preferred Stock only or materially affect the rights, privileges or preferences of the Series B Preferred Stock disproportionately in comparison to those of any Parity Securities, then such amendment or alternation shall also require the affirmative vote or consent of the holders of at least two-thirds of the shares of Series B Preferred Stock then outstanding voting as a class; for the avoidance of doubt, an amendment to the Articles of Incorporation to authorize or create a new series of Parity Securities shall not be deemed to adversely affect the rights, privileges or preferences of the holders of Series B Preferred Stock or any other series of Parity Securities;

(ii) unless the Company has received the affirmative vote or consent of holders of at least a majority of the shares of Series B Preferred Stock then outstanding, voting as a class, the Company may not increase the number of authorized shares of Series B Preferred Stock set forth in Section 1 hereof; or

(iii) unless (i) the Company has received the affirmative vote or consent of holders of at least two-thirds of the shares of Series B Preferred Stock then outstanding, voting as a class, or (ii) the Company has issued an irrevocable notice of redemption to redeem all outstanding shares of Series B Preferred Stock, the Company may not authorize or create (by way of reclassification or otherwise) any Senior Securities or any obligation or security convertible or exchangeable into or evidencing the right to purchase, shares of any class or series of Senior Securities.

(f) On any matter described above in which the holders of the Series B Preferred Stock are entitled to vote as a class, such holders will be entitled to one vote per share and in the case where the holders of Series B Preferred Stock are entitled to vote with the holders of any Parity Securities as a single class, the holders of Series B Preferred Stock and any Parity Securities shall be entitled to one vote per \$25.00 of liquidation preference at any meeting at which the applicable quorum with respect to such voting group has been met or as part of a written consent of shareholders with respect to which such voting group is entitled to participate pursuant to the applicable provisions of the laws of the State of Florida.

8. Information Rights. During any period in which the Company is not subject to Section 13 or 15(d) of the Exchange Act and any shares of Series B Preferred Stock are outstanding, the Company shall either post on its website or provide to any holder of shares of Series B Preferred Stock or any prospective purchaser of shares of Series B Preferred Stock, in each case, upon written request to the Company, (i) within 90 days after the end of the Company's fiscal year, a copy of the Company's audited annual consolidated financial statements for the most recently ended fiscal year, together with a description of the Company's business and a "Management Discussion and Analysis of Results of Operations and Financial Condition" consistent with the disclosure for such sections in the Company's annual report on Form 10-K when it was subject to Section 13 or 15(d) of the Exchange Act and (ii) within 60 days after the end of each of the first three fiscal quarters of the Company, a copy of the Company's unaudited quarterly consolidated financial statements for the most recently ended fiscal quarter, together with a brief description of the Company's business and a "Management Discussion and Analysis of Results of Operations and Financial Condition" consistent with the disclosure for such sections in the Company's quarterly reports on Form 10-Q when it was subject to Section 13 or 15(d) of the Exchange Act.

9. Transfer Restrictions. Unless the shares of Series B Preferred Stock have been registered for resale under the Securities Act or are not deemed to be “restricted securities” under the Securities Act, the shares of Series B Preferred Stock may only be transferred to (i) the Company or any of its subsidiaries or (ii) a person that is an “accredited investor” as defined in Rule 501(a) under the Securities Act and in a transaction exempt from the registration requirements under the Securities Act and in accordance with all applicable state securities laws and the securities laws of any other applicable jurisdiction. In connection with any transfer of shares, the Company shall be entitled to receive information and documentation as the Company may reasonably request (including an opinion of counsel reasonably satisfactory to the Company at the expense of the transferring holder) to confirm that such transfer does not require registration under the Securities Act and such other applicable securities laws.

10. Exclusion of Other Rights. Except as may otherwise be required by law, the shares of Series B Preferred Stock shall not have any voting powers, preferences and relative, participating, optional or other special rights, other than those specifically set forth in these Articles of Designation (as such resolution may be amended from time to time) and in the Articles of Incorporation. The shares of Series B Preferred Stock shall have no preemptive or subscription rights.

11. Headings of Subdivisions. The headings of the various subdivisions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

12. Severability of Provisions. If any voting powers, preferences and relative, participating, optional and other special rights of the Series B Preferred Stock and qualifications, limitations and restrictions thereof set forth in these Articles of Designation (as may be amended from time to time) is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other voting powers, preferences and relative, participating, optional and other special rights of Series B Preferred Stock and qualifications, limitations and restrictions thereof set forth in these Articles of Designation (as so amended) which can be given effect without the invalid, unlawful or unenforceable voting powers, preferences and relative, participating, optional or other special rights of Series B Preferred Stock and qualifications, limitations and restrictions thereof shall, nevertheless, remain in full force and effect and no voting powers, preferences and relative, participating, optional or other special rights of Series B Preferred Stock and qualifications, limitations and restrictions thereof herein set forth shall be deemed dependent upon any other such voting powers, preferences and relative, participating, optional or other special rights of Series B Preferred Stock and qualifications, limitations and restrictions thereof unless so expressed herein.

13. Re-issuance of Series B Preferred Stock. Shares of Series B Preferred Stock that have been issued and reacquired in any manner, including shares purchased or redeemed or exchanged, shall (upon compliance with any applicable provisions of the laws of the State of Florida) have the status of authorized but unissued shares of preferred stock of the Company undesignated as to series and may be designated or re-designated and issued or reissued, as the case may be, as part of any series of preferred stock of the Company, provided that any issuance of such shares as Series B Preferred Stock must be in compliance with the terms hereof.

14. Mutilated or Missing Series B Preferred Stock Certificates. If physical certificates are issued for the Series B Preferred Stock and if any of such Series B Preferred Stock certificates shall be mutilated, lost, stolen or destroyed, the Company shall issue, at the holder’s expense, in exchange and in substitution for and upon cancellation of the mutilated Series B Preferred Stock certificate, or in lieu of and substitution for the Series B Preferred Stock certificate lost, stolen or destroyed, a new Series B Preferred Stock certificate of like tenor and representing an equivalent amount of shares of Series B Preferred Stock, but only upon receipt of evidence of such loss, theft or destruction of such Series B Preferred Stock certificate and indemnity, if requested, satisfactory to the Company and the Registrar (if other than the Company).

15. Registrar, Transfer Agent and Paying Agent. Each of the Registrar and the Paying Agent for the Series B Preferred Stock shall be selected by the Company in its sole discretion. Initially, the Registrar and Paying Agent for the Series B Preferred Stock shall be Computershare Inc. and its affiliate, Computershare Trust Company N.A.. The Company may appoint a successor to any one or more of such roles (and may remove any such successor in accordance with any agreement with such successor and appoint a new successor). Upon any such removal or appointment, the Company shall notify the holders of the Series B Preferred Stock thereof.

16. Withholding Taxes. All payments (or deemed payments) and distributions (or deemed distributions) on the shares of Series B Preferred Stock shall be subject to withholding and backup withholding of tax to the extent required by law, and such amounts withheld, if any, shall be treated as received by the holders of Series B Preferred Stock. In the event the Company previously remitted any amounts to a governmental authority with respect to any taxes required to be deducted or withheld in respect of any payment or distribution (or deemed payment or distribution) with respect to a share of Series B Preferred Stock, the Company shall be entitled to offset any such amounts against any amounts otherwise payable in respect of such share of Series B Preferred Stock.

17. Equity Treatment Under GAAP. The terms set forth in these Articles of Designation are intended to result in the treatment of the Series B Preferred Stock as equity securities under generally accepted accounting principles (“GAAP”). By their ownership of shares of Series B Preferred Stock, the holders hereby agree to the treatment of the Series B Preferred Stock as equity securities under GAAP.

18. Board Approval. These Articles of Amendment have been adopted and approved pursuant to Section 607.1006 of the Florida Business Corporation Act. The resolutions approving the issuance of Series B Preferred Stock were adopted and approved by the Board on October 25, 2024, without shareholder action. Shareholder action was not required pursuant to Section 607.0602.

19. Certain Definitions. As used in these Articles of Designation, the following terms shall have the following meanings (with terms defined in the singular having comparable meanings when used in the plural and vice versa), unless the context otherwise requires:

“Affiliate” means, with respect to any specified Person, any Person that, directly or indirectly, controls, is controlled by, or is under common control with, such specified Person, through one or more intermediaries or otherwise. For purposes hereof, “control” (including, with correlative meaning, the terms “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Change of Control” means the occurrence of any of the following: (i) the sale, lease or transfer (whether by merger or otherwise) of all or substantially all of the assets of the Company and its subsidiaries, taken as a whole, to any Person or Persons; or (ii) the acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), by way of merger, consolidation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision), of 50.0% or more of the total voting power of the Voting Stock of the Company. For purposes of this definition, any direct or indirect holding company of the Company shall not itself be considered a “Person” or “group” for purposes of clause (2) above; provided that no “Person” or “group” beneficially owns, directly or indirectly, more than 50.0% of the total voting power of the Voting Stock of such holding company.

“Common Stock” means the Common Stock, par value \$.01 per share, of the Company as presently constituted.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Listing Requirements” means the eligibility requirements for the listing (and continued listing) of the Series B Preferred Stock on the New York Stock Exchange.

“Person” means any individual, firm, corporation, partnership, limited liability company, incorporated or unincorporated association, joint venture, joint stock company or other entity of any kind.

“Securities Act” means the Securities Act of 1933, as amended.

IN WITNESS WHEREOF, the Company has caused these Articles of Amendment to be executed by its duly authorized officer.

Dated: October 25, 2024

ONITY GROUP, INC.

By: /s/ Joseph Samarias

Name: Joseph J. Samarias

Title: Chief Legal Officer

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITIES MAY NOT UNDER ANY CIRCUMSTANCES BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF WITHOUT AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SECURITIES UNDER THE SECURITIES ACT AND ANY OTHER APPLICABLE SECURITIES LAWS OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OR APPLICABLE SECURITIES LAWS.

[FORM OF SERIES B PREFERRED STOCK CERTIFICATE]

Certificate Number []

Number of Shares []

CUSIP: []

ISIN: []

ONITY GROUP, INC.

Series B Perpetual Preferred Stock

(par value \$0.01 per share)

(Liquidation Preference \$25.00 per share)

ONITY GROUP INC., a Florida corporation (the "Company"), hereby certifies that [] (the "Holder") is the registered owner of [] fully paid and non-assessable shares of the Company's designated Series B Perpetual Preferred Stock, par value \$0.01, liquidation preference of \$25 per share (the "Series B Preferred Stock"). The shares of Series B Preferred Stock are transferable on the books and records of the Company maintained the registrar and transfer agent for the Series B Preferred Stock (the "Registrar"), which shall initially be Computershare Trust Company N.A., in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Series B Preferred Stock represented hereby are, and shall in all respects be subject to the provisions of the Amended and Restated Articles of Incorporation of the Company, as amended by the Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company, Article of Designation, Preferences, and Rights of Series B Perpetual Preferred Stock, filed with the Secretary of State of the State of Florida on November 1, 2024 (as the same may be further amended from time to time, the "Articles of Designation"). Capitalized terms used herein but not defined shall have the meaning given them in the Articles of Designation. The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Series B Preferred Stock as set forth in the Articles of Designation shall for all purposes have the same effect as if set forth in this certificate. The Company will provide a copy of the Articles of Designation to a Holder without charge upon written request to the Company at its principal place of business.

Upon receipt of this executed certificate, the Holder is bound by the Articles of Designation and is entitled to the benefits thereunder.

Unless the Registrar has properly countersigned this share certificate representing the shares of Series B Preferred Stock, such shares of Series B Preferred Stock shall not be entitled to any benefit under the Articles of Designation or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, this certificate has been executed on behalf of the Company by the undersigned officer of the Company this [●] day of [●], 2024

ONITY GROUP INC.

By: _____

Name:

Title:

REGISTRAR'S COUNTERSIGNATURE

These are shares of Series B Preferred Stock referred to in the within-mentioned Articles of Designation.

Dated: , _____

Computershare Trust Company N.A., as Registrar

By: _____

Name:

Title:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers the shares of Series B Preferred Stock evidenced hereby to:

(Insert assignee's name)

(Insert address and zip code of assignee)

(Insert assignee's social security or taxpayer identification, if any)

and irrevocably appoints: _____,

as agent to transfer the shares of Series B Preferred Stock evidenced hereby on the books of the registrar or transfer agent for the Series B Preferred Stock. The agent may substitute another to act for him or her.

Date:

Signature: _____

(Sign exactly as your name appears on the front page of this Certificate)

Signature Guarantee: _____

(Signature must be guaranteed by an "eligible guarantor institution" that is a bank, stockbroker, savings and loan association or credit union meeting the requirements of the registrar or transfer agent for the Series B Preferred Stock, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the registrar or transfer agent in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)¹

¹ Signature Guarantee requirement shall be waived to extent transfer agent does not require additional assurances or indemnification or, if required, holder provides such assurances and/or indemnification.

Certain information marked by [] has been omitted in accordance with Item 601(b)(10) of Regulation S-K because it is both not material and is the type of information that the registrant treats as private or confidential. An unredacted copy will be furnished supplementally to the SEC upon request.*

TRANSACTION AGREEMENT

TRANSACTION AGREEMENT (the “Agreement”) dated as of September 30, 2024, by and among OCW MAV Holdings, LLC, a Delaware limited liability company (“OMH”), ROF8 OCW Holdings, LLC, a Delaware limited liability company (“ROF8”), OPPS OCW Holdings, LLC, a Delaware limited liability company (“OPPS” and together with OMH and ROF8, collectively, the “Oaktree Parties” and each a “Oaktree Party”), Onity Group Inc., a Florida corporation (f/k/a Ocwen Financial Corporation) (“Onity”), MAV Canopy Holdco I, LLC, a Delaware limited liability company (the “Company”), and, solely for purposes of Sections 3(h) and 3(k) herein, MSR Asset Vehicle LLC, a Delaware limited liability company (“MAV”). Except as the context otherwise requires, each of the Oaktree Parties, Onity and the Company are referred to herein as a “Party” and, collectively, the “Parties”, as applicable. Capitalized terms used, but not otherwise defined in this Agreement, shall have the respective meanings given those terms in the LLC Agreement (as defined below).

R E C I T A L S:

WHEREAS, pursuant to that certain Note and Warrant Purchase Agreement, dated as of February 9, 2021 (the “Purchase Agreement”), by and among Onity and the Purchasers signatory thereto, Onity issued that certain (a) Senior Secured Note No. 1, dated March 4, 2021, in the principal amount of \$99,750,000 in favor of OPPS (“Note No. 1”), (b) Senior Secured Note No. 2, dated March 4, 2021, in the principal amount of \$99,750,000 in favor of ROF8 (“Note No. 2”), (c) Senior Secured Note No. 3, dated May 3, 2021, in the principal amount of \$42,750,000 in favor of OPPS (“Note No. 3”), (d) Senior Secured Note No. 4, dated May 3, 2021, in the principal amount of \$42,750,000 in favor of ROF8 (“Note No. 4” and together with Note No.1, Note No. 2 and Note No. 3, collectively, the “Onity Notes”), (e) Warrant Certificate No. 1, dated March 4, 2021, to ROF8 evidencing warrants to purchase up to 592,384 shares of commons stock of Onity, subject to the terms and conditions set forth therein (“Warrant Certificate No. 1”), (f) Warrant Certificate No. 2, dated March 4, 2021, to OPPS evidencing warrants to purchase up to 592,384 shares of commons stock of Onity, subject to the terms and conditions set forth therein (“Warrant Certificate No. 2”), (g) Warrant Certificate No. 3, dated May 3, 2021, to OPPS evidencing warrants to purchase up to 130,624 shares of commons stock of Onity, subject to the terms and conditions set forth therein (“Warrant Certificate No. 3”), and (h) Warrant Certificate No. 4, dated May 3, 2021, to ROF8 evidencing warrants to purchase up to 130,624 shares of commons stock of Onity, subject to the terms and conditions set forth therein (“Warrant Certificate No. 4” and together with Warrant Certificate No. 1, Warrant Certificate No. 2 and Warrant Certificate No. 3, collectively, the “Warrant Certificates”);

WHEREAS, (i) OMH and Onity are Members (as defined in the LLC Agreement (as defined below)) of the Company and (ii) (x) OMH holds an Interest amounting to a

Percentage Interest of 85% and (y) Onity holds an Interest amounting to a Percentage Interest of 15%;

WHEREAS, OMH and Onity are party to the Second Amended and Restated Limited Liability Company Agreement of the Company, dated as of November 2, 2022 (as the same may have been amended from time to time in accordance with the terms and conditions thereof, the “LLC Agreement”);

WHEREAS, Onity’s subsidiary, PHH Corporation (“PHH”), intends to issue and sell senior secured high-yield notes (the “New High Yield Notes”) in an aggregate principal amount of at least \$[*] in an unregistered offering pursuant to Rule 144A and/or Regulation S under the Securities Act of 1933 (such transaction, the “High Yield Offering”);

WHEREAS, the New High Yield Notes may be “issued into escrow” which means (i) the New High Yield Notes would initially be issued by either a newly formed subsidiary of Onity or a special purpose entity (such subsidiary or entity, the “Escrow Issuer”), (ii) the proceeds from the issuance and sale of the New High Yield Notes would be placed into escrow pending the consummation of the Interest Redemption (as defined below) and the concurrent payment to Onity of the Estimated Closing Payment (as defined in the Interest Redemption Agreement (as defined below)), (iii) once the Interest Redemption has occurred and Onity has received the Estimated Closing Payment, the proceeds from the New High Yield Notes would be released from escrow and delivered to PHH (such release, the “Escrow Release”) and the Escrow Issuer would merge with and into PHH, with PHH as the survivor and thereupon becoming the issuer of, and obligor under, the New High Yield Notes and related indenture;

WHEREAS, in connection with the Interest Redemption, OMH intends to make a capital contribution to the Company in the amount of the Estimated Closing Payment (as defined in the Interest Redemption Agreement) (the “Contribution”);

WHEREAS, on the issue date of the New High Yield Notes or, in the event the New High Yield Notes are issued in escrow, promptly following the Escrow Release, Onity and PHH intend to use the proceeds from the High Yield Offering and the Estimated Closing Payment (x) first, to repurchase, legally defease, discharge or redeem in full all of the outstanding 7.875% Senior Secured Notes due 2026 of PHH Mortgage Corporation, Onity’s subsidiary (“PMC” and such notes, the “PMC Notes” and, such repurchase, defeasance, discharge or redemption, the “PMC Notes Redemption”), and (y) second, to the extent of the remaining proceeds, to redeem the outstanding Onity Notes pursuant to and in accordance with the terms of the Purchase Agreement, as amended by Amendment No. 1 to the Purchase Agreement substantially in the form attached hereto as Exhibit A (the “Purchase Agreement Amendment”, any such redemption, an “Onity Notes Redemption”, and the transactions described in the foregoing clauses (x) and (y), the “Notes Redemption”) and, solely after all outstanding Onity Notes have been redeemed, for general corporate purposes;

WHEREAS, Onity intends to use all proceeds from the Interest Redemption to consummate an Onity Notes Redemption and, solely after all outstanding Onity Notes have been redeemed, for general corporate purposes;

WHEREAS, in return for the Oaktree Parties agreeing to (i) amend the Purchase Agreement to permit the issuance and sale of the New High Yield Notes and to amend the terms of the redemption provisions therein with respect to the Onity Notes, (ii) amend the Warrant Certificate, (iii) participate as an investor in the High Yield Offering and (iv) effectuate the Interest Redemption and the other transactions described herein, Onity intends to pay OCM FIE LLC (“OCM FIE”) or its designee a transaction fee in cash (the “Transaction Fee”) in an amount set forth in a letter agreement between OCM FIE and Onity (the “Transaction Fee Letter”);

WHEREAS, in connection with, and subject to, the concurrent consummation of the High Yield Offering and the consummation of the PMC Notes Redemption and any required Onity Notes Redemption, the Company desires to redeem from Onity, and Onity desires to sell and transfer to the Company, Onity’s Interest, pursuant to and in accordance with the terms of that certain Redemption Agreement attached hereto as Exhibit B (the “Interest Redemption Agreement” and such transaction, the “Interest Redemption”);

WHEREAS, in connection with, and in furtherance of, the Interest Redemption, attached hereto as (i) Exhibit C is the form of that certain Amended and Restated Subservicing Agreement (the “A&R SSA”) amending and restating that certain Subservicing Agreement, dated as of May 3, 2021, by and between PMC and MAV (as amended from time to time, the “SSA”), (ii) Exhibit D is the form of that certain Amendment to Warrant Certificates, to be entered into by and between Onity and each of ROF8 and OPPS, which will amend each of the Warrant Certificates as provided therein (each, a “Warrant Certificate Amendment” and collectively the “Warrant Certificate Amendments”), (iii) Exhibit E is the form of that certain Omnibus Amendment, to be entered into by and among Oaktree Real Estate Opportunities Fund VIII, L.P., Oaktree Opportunities Fund XI Holdings (Delaware), L.P., Oaktree Opportunities Fund Xb Holdings (Delaware), L.P. and the other parties thereto (as may be amended following the date hereof by the mutual agreement of the Parties, the “Omnibus Amendment”) and (iv) Exhibit F is the form of that certain Side Letter, to be entered into by and among Onity, the Company and MAV (the “Side Letter”); and

WHEREAS, the Parties desire to set forth their agreement with respect to the terms and conditions governing the entry into each of the Purchase Agreement Amendment, the Transaction Fee Letter, the Interest Redemption Agreement, the A&R SSA, the Warrant Certificate Amendments, the Omnibus Amendment and the Side Letter (collectively, the “Transaction Agreements”).

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties hereby agree as follows:

1. Defined Terms.

- (a) “Acceptable High Yield Offering” means [*].

- (b) “Affiliate” means, with respect to any Person, any Person who directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such Person. Notwithstanding the foregoing: Brookfield Asset Management Inc. together with its subsidiaries, managed funds and accounts and affiliated holding companies (other than Oaktree Capital Group, LLC and its direct or indirect subsidiaries and any managed funds and accounts managed by any such subsidiary) (“Brookfield”) shall be deemed not to be “Affiliates” of OMH or Oaktree for any purpose hereunder.
- (c) “ASA” means the Administrative Services Agreement, dated as of May 3, 2021, by and between Onity and MAV, as amended from time to time.
- (d) “Business Day” means any day other than Saturday, Sunday, any day that is a legal holiday in the State of California or New York or any other day on which banking institutions in California or New York are authorized to close. For the avoidance of doubt, any reference to “day(s)” (and not “Business Days”) in this Agreement means calendar days.
- (e) “Company Approvals” means, with respect to each Company Permit, the consent from, registration, declaration or other Filing with or approval or authorization of the applicable Governmental Authority or Investor pertaining to consummation of the Closing.
- (f) “Company Permit” means each Permit set forth on Schedule A.
- (g) “Effective Date” shall have the meaning ascribed to such term in the A&R SSA.
- (h) “Effective Date UPB” means the unpaid principal balance of all mortgage loans and REO property, the related servicing rights of which are owned by MAV as of the Effective Date.
- (i) “Effective Date Onity Serviced Loan” shall have the meaning ascribed to such term in the A&R SSA.
- (j) “Equity Securities” means, with regard to any Person, as applicable, (i) any capital stock, voting, partnership, membership, joint venture or other ownership or equity interests, or other share capital of such Person, (ii) any securities of such Person convertible into or exchangeable for any capital stock, partnership, membership, joint venture or other ownership or equity interests, or other share capital (whether voting or non-voting, whether preferred, common or otherwise) of such Person or containing any profit participation features with respect to such Person, (iii) any rights or options directly or indirectly to subscribe for or to purchase any capital stock, partnership, membership, joint venture or other ownership or equity interests, other share capital of such Person or securities containing any profit participation features with respect to such Person or subscribe for or to purchase any securities convertible into or exchangeable for any

capital stock, partnership, membership, joint venture or other ownership interests, other share capital of such Person or securities containing any profit participation features with respect to such Person, (iv) any share, unit or membership interest appreciation rights, phantom share rights, contingent interest or other similar rights relating to such Person (including any equity-linked rights or rights, to payments or otherwise, tied to the equity value of such Person) or (v) any Equity Securities of such Person issued or issuable with respect to the securities referred to in clauses (i) through (iv) above in connection with a combination of shares, units or membership interests or recapitalization, exchange, merger, consolidation or other reorganization.

- (k) “Fannie Mae” shall have the meaning ascribed to such term in the A&R SSA.
- (l) “Freddie Mac” shall have the meaning ascribed to such term in the A&R SSA.
- (m) “Governmental Authority” means any United States federal, national, state, local or similar government, governmental, regulatory or administrative authority, branch, agency or commission or any court, tribunal, or arbitral or judicial body (including any grand jury).
- (n) “Investor” means Fannie Mae and Freddie Mac.
- (o) “Investor Financing Facilities” means the facilities listed on Schedule B.
- (p) “Law” means all federal, state and local laws, statutes, rules, regulations, codes, ordinances or other requirements of any Governmental Authority.
- (q) “Material Adverse Effect” means any effect, event, change, occurrence, circumstance, state of facts or development that, individually or in the aggregate, has a material adverse effect on the assets, properties, liabilities, business, results of operations or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole, or the ability of Company or its Subsidiaries to timely consummate the transactions contemplated hereby; provided that none of the following shall be taken into account in determining whether there has been a Material Adverse Effect: any adverse change, effect, event, occurrence, state of facts or development to the extent attributable to: (i) conditions or effects that generally affect any of the industries in which the Company and its Subsidiaries operate (including legal and regulatory changes) in the United States; (ii) general economic effects or conditions affecting the United States; (iii) conditions or effects resulting from changes in equity, debt, financial, banking or securities markets in general or market conditions and any disruption thereof and any decline in any market index or any change in prevailing interest rates, in each case in the United States; (iv) conditions or effects resulting from an outbreak, escalation or worsening of hostilities, acts of war (whether or not declared), military

actions, acts of terrorism, political instability or other national or international calamity, crisis or emergency, or any governmental or other response to any of the foregoing, in each case involving the United States; (v) epidemics, pandemics, acts of God, casualties, earthquakes, storms, hurricanes, tornadoes, severe weather, fires, accidents, floods or other natural or man-made catastrophes; (vi) conditions or effects arising from changes or proposed changes in Laws or GAAP following the date hereof; (vii) the failure to meet any budgets, pro forma amounts, projections or forecasts (provided that the exception in this clause (vii) shall not prevent or otherwise affect a determination that any circumstance underlying such failure has resulted in or contributed to a Material Adverse Effect); (viii) the announcement, pendency or completion of the transactions contemplated by this Agreement and the Transaction Agreements, including the identity of the Company and its Affiliates (including the Oaktree Parties); and (ix) the Company or its Subsidiaries taking or not taking any action required by this Agreement prior to Closing; provided that in the case of clauses (i)-(vi) above, such effect, event, change, occurrence, circumstance, state of facts or development does not have a disproportionate effect on the Company and its subsidiaries, taken as a whole, compared to other companies in the same industry.

- (r) “Order” means any order, decision, judgment, writ, injunction, decree, award or other determination of any Governmental Authority.
- (s) “Pari-Passu Excess Servicing Spread” shall have the meaning ascribed to such term in the A&R SSA.
- (t) “Person” means any individual, partnership, corporation, limited liability company, limited liability partnership, trust or other entity.
- (u) “Permits” means all permits, licenses, certifications, approvals, registrations, consents, authorizations and exemptions, in each case, issued or granted by a Governmental Authority or Investor.
- (v) “Required Facility Approvals” means, with respect to the Investor Financing Facilities, any consent, approval, authorization, or other required action of the Investor, lender, or other counterparty to such Investor Financing Facilities, as may be required pertaining to consummation of the Closing.
- (w) “Required Regulatory Approvals” means with respect to the Company Approvals, the consent from, registration, declaration or other Filing with or approval or authorization of (i) each Investor and (ii) each of the applicable Governmental Authorities of each state or territory set forth on Exhibit G with respect to each Company Permit set forth on Schedule A.
- (x) “Senior Excess Servicing Spread” shall have the meaning ascribed to such term in the A&R SSA.

(y) “Termination Date” shall have the meaning ascribed to such term in the A&R SSA.

2. **Closing.** The closing of the transactions contemplated by this Agreement (the “Closing”) and the effectiveness of each of the Transaction Agreements, other than the Purchase Agreement Amendment, the Warrant Certificate Amendments and the Transaction Fee Letter, shall occur remotely via the exchange of documents and signatures on the third (3rd) Business Day following the satisfaction of all conditions for Closing set forth below (other than those conditions that by their terms are to be satisfied at or contemporaneously with the Closing), or on such earlier or later date or at such different location as the Parties shall agree to in writing (the date on which the Closing occurs, the “Closing Date”). Each of the Purchase Agreement Amendment and the Transaction Fee Letter shall be executed and delivered by the parties thereto concurrently with the execution and delivery of this Agreement and shall be in full force and effect as of the date hereof. The Warrant Certificate Amendments shall be executed and delivered by the parties thereto concurrently with the pricing of an Acceptable High Yield Offering and shall be in full force and effect as of such date.

(a) The obligations of the Oaktree Parties hereunder in connection with the Closing are subject to the following conditions being met:

(i) **Representations & Warranties:**

(A) the representations and warranties set forth in Section 4(b)(iii) and Section 4(b)(iv), for such purposes disregarding any materiality or similar qualification therein, shall be true and correct as of the date hereof and on the Closing Date, except as would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of Onity, PHH or PMC to consummate the transactions contemplated by (or perform its obligations under) any Transaction Agreement to which it is a party;

(B) the representations and warranties set forth in Section 4(b)(i) and Section 4(b)(ii), for such purposes disregarding any materiality or similar qualification therein, shall be true and correct in all material respects as of the date hereof and on the Closing Date; and

(C) the representations of Onity or PMC, as applicable, set forth in each Transaction Agreement, for such purposes disregarding any materiality or similar qualification therein, shall be true and correct as of the Closing Date, except as would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of Onity or PMC, as applicable, to consummate the transactions contemplated by (or perform its obligations under) any Transaction Agreement to which it is a party.

(ii) **Performance of Covenants:** Onity shall have performed and complied with, in all material respects, all of their covenants and

agreements set forth in this Agreement, required to be performed and complied with by them on or prior to the Closing Date.

- (iii) No Material Adverse Effect: There shall have been no Material Adverse Effect since the date hereof.
 - (iv) Officer's Certificate: Onity shall have delivered to the Oaktree Parties a certificate, signed by an authorized person of Onity, dated as of the Closing Date, certifying the matters set forth in Sections 2(a)(i)(A), 2(a)(i)(B), 2(a)(i)(C) and 2(a)(ii).
 - (v) Transaction Agreements: The Oaktree Parties shall have received each of the Transaction Agreements duly executed and delivered by Onity, PMC, and the Lender (as defined in Schedule B), as applicable, and each such Transaction Agreement shall be in full force and effect as of the Closing.
 - (vi) IRS Form. Onity shall have delivered to the Oaktree Parties a duly completed IRS Form W-9.
 - (vii) Acceptable High Yield Offering: Prior to or substantially simultaneously with the Closing, (x) PHH or the Escrow Issuer shall have completed an Acceptable High Yield Offering, (y) if the New High Yield Notes are issued into escrow, the Escrow Release Debt shall occur, and (z) Onity and PHH shall apply all proceeds of the High Yield Offering and the Interest Redemption in accordance with Section 3(f).
- (b) The obligations of Onity hereunder in connection with the Closing are subject to the following conditions being met:
- (i) Representations & Warranties:
 - (A) the representations and warranties set forth in Section 4(a)(iii) and Section 4(a)(iv), for such purposes disregarding any materiality or similar qualification therein, shall be true and correct as of the date hereof and on the Closing Date, except as would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of any Oaktree Party to consummate the transactions contemplated by (or perform its obligations under) any Transaction Agreement to which it is a party;
 - (B) the representations and warranties set forth in Section 4(a)(i) and Section 4(a)(ii), for such purposes disregarding any materiality or similar qualification therein, shall be true and correct in all material respects as of the date hereof and on the Closing Date;
 - (C) the representations and warranties set forth in Section 4(c)(iii) and Section 4(c)(iv), for such purposes disregarding any materiality or similar qualification therein, shall be true and correct as of the date hereof and on the Closing Date, except as would not reasonably

be expected to have, individually or in the aggregate, a material adverse effect on the Company's or MAV's ability, to perform their obligations under this Agreement or any Transaction Agreement to which they are a party; and

(D) the representations and warranties set forth in Section 4(c)(i) and Section 4(c)(ii), for such purposes disregarding any materiality or similar qualification therein, shall be true and correct in all material respects as of the date hereof and on the Closing Date.

(ii) Performance of Covenants: The Oaktree Parties and the Company shall have performed and complied with, in all material respects, all of their respective covenants and agreements set forth in this Agreement, required to be performed and complied with by them on or prior to the Closing Date.

(iii) Officer's Certificate.

(A) The Oaktree Parties shall have delivered to Onity a certificate, signed by an authorized person of each Oaktree Party, dated as of the Closing Date, certifying the matters set forth in Sections 2(b)(i)(A), 2(b)(i)(B) and 2(b)(ii) with respect to the Oaktree Parties; and

(B) The Company shall have delivered to Onity a certificate, signed by the chief executive officer of the Company, dated as of the Closing Date, certifying the matters set forth in Sections 2(b)(i)(C), 2(b)(i)(D) and 2(b)(ii) with respect to the Company.

(iv) Transaction Agreements: Onity shall have received the Transaction Agreements duly executed and delivered by the Oaktree Parties, the Company, MAV and the Lender (as defined in Schedule B), as applicable, and each such Transaction Agreement shall be in full force and effect as of the Closing.

(v) High Yield Offering. Prior to or substantially simultaneously with the Closing, PHH or the Escrow Issuer shall have completed the High Yield Offering.

(c) The obligations of each Party in connection with the Closing are subject to the following conditions being met:

(i) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law or Order (whether temporary or permanent) which is then in effect and has the effect of making consummation of the transactions contemplated hereby illegal or otherwise preventing or prohibiting consummation of the transactions contemplated hereby, and no Governmental Authority shall have instituted or threatened in writing a proceeding seeking to impose any such prevention or prohibition; and

- (ii) With respect to the Required Regulatory Approvals: (1) all such approvals shall have been obtained and (2) all such filings shall have been made.
- (iii) With respect to the Required Facility Approvals: (1) all such approvals shall have been obtained, and (2) any required amendments, side letters, or other documentation required in connection with the foregoing shall have been executed.

3. Covenants.

- (a) Commercially Reasonable Efforts. Subject to the terms and conditions of this Agreement including but not limited to Section 3(b), Onity, the Oaktree Parties and the Company will use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under applicable Law to consummate the transactions contemplated hereby as promptly as practicable after the date hereof, including the satisfaction of the conditions set forth in Section 2, it being acknowledged and agreed that the obligation to use commercially reasonable efforts hereunder does not require any Person subject to that obligation to commence or threaten to commence any legal action. The Oaktree Parties, Onity and the Company agree that each of them shall, and cause their controlled affiliates to, execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be necessary or desirable in order to consummate or implement expeditiously the transactions contemplated hereby.
- (b) Cooperation; Regulatory Approvals.
 - (i) Each of the Oaktree Parties and Onity shall (and Onity and OMH shall cause the Company and its Subsidiaries to) reasonably cooperate with the other Parties in connection with all actions to be taken in connection with obtaining all Company Approvals and making all filings, consents, applications, submissions or notices (“Filings”) required in connection with such Company Approvals.
 - (ii) Without limiting the foregoing, Onity and OMH shall cause the Company and its Subsidiaries to, (i) as promptly as practicable after the date hereof, use reasonable best efforts to take, or cause to be taken, such actions, to provide, or cause to be provided, such information, and to do, or cause to be done, such things as are required to be done by the Company and its Subsidiaries in connection with the preparation of the Filings contemplated by the Company Approvals, (ii) file substantially complete Filings with

the relevant Governmental Authorities and Investors as soon as reasonably practicable after the date hereof, provided that each of OMH and Onity shall promptly provide to the Company all information regarding OMH or Onity, as applicable, or any of their respective Affiliates and control persons, officers, directors, members, shareholders, parent companies, investors, and take such actions that are reasonably necessary or requested by any Governmental Entity or Investor in connection with the preparation of such Filings. Each of OMH and Onity shall use reasonable best efforts to cooperate with the Company and its Subsidiaries in connection with the filing or making of the Filings pertaining to the Company Approvals, including by providing information regarding OMH or Onity, as applicable, and their respective Affiliates, control persons, officers, directors, members, shareholders, parent companies, investors, representatives and agents that is required to be included therein, or taking such actions as is required to be taken in connection therewith, as promptly as reasonably practicable following a request by the Company, and promptly reviewing and providing any comments on all such draft Filings (or any related correspondence sent to any Governmental Authority or Investor by the Company or any of its Subsidiaries) sent to OMH or Onity (or their respective legal counsel) for review.

- (iii) Each of Onity and the Oaktree Parties shall keep each other Party reasonably apprised of the status of matters relating to the consummation of the transactions contemplated hereby and work cooperatively in connection with obtaining the Company Approvals, including: (i) cooperating with each other in connection with all Filings required under applicable Laws in connection with the transactions contemplated hereby; (ii) furnishing to the other party all information within its possession or control or otherwise reasonably obtainable that is required for any Filing to be made by the other party pursuant to applicable Laws in connection with the transactions contemplated hereby; (iii) promptly notifying the other party of any communications from or with any Governmental Authority or Investor with respect to the transactions contemplated hereby; (iv) using commercially reasonable efforts to respond as soon as reasonably practicable (but in all events within five (5) Business Days) to any request by a Governmental Authority or Investor for information with respect to the transactions contemplated hereby; (v) not agreeing to participate in any meeting with any Governmental Authority or Investor in connection with proceedings under or relating to applicable Laws in connection with the transactions contemplated hereby, unless it consults with

the other party in advance, and, to the extent permitted by such Governmental Authority or Investor, gives the other party the opportunity to attend and participate thereat; and (vi) consulting and cooperating with one another in connection with all analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any party in connection with the Company Approvals. Without limiting the foregoing, any Filings or written communications to any Governmental Authority or Investor relating to the Company Approvals or the transactions contemplated hereby that sets forth the proposed Closing Date will require the prior written consent of the Oaktree Parties and Onity.

(iv) Without limiting the foregoing, the Oaktree Parties and Onity acknowledge that receipt of the Company Approval with respect to any related Company Permit may be waived by the mutual agreement of the Oaktree Parties and Onity, such consent not to be unreasonably withheld, delayed or conditioned, if all of the conditions to Closing set forth in Section 2 have theretofore been satisfied or are reasonably capable of being satisfied on or prior to the proposed Closing Date, including the satisfaction of the requisite Required Regulatory Approvals. The Oaktree Parties and Onity agree that if any such Company Approval is waived, the applicable Company Permit shall be surrendered by the Company or its applicable Subsidiary prior to Closing, and the Company or its applicable Subsidiary shall apply for a new Permit following Closing.

(c) Conduct Pending Closing. From the date hereof until the earlier of the Closing and such time as this Agreement is terminated in accordance with Section 5, the Company shall, and shall cause its Subsidiaries to, conduct its businesses and operate and maintain its assets and properties in the ordinary course of business (consistent with past practice) in all material respects, except as (x) required by applicable Law or (y) in accordance with the terms of the LLC Agreement. Notwithstanding the foregoing, from the date hereof until the earlier of (a) the Closing Date or (b) November 30, 2024, the Company shall not, and the Company shall cause its Subsidiaries not to, declare, set aside or pay any distribution or dividend.

(d) Oaktree Anchor Order. Subject to the terms and conditions of this Agreement, the Oaktree Parties shall, or shall cause one or more of their Affiliates to, place an order in the High Yield Offering for an aggregate

principal amount set forth in the Transaction Fee Letter, provided that such High Yield Offering is an Acceptable High Yield Offering.

- (e) Closing Deliveries.
 - (i) The Oaktree Parties shall deliver, or shall cause to be delivered, to Onity at the Closing: (x) each Transaction Agreement to which any Oaktree Party is a party, duly executed by the applicable Oaktree Parties, and (y) the certificate contemplated under Section 2(b)(iii)(A).
 - (ii) Onity shall deliver, or shall cause to be delivered, to the Oaktree Parties and the Company, at the Closing: (x) each Transaction Agreement to which Onity or PMC is a party, duly executed by Onity and/or PMC, as applicable, (y) the certificate contemplated under Section 2(a)(iv), and (z) the form described under Section 2(a)(vi).
 - (iii) The Company shall deliver, or shall cause to be delivered, to the Oaktree Parties and Onity, at the Closing: (x) each Transaction Agreement to which the Company or MAV is a party, duly executed by the Company and/or MAV, as applicable, and (y) the certificate contemplated under Section 2(b)(iii)(B).
- (f) Use of Proceeds. Onity shall, and shall cause PHH to, use the proceeds from (i) the High Yield Offering solely (x) first, to consummate the PMC Notes Redemption, (y) second, to the extent of any remaining proceeds, to effectuate an Onity Notes Redemption pursuant to and in accordance with the terms of the Purchase Agreement, as amended by the Purchase Agreement Amendment, and, (z) third, solely after all outstanding PMC Notes and Onity Notes have been repurchased, redeemed, discharged, or legally defeased in full, for general corporate purposes, including to pay fees and expenses in connection with the transactions contemplated by this Agreement, and (ii) the Estimated Closing Payment solely to effectuate an Onity Notes Redemption pursuant to and in accordance with the terms of the Purchase Agreement, as amended by the Purchase Agreement Amendment.
- (g) [*]
- (h) Post-Closing Onity Release. [*]
- (i) Right of First Offer. From the Effective Date until the Termination Date, if PMC or any of its Affiliates seeks to sell, directly or indirectly, (x) any Fannie Mae or Freddie Mac servicing rights that are aged greater than 90 days, or (y) any Pari-Passu Excess Servicing Spread or Senior Excess Servicing Spread classified as debt on PMC's balance sheet (for the avoidance of doubt, no other excess spread arrangement shall be subject to

this Section 3(g)) (“Servicing Rights”), it shall offer such Servicing Rights in accordance with the following procedure:
 [*]

- (a) ASA. [*]
- (b) Lockout Period. PMC shall have the exclusive right to service all Effective Date Onity Serviced Loans pursuant to the A&R SSA prior to the Termination Date. Without the prior written consent of PMC, with respect to each time period set forth below, MAV shall only be permitted to transfer or otherwise dispose of the percentage (as reflected opposite such time period in the table below) of servicing rights owned by MAV (as measured by Effective Date UPB) :

<u>Time period:</u>	<u>Percentage of Effective Date UPB that MAV can sell without PMC consent right:</u>
From and including the date hereof through and excluding the date that is 6 months after the date hereof (the “ <u>1st Period</u> ”);	0%
From an including the date immediately succeeding the last day of the 1 st Period, to and excluding that date that is [*] after such date (the “ <u>2nd Period</u> ”);	25%
From an including the date immediately succeeding the last day of the 2 nd Period, to and excluding that date that is [*] after such date (the “ <u>3rd Period</u> ”);	50%

From an including the date immediately succeeding the last day of the 3 rd Period, to and excluding that date that is [*] after such date (the “ <u>4th Period</u> ”);	75%
From and after the date immediately succeeding the last day of the 4 th Period.	100%

4. Representations & Warranties of the Parties.

(a) Each Oaktree Party represents and warrants, severally and not jointly, to Onity and the Company:

- (i) Organization & Good Standing: Such Oaktree Party is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. Such Oaktree Party is licensed, qualified and in good standing, and is duly authorized and qualified to transact, in each case, (a) to carry on its business as currently conducted, and (b) any and all business contemplated by this Agreement and each Transaction Agreement to which it is a party to the extent necessary to perform its obligations under this Agreement and each Transaction Agreement to which it is a party, in each case except where the failure to possess such qualifications or licenses would not reasonably be expected to have a material adverse effect on such Oaktree Party or the ability of such Oaktree Party to perform under this Agreement or any Transaction Agreement to which it is a party. Such Oaktree Party has the power and authority to make, execute, deliver and perform this Agreement (or will have with respect to each Transaction Agreement to which it is a party), and perform all of the transactions contemplated to be performed by it under this Agreement and each Transaction Agreement to which it is a party, and has taken (or will take) all necessary action to authorize the execution, delivery and performance of this Agreement and each Transaction Agreement to which it is a party. When executed and delivered by each Party hereto, this Agreement and each Transaction Agreement to which it is a party will constitute the legal, valid and binding obligation of such Oaktree Party, enforceable in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency,

reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

- (ii) No Violations. Subject to receipt of the Company Approvals and any Investor approvals contemplated by the Transaction Agreements, the execution, delivery and performance of this Agreement and each Transaction Agreement to which it is a party by such Oaktree Party, will not violate any provision of any existing Law or Order of any court applicable to such Oaktree Party, except for violations that would not reasonably be expected to materially and adversely affect such Oaktree Party's ability to perform its obligations under this Agreement or any Transaction Agreement to which it is a party.
 - (iii) Litigation. No litigation or administrative proceeding before any court, tribunal or governmental body is currently pending or to the knowledge of such Oaktree Party threatened against such Oaktree Party or with respect to this Agreement or any Transaction Agreement to which it is a party, which would be reasonably likely to impair materially the ability of such Oaktree Party to perform under the terms of this Agreement or any Transaction Agreement to which it is a party.
 - (iv) No Consents. Except with respect to the Company Approvals and any Investor approvals contemplated by the Transaction Agreements, such Oaktree Party is not required to obtain the consent of any other party or any consent, license, approval or authorization from, or registration or declaration with, any Governmental Authority in connection with the execution, delivery, performance, validity or enforceability of this Agreement or any Transaction Agreement to which it is a party, except such as have been obtained or made or as to which the failure to obtain or make would not reasonably be expected to materially adversely affect the ability of such Oaktree Party to perform its obligations hereunder or thereunder.
- (b) Onity represents and warrants to the Oaktree Parties and the Company:
- (i) Organization & Good Standing: Onity is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida and PMC is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey. Each of Onity and PMC is licensed, qualified and in good standing, and is duly authorized and qualified to transact, in

each case, (a) to carry on its business as currently conducted, and (b) any and all business contemplated by this Agreement and each Transaction Agreement to which it is a party to the extent necessary to perform its obligations under this Agreement and each Transaction Agreement to which it is a party, in each case except where the failure to possess such qualifications or licenses would not reasonably be expected to have a material adverse effect on Onity and its Subsidiaries, taken as a whole, or the ability of Onity or PMC to perform under this Agreement or any Transaction Agreement to which it is a party. Each of Onity and PMC has the corporate power and authority to make, execute, deliver and perform this Agreement (or will have with respect to each Transaction Agreement to which it is a party), and perform all of the transactions contemplated to be performed by it under this Agreement and each Transaction Agreement to which it is a party, and has taken (or will take) all necessary action to authorize the execution, delivery and performance of this Agreement and each Transaction Agreement to which it is a party. When executed and delivered by each Party hereto, this Agreement and each Transaction Agreement to which it is a party will constitute the legal, valid and binding obligation of Onity or PMC, as applicable, enforceable in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

- (ii) No Violations. Subject to receipt of the Company Approvals and any Investor approvals contemplated by the Transaction Agreements, the execution, delivery and performance by each of Onity and PMC, as applicable, of this Agreement and each Transaction Agreement to which it is a party will not violate any provision of any existing Law or Order of any court applicable to Onity or PMC, as applicable, except for violations that would not reasonably be expected to materially and adversely affect Onity's or PMC's ability to perform its obligations under this Agreement or any Transaction Agreement to which it is a party.
- (iii) Litigation. No litigation or administrative proceeding before any court, tribunal or governmental body is currently pending or to the knowledge of Onity threatened against Onity or PMC or with respect to this Agreement or any Transaction Agreement to which Onity or PMC is a party, which would be reasonably likely to

impair materially the ability of Onity or PMC to perform under the terms of this Agreement or any Transaction Agreement to which it is a party.

- (iv) No Consents. Except with respect to the Company Approvals and any Investor approvals contemplated by the Transaction Agreements, neither Onity nor PMC is required to obtain the consent of any other party or any consent, license, approval or authorization from, or registration or declaration with, any Governmental Authority in connection with the execution, delivery, performance, validity or enforceability of this Agreement or any Transaction Agreement to which it is a party, except such as have been (or will be) obtained or made or as to which the failure to obtain or make would not reasonably be expected to materially adversely affect the ability of Onity or PMC to perform all obligations hereunder or thereunder.

(c) The Company represents and warrants to the Oaktree Parties and Onity:

- (i) Organization & Good Standing: The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and MAV is a limited liability company duly organized, validly existing and in good standing under the laws of the State of California. Each of the Company and MAV is licensed, qualified and in good standing, and is duly authorized and qualified to transact, in each case, (a) to carry on its business as currently conducted, and (b) any and all business contemplated by this Agreement and each Transaction Agreement to which it is a party to the extent necessary to perform its obligations under this Agreement and each Transaction Agreement to which it is a party, in each case except where the failure to possess such qualifications or licenses would not reasonably be expected to have a Material Adverse Effect. Each of the Company and MAV has the power and authority to make, execute, deliver and perform this Agreement (or will have with respect to each Transaction Agreement to which it is a party), and perform all of the transactions contemplated to be performed by it under this Agreement and each Transaction Agreement to which it is a party, and has taken (or will take) all necessary action to authorize the execution, delivery and performance of this Agreement and each Transaction Agreement to which it is a party. When executed and delivered by each Party hereto, this Agreement and each Transaction Agreement to which it is a party will constitute the legal, valid and binding obligation of the Company or MAV, as applicable, enforceable in accordance with its terms, except (i) as limited by general equitable principles and applicable

bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

- (ii) No Violations. Subject to receipt of the Company Approvals and any Investor approvals contemplated by the Transaction Agreements, the execution, delivery and performance by each of the Company and MAV, as applicable, of this Agreement and each Transaction Agreement to which it is a party will not violate any provision of any existing Law or Order of any court applicable to the Company or MAV, as applicable, except for violations that would not reasonably be expected to have a Material Adverse Effect.
- (iii) Litigation. No litigation or administrative proceeding before any court, tribunal or governmental body is currently pending or to the knowledge of the Company threatened against the Company or MAV or with respect to this Agreement or any Transaction Agreement to which the Company or MAV is a party, which would be reasonably likely to have a Material Adverse Effect.
- (iv) No Consents. Except with respect to the Company Approvals and any Investor approvals contemplated by the Transaction Agreements, neither the Company nor MAV is required to obtain the consent of any other party or any consent, license, approval or authorization from, or registration or declaration with, any Governmental Authority in connection with the execution, delivery, performance, validity or enforceability of this Agreement or any Transaction Agreement to which it is a party, except such as have been (or will be) obtained or made or as to which the failure to obtain or make would not reasonably be expected to have a Material Adverse Effect.

5. Tax Matters

- (a) Withholding. The Company, OMH and any agent, representative or Affiliate thereof, as applicable, shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement such amounts as it is required to deduct and withhold with respect to the making of such payment under applicable tax law. If the Company, OMH or any agent, representative or Affiliate thereof believes in good faith that it is obligated under applicable tax law to deduct or withhold any Taxes from consideration payable under this Agreement (other than with respect to any withholding obligation as a result of the failure of Onity to provide an the IRS Form W-9 pursuant to Section 2(a)(v)), then OMH or the

Company, as applicable, shall use commercially reasonable efforts to promptly notify Onity in writing prior to any such deduction or withholding, and shall use commercially reasonable efforts to give Onity a reasonable opportunity to (i) discuss with OMH or the Company, as applicable, in good faith the basis for any such deduction or withholding and (ii) reduce or eliminate any such deduction or withholding, including by providing (or causing to be provided) a certificate or other documentary evidence establishing an exemption or reduction of deduction or withholding. To the extent that amounts are so withheld and remitted to the applicable governmental authority, as applicable, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the applicable Person in respect of which such deduction and withholding was made.

- (b) Tax Treatment. The Parties acknowledged and agree that, for U.S. federal, and applicable state and local, income tax purposes, the Contribution and the Interest Redemption, taken together, are intended to be treated as (x) with respect to Onity, a sale or exchange of interests in the Company under Section 741 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) and (y) with respect to OMH, an acquisition of the assets of the Company, in a transaction described in Revenue Ruling 99-6, Situation 1, 1999-1 CB 432 (the “Intended Tax Treatment”). No party shall take a position inconsistent with the Intended Tax Treatment on any tax return or in any proceeding, unless required by a change in applicable law or a “final determination” as defined in Section 1313 of the Code.

6. Termination

- (a) This Agreement may be terminated on or prior to the Closing as follows:
- (i) By mutual written agreement of Onity and the Oaktree Parties;
 - (ii) Either Onity or the Oaktree Parties may terminate this Agreement if the Closing Date shall not have occurred on or before February 1, 2025 (the “Outside Date”); provided, however, that (x) Onity shall not have the right to terminate this Agreement pursuant to this Section 6(a)(ii) if the Closing Date fails to occur on or before the Outside Date, and such failure is attributable to a material breach by Onity or PMC, as applicable, of its representations, warranties, covenants or agreements contained in this Agreement or any Transaction Agreement, and (y) the Oaktree Parties shall not have the right to terminate this Agreement pursuant to this Section 6(a)(ii) if the Closing Date fails to occur on or before the Outside Date, and such failure is attributable to a material breach by any Oaktree Party of its representations, warranties, covenants or agreements contained in this Agreement; provided further, if, as of the date that is five (5) Business Day prior to the Outside Date, any Required Regulatory Approvals have not been obtained, and

all other conditions in Section 2 have theretofore been satisfied or are reasonably capable of being satisfied on or prior to the Outside Date, then either the Oaktree Parties or Onity may, by written notice to the other Party, extend the Outside Date for up to an additional thirty (30) days in order to obtain such outstanding Required Regulatory Approvals;

- (iii) Either Onity or the Oaktree Parties may terminate this Agreement if (A) any Governmental Authority or Investor which must grant a Required Regulatory Approval has denied such approval and such denial has become final and nonappealable or (B) any Governmental Authority or Investor shall have issued a final nonappealable order enjoining or otherwise prohibiting the consummation of the Closing;
- (iv) Onity may terminate this Agreement (if Onity or PMC, as applicable, is not then in breach of its representations, warranties, covenants or agreements under this Agreement or any Transaction Agreement so as to cause any of the conditions set forth in Sections 2(a)(i), 2(a)(ii), 2(c)(i), or 2(c)(ii) not to be satisfied), upon written notice to the Oaktree Parties, if there has been a violation, breach or inaccuracy of any representation, warranty, covenant or agreement of the Oaktree Parties or the Company contained in this Agreement, which violation, breach or inaccuracy would cause any of the conditions set forth in Section 2(b)(i), 2(b)(ii), 2(c)(i), or 2(c)(ii) not to be satisfied, and such violation, breach or inaccuracy has not been waived by Onity or cured by the Oaktree Parties or the Company, as applicable, within twenty (20) Business Days after receipt by the Oaktree Parties and the Company of written notice thereof from Onity; provided, that if such written notice is received by the Oaktree Parties and the Company within twenty (20) Business Days of the Outside Date and such violation, breach or inaccuracy is capable of being cured within twenty (20) Business Days, then the Outside Date shall automatically be extended to the date that is twenty (20) Business Days following receipt of such written notice by the Oaktree Parties and the Company; or
- (v) The Oaktree Parties may terminate this Agreement (if the Oaktree Parties are not then in breach of their respective representations, warranties, covenants or agreements under this Agreement so as to cause any of the conditions set forth in Sections 2(b)(i), 2(b)(ii), 2(c)(i), or 2(c)(ii) not to be satisfied), upon written notice to Onity, if there has been a violation, breach or inaccuracy of any representation, warranty, covenant or agreement of Onity or PMC contained in this Agreement or any Transaction Agreement, which

violation, breach or inaccuracy would cause any of the conditions set forth in Sections 2(a)(i), 2(a)(ii), 2(c)(i), or 2(c)(ii) not to be satisfied, and such violation, breach or inaccuracy has not been waived by the Oaktree Parties or cured by Onity or PMC, as applicable, within twenty (20) Business Days after receipt by Onity and PMC of written notice thereof from the Oaktree Parties; provided, that if such written notice is received by Onity and PMC within twenty (20) Business Days of the Outside Date and such violation, breach or inaccuracy is capable of being cured within twenty (20) Business Days, then the Outside Date shall automatically be extended to the date that is twenty (20) Business Days following receipt of such written notice by Onity and PMC.

(b) Effect of Termination. If this Agreement is terminated by the Parties in accordance with Section 6(a) hereof, this Agreement shall become void and of no further force and effect and there shall be no liability on the part of any Party to any other Party, except that (i) the provisions of this Section 6(b) and Sections 6(c), 9, 10, 11, 12, 13, 14, 15 and 16 shall remain in full force and effect and (ii) no such termination shall relieve any Party of material and willful breach of this Agreement prior to termination.

(c) Fees and Expenses. [*]

7. Specific Performance. Each of the Parties agree that this Agreement is intended to be legally binding and specifically enforceable pursuant to its terms and that the Parties would be irreparably harmed if any of the provisions of the Agreement are not performed in accordance with their specific terms and that monetary damages would not provide adequate remedy in such event. Accordingly, in addition to any other remedy to which a non-breaching Party may be entitled at Law, a non-breaching Party shall be entitled to injunctive relief without the posting of any bond to prevent breaches of this Agreement and to specifically enforce the terms and provisions hereof; provided that, no Person other than Onity or PMC may bring a claim to cause Oaktree Parties to effect the Closing.

8. Notice. All notices, requests, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given upon the mailing thereof, sent by registered or certified mail, return receipt requested, or nationally recognized overnight delivery service, or if sent by email, on the date of transmission (provided, that notices sent by email shall only be effective upon transmission if such notices are also delivered via nationally recognized overnight delivery service within one (1) Business Day of such email transmission).

(a) If to Onity:

Onity Group Inc.
1661 Worthington Road, Suite 100

West Palm Beach, FL 33409
Attn: Aaron Wade
E-Mail Address: [*]

and a copy to:

General Counsel, Onity Group Inc.
1661 Worthington Road, Suite 100
West Palm Beach, FL 33409
Attn: Joseph Samarias
E-Mail Address: [*]

and a copy to:

Mayer Brown
1999 K Street NW
Washington, DC 20006
Attn: Lauren B. Pryor
E-Mail Address: lpryor@mayerbrown.com

(b) If to the Oaktree Parties or the Company:

c/o Oaktree Capital Management, L.P.
333 S. Grand Avenue, 28th Floor
Los Angeles, CA 90071
Attn: Cary Kleinman and Jordan Mikes
E-Mail Address: [*]; [*]

and a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019
Attn: Kenneth M. Schneider, Esq. and Brian Bolin, Esq.
E-Mail Address: kschneider@paulweiss.com;
bbolin@paulweiss.com

9. Third Party Beneficiaries. This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any Person other than the Parties hereto and their successors and permitted assigns any rights, obligations, remedies or liabilities; provided that the Non-Recourse Parties shall be express third party beneficiaries of Section 16.

10. Entire Agreement; Amendments. This Agreement and the Transaction Agreements, including all documents, exhibits and schedules incorporated by reference herein or therein, constitutes the entire agreement between the Parties with respect to the transactions contemplated hereby and thereby and supersedes all prior agreements, written or oral, with respect thereto. This Agreement and any schedules hereto may be amended only if such amendment is agreed to in writing by the Parties.

11. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

ANY LEGAL ACTION, SUIT OR OTHER PROCEEDING ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT SHALL BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK, OR IN THE UNITED STATES COURTS FOR THE SOUTHERN DISTRICT OF NEW YORK. WITH RESPECT TO ANY SUCH PROCEEDING IN ANY SUCH COURT: (A) EACH PARTY GENERALLY AND UNCONDITIONALLY SUBMITS ITSELF AND ITS PROPERTY TO THE EXCLUSIVE JURISDICTION OF SUCH COURT; AND (B) EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION IT HAS OR HEREAFTER MAY HAVE TO THE VENUE OF SUCH PROCEEDING, AS WELL AS ANY CLAIM IT HAS OR MAY HAVE THAT SUCH PROCEEDING IS IN AN INCONVENIENT FORUM.

12. Waiver. Onity or the Oaktree Parties may, by written notice to the other, waive compliance with any of the terms, conditions or covenants required to be complied with by the other hereunder; and waive or modify performance of any of the obligations of the other hereunder. The waiver by Onity or the Oaktree Parties of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

13. WAIVER OF TRIAL BY JURY. EACH PARTY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE ARISING UNDER OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

14. Headings. Headings of the Articles and Sections in this Agreement are for reference purposes only and shall not be deemed to have any substantive effect.

15. Counterparts. This Agreement may be executed in one or more counterparts and by the different Parties hereto on separate counterparts, each of which, when so executed, shall be deemed to be an original; such counterparts, together, shall constitute one and the same agreement. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective permitted successors and assigns. A signature on a copy of this Agreement received by either Party by facsimile or portable document format (PDF) is binding upon the other Party as an original. The Parties shall treat a photocopy of such facsimile or PDF as a duplicate original. The Parties agree that a secured electronic signature process is acceptable and binding. This Agreement may be executed by providing an electronic signature under the terms of the Electronic Signatures Act, 15 U.S.C. § 7001 et. seq., and may not be denied legal effect solely because it is in electronic form or permits the completion of the business transaction referenced herein electronically instead of in person.

16. Non-Recourse. Notwithstanding anything in this Agreement to the contrary, this Agreement may only be enforced against, and any action for breach of such Agreement may only be made against, in each case, a Person who is expressly identified as a party to this Agreement and their respective successors and permitted assigns, and none of the current or former officers and directors, members, managers, agents, employees, partners, equityholders, advisors or representatives of such Persons or any of their respective Affiliates (including direct or indirect equityholders of Onity or any Oaktree Party or any of their respective Affiliates or any investment fund, vehicle or holding company that is directly or indirectly affiliated with, or managed or advised by, any of the foregoing Persons) (each, a “Non-Recourse Party”) who are not parties to this Agreement, shall have any obligation or liability for any losses, liabilities, damages or obligations of any kind of any of the parties to this Agreement (whether in tort, contract or otherwise) for breach of the Agreement, or be considered a successor or assign of any Party for any purpose hereunder. No Person shall have any rights of recovery in respect of the Agreement against any Non-Recourse Party that is not party to the Agreement, and no personal liability shall attach to any Non-Recourse Party that is not party to the Agreement through any affiliated Person who is party hereto, or otherwise, whether by or through attempted piercing of the corporate veil, by or through an action (whether in tort, contract or otherwise), by the enforcement of any judgment, fine or penalty or by virtue of any statute, regulation or other applicable Law or otherwise.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto, each intending to be legally bound hereby, have caused this Transaction Agreement to be executed as of the date first above written.

ONITY GROUP INC.

By: /s/ Sean B. O'Neil
Name: Sean B. O'Neil
Title: Chief Financial Officer

OCW MAV HOLDINGS, LLC

By: Oaktree Fund GP, LLC
Its: Manager

By: Oaktree Fund GP I, L.P.
Its: Managing Member

By: /s/ Cary Kleinman
Name: Cary Kleinman
Title: Authorized Signatory

By: /s/ Jordan Mikes
Name: Jordan Mikes
Title: Authorized Signatory

ROF8 OCW HOLDINGS, LLC

By: Oaktree Fund GP, LLC
Its: General Partner

By: Oaktree Fund GP I, L.P.
Its: Managing Member

By: /s/ Cary Kleinman
Name: Cary Kleinman
Title: Authorized Signatory

By: /s/ Jason Keller
Name: Jason Keller
Title: Authorized Signatory

OPPS OCW HOLDINGS, LLC

By: Oaktree Fund GP, LLC
Its: General Partner

By: Oaktree Fund GP I, L.P.
Its: Managing Member

By: /s/ Jordan Mikes
Name: Jordan Mikes
Title: Authorized Signatory

By: /s/ Dante Quazzo
Name: Dante Quazzo
Title: Authorized Signatory

MAV CANOPY HOLDCO I, LLC

By: Oaktree Fund GP, LLC
Its: General Partner

By: Oaktree Fund GP I, L.P.
Its: Managing Member

By: /s/ Jordan Mikes
Name: Jordan Mikes
Title: Authorized Signatory

By: /s/ Dante Quazzo
Name: Dante Quazzo
Title: Authorized Signatory

MSR ASSET VEHICLE LLC

By: /s/ Nikhil Malik
Name: Nikhil Malik
Title: President and CEO

SCHEDULE A
COMPANY PERMITS

[*]

SCHEDULE B
INVESTOR FINANCING FACILITIES

[*]

SCHEDULE C
ASA SERVICES; TSA TERMS

[*]

EXHIBIT A
PURCHASE AGREEMENT AMENDMENT

[Filed separately]

EXHIBIT B
INTEREST REDEMPTION AGREEMENT

[Filed separately]

EXHIBIT C

A&R SSA

[*]

EXHIBIT D

AMENDMENT TO WARRANT CERTIFICATES

[Filed separately]

EXHIBIT E

OMNIBUS AMENDMENT

[*]

EXHIBIT F

SIDE LETTER

[*]

EXHIBIT G

REQUIRED REGULATORY APPROVALS

[*]

Certain information marked by [] has been omitted in accordance with Item 601(b)(10) of Regulation S-K because it is both not material and is the type of information that the registrant treats as private or confidential. An unredacted copy will be furnished supplementally to the SEC upon request.*

Onity Group Inc.
Senior Secured Notes due 2027

Amendment No. 1
to
Note and Warrant Purchase Agreement

Dated as of September 30, 2024

This Amendment No. 1, dated as of September 30, 2024 (this “*Amendment*”) among and between Onity Group Inc., a corporation organized under the laws of Florida (the “*Company*”), Oaktree Fund Administration, LLC, in its capacity as collateral agent (the “*Collateral Agent*”), and Opps OCW Holdings, LLC, a Delaware limited liability company (“*Opps*”) and ROF8 OCW Holdings, LLC, a Delaware limited liability company (“*ROF8*”) and together with Opps, the “*Holder*” and each, a “*Holder*”) amends certain provisions of that certain Note and Warrant Purchase Agreement, dated as of February 9, 2021 (the “*Purchase Agreement*”), among the Company, the Holders and the Collateral Agent, as herein after set forth. Any capitalized term used herein that is not otherwise defined has the meaning ascribed to such term in the Purchase Agreement.

WHEREAS, the Company is contemplating a debt financing through the offering, issuance and sale of senior secured notes (the “*New First Lien PHH Notes*”) to be issued by the Company’s subsidiary PHH Corporation (“*PHH*”) and guaranteed by the Company and other subsidiaries of the Company, including PHH Mortgage Corporation (“*PMC*”), PHH Asset Services Corporation, PHH Asset Services Parent LLC and PHH Asset Services LLC (collectively, the “*Subsidiary Guarantors*”);

WHEREAS, the New First Lien PHH Notes may be “issued into escrow” which means (i) the New First Lien PHH Notes would initially be issued by either a subsidiary of the Company or a special purpose entity (such subsidiary or entity, the “*Escrow Issuer*”), (ii) the net proceeds from the issuance and sale of the New First Lien PHH Notes would be placed into escrow pending the consummation of certain specified conditions (the “*Escrow Conditions*”), including the consummation of the redemption by MAV Holdco (as defined herein) of the Company’s 15.0% ownership interest in MAV Holdco and the concurrent payment in cash by MAV Holdco to the Company of the Estimated Closing Payment (as defined in the Redemption Agreement (as defined herein)), and (iii) once the Escrow Conditions have been satisfied, the net proceeds from the New First Lien PHH Notes would be released from escrow and delivered to PHH (such release, the “*Escrow Release*”)¹ and the Escrow Issuer would merge with and into PHH, with PHH as the survivor and thereupon becoming the issuer of, and obligor under, the New First Lien PHH Notes and related indenture;

WHEREAS, the net proceeds from the issuance and sale of the New First Lien PHH Notes, after paying the discounts and commissions of the initial purchasers and other expenses related to the offering payable by the Company, are to be used to refinance all of PMC’s outstanding 7.875% Senior Secured Notes due 2026 (the “*PMC Notes*”) and, thereafter, to redeem the Notes in whole or in part depending on the size of the offering;

WHEREAS, the Holders collectively own all of the outstanding Notes that have been issued under the Purchase Agreement;

WHEREAS, the Company and the Holders desire to amend certain provisions of the Purchase Agreement as set forth herein in accordance with Section 17 thereof;

¹ Note: For the avoidance of doubt, the Escrow Release shall not mean the point in time when the funds in the escrow are released for the purpose of redeeming the New First Lien PHH Notes due to the MAV Redemption not occurring by a specified date.

NOW THEREFORE, for the mutual benefit of the parties hereto and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Issuance of New First Lien PHH Notes Permitted. The issuance and sale of the New First Lien PHH Notes by PHH, or initially by the Escrow Issuer, and the guarantee of the New First Lien PHH Notes by the Company and the Subsidiary Guarantors (the “*New First Lien PHH Notes Guarantors*”) and the Lien on the assets of the Escrow Issuer, PHH, the Company and the Subsidiary Guarantors are all expressly permitted under the Purchase Agreement provided that the offering of the New First Lien PHH Notes has priced on or prior to November 4, 2024 (the “Pricing Condition”).

SECTION 2. Amendments to Schedule B – Defined Terms.

(a) Subject to satisfaction of the Pricing Condition, the following defined terms shall be added to Schedule B to the Purchase Agreement in alphabetical order:

“*Escrow Issuer*” means, if the New First Lien PHH Notes are issued into escrow, a subsidiary of the Company or a special purpose entity that will issue the New First Lien PHH Notes and, upon the Escrow Release, will merge with and into PHH with PHH as the survivor.

“*Escrow Conditions*” means, if the New First Lien PHH Notes are issued into escrow, the specified conditions that must be satisfied in order for the net proceeds from the issuance and sale of the New First Lien PHH Notes to be released from escrow and delivered to PHH or one of its affiliates, including the consummation of the redemption by MAV Holdco of the Company’s 15.0% ownership interest in MAV Holdco and the concurrent payment in cash by MAV Holdco to the Company of the Estimated Closing Payment (as defined in the Redemption Agreement).

“*Escrow Release*” means, if the New First Lien PHH Notes are issued into escrow, the point in time when net proceeds from the issuance and sale of the New First Lien PHH Notes are released from escrow and delivered to PHH or one of its affiliates, as a result of the satisfaction of the Escrow Conditions.

“*MAM Transaction*” the consummation of the acquisition by PMC of substantially all of Mortgage Assets Management, LLC’s assets (including cash and certain reverse mortgage loans and mortgage servicing rights) with a target aggregate net asset value of approximately \$55 million.

“*MAV Holdco*” means MAV Canopy Holdco I, LLC, a Delaware limited liability company.

“*New First Lien PHH Notes*” means the senior secured high yield notes to be issued by PHH or, if the New First Lien PHH Notes are issued into escrow, initially by the Escrow Issuer, in an aggregate principal amount of at least \$[*], which shall:

- (a) [*]; and
- (b) [*]

“*New First Lien PHH Notes Collateral Trustee*” means Wilmington Trust, National Association, and its permitted successors and assigns in such capacity, as collateral trustee with respect to the New First Lien PHH Notes.

“*New First Lien Notes Refinancing Date*” means the date on which the New First Lien Notes issued on the Initial Issue Date shall have been legally defeased, discharged, or redeemed in full using the proceeds from the Estimated Closing Payment (as defined in the Redemption Agreement) in accordance with Section 8.2(a)(ii) and the net proceeds of the New First Lien PHH Notes in accordance with Section 8.2(a)(iii), which date shall be on or about the original issue date of the New First Lien PHH Notes or, in the event the New First Lien PHH Notes are issued into escrow, the date of the Escrow Release.

“*Redemption Agreement*” means that certain Redemption Agreement to be entered into by and among the Company, MAV Holdco and OCW MAV Holdings, LLC, in the form set forth in Exhibit B to the Transaction Agreement.

“*Transaction Agreement*” dated as of September 30, 2024, by and among OCW MAV Holdings, LLC, ROF8 OCW Holdings, LLC, OPPS OCW Holdings, LLC, the Company, MAV Holdco and MSR Asset Vehicle LLC.

(b) Subject to satisfaction of the Pricing Condition, the following defined terms in Schedule B to the Purchase Agreement shall be amended as follows:

(i) The definition of “Junior Priority Intercreditor Agreement” shall hereby be amended and restated as follows (additions shown in double underline):

““Junior Priority Intercreditor Agreement” means, prior to the New First Lien Notes Refinancing Date, the Junior Priority Intercreditor Agreement, in substantially the form attached as Exhibit 6 to the Note Purchase Agreement, to be dated as of the Initial Issue Date and entered into by the Company, the Collateral Agent and the New Notes Collateral Trustee and, from and after the New First Lien Refinancing Date, means the Junior Priority Intercreditor Agreement, in substantially the form attached as Exhibit 6 to the Note Purchase Agreement, to be dated on or about the New First Lien Notes Refinancing Date and entered into by the Company, the Collateral Agent and the New First Lien PHH Notes Collateral Trustee.”

(ii) The definition of “New First Lien Notes” shall hereby be amended and restated as follows (additions shown in double underline, deletions shown in strikethrough):

““New First Lien Notes” means (x) prior to the New First Lien Notes Refinancing Date, the 7.875% Senior Secured Notes due 2026 to be issued by PMC on the Initial Issue Date, ~~and which shall:~~

(a) ~~have the terms, other than pricing terms, set forth on Schedule 4.15 (with only such changes to such terms as are satisfactory to the Purchasers in their sole discretion);~~

(b) ~~mature no earlier than the 54-month anniversary of the Initial Issue Date;~~

~~(c) not be in an aggregate principal amount in excess of \$450,000,000; and~~

~~(d) not provide for interest payments in excess of 9% per annum;~~

(y) from and after the First Lien Notes Refinancing Date, the New First Lien PHH Notes.”

(iii) Clause (1) of the definition of “Permitted Indebtedness” shall hereby be amended and restated as follows (additions shown in double underline):

(1) [*];

(iv) The proviso at the end of the definition of “Permitted Indebtedness” shall hereby be amended and restated as follows (additions shown in double underline):

provided that notwithstanding anything herein to the contrary, the Company shall not be permitted to incur any Corporate Indebtedness other than its guarantee of the New First Lien Notes.”

(v) The proviso at the end of the definition of “Permitted Liens” shall hereby be amended and restated as follows (additions shown in double underline):

“provided that the Company shall not create, incur, assume or permit or suffer to exist any Liens of any kind on its assets that secure Corporate Indebtedness other than the New First Lien Notes and guarantees thereof and, prior to the Initial Issue Date, the Existing Indebtedness.”

(vi) Clause (D) of the definition of “Total LTV Ratio” shall hereby be amended and restated as follows (additions shown in double underline):

“(D) [*]”

SECTION 3. Amendment to Section 8.2(a). Subject to satisfaction of the Pricing Condition, Section 8.2(a) of the Purchase Agreement is hereby amended and restated in its entirety to read as follows (additions shown in double underline):

“(a) *Optional Redemption.*

(i) Except as otherwise provided in subsection (ii), (iii), (iv) or (v) below of this Section 8.2(a), the Company may, at its option, upon revocable notice as provided below, redeem at any time all, or from time to time any part, of the Notes (including PIK Notes), at 100% of the principal amount of the Notes so redeemed, together with (x) interest accrued thereon (including applicable default interest, if any) to the date of such redemption, and (y) with respect to any Notes (other than PIK Notes) redeemed on or prior to the fifth anniversary of the Initial Issue Date, the Make-Whole Amount as of the date of such redemption.

(ii) Promptly following receipt of the Estimated Closing Payment (as defined in the Redemption Agreement), the Company shall, upon not more than 3 business days irrevocable notice as provided below, redeem a principal amount of Notes (including PIK Notes) equal to the amount of such Estimated Closing Payment at a redemption price equal to 100% of the principal amount of the Notes so redeemed, together with interest

accrued thereon (including applicable default interest, if any) to the date of such redemption (but without any Make-Whole Amount or other premium).

(iii) Promptly following the original issue date of the New First Lien PHH Notes or, in the event the New First Lien PHH Notes are issued into escrow, the Escrow Release, the Company shall, upon not more than 3 business days irrevocable notice as provided below, redeem at least a principal amount of Notes (including PIK Notes) equal to the net cash proceeds received from any issuance and sale of New First Lien PHH Notes, after paying the discounts and commissions of the initial purchasers less the total amount of such net cash proceeds necessary (and actually used) to redeem the New First Lien Notes in full (principal amount, plus redemption premium, plus accrued interest to the redemption date) at a redemption price equal to 100% of the principal amount of the Notes so redeemed, together with interest accrued thereon (including applicable default interest, if any) to the date of such redemption, plus a redemption premium equal to 2.5% of the principal amount of the Notes so redeemed; provided, that if the Company redeems Notes pursuant to clause (ii) above and this clause (iii) on the same date, the redemption pursuant to clause (ii) above shall be deemed to occur immediately prior to the redemption pursuant to this clause (iii);

(iv) The Company shall, upon not more than 3 business days irrevocable notice as provided below, (A) promptly following the receipt by the Company or any of its subsidiaries of cash proceeds from the consummation of the MAM Transaction (including cash proceeds from MAM and from any debt financing secured by the assets acquired in the MAM Transaction), redeem a principal amount of Notes (including PIK Notes) equal to such cash proceeds, and (B) promptly following receipt of the Estimated Closing Payment (or, at the option of the Company, earlier), redeem a principal amount of Notes (including PIK Notes) equal to \$[*] million (or, if greater, the net cash proceeds received by the Company or any of its Subsidiaries from the consummation of the sale of the OLIT 2024-HB2 Notes by Onity Loan Investment Trust 2024-HB2 ("OLIT") pursuant to that certain Indenture, dated as of September 13, 2024, between OLIT, as issuer, and U.S. Bank Trust Company, National Association, as indenture trustee, paying agent, and note registrar), in each case at a redemption price equal to 100% of the principal amount of the Notes so redeemed, together with interest accrued thereon (including applicable default interest, if any) to the date of such redemption, plus a redemption premium equal to 2.5% of the principal amount of the Notes so redeemed; provided, that if the Company redeems Notes pursuant to clause (ii) above and this clause (iv) on the same date, the redemption pursuant to clause (ii) above shall be deemed to occur immediately prior to the redemption pursuant to this clause (iv); and

(v) The Company may, at its option, at any time prior to December 31, 2024, upon revocable notice as provided below, redeem, at any time or from time to time, up to \$50.0 million aggregate principal amount of Notes (including PIK Notes) at a redemption price equal to 100% of the principal amount of the Notes so redeemed, together with interest accrued thereon (including applicable default interest, if any) to the date of such redemption, plus a redemption premium equal to 2.5% of the principal amount of the Notes so redeemed; provided, that if the Company redeems Notes pursuant

to clause (ii) above and this clause (iv) on the same date, the redemption pursuant to clause (ii) above shall be deemed to occur immediately prior to the redemption pursuant to this clause (v);.”

SECTION 4. Amendment to Section 8.2(c). Subject to satisfaction of the Pricing Condition, the first sentence of Section 8.2(c) of the Purchase Agreement is hereby amended and restated in its entirety to read as follows (additions shown in double underline and deletion shown in strikethrough):

“The Company will give each Holder of Notes to be redeemed written notice of each redemption under this Section 8.2 not less than ~~30~~ 3 business days and not more than 60 days prior to the date fixed for such redemption unless the Company and the Required Holders agree to another time period pursuant to Section 17.”

SECTION 5. Ratification of Purchase Agreement. All terms and provisions of the Purchase Agreement, including those amended or amended and restated by this Amendment and all other terms and provisions of Purchase Agreement, are hereby ratified and remain in full force and effect. From and after the execution and delivery of this Amendment by the parties hereto, all references in the Notes to the Purchase Agreement shall mean the Purchase Agreement as amended by this Amendment.

SECTION 6. Agreement to Cooperate to Amend Security Documents. Subject to satisfaction of the Pricing Condition, the Holders and the Collateral Agent agree to use their reasonable best efforts to cooperate with the Company to enter into the Junior Priority Intercreditor Agreement with the Company and the New First Lien PHH Notes Collateral Trustee on or prior to the issue date of the New First Lien PHH Notes and to amend, amend and restate and/or replace the Security Agreement and the other Security Documents and take such other action reasonably requested by the Company so that the Liens on the Collateral securing the Notes are junior to the Liens on the Collateral securing the New First Lien PHH Notes in the same manner the Liens on the Collateral securing the Notes are junior to the Liens on the Collateral securing the New First Lien Notes issued on the Initial Issue Date. From and after the issue date of the New First Lien PHH Notes, all references in the Note Purchase Agreement to “the Security Agreement” and “the Security Documents” shall mean the Security Agreement or the Security Documents as so amended, amended and restated and/or replaced, as the case may be.

SECTION 7. Miscellaneous. All of the provisions of Sections 15.1 and 22.1 thru 22.9 of the Purchase Agreement shall apply to this Amendment mutatis mutandis as if set forth herein.

* * * * *

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto execute this Amendment as of the date first above written.

Very truly yours,

ONITY GROUP INC.

By: /s/ Sean B. O'Neil
Name: Sean B. O'Neil
Title: Chief Financial Officer

Accepted as of the date first written above

Oaktree Fund Administration, LLC, as collateral agent

By: /s/ Jordan Mikes
Name: Jordan Mikes
Title: Authorized Signatory

By: /s/ Jason Keller
Name: Jason Keller
Title: Authorized Signatory

Opps OCW Holdings, LLC

By: Oaktree Fund GP, LLC
Its: General Partner

By: Oaktree Fund GP I, L.P.
Its: Managing Member

By: /s/ Jordan Mikes
Name: Jordan Mikes
Title: Authorized Signatory

By: /s/ Dante Quazzo
Name: Dante Quazzo
Title: Authorized Signatory

ROF8 OCW Holdings, LLC

By: Oaktree Fund GP, LLC
Its: General Partner

By: Oaktree Fund GP I, L.P.
Its: Managing Member

Amendment No. 1 to Note and Warrant Purchase Agreement

By: /s/ Cary Kleinman
Name: Cary Kleinman
Title: Authorized Signatory

By: /s/ Jason Keller
Name: Jason Keller
Title: Authorized Signatory

Amendment No. 1 to Note and Warrant Purchase Agreement

Certain information marked by [] has been omitted in accordance with Item 601(b)(10) of Regulation S-K because it is both not material and is the type of information that the registrant treats as private or confidential. An unredacted copy will be furnished supplementally to the SEC upon request.*

**FORM OF
REDEMPTION AGREEMENT**

THIS REDEMPTION AGREEMENT (this “**Agreement**”) is made and entered into as of [●], 2024, by and among MAV Canopy HoldCo I, LLC, a Delaware limited liability company (the “**Company**”), Onity Group Inc. (f/k/a Ocwen Financial Corporation), a Florida corporation (“**Selling Member**”), and, solely for purposes of Section 10 hereof, OCW MAV Holdings, LLC, a Delaware limited liability company (“**Oaktree Member**”). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Operating Agreement (as defined below).

RECITALS:

A. Reference is made to that certain Second Amended & Restated Limited Liability Company Agreement of the Company, dated as of November 2, 2022, by and between Selling Member and Oaktree Member, as amended by that certain Amendment No. 1, dated as of November 1, 2023 (as may be further amended or modified, the “**Operating Agreement**”).

B. Selling Member is the record owner of an Interest equal to a Percentage Interest of fifteen percent (15%), and Selling Member and the Company have agreed that the Company shall redeem from Selling Member the entirety of Selling Member’s Interest (the “**Redeemed Interest**”), pursuant to the terms and conditions set forth in this Agreement.

C. In addition to the exchange of the Aggregate Consideration for the Redeemed Interest, the Company and Selling Member desire to make certain representations and warranties to each other and make certain acknowledgements, in each case as set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, agreements and understandings contained herein, and intending to be legally bound, the parties hereto hereby agree as follows:

1. Defined Terms Used in this Agreement. In addition to the terms defined throughout this Agreement, the following terms used in this Agreement shall be construed to have the meanings set forth or referenced below.

“**Aggregate Consideration**” means the sum of the Final Closing Payment *plus* any Pricing Adjustment Amounts.

“**Closing Date Portfolio**” means the mortgage servicing rights held by MAV as of the Closing Date.

“**Designated Servicing Multiple**” means a Servicing Multiple of [*].

“**Encumbrance**” shall mean any claim, mortgage, pledge, security interest, voting trust, proxy, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof), and any filing or agreement to file a financing statement as debtor under the Uniform Commercial Code of the State of Illinois or the State of Delaware or any similar statute.

“**Equity Sale Adjustment Event**” means any transaction (or series of related transactions) involving the issuance of equity securities by MAV or the Company, or any sale or transfer of any equity securities in the Company by any member of the Company, in each case, for which the applicable “closing date” occurs on or prior to the first anniversary of the Closing Date; provided, that,

notwithstanding the foregoing, any issuance of equity to (a) any existing or future employees, officers or directors of MAV, the Company or any subsidiary of MAV or the Company, (b) [*] or (c) the Oaktree Member or any of its Affiliates, in each case of the foregoing clauses (a)-(c), shall not be included for purposes of determining whether or not an Equity Sale Adjustment Event has occurred.

“GAAP” means generally accepted accounting principles in the United States.

“MAV” means MSR Asset Vehicle LLC, a California limited liability company.

“Member Equity” means (a) total assets of the Company *minus* (b) total liabilities of the Company, each as determined in accordance with GAAP, provided that, for the purpose of this definition, the mortgage servicing rights portfolio of MAV will be valued by an independent third-party valuation firm based on the Designated Servicing Multiple.

“MSR Sale Adjustment Event” means any sale or transfer of mortgage servicing rights by the Company or MAV from the Closing Date Portfolio, for which the applicable “sale date” occurs on or prior to the first anniversary of the Closing Date.

“Onity Competitor” means [*].

“Pricing Adjustment Amount” means [*].

“Pricing Adjustment Event” means any Equity Sale Adjustment Event or any MSR Sale Adjustment Event.

“Servicing Multiple” means the value of a servicing asset expressed as a percentage of the principal balance, then normalized by dividing the value by the servicing fee of the loan or the portfolio. For illustrative purposes, a servicing portfolio worth 100 basis points, with a servicing fee of 25 basis points, would have a servicing multiple of 4.

2. Sale and Redemption. Selling Member agrees to and does hereby sell, and the Company agrees to and does hereby purchase, Selling Member’s Redeemed Interest, effective as of the Closing (defined below).

3. Closing. The consummation of the redemption transaction hereunder (the “Closing”) shall occur on the date hereof remotely by electronic transfer of documents. At the time and place of the Closing, each of Selling Member and the Company shall have delivered to the other a properly executed copy of this Agreement. The date on which the Closing occurs in accordance with the preceding sentence is referred to in this Agreement as the “Closing Date.”

4. Payment of Estimated Closing Payment.

(a) At the Closing, the Company shall pay the Estimated Closing Payment to Selling Member by wire transfer of immediately available funds to an account designated by Selling Member. For purposes of this Agreement, the “Estimated Closing Payment” means an amount determined as the sum of (i) 15% *multiplied by* the Member Equity as of the month-end prior to the Closing Date (or the month-end of the month immediately preceding the month-end prior to the Closing Date, if the Closing Date occurs during the first five (5) days of a calendar month), *plus* (ii) \$15,000,000.

(b) The Estimated Closing Payment shall be subject to adjustment as provided in Section 5. The Estimated Closing Payment, as adjusted pursuant to Section 5, is referred to herein as the “Final Closing Payment”, which, for the avoidance of doubt, shall be an amount determined as the sum of (i) 15% *multiplied by* the Member Equity as of the Closing Date, *plus* (ii) \$15,000,000.

5. Closing Payment Adjustment.

(a) As soon as reasonably practicable, but not later than ninety (90) calendar days after the Closing Date, Company shall (i) prepare a statement of the calculation of Member Equity as of the Closing Date together with any additional components contained in the determination of the Estimated Closing Payment (the “**Closing Date Statement**”), and (ii) deliver the Closing Date Statement to Selling Member. The Closing Date Statement shall be prepared on a good faith basis and shall include a reconciliation of any differences between the calculations used in the determination of the Estimated Closing Payment and those set forth in the Closing Date Statement, together with reasonable supporting materials used in the preparation of the Closing Date Statement.

(b) In connection with the review of the Closing Date Statement by Selling Member, Company shall provide Selling Member with prompt and reasonable access to the books and records of the Company during normal business hours and in a manner so as to not unreasonably interfere with the operation of the Company and its Subsidiaries.

(c) Within forty-five (45) calendar days after its receipt of the Closing Date Statement, Selling Member shall inform Company in writing either (i) that the Closing Date Statement is acceptable or (ii) of any good faith objection to the Closing Date Statement, setting forth in reasonable detail the basis for such objection and the specific adjustment to amounts, determinations and calculations set forth on the Closing Date Statement that Selling Member believes should be made (an “**Objection Notice**”). If Selling Member does not timely deliver an Objection Notice with respect to the Closing Date Statement within such forty-five (45) calendar day period, the Closing Date Statement will be final, conclusive and binding on the parties hereto. If an Objection Notice is timely delivered within such forty-five (45) calendar day period, Company and Selling Member shall negotiate in good faith to resolve each dispute raised therein (each, a “**Disputed Item**”) and any resolution by them as to any such Disputed Item shall be final, conclusive and binding. If Company and Selling Member, notwithstanding such good faith efforts, fail to resolve any Disputed Item within thirty (30) calendar days after Selling Member timely delivers an Objection Notice or such longer period as the Parties mutually agree in writing, then Company and Selling Member shall jointly engage [•] or, if such firm is unable or unwilling to act, such other nationally recognized, mutually agreeable independent public accounting firm capable as serving as an accounting expert with relevant experience in resolving such disputes, which firm is not the regular auditing firm of Company or Selling Member (the “**Referral Firm**”), to resolve only any remaining Disputed Items as soon as practicable thereafter (but in any event, within thirty (30) calendar days after engagement of the Referral Firm or such longer period as the Referral Firm may reasonably require), which resolution must be in writing and set forth in reasonable detail the basis therefor. All Disputed Items that are resolved between the parties in writing or are determined by the Referral Firm will be final, conclusive and binding on the parties, absent manifest error. Upon the agreement of the parties with respect to all Disputed Items, the decision of the Referral Firm with respect to all Disputed Items or Selling Member’s failure to deliver an Objection Notice to Company within the 45-day period referred to above, the Closing Date Statement, as it may be adjusted (the “**Final Closing Date Statement**”), shall be final, conclusive and binding against the parties hereto.

(d) In resolving any Disputed Item, the Referral Firm (i) shall act as an expert and not as an arbitrator, (ii) shall be bound by the provisions of this Section 5, (iii) may not assign a value to any Disputed Item greater than the greatest value claimed for such Disputed Item or less than the smallest value for such Disputed Item claimed by either Company in the Closing Date Statement or Selling Member in the Objection Notice, (iv) shall limit its decision to each

Disputed Item and (v) shall make its determination based solely on presentations by Company and Selling Member which are in accordance with the guidelines and procedures set forth in this Agreement (i.e. not on the basis of independent review). For purposes of complying with this Section 5, Company and Selling Member shall furnish to each other and to the Referral Firm such work papers and other documents and information relating to the Disputed Items as the Referral Firm may require and that are available to the party (or its independent public accountants) from whom such documents or information are requested. The Referral Firm shall deliver its determination of the Disputed Items to Company and Selling Member in writing, together with a reasonable basis for its determination of each Disputed Item. Neither Company nor Selling Member shall engage in ex parte communications with the Referral Firm with respect to any Disputed Item until the Referral Firm issues its final determination in accordance with this Section 5(d). The fees and expenses of the Referral Firm incurred pursuant to this Section 5(d) shall be allocated between Company and Selling Member in inverse proportion to their success on the Disputed Items, i.e. (A) Company shall be responsible for that portion of the fees and expenses multiplied by a fraction, the numerator of which is the aggregate dollar value of the Disputed Items submitted to the Referral Firm that are resolved against Company (as finally determined by the Referral Firm) and the denominator of which is the total dollar value of the Disputed Items so submitted and (B) Selling Member shall be responsible for the remaining amount of fees and expenses. In the event of any dispute regarding such allocation, the Referral Firm shall determine the allocation of its fees and expenses as between Company and Selling Member in accordance with such allocation methodology, such determination to be final and binding on both Company and Selling Member. Except as otherwise set forth in this Section 5(d), the fees and expenses of Selling Member incurred in connection with the Closing Date Statement and any Disputed Items shall be borne by Selling Member, and the fees and expenses of Company incurred in connection with the Closing Date Statement and any Disputed Items shall be borne by Company.

(e) Promptly after their receipt of the Final Closing Date Statement, Selling Member and the Company shall compute the difference, if any, between the Estimated Closing Payment and the Final Closing Payment. If the Estimated Closing Payment is less than the Final Closing Payment, then the Company shall pay, promptly and in any event within three (3) business days, an amount in cash equal to such deficiency to Selling Member by wire transfer of immediately available funds to an account designated by Selling Member. If the Estimated Closing Payment exceeds the Final Closing Payment, then Selling Member shall pay, promptly and in any event within three (3) business days, an amount in cash equal to such deficiency to the Company by wire transfer of immediately available funds to an account designated by the Company.

6. Pricing Adjustment Amount. As part of the Aggregate Consideration to be paid by the Company in exchange for the Redeemed Interest, in the event that a Pricing Adjustment Event occurs, the Company shall pay, promptly (and in any event within five (5) business days of the day on which the Company or MAV, as applicable, has received payment of any undisputed portion or undisputed installment of the purchase price payable to it in respect of such Pricing Adjustment Event) the Pricing Adjustment Amount applicable to such undisputed portion or installment to Selling Member by wire transfer of immediately available funds to an account designated by Selling Member. For the avoidance of doubt, the occurrence of each Pricing Adjustment Event triggers an obligation to pay the related Pricing Adjustment Amount (unless such calculation results in an amount of zero dollars); provided, however, that, in no event will the Company be obligated to pay any Pricing Adjustment Amount unless and until the Company has actually received proceeds in respect of the applicable Pricing Adjustment Event.

7. Representations and Warranties of the Selling Member. In connection with the execution and delivery of this Agreement and the consummation of the purchase and sale of the Redeemed Interest provided for under this Agreement, Selling Member hereby represents and warrants to the Company, as of the date hereof, as follows:

(a) Selling Member owns and continues to be the owner of Selling Member's Redeemed Interest (until completion of the sale of the Redeemed Interest to the Company provided for under this Agreement);

(b) the Redeemed Interest represents the entirety of Selling Member's Interest;

(c) except as contemplated by the Operating Agreement, neither Selling Member nor any representative of Selling Member has granted any proxy or other right or interest in or with respect to the Redeemed Interest, deposited the Redeemed Interest into any voting trust, or entered into any voting agreement or arrangement with respect to the Redeemed Interest or, if the Redeemed Interest is subject to any such arrangement, Selling Member has obtained any required consent to transfer the Redeemed Interest to the Company as set forth herein;

(d) Selling Member has good, valid and marketable title to the Redeemed Interest, and the full legal right, power and authority to sell, assign and transfer the Redeemed Interest to the Company, free and clear of any and all Encumbrances (as defined below);

(e) upon delivery of the Redeemed Interest to the Company, (i) the Company will acquire the Redeemed Interest free and clear of any and all Encumbrances and (ii) Selling Member will no longer hold an Interest;

(f) the execution and delivery of this Agreement by Selling Member and the performance and satisfaction of any agreement or condition contained in this Agreement that is required to be performed or satisfied by Selling Member (including the sale of the Redeemed Interest to the Company) will not constitute a violation of, or create a default under, any contract, agreement, arrangement, understanding or instrument to which Selling Member is a party or by which Selling Member or all or any portion of the Redeemed Interest is bound except for any such agreement, arrangement, understanding or instrument with respect to which Selling Member has obtained any required consent to transfer the Redeemed Interest to the Company as set forth herein;

(g) Selling Member is knowledgeable about the condition of the Company, financial and otherwise; acknowledges and agrees that in deciding to enter into this Agreement, Selling Member is relying on its own judgment and the judgment of the professionals of its choice with whom it has consulted; has received all information that it has requested of the Company and deemed necessary in order to evaluate the transactions contemplated hereby; and acknowledges and agrees that the consideration to be paid by the Company for the Redeemed Interest is fair and correct;

(h) Selling Member has received independent tax and legal advice from attorneys and/or accountants of its choice with respect to the implications of executing this Agreement and performing its obligations hereunder;

(i) Selling Member has no actual knowledge of any pending or threatened action, suit, proceeding, hearing, or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local or non-U.S. jurisdiction or before any arbitrator involving the Redeemed Interest;

(j) Selling Member (or the undersigned representative thereof) has all requisite power and authority to execute and deliver this Agreement and the assignment documents relating to the Redeemed Interest, to transfer title to the Redeemed Interest to the Company and to consummate the transactions contemplated under this Agreement;

(k) neither Selling Member nor any of its subsidiaries, affiliates, members, managers, employees, partners, agents, representatives, successors and assigns has any claims against the Company (or any of its subsidiaries) arising out of, or resulting from, the Operating Agreement or Selling Member's capacity as a Member or ownership of the Redeemed Interest, provided, however, for the avoidance of doubt, the foregoing representation and warranty does not pertain to (and shall not be deemed to or interpreted as limiting or diminishing in any respect) any claims arising out of, resulting from or relating to any agreement by and among Selling Member (or any its Affiliates) and the Company (or any of its Affiliates), including any servicing rights sale agreement, servicing or subservicing agreement, recapture or administrative services agreements among any such parties; and

(l) this Agreement, when executed and delivered by the undersigned, will constitute the valid and binding agreement of Selling Member, enforceable against Selling Member in accordance with its terms.

8. Representations and Warranties of the Company. In connection with the execution and delivery of this Agreement and the consummation of the purchase and sale of the Redeemed Interest provided for under this Agreement, the Company hereby represents and warrants to Selling Member, as of the date hereof as follows:

(a) the execution and delivery of this Agreement by the Company and the performance and satisfaction of any agreement or condition contained in this Agreement that is required to be performed or satisfied by the Company will not constitute a violation of, or create a default under, any contract, agreement, arrangement, understanding or instrument to which the Company is a party or by which the Company is bound except for any such agreement, arrangement, understanding or instrument with respect to which the Company has obtained any required consent or waiver to transfer the Redeemed Interest to the Company as set forth herein;

(b) the Company (or the undersigned representative thereof) has all requisite power and authority to execute and deliver this Agreement;

(c) the Company has no actual knowledge of any pending or threatened action, suit, proceeding, hearing, or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local or non-U.S. jurisdiction or before any arbitrator involving the Redeemed Interest;

(d) neither the Company nor any of its subsidiaries, affiliates, members, managers, employees, partners, agents, representatives, successors and assigns has any claims against the Selling Member (or any of its Affiliates) arising out of, or resulting from, the Operating Agreement or Selling Member's capacity as a Member or ownership of the Redeemed Interest, provided, however, for the avoidance of doubt, the foregoing representation and warranty does not pertain to (and shall not be deemed to or interpreted as limiting or diminishing in any respect) any claims arising out of, resulting from or relating to any agreement by and among Selling Member (or any its Affiliates) and the Company (or any of its Affiliates), including any servicing rights sale agreement, servicing or subservicing agreement, recapture or administrative services agreements among any such parties; and

(e) this Agreement, when executed and delivered by the undersigned, will constitute the valid and binding agreement of the Company, enforceable against it in accordance with its terms.

9. Selling Member Acknowledgments. Selling Member, as of the date hereof, expressly acknowledges and agrees as follows:

(a) as of the Closing, and without the necessity of further action by any person, (i) the Redeemed Interest will be considered to have been redeemed by and transferred to the Company in its entirety, and (ii) if applicable, any certificate or other evidence of the Redeemed Interest shall be deemed cancelled and shall be null and void; provided, however, that notwithstanding anything to the contrary, Selling Member shall be entitled to receive tax distributions with respect to the Redeemed Interest in accordance with the Operating Agreement in respect of the period prior to the Closing to the extent not previously paid;

(b) neither the Company nor its members, nor any of their respective affiliates, agents or representatives, have made any representations or warranties of any kind or nature to Selling Member or any of its affiliates regarding the value of the Redeemed Interest;

(c) Selling Member has reached its own independent determination with respect to the value of the Redeemed Interest; and

(d) the Company has provided to Selling Member all information regarding the Company, if any, that Selling Member has requested.

10. Oaktree Member Acknowledgments. Oaktree Member, as of the date hereof, expressly acknowledges and agrees as follows:

(a) Oaktree Member consents for all purposes to the transactions contemplated by this Agreement pursuant to Section 8.01 of the Operating Agreement; and

(b) Oaktree Member waives any tag-along rights it holds pursuant to Section 8.07 of the Operating Agreement.

11. Survival; Indemnification.

(a) All representations and warranties contained herein will survive the closing of the transactions contemplated by this Agreement and will expire on the date that is ninety (90) days following expiration of the applicable statute of limitations. All covenants and agreements contained herein will survive the closing of the transactions contemplated by this Agreement in accordance with their terms until the expiration of the applicable statute of limitations. Notwithstanding the foregoing, if a Company Indemnified Party (as defined below) delivers to Selling Member, before expiration of a covenant, agreement, representation or warranty, a written claim notice under this Section 11 based upon a breach of such covenant, agreement, representation or warranty, then the applicable covenant, agreement, representation or warranty will survive until, and only for purposes of, the resolution of the matter covered by such written claim notice.

(b) Following the Closing, Selling Member shall indemnify and hold harmless the Company and its subsidiaries, affiliates, members, managers, employees, partners, agents, representatives, successors and assigns (collectively, the “**Company Indemnified Parties**”) from, against and in respect of any and all losses, claims, damages, deficiencies, awards, assessments, judgments, fines, penalties, costs and expenses suffered or incurred, directly or indirectly, by the Company Indemnified Parties arising from, relating or attributable to or otherwise in connection with (i) any breach of, or any inaccuracy in, any representation or

warranty made by Selling Member in this Agreement or (ii) any breach or default in performance by Selling Member of any covenant or agreement of Selling Member contained in this Agreement; provided, that in no event shall such indemnification obligations in the aggregate exceed the amount of the Aggregate Consideration.

12. Miscellaneous. The Recitals set forth above are hereby incorporated into this Agreement and made a part hereof by this reference. This Agreement is binding upon and will inure to the benefit of the parties hereto and their respective representatives, heirs, successor and assigns; provided, however, neither this Agreement nor any of the covenants and agreements herein or rights, interests or obligations hereunder may be assigned or delegated by Selling Member without the prior written consent of the Company. This Agreement (together with any other agreements or instruments entered into by the parties hereto in connection with the transactions contemplated by this Agreement) constitutes the entire agreement between the parties pertaining to the subject matter contained herein, and supersedes all prior agreements, representations and understandings of the parties hereto with respect to subject matter hereof. Selling Member agrees to execute and deliver any such additional documents and instruments as may be necessary or desirable to effectuate and further evidence the transfers intended to be made hereby, including, without limitation, an assignment of membership interest in the form attached hereto as Exhibit A. Selling Member acknowledges and agrees that no promises, oral or written, have been made or relied upon by either party in entering into this Agreement, except as expressly set forth in this Agreement. In the event of any ambiguity or if question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Company on the one hand and Selling Member on the other hand, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties. If any provision of this Agreement is held to be invalid or unenforceable for any reason it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties to this Agreement to the greatest extent possible. Notwithstanding the invalidity or unenforceability of any provision of this Agreement, all other provisions shall remain valid and enforceable to the greatest extent possible. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware. Each of the parties hereto consents to the exclusive jurisdiction of the Court of Chancery of the State of Delaware (or if such court lacks jurisdiction, in any appropriate state or federal court in the State of Delaware) (collectively the "Designated Courts"), for any action arising out of matters related to this Agreement. Each of the parties hereto waives the right to commence an action in connection with this Agreement in any court other than the Designated Courts. This Agreement may be executed in multiple counterparts which together shall constitute a single agreement. The submission of a signature page or executed version of this Agreement by facsimile, pdf, docusign, RightSignature, or other similar electronic transmission mode shall be considered as an "original" for purposes of this Agreement.

[the remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMPANY:

MAV CANOPY HOLDCO I, LLC

By: _____

Name:

Its:

SELLING MEMBER:

ONITY GROUP INC.

By: _____

Name:

Its:

OAKTREE MEMBER:

OCW MAV HOLDINGS, LLC, solely for purposes of Section 10

By: _____

Name:

Its:

EXHIBIT A

Form of Assignment of Membership Interest

**ASSIGNMENT OF INTEREST
OF MAV CANOPY HOLDCO I, LLC**

FOR VALUE RECEIVED, the undersigned (the “Assignor”), for valuable consideration, hereby assigns, transfers, conveys and delivers to MAV Canopy HoldCo I, LLC, a Delaware limited liability company (the “Assignee”), the entirety of Assignor’s Interest equal to a Percentage Interest of fifteen percent (15%) (as each such term is defined in that certain Second Amended & Restated Limited Liability Company Agreement of Assignee, dated as of November 2, 2022, as amended by that certain Amendment No. 1, dated as of November 1, 2023, by and between the Assignor and OCW MAV Holdings, LLC). Except as contemplated by the Second Amended & Restated Limited Liability Company Agreement of Assignee, Assignor represents and warrants that such Interest has not been transferred or made subject to any claim, mortgage, pledge, security interest, voting trust, proxy, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof), or any filing or agreement to file a financing statement as debtor under the Uniform Commercial Code of the State of Delaware or any similar statute of any kind.

Effective as of [], 2024.

ASSIGNOR:

ONITY GROUP INC.

By: _____
Name:
Its:

**FORM OF
AMENDMENT TO WARRANT CERTIFICATES**

This Amendment to Warrant Certificates, dated as of October 13, 2024 (this "Amendment"), by and between Onity Group Inc., a Florida corporation (f/k/a Ocwen Financial Corporation) (the "Company") and Opps OCW Holdings, LLC, a Delaware limited liability company (the "Holder") amends (i) the certain Warrant Certificate No. [●], dated March 4, 2021, issued by the Company to the Holder evidencing Warrants to purchase up to [●] shares of commons stock of the Company, subject to the terms and conditions set forth therein ("Warrant Certificate No. [●]") and (ii) Warrant Certificate No. [●], dated May 3, 2021, issued by the Company to the Holder evidencing Warrants to purchase up to [●] shares of commons stock of the Company, subject to the terms and conditions set forth therein ("Warrant Certificate No. [●]") and together with Warrant Certificate No. [●], collectively, the "Warrant Certificates" and each, a "Warrant Certificate". Capitalized terms used in this Amendment without being defined herein have the meaning ascribed to such terms in the Warrant Certificates.

The Company and the Holder hereby agree that the Warrant Certificates are hereby amended to provide that upon the exercise by the Holder of all or any portion of the Warrants represented by the Warrant Certificate, the Holder shall only be permitted to exercise such Warrants pursuant to Section 1(b) (Cash Exercise) of the Warrant Certificates with the prior consent of the Company. For the avoidance of doubt, the Holder shall be permitted, without any prior consent of the Company, to exercise its Warrants pursuant to Section 1(c) (Net Exercise) of the Warrant Certificates in accordance with the terms thereof.

Except as expressly amended by this Amendment, all terms and provisions of the Warrant Certificates shall remain in full force and effect.

The provisions of Section 13 of the Warrant Certificate shall apply to this Amendment mutatis mutandis as if set forth herein.

* * * * *

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto execute this Amendment as of the date first above written.

ONITY GROUP INC.

By: _____

Name:

Title:

[HOLDER]

By: _____

Name:

Title:

[Newrez LLC logo]

October 14, 2024

Via Email & FedEx

PHH Mortgage Corporation
1661 Worthington Road, Suite 100 West Palm Beach, FL 33409
Attn: Curtis J. Schares, Vice President

Re: Termination Notice Extension

Dear Mr. Schares:

Reference is made to the Subservicing Agreement by and between PHH Mortgage Corporation, as successor-by-merger to Ocwen Loan Servicing, LLC (“PHH”) and New Residential Mortgage LLC (“NRM”), dated July 23, 2017 (as amended, supplemented or restated from time to time, “NRM Agreement”), and the Subservicing Agreement by and between PHH and Newrez LLC d/b/a Shellpoint Mortgage Servicing (“Newrez”), dated August 17, 2018 (as amended, supplemented or restated from time to time, “Newrez Agreement” and together with the NRM Agreement, the “Agreements”). Capitalized terms used herein without definition shall have the meanings assigned to them in the Agreements.

I. Termination Notice Extension

Pursuant to Section 5.1(b) of the Agreements, each Owner/Servicer may terminate the NRM Agreement or the Newrez Agreement, as applicable, by providing notice to Subservicer on October 1st (or if such day is not a Business Day, the first Business Day immediately following such day) of such applicable term. The parties subsequently agreed to extend the termination rights through October 15, 2024 (“Termination Extension Date”).

Notwithstanding the foregoing, this letter serves as an additional extension of NRM’s termination rights of the NRM Agreement, and Newrez’s termination rights of the Newrez Agreement. Accordingly, Newrez’s termination rights of the Newrez Agreement, and NRM’s termination rights of the NRM Agreement shall be extended through November 15, 2024 (“New Termination Extension Date”).

II. Termination Date Extension

Pursuant to Section 5.1(a) of the Agreements, if each Owner/Servicer terminates the NRM Agreement or the Newrez Agreement, as applicable, by providing notice to Subservicer on October 1st (or if such day is not a Business Day, the first Business Day immediately following such day) of such applicable term, the Agreements shall terminate effective December 31st of that year.

For the avoidance of doubt, the parties agree to extend the current term of the Agreements through February 1, 2025.

This notice is without prejudice to any of our rights, powers, privileges, remedies, and defenses, now existing or hereafter arising, all of which are hereby expressly reserved. Please let me know if you have any questions or concerns.

Thank you,

/s/ Spencer Mosness

Spencer Mosness

Chief Legal & Risk Officer

ACKNOWLEDGED BY:

PHH Mortgage Corporation

/s/ Joseph J. Samarias

Joseph J. Samarias

EVP, Chief Legal Officer

October 14, 2024

With a copy to:

PHH Mortgage Corporation

1661 Worthington Road, Suite 100 West Palm Beach, FL 33409

Attention: Chief Legal Officer and Secretary Email: NRMNotices@onitygroup.com

cc: Joseph J. Samarias, Executive Vice President, Chief Legal Officer (via email: joseph.samarias@onitygroup.com)

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this “Agreement”) is made and entered into as of November 1, 2024, by and between Onity Group Inc., a Florida corporation (the “Company”), SHAP 2018-1, LLC, a Delaware limited liability company (“SHAP”), Waterfall Eden Master Fund, Ltd., Waterfall Sandstone Fund, L.P., Waterfall Rock Island, LLC and Waterfall Victoria Master Fund, Ltd. (each, a “Waterfall Fund” and collectively, the “Waterfall Funds”).

WHEREAS, this Agreement is entered into in connection with that certain Amended and Restated Asset Purchase Agreement, dated as of November 1, 2024 (the “Purchase Agreement”) among and between the Company, PHH Mortgage Corporation (“PMC”), Mortgage Assets Management, LLC, SHAP and the Waterfall Funds;

WHEREAS, the Company has filed with the Secretary of State of the State of Florida Articles of Designation, Preferences and Rights of Series B Perpetual Preferred Stock (the “Articles of Designation”) to the Company’s Amended and Restated Articles of Incorporation, establishing a series of preferred stock of the Company designed as “Series B Perpetual Preferred Stock (the “Preferred Stock”);

WHEREAS, in consideration for sale of assets to PMC pursuant to the Purchase Agreement, the Company has issued on the date hereof shares of Preferred Stock to SHAP (or its designees) (the total number of shares of Preferred Stock issued to SHAP (or its designees) pursuant to the Purchase Agreement, the “Preferred Shares”); and

WHEREAS, pursuant to the Purchase Agreement, the Company has agreed to provide for the registration of the Preferred Shares and other rights set forth in this Agreement for the benefit of the Holders pursuant to this Agreement;

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party hereto, the parties hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.01 Definitions. Capitalized terms used herein without definition shall have the meanings given to them in the Purchase Agreement. The terms set forth below are used herein as so defined:

“Affiliate” means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise. For avoidance of doubt, for purposes of this Agreement, (i) the Company, on the one hand, and SHAP, the Waterfall Funds and their respective Affiliates, on the other hand, shall not be considered Affiliates and (ii) any fund, entity or account (or portion of any of the foregoing) managed, advised or sub-advised, directly or indirectly, by any Holder or any of its Affiliates shall be considered an Affiliate of such Holder (as the case may be).

“Agreement” has the meaning specified therefor in the introductory paragraph of this Agreement.

“Alternative Transaction” means a block trade, agented transaction, sale directly into the market, a purchase or sale by a broker, a derivative transaction, a short sale, a stock loan or stock pledge transaction and sales not involving a public offering.

“Alternative Transaction Counterparty” means each counterparty in an Alternative Transaction.

“Articles of Designation” has the meaning specified therefor in the whereas clauses of this Agreement.

“Business Day” means any day other than a Saturday, Sunday, any federal legal holiday or day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

“Common Stock” means the Company’s common stock, par value \$0.01 per share.

“Company” has the meaning specified therefor in the introductory paragraph of this Agreement.

“Effective Date” means, with respect to a particular Registration Statement, the date of effectiveness of such Registration Statement.

“Effectiveness Period” means the period beginning on the Effective Date for a Registration Statement and ending at the time all Registrable Securities covered by such Registration Statement have ceased to be Registrable Securities pursuant to Section 1.02 of this Agreement.

“Electing Holders” has the meaning specified therefor in Section 2.03 of this Agreement.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Governmental Authority” means any federal, state, local or foreign government, or other governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

“Holder” means the record holder of any Registrable Securities. In accordance with Section 3.05 of this Agreement, for purposes of determining the availability of any rights and applicability of any obligations under this Agreement, including for purposes of calculating the amount of Registrable Securities held by a Holder, a Holder’s Registrable Securities shall be aggregated together with all Registrable Securities held by other Holders who are Affiliates of such Holder.

“Launch” has the meaning specified therefor in Section 2.03 of this Agreement.

“Law” means any statute, law, ordinance, regulation, rule, order, code, governmental restriction, decree, injunction or other requirement of law, or any judicial or administrative interpretation thereof, of any Governmental Authority.

“Listing Request” means a written request by any Holder to the Company requesting the Company to list the Preferred Shares on the NYSE, which must include information required by Section 2.01(b).

“Listing Requirements” means the eligibility requirements for the listing (and continued listing) of the Preferred Shares on the NYSE.

“Losses” has the meaning specified therefor in Section 2.08(a) of this Agreement.

“Managing Underwriter” means, with respect to any Underwritten Offering, the book-running lead manager of such Underwritten Offering.

“NYSE” means the New York Stock Exchange.

“Person” means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

“PMC” has the meaning specified therefor in the whereas clauses of this Agreement.

“Post-Launch Withdrawing Selling Holders” has the meaning specified therefor in Section 2.03 of this Agreement.

“Preferred Shares” has the meaning specified therefor in the whereas clauses of this Agreement.

“Preferred Stock” has the meaning specified therefor in the whereas clauses of this Agreement.

“Purchase Agreement” has the meaning specified therefor in the whereas clauses of this Agreement.

“Registrable Securities” means the Preferred Shares and includes any type of ownership interest issued to Holders as a result of Section 3.04 of this Agreement.

“Registration Expenses” has the meaning specified therefor in Section 2.07(b) of this Agreement.

“Registration Statement” has the meaning specified therefor in Section 2.01(a) of this Agreement.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“Selling Expenses” has the meaning specified therefor in Section 2.07(b) of this Agreement.

“Selling Holder” means a Holder who is selling Registrable Securities under a Registration Statement pursuant to the terms of this Agreement.

“Selling Holder Indemnified Persons” has the meaning specified therefor in Section 2.08(a) of this Agreement.

“Shared Registration Expenses” has the meaning specified therefor in Section 2.07(b) of this Agreement.

“Shelf Registration Statement” means a registration statement under the Securities Act to permit the public resale of the Registrable Securities from time to time as permitted by Rule 415 under the Securities Act (or any successor or similar provision adopted by the SEC then in effect).

“Underwritten Offering” means an offering (including an offering pursuant to a Shelf Registration Statement) in which Registrable Securities are sold to one or more underwriters on a firm commitment basis for reoffering to the public or an offering that is a “bought deal” with one or more investment banks.

“Underwritten Offering Maximum Offering Size” has the meaning specified therefor in Section 2.01(a) of this Agreement.

“Underwritten Offering Notice” has the meaning specified therefor in Section 2.03 of this Agreement.

“Waterfall Funds” has the meaning specified therefor in the introductory paragraph of this Agreement.

Section 1.02 Registrable Securities. Any Registrable Security shall cease to be a Registrable Security at the earliest of the following: (a) when a registration statement covering such Registrable Security becomes or has been declared effective by the SEC and such Registrable Security has been sold or disposed of pursuant to such effective registration statement; or (b) when such Registrable Security has been sold or disposed of (excluding transfers or assignments by a Holder to an Affiliate) pursuant to Rule 144 under the Securities Act (or any successor or similar provision adopted by the SEC then in effect) under circumstances in which all of the applicable conditions of Rule 144 or any such successor or similar provision (as then in effect) are met and the transferee receives Preferred Shares that are not “restricted securities” under the Securities Act.

ARTICLE II REGISTRATION RIGHTS

Section 2.01 Registration Rights.

(a) Shelf Registration. The Company shall prepare and file with the SEC a Shelf Registration Statement registering the public resale of all Registrable Securities on the terms and conditions specified in this Section 2.01 (a “Registration Statement”) and shall use its commercially reasonable efforts to cause such Registration Statement to become effective or be declared effective by the SEC within 180 days of the date of this Agreement (the date the Registration Statement becomes or is declared effective, the “Effective Date”). The Registration Statement filed with the SEC pursuant to this Section 2.01(a) shall be on Form S-3 or, if Form S-3 is not then available to the Company, on Form S-1 or such other form of registration statement as is then available to effect a registration for resale of the Registrable Securities, covering the Registrable Securities, and shall contain a prospectus in such form as to permit any Selling Holder covered by such Registration Statement to sell such Registrable Securities pursuant to Rule 415 under the Securities Act (or any successor or similar provision adopted by the SEC then in effect) at any time beginning on the Effective Date for such Registration Statement.

Notwithstanding the foregoing, if the SEC prevents the Company from including any or all of the Registrable Securities proposed to be registered under such Registration Statement due to limitations on the use of Rule 415 under the Securities Act for the resale of the Registrable Securities held by any Holder or otherwise, such Registration Statement shall register for resale such number of Registrable Securities which is equal to the maximum number of Registrable Securities as is permitted by the SEC. In such event, the number of Registrable Securities to be registered for each Selling Holder named in the Registration Statement shall be reduced pro rata among all such Selling Holders on the basis of the number of Registrable Securities held by each such Selling Holder or in such other manner as such Selling Holders may agree. In the event the SEC informs the Company that all of such Registrable Securities cannot, as a result of the application of Rule 415, be registered for resale on the Registration Statement, the Company agrees to promptly inform the Selling Holders thereof and use its commercially reasonable efforts to file amendments to the Registration Statement as required by the SEC, covering the maximum number of Registrable Securities permitted to be registered by the SEC, on Form S-3 or such other form available to register for resale such shares as a secondary offering. In accordance with the foregoing, the Company will use its reasonable best efforts to make inquiries and communicate with the SEC, including following the consummation of a disposition of any registered Registrable Securities, in order to register all such Registrable Securities of the Selling Holders as soon as the SEC no longer prevents the Company from including such Registrable Securities proposed to be registered under such Registration Statement.

A Registration Statement shall provide for the resale pursuant to any method or combination of methods legally available to, and requested by, the Selling Holders, including by way of an Underwritten Offering, if such an election has been made pursuant to Section 2.03 of this Agreement, and by way of Alternative Transactions. During the Effectiveness Period, the Company shall use commercially reasonable efforts to cause a Registration Statement filed pursuant to this Section 2.01(a) to remain effective, and to be supplemented and amended to the extent necessary (including post-effective amendments) to ensure that such Registration Statement is available or, if not available, that another registration statement is available for the resale of the Registrable Securities until the date on which all Registrable Securities have ceased to be Registrable Securities. Within two Business Days of the Effective Date of a Registration Statement, the Company shall notify the Selling Holders of the effectiveness of such Registration Statement. When effective, a Registration Statement (including the documents incorporated therein by reference) will comply as to form in all material respects with all

applicable requirements of the Securities Act and the Exchange Act and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus contained in such Registration Statement, in the light of the circumstances under which a statement is made). If the Managing Underwriter of any proposed Underwritten Offering of Registrable Securities determines in good faith that the inclusion of all of the Selling Holders' Registrable Securities that the Selling Holders intend to include in such offering exceeds the number that can be sold in such offering without being likely to have an adverse effect on the price, timing or distribution of the Registrable Securities offered or the market for the Registrable Securities (such number, the "Underwritten Offering Maximum Offering Size"), then the Registrable Securities to be included in such Underwritten Offering shall include the number of Registrable Securities that such Managing Underwriter advises the Company and the Holders in its good faith opinion can be sold without having such adverse effect, with such number to be allocated among such Selling Holders pro rata on the basis of the number of Registrable Securities held by each such Selling Holder or in such other manner as such Selling Holders may agree.

(b) Listing Rights. Within 45 days of receipt of a Listing Request, the Company will use commercially reasonable efforts to have the Preferred Shares listed on the NYSE, provided that, notwithstanding the foregoing, the Company shall not be required to effect such listing prior to the Effective Date of the Registration Statement. Any such Listing Request shall include such information regarding the Holders, the number of Holders, the market value or expected market value of the Preferred Shares and the proposed distribution of the Registrable Securities and any other information as shall be necessary to satisfy the Listing Requirements of the NYSE or indicate that such Listing Requirements will be satisfied following the consummation of a pending Underwritten Offering. The Company may require the Selling Holders to furnish in writing to the Company such information regarding such Holders and the proposed distribution of Registrable Securities by such Holders as required to satisfy the Listing Requirements of the Preferred Shares and to effect the listing of the Preferred Shares on the NYSE and each Selling Holder agrees to furnish promptly to the Company all such information upon request.

Section 2.02 Suspension Rights.

Notwithstanding anything to the contrary contained herein, the Company may, upon written notice to (i) all Holders whose Registrable Securities are to be included in a Registration Statement, delay the filing or effectiveness of a Registration Statement required under Section 2.01(a), or (ii) any Holder whose Registrable Securities are included in a Registration Statement or other registration statement contemplated by this Agreement, suspend such Holder's use of any prospectus that is a part of such Registration Statement or other registration statement (in which event the Holder shall discontinue sales of Registrable Securities pursuant to such Registration Statement or other registration statement contemplated by this Agreement but may settle any previously made sales of Registrable Securities) following the effectiveness of such Registration Statement or other registration statement if the Company (x) is pursuing an acquisition, merger, reorganization, disposition or other similar transaction and the Company determines in good faith that the Company's ability to pursue or consummate such a transaction would be materially adversely affected by any required disclosure of such transaction in such Registration Statement or other registration statement or (y) has experienced some other material non-public event the disclosure of which at such time, in the good faith judgment of the Company, would materially adversely affect the Company; *provided, however*, in no event, during any rolling twelve-month period, shall the filing or effectiveness of such Registration Statement be delayed, or such Selling Holders be suspended from selling Registrable Securities pursuant to such Registration Statement or other registration statement on more than two occasions, for more than 90 calendar days in any one instance, or for more than an aggregate of 120 calendar days. Upon disclosure of such information or the termination of the condition described above, the Company shall provide prompt notice, but in any event within two Business Days of

such disclosure or termination, to the Selling Holders whose Registrable Securities are included in such Registration Statement and shall promptly terminate any suspension of sales it has put into effect and shall take such other reasonable actions to permit registered sales of Registrable Securities as contemplated in this Agreement.

Section 2.03 Underwritten Offerings.

In the event that any Holder or group of Holders (the “Electing Holders”) elect to sell their Registrable Securities in an Underwritten Offering which is expected to yield gross proceeds of at least \$10.0 million, the Company shall, upon request by the Electing Holders (such request, an “Underwritten Offering Notice”), retain underwriters to permit the Electing Holders to effect such sale through an Underwritten Offering; *provided, however*, that each Holder, together with its Affiliates, shall have the option and right to require the Company to effect not more than two Underwritten Offerings. Notwithstanding the foregoing, an Underwritten Offering shall not be deemed to have occurred if the Underwritten Offering Maximum Offering Size is reduced in accordance with Section 2.01(a), such that less than fifty percent (50%) of the Registrable Securities of the Electing Holders sought to be included in such registration are included. Upon delivery of such Underwritten Offering Notice to the Company, the Company shall as soon as practicable (but in no event later than five Business Days following the date of delivery of the Underwritten Offering Notice to the Company) deliver notice of such Underwritten Offering Notice to all other Holders, who shall then have five Business Days from the date that such notice is given to them to notify the Company in writing of the number of Registrable Securities held by such Holder that they want to be included in such Underwritten Offering. Any Holders notified about an Underwritten Offering by the Company after the Company has received the corresponding Underwritten Offering Notice may participate in such Underwritten Offering, but shall not count toward the \$10.0 million of Registrable Securities required under this Section 2.03 to request an Underwritten Offering pursuant to an Underwritten Offering Notice. In connection with any Underwritten Offering under this Agreement, the Holders of a majority of the Registrable Securities being sold in such Underwritten Offering shall be entitled to select the Managing Underwriter or Underwriters, but only with the consent of the Company, which shall not be unreasonably withheld, delayed or conditioned. In connection with an Underwritten Offering contemplated by this Agreement in which a Selling Holder participates, each Selling Holder and the Company shall be obligated to enter into an underwriting agreement that contains such representations, covenants, indemnities and other rights and obligations as are customary in underwriting agreements for firm commitment offerings of securities. No Selling Holder may participate in such Underwritten Offering unless such Selling Holder agrees to sell its Registrable Securities on the basis provided in such underwriting agreement and completes and executes all questionnaires, powers of attorney, indemnities and other documents reasonably required under the terms of such underwriting agreement. Each Selling Holder may, at its option, require that any or all of the representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such underwriters also be made to and for such Selling Holder’s benefit and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement also be conditions precedent to its obligations. No Selling Holder shall be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations, warranties or agreements regarding such Selling Holder, its authority to enter into such underwriting agreement and to sell, and its ownership of, the securities whose offer and resale will be registered, on its behalf, its intended method of distribution and any other representation required by Law, or to undertake any indemnification obligations to the Company or the underwriters with respect thereto, except as otherwise provided in Section 2.08. If any Selling Holder disapproves of the terms of an underwriting, such Selling Holder may elect to withdraw therefrom by notice to the Company, the Electing Holders and the Managing Underwriter; *provided, however*, that any such withdrawal must be made no later than the Business Day prior to the time of pricing of such Underwritten Offering. No such withdrawal or

abandonment shall affect the Company's obligation to pay Shared Registration Expenses pursuant to Section 2.07; *provided, however*, that if (A) certain Selling Holders withdraw from an Underwritten Offering after the public announcement at launch (the "Launch") of such Underwritten Offering (such Selling Holders, the "Post-Launch Withdrawing Selling Holders"), and (B) all Selling Holders withdraw from such Underwritten Offering prior to pricing, other than in either clause (A) or (B) as a result of the occurrence of any event that would reasonably be expected to permit the Company to exercise its rights to suspend the use of a Registration Statement as described in Section 2.02, then the Post-Launch Withdrawing Selling Holders shall pay for all reasonable Shared Registration Expenses incurred by the Company during the period from the Launch of such Underwritten Offering until the time all Selling Holders withdraw from such Underwritten Offering.

Section 2.04 Sale Procedures.

In connection with its obligations under this Article II, the Company shall, as expeditiously as possible:

(a) use its reasonable best efforts to prepare and file with the SEC such amendments and supplements to a Registration Statement and the prospectus used in connection therewith as may be necessary to keep such Registration Statement effective for the Effectiveness Period and as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such Registration Statement;

(b) if a prospectus supplement will be used in connection with the marketing of an Underwritten Offering (or Alternative Transaction) from a Registration Statement and the Managing Underwriter (or Alternative Transaction Counterparty) at any time shall notify the Company in writing that, in the sole judgment of such Managing Underwriter (or Alternative Transaction Counterparty), inclusion of detailed information to be used in such prospectus supplement is of material importance to the success of the Underwritten Offering (or Alternative Transaction) of such Registrable Securities, the Company shall use its reasonable best efforts to include such information in such prospectus supplement;

(c) furnish to each Selling Holder (i) as far in advance as reasonably practicable before filing a Registration Statement or any other registration statement contemplated by this Agreement or any supplement or amendment thereto, upon request, copies of reasonably complete drafts of all such documents proposed to be filed (including exhibits and each document incorporated by reference therein to the extent then required by the rules and regulations of the SEC), and provide each such Selling Holder the opportunity to object to any information pertaining to such Selling Holder and its plan of distribution that is contained therein and make the corrections reasonably requested by such Selling Holder with respect to such information prior to filing a Registration Statement or such other registration statement or supplement or amendment thereto, and (ii) such number of copies of such Registration Statement or such other registration statement and the prospectus included therein and any supplements and amendments thereto as such Selling Holder may reasonably request in order to facilitate the sale or other disposition of the Registrable Securities covered by such Registration Statement or other registration statement;

(d) if applicable, use its reasonable best efforts to register or qualify the Registrable Securities covered by a Registration Statement or any other registration statement contemplated by this Agreement under the securities or blue sky laws of such jurisdictions as the Selling Holders or, in the case of an Underwritten Offering (or Alternative Transaction), the Managing Underwriter (or Alternative Transaction Counterparty), shall reasonably request; *provided, however*, that the Company shall not be required to qualify generally to transact business in any jurisdiction where it is not then required to so qualify or to take any action that would subject it to general service of process in any such jurisdiction where it is not then so subject;

(e) promptly notify each Selling Holder, at any time when a prospectus relating thereto is required to be delivered by any of them under the Securities Act, of (i) the filing of a Registration Statement or any other registration statement contemplated by this Agreement or any prospectus or prospectus supplement to be used in connection therewith, or any amendment or supplement thereto, and, with respect to such Registration Statement or any other registration statement or any post-effective amendment thereto, when the same has become effective; and (ii) the receipt of any written comments from the SEC with respect to any filing referred to in clause (i) and any written request by the SEC for amendments or supplements to such Registration Statement or any other registration statement or any prospectus or prospectus supplement thereto;

(f) immediately notify each Selling Holder, at any time when a prospectus relating thereto is required to be delivered by such Selling Holder under the Securities Act, of (i) the happening of any event as a result of which the prospectus or prospectus supplement contained in a Registration Statement or any other registration statement contemplated by this Agreement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus contained therein, in the light of the circumstances under which a statement is made); (ii) the issuance or express threat of issuance by the SEC of any stop order suspending the effectiveness of such Registration Statement or any other registration statement contemplated by this Agreement, or the initiation of any proceedings for that purpose; or (iii) the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the applicable securities or blue sky laws of any jurisdiction. Following the provision of such notice, the Company agrees to as promptly as practicable amend or supplement the prospectus or prospectus supplement or take other appropriate action so that the prospectus or prospectus supplement does not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing and to take such other commercially reasonable action as is necessary to remove a stop order, suspension, threat thereof or proceedings related thereto;

(g) upon request and subject to appropriate confidentiality obligations, furnish to each Selling Holder copies of any and all transmittal letters or other correspondence with the SEC or any other governmental agency or self-regulatory body or other body having jurisdiction (including any domestic or foreign securities exchange) relating to such offering of Registrable Securities;

(h) in the case of an Underwritten Offering (or an Alternative Transaction, to the extent customary for such Alternative Transaction), furnish, or use its reasonable best efforts to cause to be furnished, to the underwriters (or the Alternative Transaction Counterparties, as the case may be) upon request, (i) an opinion of counsel for the Company dated the date of the closing under the agreement governing such sale and (ii) a “comfort” letter, dated the pricing date of the relevant transaction and a letter of like kind dated the date of the closing under the agreement governing such sale, in each case, signed by the independent public accountants who have certified the Company’s financial statements included or incorporated by reference into the applicable registration statement, and each of the opinion and the “comfort” letter shall be in customary form and covering substantially the same matters with respect to such registration statement (and the prospectus and any prospectus supplement included therein) as would be customarily covered in opinions of issuer’s counsel and in accountants’ letters delivered to the underwriters (or Alternative Transaction Counterparties, as the case may be) in transactions of the type contemplated by such Underwritten Offering or Alternative Transaction (as the case may be) and such other matters as such underwriters and Selling Holders may reasonably request;

(i) otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement, covering a period of twelve months beginning within three months after the Effective

Date of such Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder;

(j) make available to the appropriate representatives of the Managing Underwriter (or Alternative Transaction Counterparties) and Selling Holders access to such information and the Company personnel as is reasonable and customary to enable such parties to establish a due diligence defense under the Securities Act; *provided*, that the Company need not disclose any non-public information to any such representative unless and until such representative has entered into a confidentiality agreement with the Company;

(k) provide a transfer agent and registrar for all Registrable Securities covered by such registration statement not later than the Effective Date of such registration statement;

(l) enter into customary agreements and take such other actions as are reasonably requested by the Selling Holders or the underwriters, if any, in order to expedite or facilitate the disposition of Registrable Securities (including, making appropriate officers of the Company available to participate in any “road show” presentations before analysts, and other customary marketing activities (including one-on-one meetings with prospective purchasers of the Registrable Securities)), *provided, however*, that in the event the Company, using reasonable best efforts, is unable to make such appropriate officers of the Company available to participate in connection with any “road show” presentations and other customary marketing activities (whether in person or otherwise), the Company shall make such appropriate officers available to participate via conference call or other means of communication in connection with no more than one “road show” presentation per Underwritten Offering or Alternative Transaction;

(m) if requested by a Selling Holder, (i) incorporate in a prospectus supplement or post-effective amendment such information as such Selling Holder reasonably requests to be included therein relating to the sale and distribution of Registrable Securities, including information with respect to the number of Registrable Securities being offered or sold, the purchase price being paid therefor and any other terms of the offering of the Registrable Securities to be sold in such offering, and (ii) make all required filings of such prospectus supplement or post-effective amendment after being notified of the matters to be incorporated in such prospectus supplement or post-effective amendment;

(n) if reasonably required by the Company’s transfer agent, the Company shall promptly deliver any authorizations, certificates, opinions or directions required by the transfer agent which authorize and direct the transfer agent to transfer Registrable Securities without legend upon sale by the Holder of such Registrable Securities under a Registration Statement; and

(o) in connection with any sale or transfer of Registrable Shares (whether or not pursuant to a Registration Statement) that will result in the securities being sold or transferred no longer being Registrable Shares, cooperate with the Selling Holders and the representative(s) of the underwriters, if any, to (i) facilitate the timely, (A) in the case of Registrable Shares held through a depository, transfer of such equivalent Registrable Shares with an unrestricted CUSIP, or (B) in the case of certificated Registrable Shares, preparation and delivery of certificates representing the Registrable Shares to be sold, which certificates shall not bear any restrictive transfer legends, and (ii) enable such Registrable Shares to be in such denominations and registered in such names as the Selling Holders and the representative(s) of the underwriters, if any, may request at least three Business Days prior to any sale of the Registrable Shares.

Notwithstanding anything to the contrary in this Section 2.04, the Company shall not name a Holder as an underwriter as defined in Section 2(a)(11) of the Securities Act in any Registration Statement without such Holder’s consent. If the staff of the SEC requires the Company to name any Holder as an underwriter as defined in Section 2(a)(11) of the Securities Act, and such Holder does not consent thereto, then such Holder’s Registrable Securities shall not be included on such Registration

Statement and the Company shall have no further obligations hereunder with respect to Registrable Securities held by such Holder, unless such Holder has not had an opportunity to conduct customary underwriter's due diligence with respect to the Company at the time such Holder's consent is sought.

Each Selling Holder, upon receipt of notice from the Company of the happening of any event of the kind described in Section 2.04(f), shall forthwith discontinue offers and sales of the Registrable Securities by means of a prospectus or prospectus supplement until such Selling Holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 2.04(f) or until it is advised in writing by the Company that the use of the prospectus may be resumed and has received copies of any additional or supplemental filings incorporated by reference in the prospectus, and, if so directed by the Company, such Selling Holder shall, or shall request the Managing Underwriter, if any, to deliver to the Company (at the Company's expense) all copies in their possession or control, other than permanent file copies then in such Selling Holder's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice.

Section 2.05 Cooperation by Holders.

The Company shall have no obligation to include Registrable Securities of a Holder in a Registration Statement or in an Underwritten Offering pursuant to Section 2.02(a) who has failed to timely furnish after receipt of a written request from the Company such information that the Company determines, after consultation with its counsel, is reasonably required in order for the registration statement or prospectus supplement, as applicable, to comply with the Securities Act, including, without limitation, the completion and submission by such Holder of any Selling Holder questionnaire required by the Company.

Section 2.06 Restrictions on Public Sale by Holders of Registrable Securities.

Each Holder of Registrable Securities that participates in an Underwritten Offering, upon the request of the underwriters in such offering, will enter into a customary letter agreement with underwriters providing such Holder will not effect any public sale or distribution of Registrable Securities during the 60 calendar-day period beginning on the date of a prospectus or prospectus supplement filed with the SEC with respect to the pricing of any Underwritten Offering (or such shorter period specified by the Managing Underwriter for such Underwritten Offering), *provided* that (i) the duration of the foregoing restrictions shall be no longer than the duration of the shortest restriction generally imposed by the underwriters on the Company or the officers, directors or any other Affiliate of the Company on whom a restriction is imposed and (ii) the restrictions set forth in this Section 2.06 shall not apply to any Registrable Securities that are included in such Underwritten Offering by such Holder.

Section 2.07 Expenses.

(a) Expenses. All Registration Expenses, other than Shared Registration Expenses, shall be paid solely by the Company. All Shared Registration Expenses, regardless of whether any sale is made in the Underwritten Offering or Alternative Transaction, shall be borne one-half by the Company and one-half by the Selling Holders (*pro rata* based upon each Selling Holder's respective portion of Registrable Securities offered). Each Selling Holder shall pay its *pro rata* share of all Selling Expenses in connection with any sale of its Registrable Securities hereunder. Each Selling Holder's *pro rata* allocation of Shared Registration Expenses or Selling Expenses shall be the percentage derived by dividing (i) the number of Registrable Securities sold by such Selling Holder in connection with such sale by (ii) the aggregate number of Registrable Securities sold by all Selling Holders in connection with such sale. In addition, the Company shall not be responsible for the legal fees incurred by Holders in connection with the exercise of such Holders' right hereunder.

(b) Certain Definitions. “Registration Expenses” means all expenses incident to the Company’s performance under or compliance with this Agreement to effect the registration of Registrable Securities on a Registration Statement pursuant to Section 2.01(a) and the disposition of such Registrable Securities, including, without limitation, all registration, filing, NYSE fees, all registration, filing, qualification and other fees and expenses of complying with securities or blue sky laws, fees of the Financial Industry Regulatory Authority, Inc., fees of transfer agents and registrars, all word processing, duplicating and printing expenses, any transfer taxes, the fees and disbursements of counsel for the Company and independent public accountants for the Company, *provided, however*, that such Registration Expenses shall exclude (i) Selling Expenses and (ii) the Registration Expenses of an Underwritten Offering (or Alternative Transaction). “Shared Registration Expenses” means the Registration Expenses of an Underwritten Offering or Alternative Transaction, plus the expenses of any special audits or “comfort” letters required by or incident to such Underwritten Offering or Alternative Transaction, and the fees and disbursements of counsel for the Selling Holders. “Selling Expenses” means all underwriting discounts and selling commissions or similar fees or arrangements allocable to the sale of the Registrable Securities and fees and disbursements of counsel to the Selling Holders.

Section 2.08 Indemnification.

(a) By the Company. In the event of a registration of any Registrable Securities under the Securities Act pursuant to this Agreement, the Company shall indemnify and hold harmless each Selling Holder thereunder, its directors, officers, managers, partners, employees and agents and each Person, if any, who controls such Selling Holder within the meaning of the Securities Act and the Exchange Act, and its directors, officers, managers, partners, employees or agents (collectively, the “Selling Holder Indemnified Persons”), against any losses, claims, damages, expenses or liabilities (including reasonable attorneys’ fees and expenses) (collectively, “Losses”), joint or several, to which such Selling Holder Indemnified Person may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such Losses (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact (in the case of any prospectus, in light of the circumstances under which such statement is made) contained in (which includes documents incorporated by reference in) such Registration Statement or any other registration statement contemplated by this Agreement, any preliminary prospectus, prospectus supplement or final prospectus contained therein, or any amendment or supplement thereof, or any free writing prospectus relating thereto or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a prospectus, in light of the circumstances under which they were made) not misleading, and shall reimburse each such Selling Holder Indemnified Person for any legal or other expenses reasonably incurred by them in connection with investigating, defending or resolving any such Loss or actions or proceedings; *provided, however*, that the Company shall not be liable in any such case if and to the extent that any such Loss arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by such Selling Holder Indemnified Person in writing specifically for use in such Registration Statement or such other registration statement, or prospectus supplement, as applicable. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Selling Holder Indemnified Person, and shall survive the transfer of such securities by such Selling Holder.

(b) By Each Selling Holder. Each Selling Holder agrees severally and not jointly to indemnify and hold harmless the Company, its directors, officers, employees and agents and each Person, if any, who controls the Company within the meaning of the Securities Act or of the Exchange Act, and its directors, officers, employees and agents, to the same extent as the foregoing indemnity from the Company to the Selling Holders, but only with respect to information regarding such Selling Holder

furnished in writing by or on behalf of such Selling Holder expressly for inclusion in such Registration Statement or any other registration statement contemplated by this Agreement, any preliminary prospectus, prospectus supplement or final prospectus contained therein, or any amendment or supplement thereof, or any free writing prospectus relating thereto; *provided, however*, that the liability of each Selling Holder shall not be greater in amount than the dollar amount of the proceeds (net of any Selling Expenses) received by such Selling Holder from the sale of the Registrable Securities giving rise to such indemnification.

(c) Notice. Promptly after receipt by an indemnified party hereunder of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party hereunder, notify the indemnifying party in writing thereof, but the omission to so notify the indemnifying party shall not relieve it from any liability that it may have to any indemnified party other than under this Section 2.08. In any action brought against any indemnified party, it shall notify the indemnifying party of the commencement thereof. The indemnifying party shall be entitled to participate in and, to the extent it shall wish, to assume and undertake the defense thereof with counsel reasonably satisfactory to such indemnified party and, after notice from the indemnifying party to such indemnified party of its election so to assume and undertake the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 2.08 for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation and of liaison with counsel so selected; *provided, however*, that, (i) if the indemnifying party and the indemnified party shall have mutually agreed in writing to the contrary, (ii) if the indemnifying party has failed to assume the defense or employ counsel reasonably acceptable to the indemnified party or (iii) if the defendants in any such action include both the indemnified party and the indemnifying party and counsel to the indemnified party shall have concluded that there may be defenses available to the indemnified party that are different from or additional to those available to the indemnifying party, or if the interests of the indemnified party reasonably may be deemed to conflict with the interests of the indemnifying party, then the indemnified party shall have the right to select a separate counsel and to assume such legal defense and otherwise to participate in the defense of such action, with the reasonable expenses and fees of such separate counsel and other reasonable expenses related to such participation to be reimbursed by the indemnifying party as incurred. Notwithstanding any other provision of this Agreement, no indemnifying party shall settle any action brought against any indemnified party with respect to which such indemnified party is entitled to indemnification hereunder without the consent of the indemnified party, unless the settlement thereof imposes no liability or obligation on, and includes a complete and unconditional release from all liability of, and does not contain any admission of wrongdoing by, the indemnified party.

(d) Contribution. If the indemnification provided for in this Section 2.08 is held by a court or government agency of competent jurisdiction to be unavailable to any indemnified party or is insufficient to hold them harmless in respect of any Losses, then each such indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such Loss in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of such indemnified party, on the other hand, in connection with the statements or omissions that resulted in such Losses, as well as any other relevant equitable considerations; *provided, however*, that in no event shall such Selling Holder be required to contribute an aggregate amount in excess of the dollar amount of proceeds (net of Selling Expenses) received by such Selling Holder from the sale of Registrable Securities giving rise to such indemnification. The relative fault of the indemnifying party on the one hand and the indemnified party on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact has been made by, or relates to, information supplied by such party, and the parties' relative intent, knowledge, access to information and

opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contributions pursuant to this paragraph were to be determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to herein. The amount paid by an indemnified party as a result of the Losses referred to in the first sentence of this paragraph shall be deemed to include any legal and other expenses reasonably incurred by such indemnified party in connection with investigating, defending or resolving any Loss that is the subject of this paragraph. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who is not guilty of such fraudulent misrepresentation.

(e) Other Indemnification. The provisions of this Section 2.08 shall be in addition to any other rights to indemnification or contribution that an indemnified party may have pursuant to law, equity, contract or otherwise.

Section 2.09 Rule 144 Reporting.

With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its reasonable best efforts to:

(a) make and keep public information regarding the Company available, as those terms are understood and defined in Rule 144 under the Securities Act (or any successor or similar provision adopted by the SEC then in effect), at all times from and after the date hereof;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act at all times from and after the date hereof; and

(c) so long as a Holder owns any Registrable Securities, furnish, promptly upon request, (x) a written statement by the Company, if true, that it has complied with the reporting requirements of Rule 144, the Securities Act and the Exchange Act, (y) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company (it being understood that the availability of such report on the SEC's EDGAR system shall satisfy this requirement) and (z) such other information as may be necessary to permit any Holder to sell such securities pursuant to Rule 144 without registration.

Section 2.10 Transfer or Assignment of Registration Rights.

The rights to cause the Company to register Registrable Securities granted to the Holders by the Company under this Article II may be transferred or assigned by such Holders to one or more Affiliates as transferees or assignees of Registrable Securities, subject to the transfer restrictions provided in the Purchase Agreement, *provided, however*, that (a) the Company is given written notice prior to any said transfer or assignment, stating the name and address of each of the transferee or assignee and identifying the Registrable Securities with respect to which such registration rights are being transferred or assigned and (b) each such transferee or assignee assumes in writing responsibility for its portion of the obligations of the Holder under this Agreement.

ARTICLE III MISCELLANEOUS

Section 3.01 Communications.

All notices and other communications provided for or permitted hereunder shall be made in writing by facsimile, electronic mail, courier service or personal delivery:

(a) if to the Waterfall Funds:

Waterfall Eden Master Fund, Ltd.
Waterfall Sandston Fund, L.P.
Waterfall Rock Island, LLC
Waterfall Victoria Master Fund, Ltd.
c/o Waterfall Asset Management, LLC
1251 Avenue of the Americas, 50th Floor
New York, NY 10020
Attention: Jason M. Ebert
Email: notices@waterfallam.com

with a copy to (which shall not constitute notice):

Alston & Bird LLP
90 Park Avenue
New York, NY 10016
Attn: Michael Kessler, David E. Brown, Jr.
E-Mail Address: michael.kessler@alston.com; david.brown@alston.com

(b) if to SHAP:

SHAP 2018-1, LLC
c/o Waterfall Asset Management, LLC
1251 Avenue of the Americas, 50th Floor
New York, NY 10020
Attention: Jason M. Ebert
Email: notices@waterfallam.com

with a copy to (which shall not constitute notice):

Alston & Bird LLP
90 Park Avenue
New York, NY 10016
Attn: Michael Kessler, David E. Brown, Jr.
E-Mail Address: michael.kessler@alston.com; david.brown@alston.com

(c) if to a transferee of any Holder, to such Holder at the address provided pursuant to Section 2.10 above; and

(d) if to the Company:

Onity Group Inc.
1661 Worthington Road, Suite 100
West Palm Beach, FL 33409
Attn: Joseph Samarias, Leah E. Hutton

with a copy to (which shall not constitute notice):

Mayer Brown LLP
1221 Avenue of the Americas
New York, NY 10020
Attention: John Berkery
Telephone: (212) 506-2552
Facsimile: (212) 849-5552
Email: jberkery@mayerbrown.com

All such notices and communications shall be deemed to have been received at the time delivered by hand, if personally delivered; when receipt acknowledged, if sent via facsimile or sent via Internet electronic mail; and when actually received, if sent by courier service or any other means.

Section 3.02 Successor and Assigns.

This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties, including subsequent Holders of Registrable Securities to the extent permitted herein.

Section 3.03 Assignment of Rights.

All or any portion of the rights and obligations of any Holder under this Agreement may be transferred or assigned by such Holder only in accordance with Section 2.10 hereof.

Section 3.04 Recapitalization, Exchanges, Etc. Affecting the Registrable Securities.

The provisions of this Agreement shall apply to the full extent set forth herein with respect to any and all securities of the Company or any successor or assign of the Company (whether by merger, acquisition, consolidation, reorganization, sale of assets or otherwise) that may be issued in respect of, in exchange for or in substitution of, the Registrable Securities, and shall be appropriately adjusted for combinations, share splits, recapitalizations, pro rata distributions of shares and the like occurring after the date of this Agreement.

Section 3.05 Aggregation of Registrable Securities.

All Registrable Securities held or acquired by Persons who are Affiliates of one another shall be aggregated together for the purpose of determining the availability of any rights and applicability of any obligations under this Agreement.

Section 3.06 Specific Performance.

Damages in the event of breach of this Agreement by a party hereto may be difficult, if not impossible, to ascertain, and it is therefore agreed that each such Person, in addition to and without

limiting any other remedy or right it may have, shall have the right to an injunction or other equitable relief in any court of competent jurisdiction, enjoining any such breach, and enforcing specifically the terms and provisions hereof, and each of the parties hereto hereby waives any and all defenses it may have on the ground of lack of jurisdiction or competence of the court to grant such an injunction or other equitable relief. The existence of this right shall not preclude any such Person from pursuing any other rights and remedies at law or in equity that such Person may have.

Section 3.07 Counterparts.

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, including facsimile or .pdf counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement.

Section 3.08 Headings.

The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 3.09 Governing Law.

This Agreement, including all issues and questions concerning its application, construction, validity, interpretation and enforcement, shall be construed in accordance with, and governed by, the laws of the State of New York.

Section 3.10 Severability of Provisions.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting or impairing the validity or enforceability of such provision in any other jurisdiction.

Section 3.11 Entire Agreement.

This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the rights granted by the Company set forth herein. This Agreement and the Purchase Agreement supersede all prior agreements and understandings between the parties with respect to such subject matter.

Section 3.12 Amendment.

This Agreement may be amended only by means of a written amendment signed by the Company and the Holders who have become parties to this Agreement that hold a majority of the then outstanding Registrable Securities; *provided, however*, that no such amendment shall materially and adversely affect the rights of any Holder hereunder without the consent of such Holder.

Section 3.13 No Presumption.

If any claim is made by a party relating to any conflict, omission or ambiguity in this Agreement, no presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Agreement was prepared by or at the request of a particular party or its counsel.

Section 3.14 Interpretation.

Article and Section references are to this Agreement, unless otherwise specified. All references to instruments, documents, contracts and agreements are references to such instruments, documents,

contracts and agreements as the same may be amended, supplemented and otherwise modified from time to time, unless otherwise specified. The words “include,” “includes” and “including” or words of similar import shall be deemed to be followed by the words “without limitation.” Whenever any determination, consent or approval is to be made or given by any Holder under this Agreement, such action shall be in such Holder’s sole discretion unless otherwise specified. Unless expressly set forth or qualified otherwise (e.g., by “Business” or “trading”), all references herein to a “day” are deemed to be a reference to a calendar day.

Section 3.15 Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

(Signature pages follow)

IN WITNESS WHEREOF, the parties hereto execute this Agreement, effective as of the date first above written.

ONITY GROUP INC.

By: /s/ Aaron Wade
Name: Aaron Wade
Title: EVP and Chief Investment Officer

SHAP 2018-1, LLC.

By: /s/ Kenneth Nick
Name: Kenneth Nick
Title: Vice President

WATERFALL EDEN MASTER FUND, LTD.

By: /s/ Kenneth Nick
Name: Kenneth Nick
Title: Director

WATERFALL ROCK ISLAND, LLC

By: /s/ Kenneth Nick
Name: Kenneth Nick
Title: Authorized Person

WATERFALL SANDSTONE FUND, L.P.

By: /s/ Kenneth Nick
Name: Kenneth Nick
Title: Attorney-in-Fact

WATERFALL VICTORIA MASTER FUND, LTD.

By: /s/ Kenneth Nick
Name: Kenneth Nick
Title: Director

[Signature Page to Registration Rights Agreement]

CERTIFICATIONS

I, Glen A. Messina, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Onity Group Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and the other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d—15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a—15(f) and 15d—15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

/s/ Glen A. Messina

Glen A. Messina, President
and Chief Executive Officer

CERTIFICATIONS

I, Sean B. O'Neil, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Onity Group Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and the other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d—15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a—15(f) and 15d—15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2024

/s/ Sean B. O'Neil

Sean O'Neil, Executive Vice President and Chief Financial Officer

CERTIFICATIONS

I, Glen A. Messina, state and attest that:

- (1) I am the principal executive officer of Onity Group Inc. (the Registrant).
- (2) I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that
 - the Quarterly Report on Form 10-Q of the Registrant for the quarter ended September 30, 2024 (the periodic report) containing financial statements fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
 - the information contained in the periodic report fairly represents, in all material respects, the financial condition and results of operations of the Registrant for the periods presented.

Name: /s/ Glen A. Messina
Title: President and Chief Executive Officer
Date: November 7, 2024

CERTIFICATIONS

I, Sean B. O'Neil, state and attest that:

- (1) I am the principal financial officer of Onity Group Inc. (the Registrant).
- (2) I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that
 - the Quarterly Report on Form 10-Q of the Registrant for the quarter ended September 30, 2024 (the periodic report) containing financial statements fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
 - the information contained in the periodic report fairly represents, in all material respects, the financial condition and results of operations of the Registrant for the periods presented.

Name: /s/ Sean B. O'Neil
Title: Executive Vice President and Chief Financial Officer
Date: November 7, 2024