

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 March 31, 2025

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

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 checked="" 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 April 28, 2025: 8,008,515 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, 2024 and the following:

- 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;
- whether we will release some or all of the valuation allowance offsetting our net U.S. deferred tax asset, and the timing and amount of such release;
- the timing for completion of our PHH Mortgage Corporation (PHH) 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 October 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;
- 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 strategic transactions and enterprise sales initiatives will generate additional subservicing volume and result in increased profitability;
- uncertainty whether Rithm Capital Corp. (Rithm), one of our largest subservicing clients as of March 31, 2025, will renew its agreements with us that otherwise will terminate effective February 1, 2026;
- uncertainty related to the extent to which MSR Asset Vehicle LLC will exercise its rights to sell MSRs which are presently subserviced by PHH and the impact to our subservicing portfolio;
- 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, 2024 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>March 31, 2025</u>	<u>December 31, 2024</u>
Assets		
Cash and cash equivalents	\$ 178.0	\$ 184.8
Restricted cash (\$21.3 and \$29.1 related to variable interest entities (VIEs))	58.9	80.8
Mortgage servicing rights (MSRs), at fair value	2,547.4	2,466.3
Advances, net (\$422.3 and \$481.8 related to VIEs)	514.0	577.2
Loans held for sale, at fair value (\$548.6 and \$575.4 related to VIEs)	1,402.2	1,290.2
Loans held for investment, at fair value	10,812.5	11,125.3
Receivables, net (\$32.3 and \$31.9 related to VIEs)	222.3	176.4
Premises and equipment, net	10.8	11.0
Other assets (\$15.8 and \$15.7 carried at fair value) (\$44.3 and \$42.0 related to VIEs)	106.0	111.3
Contingent loan repurchase asset	407.2	412.2
Total assets	<u>\$ 16,259.3</u>	<u>\$ 16,435.4</u>
Liabilities and Stockholders' Equity		
Liabilities		
Home Equity Conversion Mortgage-Backed Securities (HMBS) related borrowings, at fair value	\$ 10,587.6	\$ 10,872.1
Other financing liabilities, at fair value (\$317.2 and \$322.7 due to related party)	835.5	846.9
Advance match funded liabilities (\$376.9 and \$416.5 related to VIEs)	377.5	417.1
Mortgage loan financing facilities, net (\$452.5 and \$481.9 related to VIEs)	1,577.4	1,528.2
MSR financing facilities, net	1,136.0	957.9
Senior notes, net	488.0	487.4
Other liabilities (\$6.9 and \$28.0 carried at fair value)	340.0	420.6
Contingent loan repurchase liability	407.2	412.2
Total liabilities	<u>15,749.2</u>	<u>15,942.5</u>
Commitments and Contingencies (Notes 22 and 23)		
Mezzanine Equity		
Series B Preferred stock, \$0.01 par value and \$25.00 liquidation preference value; 2,400,000 shares authorized; 2,111,787 shares issued and outstanding at March 31, 2025 and December 31, 2024	49.9	49.9
Stockholders' Equity		
Common stock, \$0.01 par value; 13,333,333 shares authorized; 7,981,005 and 7,873,053 shares issued and outstanding at March 31, 2025 and December 31, 2024, respectively	0.1	0.1
Additional paid-in capital	554.3	559.3
Accumulated deficit	(95.5)	(117.6)
Accumulated other comprehensive income (loss), net of income taxes	1.3	1.2
Total stockholders' equity	<u>460.2</u>	<u>442.9</u>
Total liabilities, mezzanine equity and stockholders' equity	<u>\$ 16,259.3</u>	<u>\$ 16,435.4</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 March 31,	
	2025	2024
Revenue		
Servicing and subservicing fees	\$ 203.3	\$ 204.5
Gain on reverse loans held for investment and HMBS-related borrowings, net	23.8	15.4
Gain on loans held for sale, net	11.8	10.9
Other revenue, net	10.9	8.3
Total revenue	<u>249.8</u>	<u>239.1</u>
MSR valuation adjustments, net	(38.9)	(11.6)
Operating expenses		
Compensation and benefits	57.4	53.6
Servicing and origination	13.0	15.0
Technology and communications	15.0	12.7
Professional services	22.6	12.0
Occupancy, equipment and mailing	8.2	7.7
Other expenses	3.6	3.4
Total operating expenses	<u>119.9</u>	<u>104.4</u>
Other income (expense)		
Interest income	26.2	17.5
Interest expense	(67.0)	(67.4)
Pledged MSR liability expense (\$11.5 and \$15.3 on amounts due to related party)	(41.9)	(44.9)
Gain on extinguishment of debt	—	1.4
Earnings of equity method investee	—	2.7
Other, net	0.9	(0.6)
Other income (expense), net	<u>(81.9)</u>	<u>(91.3)</u>
Income before income taxes	9.1	31.8
Income tax expense (benefit)	(13.0)	1.7
Net income	22.1	30.1
Preferred stock dividend	(1.0)	—
Net income attributable to common stockholders	<u>21.1</u>	<u>30.1</u>
Earnings per share attributable to common stockholders		
Basic	\$ 2.68	\$ 3.91
Diluted	\$ 2.50	\$ 3.74
Weighted average common shares outstanding		
Basic	7,873,989	7,711,534
Diluted	8,436,874	8,046,188

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

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

	For the Three Months Ended March 31,	
	2025	2024
Net income	\$ 22.1	\$ 30.1
Other comprehensive income, net of income taxes:		
Change in unfunded pension plan obligation liability	—	—
Other	0.1	—
Comprehensive income	<u>\$ 22.2</u>	<u>\$ 30.2</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 MARCH 31, 2025 AND 2024
(Dollars in millions)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss), Net of Income Taxes	Total
	Shares	Amount				
Balance at December 31, 2024	7,873,053	\$ 0.1	\$ 559.3	\$ (117.6)	\$ 1.2	\$ 442.9
Net income	—	—	—	22.1	—	22.1
Preferred stock dividend (\$0.49 per share)	—	—	(1.0)	—	—	(1.0)
Exercise of common stock warrants	—	—	(3.5)	—	—	(3.5)
Equity-based compensation and other	107,952	—	(0.5)	—	—	(0.5)
Other comprehensive income, net of income taxes	—	—	—	—	0.1	0.1
Balance at March 31, 2025	<u>7,981,005</u>	<u>\$ 0.1</u>	<u>\$ 554.3</u>	<u>\$ (95.5)</u>	<u>\$ 1.3</u>	<u>\$ 460.2</u>
Balance at December 31, 2023	7,684,401	\$ 0.1	\$ 554.5	\$ (151.6)	\$ (1.2)	\$ 401.8
Net income	—	—	—	30.1	—	30.1
Equity-based compensation and other	99,852	—	0.1	—	—	0.1
Other comprehensive income, net of income taxes	—	—	—	—	0.1	0.1
Balance at March 31, 2024	<u>7,784,253</u>	<u>\$ 0.1</u>	<u>\$ 554.6</u>	<u>\$ (121.5)</u>	<u>\$ (1.1)</u>	<u>\$ 432.1</u>

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 Three Months Ended March 31,	
	2025	2024
Cash flows from operating activities		
Net income	\$ 22.1	\$ 30.1
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
MSR valuation adjustments, net	55.9	31.5
Provision for bad debts (advances and receivables)	4.7	6.9
Provision for indemnification obligations	0.3	1.2
Depreciation	1.2	1.4
Amortization of debt issuance costs and discount	5.7	8.1
Amortization of intangibles	0.3	0.9
Gain on extinguishment of debt	—	(1.4)
Equity-based compensation expense	2.1	2.0
Gain on reverse loans held for investment and HMBS-related borrowings, net	(19.0)	(11.0)
Gain on loans held for sale, net	(11.8)	(10.9)
Origination and purchase of loans held for sale	(4,273.3)	(2,988.9)
Proceeds from sale and collections of loans held for sale	4,114.6	2,604.1
Changes in assets and liabilities:		
Decrease in advances	54.4	73.5
Decrease (increase) in receivables and other assets	(27.6)	19.6
Increase in derivatives	(16.2)	(34.8)
Decrease in other liabilities	(52.6)	(21.0)
Other, net	(8.9)	(8.2)
Net cash used in operating activities	<u>(148.1)</u>	<u>(297.1)</u>
Cash flows from investing activities		
Origination of loans held for investment	(277.1)	(250.3)
Principal payments received on loans held for investment	786.1	277.0
Purchase of MSRs	(98.1)	(26.4)
Proceeds from sale of MSRs	4.5	0.1
Distribution from (investment in) equity method investee, net	—	0.1
Acquisition of advances in connection with MSR transactions	(2.5)	—
Proceeds from sale of advances in connection with MSR transactions	0.3	0.9
Purchase of real estate	(2.3)	(11.9)
Proceeds from sale of real estate	9.2	7.0
Additions to premises and equipment	(0.3)	(0.1)
Net cash provided by (used in) investing activities	<u>419.8</u>	<u>(3.6)</u>
Cash flows from financing activities		
Repayment of advance match funded liabilities, net	(39.6)	(59.5)
Proceeds from mortgage loan financing facilities, net	43.6	396.8
Proceeds from MSR financing facilities	521.2	377.8
Repayment of MSR financing facilities	(342.7)	(329.1)
Repurchase of Senior notes	—	(45.5)
Payment of debt issuance costs	(0.2)	(3.0)
Proceeds from other financing liabilities - Sale of MSRs accounted for as secured financing	6.9	4.0
Repayment of other financing liabilities	(17.0)	(20.0)
Proceeds from sale of Home Equity Conversion Mortgages (HECM, or reverse mortgages) accounted for as a financing (HMBS-related borrowings)	309.1	247.4
Repayment of HMBS-related borrowings	(777.1)	(272.1)
Payment of preferred stock dividend	(1.0)	—
Payment on exercise of common stock warrants	(3.5)	—
Net cash provided by (used in) financing activities	<u>(300.4)</u>	<u>296.8</u>
Net decrease in cash, cash equivalents and restricted cash	(28.7)	(3.9)
Cash, cash equivalents and restricted cash at beginning of year	265.6	255.1
Cash, cash equivalents and restricted cash at end of period	<u>\$ 236.9</u>	<u>\$ 251.2</u>
Supplemental non-cash investing and financing activities:		
Recognition of gross right-of-use asset and lease liability:		
Right-of-use asset	\$ 0.7	\$ 0.1
Lease liability	0.7	0.1

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:

	March 31, 2025	March 31, 2024
Cash and cash equivalents	\$ 178.0	\$ 185.1
Restricted cash and equivalents:		
Debt service accounts	24.8	37.2
Other restricted cash	34.0	28.9
Total cash, cash equivalents and restricted cash reported in the statements of cash flows	<u>\$ 236.9</u>	<u>\$ 251.2</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
MARCH 31, 2025
(Dollars in millions, except per share data and unless otherwise indicated)

Note 1 - Organization and Basis of Presentation

Organization

Onity Group Inc. (NYSE: ONIT) (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). 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.

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). Effective November 27, 2024, Onity completed the sale of its 15% equity interest in MAV Canopy HoldCo I, LLC (MAV Canopy) which 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 4,200 employees at March 31, 2025 of which approximately 2,800 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 months ended March 31, 2025 are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2025. 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, 2024.

Amounts may not add in certain tables due to rounding.

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

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. A joint venture formed prior to the adoption date may elect to apply the new guidance retrospectively back to the original formation date. Our adoption of this standard did not have a material impact on our consolidated financial statements.

Accounting Standards Issued but Not Yet Adopted

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 amendments 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 March 31,	
	2025	2024
Proceeds received from securitizations	\$ 4,068.8	\$ 2,558.9
Servicing fees collected (1)	40.1	38.3
Purchases of previously transferred assets, net of claims reimbursed	(4.3)	(2.5)
	<u>\$ 4,104.6</u>	<u>\$ 2,594.7</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 \$60.5 million and \$34.7 million during the three months ended March 31, 2025 and 2024, 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 23 – 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>March 31, 2025</u>	<u>December 31, 2024</u>
Carrying value of assets		
MSRs, at fair value	\$ 759.7	\$ 734.2
Advances	116.9	129.6
UPB of loans transferred (1)	52,545.6	49,641.2
Maximum exposure to loss (2)	<u>\$ 53,422.2</u>	<u>\$ 50,505.0</u>

- (1) Includes \$12.0 billion and \$11.7 billion of loans delivered to Ginnie Mae as of March 31, 2025 and December 31, 2024, 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 23 – Contingencies.

At March 31, 2025 and December 31, 2024, 2.3% and 2.7%, 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 6.0% and 7.0%, 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. Holders of participating interests in the HMBS have no recourse against the assets of Onity, except with respect to standard representations and warranties and our contractual obligation to service the HECM loans and the HMBS.

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 March 31, 2025 and December 31, 2024, \$200.0 million and \$200.0 million, respectively, loans held for sale were pledged as collateral for \$200.0 million and \$200.0 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, the Department of Housing and Urban Development (HUD) claim receivables and REO properties, through private placement securitizations, referred to as OLIT transactions. The securitized assets include assets we purchased from third parties along with mortgage buyouts from our own reverse mortgage portfolio. 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. 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 OLIT securitized reverse mortgage loans buyouts and financing liabilities:

	March 31, 2025	December 31, 2024
Mortgage loans (Loans held for sale, at fair value)	\$ 348.6	\$ 375.4
Receivables, net	32.3	31.9
REO (Other assets)	42.6	39.4
Debt service and Interest reserve accounts (Restricted cash)	11.3	13.3
Total assets	\$ 434.9	\$ 460.0
Outstanding borrowing UPB (Mortgage loan financing facilities, net)	482.3	517.3
Unamortized discount and debt issuance costs (Mortgage loan financing facilities, net)	(29.9)	(35.4)
Accrued expenses and Accrued interest (Other liabilities)	1.1	1.7
Total liabilities	\$ 453.6	\$ 483.6

Financings of Servicing 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. Holders of the debt issued by these entities have recourse only to the assets of the SPE for satisfaction of the debt.

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

	March 31, 2025	December 31, 2024
Match funded advances (Advances, net)	\$ 422.3	\$ 481.8
Debt service accounts (Restricted cash)	9.8	14.0
Advance match funded liabilities	376.9	416.5

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 or PLS Issuer) in connection with our PLS MSR financing facility. Ocwen Excess Spread-Collateralized Notes, Series 2022-PLS1 Class A issued by the SPE were redeemed on its maturity in February 2025. Concurrently, in February 2025, in connection with a PLS MSR financing agreement (repurchase agreement) PHH sold the membership interest certificate representing 100% of the limited liability company interests in PLS Issuer and agreed to repurchase such membership interest certificate at a specified future date and specified price.

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

	March 31, 2025	December 31, 2024
MSRs pledged (MSRs, at fair value)	\$ 821.1	\$ 814.9
Debt service account (Restricted cash)	0.1	1.8
Outstanding borrowings (MSR financing facilities, net)	554.8	440.7
Unamortized debt issuance costs (MSR financing facilities, net)	—	(0.1)

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	March 31, 2025		December 31, 2024	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets					
Loans held for sale, at fair value (a) (d)	3, 2	\$ 1,402.2	\$ 1,402.2	\$ 1,290.2	\$ 1,290.2
Loans held for investment, at fair value (a)	3	\$ 10,812.5	\$ 10,812.5	\$ 11,125.3	\$ 11,125.3
Advances, net (b)	3	\$ 514.0	\$ 514.0	\$ 577.2	\$ 577.2
Receivables, net (b)	3	\$ 222.3	\$ 222.3	\$ 176.4	\$ 176.4
Financial liabilities					
Advance match funded liabilities (b)	3	\$ 377.5	\$ 377.5	\$ 417.1	\$ 417.1
HMBS-related borrowings, at fair value (a)	3	\$ 10,587.6	\$ 10,587.6	\$ 10,872.1	\$ 10,872.1
Other financing liabilities, at fair value (a)	3	835.5	835.5	846.9	846.9
Mortgage loan financing facilities (b) (c)	3	\$ 1,577.4	\$ 1,584.6	\$ 1,528.2	\$ 1,535.3
MSR financing facilities (b) (c)	3	\$ 1,136.0	\$ 1,126.7	\$ 957.9	\$ 947.6
Senior notes (b) (c)	2	\$ 488.0	\$ 480.0	\$ 487.4	\$ 495.0
Derivative financial instrument assets (liabilities), net					
Interest rate lock commitments (IRLCs) (a)	3	\$ 9.4	\$ 9.4	\$ (0.5)	\$ (0.5)
Other derivatives (a)	1	(0.2)	(0.2)	(11.7)	(11.7)
MSRs (a)	3	\$ 2,547.4	\$ 2,547.4	\$ 2,466.3	\$ 2,466.3

(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.

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):

	Three Months Ended March 31,			
	2025		2024	
	Loans Held for Sale - Fair Value	IRLCs	Loans Held for Sale - Fair Value	IRLCs
Beginning balance	\$ 472.9	\$ (0.5)	\$ 203.1	\$ 5.6
Purchases, issuances, sales and settlements				
Purchases and other	134.9	—	145.1	—
Issuances (1)	—	32.7	—	17.2
Sales	(60.4)	—	(38.0)	—
Settlements	(30.5)	—	(22.1)	—
Transfers from (to):				
Loans held for sale, at fair value (1)	—	(47.3)	—	(5.8)
Loans held for investment, at fair value	3.1	—	1.0	—
Receivables, net	(20.5)	—	(10.6)	—
REO (Other assets)	(12.3)	—	(3.0)	—
Advances (incl. capitalization upon Ginnie Mae modification)	4.8	—	2.1	—
Net additions (disposition/derecognition)	19.0	(14.6)	74.5	11.4
Included in earnings:				
Change in fair value (1)	4.7	24.6	6.4	(12.0)
Ending balance	<u>\$ 496.6</u>	<u>\$ 9.4</u>	<u>\$ 284.0</u>	<u>\$ 5.0</u>

(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 \$9.9 million and \$(0.6) million for the three months ended March 31, 2025 and 2024, respectively. See Note 16 – Derivative Financial Instruments and Hedging Activities.

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

Repurchased Ginnie Mae forward and reverse loans are classified as Level 3 within the valuation hierarchy. We repurchase certain loans from Ginnie Mae guaranteed securitizations in connection with loan modifications, strategic EBO and loan resolution activity as part of our contractual obligations as the servicer of the loans. The fair value of the forward mortgage loans we purchased from Ginnie Mae guaranteed securitizations is estimated using both observable and unobservable inputs, including 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.

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. These loans are not actively traded, and quoted market prices are not available. 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	March 31, 2025	December 31, 2024
	Life in years	
Range	0.4 to 7.6	0.4 to 7.6
Weighted average	4.4	4.2
Conditional prepayment rate (CPR), including voluntary and involuntary prepayments (a)		
Range	13.2% to 32.0%	13.1% to 31.6%
Weighted average	20.3 %	21.3 %
Discount rate	5.0 %	5.4 %

(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 and client feedback, 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 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 MSRs via prepayment speeds by altering the borrower refinance incentive and the non-Agency MSRs 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 MSRs include prepayment speeds, delinquency rates, cost to service and discount rates.

Significant unobservable assumptions	March 31, 2025		December 31, 2024	
	Agency	Non-Agency	Agency	Non-Agency
Weighted average prepayment speed	6.7 %	7.7%	6.4 %	7.8 %
Weighted average lifetime delinquency rate	1.2 %	10.8%	1.2 %	10.4 %
Weighted average discount rate	9.6 %	10.9%	10.0 %	10.9 %
Weighted average cost to service (in dollars)	\$ 71	\$ 194	\$ 71	\$ 193

Because the mortgages underlying these MSRs permit the borrowers to prepay the loans, the value of the MSRs 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 MSRs as of March 31, 2025 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	1.6
Change in fair value due to change in weighted average prepayment speeds	\$ (66.3)	\$ (130.4)
Change in weighted average discount rate (in percentage points)	1.0	1.9
Change in fair value due to change in weighted average discount rate	\$ (86.5)	\$ (166.1)

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	March 31, 2025	December 31, 2024
Life in years		
Range	0.4 to 7.6	0.4 to 7.6
Weighted average	4.4	4.2
Conditional prepayment rate		
Range	13.2% to 32.0%	13.1% to 31.6%
Weighted average	20.3 %	21.3 %
Discount rate	5.0 %	5.3 %

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	March 31, 2025	December 31, 2024
Weighted average prepayment speed	5.5 %	5.4 %
Weighted average delinquency rate	3.1 %	3.0 %
Weighted average subservicing life (in years)	4.7	4.7
Weighted average discount rate	10.0 %	10.3 %
Weighted average cost to service (in dollars)	\$ 133	\$ 133

Significant changes in these assumptions in isolation would result in a significant change in fair value.

ESS Financing Liability

The Excess Servicing Spread (ESS) financing liability is carried at fair value and classified as Level 3 within the valuation hierarchy. The 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 MSR. 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 March 31, 2025 and December 31, 2024, the weighted average discount rate of the ESS financing liability was 10.0% and 10.0%, respectively. Refer to MSRs above for a description of other significant unobservable assumptions.

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:

	March 31, 2025	December 31, 2024
Unpaid principal balance	\$ 1,491.4	\$ 1,401.2
Premium (discount)	(76.4)	(91.6)
Unrealized gain (loss)	(12.8)	(19.4)
Total fair value	<u>\$ 1,402.2</u>	<u>\$ 1,290.2</u>

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

	March 31, 2025	December 31, 2024
GSE loans	\$ 722.6	\$ 610.8
Government- Forward loans	191.9	215.5
Forward loans repurchased from Ginnie Mae guaranteed securitization (1)	38.6	26.1
Reverse loans (2)	442.6	432.4
Other residential mortgage loans	6.4	5.3
Total fair value	<u>\$ 1,402.2</u>	<u>\$ 1,290.2</u>

(1) Pursuant to Ginnie Mae servicing guidelines.

(2) Includes 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 March 31, 2025 and December 31, 2024, the balance includes \$348.6 million and \$375.4 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 March 31,	
	2025	2024
Beginning balance	\$ 1,290.2	\$ 674.2
Originations and purchases	4,273.3	2,988.9
Proceeds from sales	(4,082.6)	(2,581.0)
Principal collections	(32.0)	(23.1)
Transfers from (to):		
Loans held for investment, at fair value	3.1	1.0
Receivables	(20.5)	(10.6)
REO (Other assets)	(12.3)	(3.0)
Advances (incl. capitalization upon Ginnie Mae modifications)	4.8	2.1
Fair value gain (loss) on loans held for sale, at fair value (1)	(35.4)	(27.5)
Other (2)	13.6	4.7
Ending balance	<u>\$ 1,402.2</u>	<u>\$ 1,025.7</u>

(1) See below table of Gain (loss) on loans held for sale, net, excluding MSR retained on transfers of forward mortgage loans.

(2) Includes capitalized interest on reverse loans, reported within Interest income.

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

	Three Months Ended March 31,	
	2025	2024
Gain (Loss) on Loans Held for Sale, Net		
MSRs retained on transfers of forward mortgage loans	\$ 60.5	\$ 34.7
Gain (loss) on sale of forward mortgage loans (1)	(39.9)	(24.2)
Gain (loss) on sale of repurchased Ginnie Mae loans (1)	(0.4)	(0.8)
Change in fair value of loans held for sale	4.9	(2.5)
Gain on loans held for sale, at fair value	25.1	7.2
Gain (loss) on economic hedge derivative instruments	(21.5)	4.6
Change in fair value of IRLCs	8.9	(0.6)
Provision for representation and warranty obligations	(0.7)	(0.3)
	<u>\$ 11.8</u>	<u>\$ 10.9</u>

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

Note 5 - Reverse Mortgages

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

	March 31, 2025	December 31, 2024
Unpaid principal balance	\$ 10,361.5	\$ 10,699.5
Fair value adjustments	451.0	425.8
Total fair value	<u>\$ 10,812.5</u>	<u>\$ 11,125.3</u>

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

	March 31, 2025	December 31, 2024
HECM loans - securitized, pledged to HMBS-related borrowings (1)	\$ 10,676.0	\$ 10,950.8
New HECM loan originations and HECM loan tails (2) - unsecuritized	136.5	174.5
Total fair value	<u>\$ 10,812.5</u>	<u>\$ 11,125.3</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:

	Three Months Ended March 31,			
	2025		2024	
	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings
Beginning balance	\$ 11,125.3	\$ (10,872.1)	\$ 7,970.0	\$ (7,797.3)
Originations	277.1	—	250.3	—
Securitization of HECM loans accounted for as a financing	—	(309.1)	—	(247.4)
Additional proceeds from securitization of HECM loans and tails	—	(4.1)	—	(3.4)
Acquisition	—	—	—	—
Repayments (principal payments received)	(786.1)	777.1	(276.9)	272.1
Transfers to:				
Loans held for sale, at fair value	(3.1)	—	(1.0)	—
Receivables	(2.5)	—	(0.9)	—
REO (Other assets)	(0.2)	—	—	—
Other	—	—	—	—
Fair value gains (losses) included in earnings (1)	202.1	(179.4)	183.5	(169.0)
Ending balance	<u>\$ 10,812.5</u>	<u>\$ (10,587.6)</u>	<u>\$ 8,125.0</u>	<u>\$ (7,945.0)</u>

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

On November 1, 2024, we acquired certain reverse mortgage assets of MAM and investment funds managed by Waterfall Asset Management, LLC that own MAM (collectively “Waterfall”). The acquired assets were subserviced by PHH and included HECM reverse mortgage loans and mortgage servicing rights with a UPB of \$2.9 billion (which are reported on our consolidated balance sheet as Loans held for investment, at fair value along with HMBS-related borrowings, at fair value), \$20.0 million cash, and reverse mortgage buyouts, advances, tails and other related assets and liabilities. In consideration of the net acquired assets, Onity issued shares of a new series of preferred stock. Included in Other liabilities is the consideration for assets transferred with a UPB of \$14.2 million for which the final amount of consideration is subject to post-closing adjustment to be agreed upon by the parties and may be settled in the form of cash, additional preferred stock, other instrument, or a combination thereof.

The following table presents the Fair value gains (losses) on reverse loans held for investment and HMBS-related borrowings included in earnings:

	Three Months Ended March 31,	
	2025	2024
Fair value gains (losses) of Reverse loans held for investment	\$ 202.1	\$ 183.5
Fair value gains (losses) of HMBS related borrowings	(179.4)	(169.0)
Total fair value gains (losses) included in earnings	<u>\$ 22.7</u>	<u>\$ 14.5</u>

The following table presents the components of Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net:

Gain (Loss) on Reverse Loans Held for Investment and HMBS-related Borrowings, Net	Three Months Ended March 31,	
	2025	2024
Gain on new originations (1)	\$ 5.8	\$ 5.9
Net interest income (servicing fee) (2)	8.3	6.0
Other change in fair value of securitized loans held for investment and HMBS-related borrowings, net	8.6	2.6
Fair value gains (losses) included in earnings (3)	22.7	14.5
Loan fees and other	1.1	0.9
	<u>\$ 23.8</u>	<u>\$ 15.4</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 breakdown between Loans held for investment and HMBS-related borrowings in the table above.

Note 6 – Advances

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

	March 31, 2025	December 31, 2024
Principal and interest	\$ 145.2	\$ 150.1
Taxes and insurance	253.6	314.2
Foreclosures, bankruptcy, REO and other (1)	122.7	120.3
Total advances, before allowance for losses	521.5	584.6
Allowance for losses	(7.5)	(7.4)
Advances, net	<u>\$ 514.0</u>	<u>\$ 577.2</u>

- (1) No state represented a balance exceeding 5% of the total advances (based on the underlying property location of the related mortgage loans), except for the state of New York with \$31.2 million.

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

	March 31, 2025	December 31, 2024
GSE	\$ 64.6	\$ 94.0
Ginnie Mae	63.1	70.6
Non-Agency	386.3	412.6
Advances, net	<u>\$ 514.0</u>	<u>\$ 577.2</u>

The following table summarizes the activity in net advances:

	Three Months Ended March 31,	
	2025	2024
Beginning balance - before Allowance for Losses	\$ 584.6	\$ 686.1
New advances	200.0	199.4
Transfer from (to) Receivables	0.4	2.9
Transfer from (to) REO	0.7	—
Sales of advances	(0.3)	(1.0)
Acquisition of advances in connection with the purchase of MSR	2.5	—
Transfer to Loans held for sale (incl. capitalization upon Ginnie Mae modifications)	(4.8)	(2.1)
Collections of advances and other	(261.4)	(274.7)
Ending balance - before Allowance for Losses	<u>521.5</u>	<u>610.5</u>
Beginning balance - Allowance for Losses	(7.4)	\$ (7.3)
Provision expense	(2.1)	(2.9)
Net charge-offs and other	2.0	2.5
Ending balance - Allowance for Losses	<u>(7.5)</u>	<u>(7.7)</u>
Ending balance, net	<u>\$ 514.0</u>	<u>\$ 602.7</u>

Note 7 – Mortgage Servicing

The following table presents the composition of our MSR portfolio:

MSR UPB and Fair Value	March 31, 2025		December 31, 2024	
	Fair Value	UPB (\$ billions)	Fair Value	UPB (\$ billions)
Owned MSRs	\$ 1,956.1	\$ 137.8	\$ 1,869.6	\$ 129.8
Rithm and others transferred MSRs (1)	265.6	19.1	266.1	19.0
MAV transferred MSRs (1)	325.7	21.1	330.6	21.5
Total transferred MSR, subject to Pledged MSR liability, at fair value (1)	591.3	40.3	596.7	40.5
Total MSRs	<u>\$ 2,547.4</u>	<u>\$ 178.1</u>	<u>\$ 2,466.3</u>	<u>\$ 170.3</u>

(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	March 31, 2025		December 31, 2024	
	Fair Value	UPB (\$ billions)	Fair Value	UPB (\$ billions)
GSE	\$ 1,985.9	\$ 137.1	\$ 1,902.5	\$ 129.3
Ginnie Mae	354.7	19.9	351.6	19.4
Non-Agency	206.8	21.1	212.2	21.6
Total MSRs	<u>\$ 2,547.4</u>	<u>\$ 178.1</u>	<u>\$ 2,466.3</u>	<u>\$ 170.3</u>

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

Delinquent loans	March 31, 2025				December 31, 2024			
	GSE	Ginnie Mae	Non - Agency	Total	GSE	Ginnie Mae	Non - Agency	Total
30 days	1.2 %	4.7 %	8.2 %	3.0 %	1.0 %	5.4 %	8.4 %	3.1 %
60 days	0.2	1.4	2.6	0.8	0.2	1.8	3.4	1.1
90 days or more	0.5	4.0	6.5	2.1	0.5	4.5	6.9	2.3
Total 30-60-90 days or more	1.8 %	10.1 %	17.3 %	5.9 %	1.8 %	11.8 %	18.7 %	6.5 %

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

Mortgage Servicing Rights – At Fair Value	Three Months Ended March 31,	
	2025	2024
Beginning balance	\$ 2,466.3	\$ 2,272.2
Sales	0.1	—
Additions:		
Recognized on the sale of residential mortgage loans	60.5	34.7
Purchases of MSRs	98.3	27.0
Servicing transfers and adjustments	—	(1.3)
Net additions (sales)	158.9	60.4
Changes in fair value recognized in earnings:		
Changes in valuation inputs or assumptions	(19.6)	101.8
Realization of cash flows	(58.2)	(59.8)
Fair value gains (losses) recognized in earnings	(77.8)	42.0
Ending balance	\$ 2,547.4	\$ 2,374.7

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

Servicing Revenue	Three Months Ended March 31,	
	2025	2024
Loan servicing and subservicing fees		
Servicing fee	\$ 97.6	\$ 90.4
Subservicing fee	24.6	27.5
MAV - Subservicing fee	1.5	2.0
MAV - Servicing fee / Transferred MSR (1)	13.5	18.0
Rithm and Others - Servicing fee / Transferred MSR (1)	18.9	18.6
	<u>156.0</u>	<u>156.6</u>
Ancillary income		
Custodial accounts (float earnings)	27.1	27.2
Late charges	9.7	8.0
Reverse subservicing ancillary fees	3.8	6.7
Other	6.6	6.0
	<u>47.3</u>	<u>48.0</u>
Total Servicing and subservicing fees	<u>\$ 203.3</u>	<u>\$ 204.5</u>
Owned MSR and Subservicing	\$ 167.4	\$ 164.3
Transferred MSR (1) (2)	35.9	40.2

(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 \$3.5 million and \$3.6 million for the three months ended March 31, 2025 and 2024, respectively, of ancillary income associated with transferred MSRs that do not achieve sale accounting.

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 \$2.30 billion and \$2.04 billion at March 31, 2025 and December 31, 2024, 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	
			March 31, 2025	December 31, 2024
MSR transfers not qualifying for sale accounting (1):				
Pledged MSR liability, at fair value - MAV	MSRs	(1)	\$ 317.2	\$ 322.7
Rights to MSRs Agreements, at fair value - Rithm	MSRs	(1)	112.2	115.1
Pledged MSR liability, at fair value - Others	MSRs	(1)	149.7	145.8
Total Pledged MSR liability, at fair value			579.1	583.5
ESS financing liability, at fair value (2)	MSRs	(2)	256.4	263.3
Total Other financing liabilities, at fair value			\$ 835.5	\$ 846.9

- (1) MSRs transferred in transactions which do not qualify for sale accounting treatment. 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. The fair value of the Pledged MSR liability may differ from the fair value of the associated transferred MSR asset mostly due to the portion of ancillary income that is contractually retained by PHH or other contractual cash flows.
- (2) Consists of the obligation to remit to third parties 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 - See Note 9 – MSR Valuation Adjustments, Net.

The following table presents the activity of the Other financing liabilities, at fair value that are classified as Level 3 within the valuation hierarchy.

Pledged MSR liability and ESS financing liability	Three Months Ended March 31,	
	2025	2024
Beginning balance	\$ 846.9	\$ 894.4
MSR transfers		
MSR transfers to MAV	—	0.2
MSR transfers to Rithm and others	6.7	6.8
Total MSR transfers	6.7	7.0
Derecognition of financing liability	—	—
Fair value (gain) loss		
Changes in fair value due to inputs and assumptions	(1.0)	19.8
Realization of expected cash flows	(17.0)	(19.9)
Total fair value (gain) loss	(18.0)	(0.1)
Ending balance	\$ 835.5	\$ 901.3

The following table presents the Pledged MSR liability expense recorded in connection with the MSR sale agreements with MAV, Rithm, and others that do not qualify for sale accounting, including the ESS financing liabilities.

	Three Months Ended March 31,					
	2025			2024		
	Rithm and Others	MAV	Total	Rithm and Others	MAV	Total
Servicing fees collected on behalf of MAV, Rithm and others	\$ 18.9	\$ 13.5	\$ 32.4	\$ 18.6	\$ 18.0	\$ 36.6
Less: Subservicing fee retained by Onity	(4.0)	(1.9)	(5.9)	(4.6)	(2.5)	(7.1)
Ancillary fee/income and other settlement (including expense reimbursement)	2.4	(0.1)	2.3	2.4	(0.1)	2.3
Transferred MSR net servicing fee remittance	\$ 17.3	\$ 11.5	28.8	\$ 16.5	\$ 15.3	31.8
ESS servicing spread remittance			13.1			13.1
Pledged MSR liability expense			\$ 41.9			\$ 44.9

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, for which PHH has been retained as servicer. As of March 31, 2025, all transactions met sale accounting treatment except for the agreement to sell a \$8.9 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 \$112.2 million MSR and an associated Pledged MSR liability on our consolidated balance sheet (the remaining is treated as subservicing).

The RMSR agreement and subservicing agreements are subject to automatic one-year renewals, unless Onity provides seven months' advance notice of termination, or Rithm provides three months' advance notice of termination. In November 2024, Onity and Rithm agreed to extend the subservicing agreements through February 1, 2026 with subsequent, automatic one-year renewals if notice of termination is not provided by July 1, 2025 by Onity or November 1, 2025 by Rithm.

If Rithm exercises its termination right of the \$8.9 billion RMSR agreement, 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 servicer. 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 (also refer to Note 7 – Mortgage Servicing and Note 8 — Other Financing Liabilities, at Fair Value):

- (i) the fair value changes of the total MSR portfolio (Total MSRs) recorded on our consolidated balance sheets (\$2.5 billion fair value asset at March 31, 2025). 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 (\$579.1 million fair value liability at March 31, 2025);
- (iii) the fair value changes of the ESS financing liabilities for which we elected the fair value option (\$256.4 million fair value liability at March 31, 2025); and
- (iv) the fair value changes of the derivative instruments economically hedging the MSR exposure.

	Three Months Ended March 31,	
	2025	2024
Total MSRs	\$ (77.8)	\$ 42.0
Pledged MSR liabilities (1)	11.1	4.7
ESS financing liabilities	7.0	(4.5)
Derivative fair value gain (loss) (MSR economic hedges) (2)	20.8	(53.7)
MSR valuation adjustments, net	\$ (38.9)	\$ (11.6)
Total changes in fair value due to realization of expected cash flows, net	\$ (41.1)	\$ (39.9)
Total changes in fair value due to rates and assumptions (3)	2.2	28.3

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

(2) Also refer to Note 16 – Derivative Financial Instruments and Hedging Activities.

(3) Including MSR hedging derivative gains (losses); excludes reverse mortgage exposure (see below).

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 16 – Derivative Financial Instruments and Hedging Activities), and are separately presented as Gain on reverse loans held for investment and HMBS-related borrowings, net (Other change in fair value of securitized loans held for investment and HMBS-related borrowings, net) within our consolidated statements of operations (refer to Note 5 - Reverse Mortgages).

Note 10 – Receivables

	March 31, 2025	December 31, 2024
Servicing-related receivables:		
Government-insured loan claims - Reverse	\$ 126.6	\$ 83.3
Government-insured loan claims - Forward	29.5	31.5
Due from custodial accounts	24.0	12.1
Subservicing fees and reimbursable expenses	16.4	16.4
Receivable from sale of MSR's (holdback)	5.0	9.7
Subservicing fees, reimbursable expenses and other - Due from MAV	0.6	2.1
Other	7.0	7.2
	<u>209.3</u>	<u>162.4</u>
Income taxes receivable (1)	28.3	28.2
Other receivables	4.0	4.0
	<u>241.5</u>	<u>194.6</u>
Allowance for losses	(19.2)	(18.1)
	<u>\$ 222.3</u>	<u>\$ 176.4</u>

(1) Includes \$26.9 million and \$26.6 million at March 31, 2025 and December 31, 2024, 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 March 31,	
	2025	2024
Allowance for Losses		
Beginning balance	\$ 18.1	\$ 25.1
Provision	2.6	4.0
Charge-offs and other, net	(1.6)	(6.4)
Ending balance	<u>\$ 19.2</u>	<u>\$ 22.7</u>

At March 31, 2025 and December 31, 2024, the allowance for losses related to FHA-, VA- or USDA insured loans repurchased from Ginnie Mae guaranteed securitizations (government-insured claims) was \$18.2 million and \$17.2 million, respectively.

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

Oaktree Capital Management L.P. and certain affiliates, including managed investment funds and accounts (collectively Oaktree), MAV Canopy and MAV are deemed related parties to Onity. Oaktree invested shares and warrants of our common stock and has two non-voting observers to our Board of Directors for as long as Oaktree owns at least 15.0% of all issued and outstanding common stock of Onity (assuming the exercise of warrants in full).

In November 2024, Onity sold to Oaktree its 15% investment in MAV Canopy. Through the date of sale of our ownership interest, we accounted for our investment in MAV Canopy under the equity method.

Subservicing Agreement with MAV

As of March 31, 2025, PHH subserviced a total of \$40.5 billion UPB on behalf of MAV, of which \$21.1 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 \$325.7 million MSR and \$317.2 million Pledged MSR liability - see Note 8 — Other Financing Liabilities, at Fair Value.

Joint Marketing Agreement and Recapture Agreement with MAV

PHH is entitled to the exclusive right to solicit and refinance borrowers with loans underlying the MSR owned by MAV, and is obligated to transfer to MAV the MSR associated with the loans so originated for no cash consideration. During the three months ended March 31, 2025 and 2024, PHH transferred MSRs with a UPB of \$25.8 million and \$18.0 million, respectively, under this agreement.

MAV MSR Sale Agreements and Right of First Offer

During the three months ended March 31, 2025 and 2024, pursuant to different MSR sale agreements, PHH did not transfer any MSRs to MAV.

Note 12 – Other Assets

	March 31, 2025	December 31, 2024
REO (\$42.6 and \$39.4 related to VIEs)	\$ 48.4	\$ 43.9
Prepaid expenses (including prepaid lender fees)	25.1	26.1
Derivatives, at fair value	15.6	15.4
Prepaid representation, warranty and indemnification claims - Agency MSR sale	5.0	5.0
Deferred tax assets, net	3.8	3.2
Intangible assets, net (net of accumulated amortization of \$13.3 million and \$13.1 million)	3.1	3.3
Derivative margin deposit	0.8	7.4
Other	4.3	6.8
	<u>\$ 106.0</u>	<u>\$ 111.3</u>

Note 13 – Borrowings

Advance Match Funded Liabilities

Borrowing Type	Expected Repayment Date (1)	Remaining Borrowing Capacity		Outstanding Balance	
		Uncommitted	Committed	March 31, 2025	December 31, 2024
\$500 million Ocwen Master Advance Receivables Trust (OMART) - Advance Receivables Backed Notes - Series 2015-VF5 (2)	August 2025	\$ 50.0	\$ 132.0	\$ 318.0	\$ 328.7
\$200 million Ocwen GSE Advance Funding (OGAF) - Advance Receivables Backed Notes, Series 2015-VF1 (2)	August 2025	—	141.1	58.9	87.8
\$14.4 million EBO Advance facility (3)	May 2026	13.8	—	0.6	0.6
Total Advance match funded liabilities		<u>\$ 63.8</u>	<u>\$ 273.1</u>	<u>\$ 377.5</u>	<u>\$ 417.1</u>
Weighted average interest rate (4)				7.26 %	7.25 %

- (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 March 31, 2025, none of the remaining borrowing capacity of the OMART and OGAF advance financing notes could be used based on the amount of eligible collateral.
- (3) At March 31, 2025, none of the remaining 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 March 31, 2025 and December 31, 2024, the balance of unamortized prepaid lender fees was \$1.2 million and \$2.1 million, respectively, and are included in Other assets in our consolidated balance sheets.

Mortgage Loan Financing Facilities			Remaining Borrowing Capacity		Outstanding Balance	
Borrowing Type	Collateral	Maturity	Uncommitted	Committed (1)	March 31, 2025	December 31, 2024
<i>Total mortgage warehouse facilities (2)</i>	Loans held for sale (LHFS), Loans Held for Investment (LHFI), Servicing Advances, Receivables and REO	May 2025-October 2026	1,214.4	216.9	1,124.9	1,046.3
<i>Securitization Notes:</i>						
OLIT Asset-Backed Notes, Series 2023-HB1 (3)	Reverse LHFS, Receivables and REO	June 2036	—	—	101.2	107.3
OLIT Asset-Backed Notes, Series 2024-HB1 (3)	Reverse LHFS, Receivables and REO	February 2037	—	—	148.8	160.9
OLIT Asset-Backed Notes, Series 2024-HB2 (3)	Reverse LHFS, Receivables and REO	August 2037	—	—	232.3	249.1
Total reverse mortgage securitization notes			—	—	482.3	517.3
Total Mortgage loan financing facilities			\$ 1,214.4	\$ 216.9	1,607.2	1,563.6
Unamortized discount and debt issuance costs - OLIT Notes					(29.9)	(35.4)
Total Mortgage loan financing facilities, net					\$ 1,577.4	\$ 1,528.2
Weighted average interest rate (4)					5.40 %	5.46 %

- (1) Of the borrowing capacity on mortgage loan financing facilities extended on a committed basis, none of the remaining borrowing capacity could be used at March 31, 2025 based on the amount of eligible collateral that could be pledged on a committed basis.
- (2) We use mortgage loan repurchase agreements, participation agreements and other warehouse facilities with various financial institutions to fund newly-originated or purchased loans on a short-term basis until they are sold or securitized to secondary market investors, and to fund repurchases of certain Ginnie Mae forward loans, HECM loans and other types of loans or mortgage related assets. Our warehouse facilities generally have maximum terms of 364 days, and have typically been, and are expected to be renewed, replaced or extended annually.
- (3) 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 3-year call date of June 2026, February 2027 and August 2027, respectively. We have the option to redeem the notes at any time prior to the mandatory call date, at a 1% premium for a specified period of time after issuance (generally one year) and at par value thereafter. 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.
- (4) The weighted average interest rate excludes the effect of the amortization of discount, debt issuance costs, and prepaid lender fees. At March 31, 2025 and December 31, 2024, unamortized prepaid lender fees were \$1.1 million and \$1.0 million, respectively, and are included in Other assets in our consolidated balance sheets. At March 31, 2025 and December 31, 2024, 1-Month (1M) Term Secured Overnight Financing Rate (SOFR) was 4.32% and 4.33%, respectively.

MSR Financing Facilities	Borrowing Type	Collateral	Maturity	Remaining Borrowing Capacity		Outstanding Balance	
				Uncommitted	Committed (1)	March 31, 2025	December 31, 2024
\$250 million GSE MSR financing facility (2)		MSRs	June 2025	\$ —	\$ 3.1	\$ 246.9	\$ 249.5
\$650 million GSE MSR financing facility (3)		MSRs	September 2025	—	95.2	554.8	415.1
\$300 million Ginnie Mae MSR financing facility (4)		MSRs, Advances	February 2026	54.1	—	245.9	244.7
\$70 million PLS MSR financing facility (5)		MSRs	February 2026	3.6	—	66.4	—
Secured Notes, Owen Asset Servicing Income Series Notes, Series 2014-1		MSRs	February 2028	—	—	21.9	23.1
Ocwen Excess Spread-Collateralized Notes, Series 2022-PLS1 (6)		MSRs	February 2025	—	—	—	25.6
Total MSR financing facilities				<u>\$ 57.7</u>	<u>\$ 98.2</u>	<u>1,136.0</u>	<u>958.0</u>
Unamortized debt issuance costs - PLS facilities (7)						—	(0.1)
Total MSR financing facilities, net						<u>\$ 1,136.0</u>	<u>\$ 957.9</u>
Weighted average interest rate (7)						7.27%	7.18%

- Of the borrowing capacity on MSR financing facilities extended on a committed basis, \$27.0 million of the remaining borrowing capacity could be used at March 31, 2025 based on the amount of eligible collateral that could be pledged on a committed basis.
- This facility is secured by a lien on certain of PHH's Agency MSRs and is subject to daily margining requirements. In February 2025, the borrowing capacity was reduced to \$250.0 million from \$400.0 million and the maturity date was modified to June 30, 2025.
- 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 January 2025, the borrowing capacity was increased to \$650.0 million from \$500.0 million.
- 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 February 2025, the maturity date was extended to February 25, 2026.
- The final payment on the PLS Notes (see (6) below) was made from proceeds received on this new \$70.0 million repurchase agreement entered into in February 2025 with a maturity date of February 25, 2026, pursuant to which PHH sold the membership interest certificate representing 100% of the limited liability company interests in PLS Issuer and 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 secured by a lien on the related PLS MSRs. See Note 2 – Securitizations and Variable Interest Entities for additional information.
- The single class PLS Notes were an amortizing debt instrument with an original principal amount of \$75.0 million and a fixed interest rate of 5.114%. The PLS Notes were issued by a trust (PLS Issuer) that is included in our consolidated financial statements, and PLS Issuer's obligations under the facility were secured by a lien on the related PLS MSRs. Onity guaranteed the obligations of PLS Issuer under the facility. The final principal payment was made on the due date in February 2025. See Note 2 – Securitizations and Variable Interest Entities for additional information.
- Weighted average interest rate excludes the effect of the amortization of debt issuance costs and prepaid lender fees. At March 31, 2025 and December 31, 2024, unamortized prepaid lender fees related to revolving-type MSR financing facilities were \$3.0 million and \$2.1 million, respectively, and are included in Other assets in our consolidated balance sheets.

Senior Notes	Interest Rate (1)	Maturity	Outstanding Balance	
			March 31, 2025	December 31, 2024
Senior Notes Due 2029	9.875%	November 2029	\$ 500.0	\$ 500.0
Less:				
Unamortized discount and debt issuance costs			(12.0)	(12.6)
Senior notes, net			<u>\$ 488.0</u>	<u>\$ 487.4</u>

- Excludes the effect of the amortization of debt issuance costs and discount.

On November 6, 2024, PHH Corporation issued \$500.0 million aggregate principal amount of 9.875% Senior Notes due November 1, 2029 (Senior Notes Due 2029) at a price of 99.556% of the principal amount in a syndicated private placement. Interest on the Senior Notes is payable semi-annually in arrears on May 1 and November 1 of each year, beginning on May 1, 2025, and principal is due at maturity. The Senior Notes are guaranteed by Onity and certain wholly-owned subsidiaries including PMC (collectively “restricted subsidiaries”). The Senior Notes are secured by the equity interests of the restricted subsidiaries and any Available Cash in excess of Agency Requirements, as defined.

On or after November 1, 2026, PHH Corporation may redeem some or all of the Senior Notes at its option at the following redemption prices, plus accrued and unpaid interest:

Redemption Year (12-month period beginning on November 1st of the years indicated below)	Redemption Price
2026	104.938 %
2027	102.469
2028 and thereafter	100.000

Prior to November 1, 2026, PHH Corporation may redeem some or all of the Senior Notes at its option at a redemption price equal to 100% of the principal amount of the Notes being redeemed with a “make-whole” premium, as defined, plus accrued and unpaid interest. In addition, prior to November 1, 2026, PHH Corporation may redeem up to 40% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings by Onity at the redemption price equal to 109.875% of the principal amount plus accrued and unpaid interest.

The Indenture contains customary covenants for debt securities of this type that limit the ability of PHH Corporation, Onity and its restricted subsidiaries to, among other things, (i) incur or guarantee additional Indebtedness, as defined, (ii) incur liens, (iii) pay dividends on or make distributions or make other restricted payments, (iv) make investments, (v) consolidate, merge, sell or otherwise dispose of certain assets, and (vi) enter into transactions with certain affiliates.

Credit Ratings

On October 21, 2024, Moody’s assigned a Caa1 rating to the \$500 million PHH Corporation Senior Notes due in 2029 . 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 \$500 million PHH Corporation Senior Notes due in 2029 . 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 March 31, 2025, 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 March 31, 2025, excluding additional Agency minimum requirements, is a minimum of \$275.0 million and \$200.0 million, tangible net worth for Onity and PHH, respectively. The most restrictive liquidity requirement under our debt agreements with borrowings outstanding at March 31, 2025, excluding additional Agency minimum requirements, is for a minimum of \$75.0 million and \$65.0 million for Onity and PHH, respectively. 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 21 – 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 pledged as collateral for secured borrowings are as follows at March 31, 2025. Assets may also be subject to other liens or restrictions under various agreements.

	Assets	Pledged Assets	Collateralized Financings (8)	Liability Categories
Cash (1)	\$ 178.0	\$ —	\$ —	n/a (1)
Restricted cash (2)	58.9	31.7	—	Multiple
Owned MSRs, excluding ESS (3)(5)	1,620.1	1,629.9	1,092.8	MSR financing facilities
Transferred MSRs, including ESS (4)	927.3	927.3	835.5	Other financing liabilities
Advances, net (5)	514.0	489.2	420.6	Advance match funded liabilities and MSR financing facilities
Loans held for sale	1,402.2	1,381.2	1,365.7	Mortgage loan financing facilities
Loans held for investment - securitized (6)	10,676.0	10,676.0	10,587.6	HMBS related borrowings
Loans held for investment - unsecuritized	136.5	81.0	72.2	Mortgage loan financing facilities
Receivables, net	222.3	161.3	118.5	Mortgage loan financing facilities
REO (Other assets)	48.4	45.9	50.8	Mortgage loan financing facilities
Total (7)	\$ 15,783.7	\$ 15,423.4	\$ 14,543.8	

(1) Includes \$147.3 million Available Cash held by Regulated Subsidiary Guarantors, as defined, pursuant to the Senior Notes Due 2029.

(2) Pledged assets primarily include amounts specifically designated to repay debt and to provide over-collateralization for MSR financing facilities, mortgage loan financing facilities and match funded debt facilities (debt service accounts).

(3) 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) Includes MSRs transferred to MAV, Rithm and others, and ESS pledged MSRs that are accounted for as secured financings.

(5) \$43.1 million drawn under the \$300.0 million Ginnie Mae MSR financing facility is used to finance Ginnie Mae related advances.

(6) 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.

(7) 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.

(8) Amounts represent UPB and fair value for borrowings accounted for at amortized cost and fair value, respectively.

Note 14 – Other Liabilities

	March 31, 2025	December 31, 2024
Checks held for escheat	\$ 56.4	\$ 54.1
Servicing-related obligations	56.4	65.1
Other accrued expenses	47.0	79.6
Due to Rithm - Advance collections and servicing fees	39.1	63.4
Accrued interest payable	29.6	13.4
Liability for indemnification obligations	27.8	30.5
Accrued legal fees and settlements	27.3	16.0
MSR purchase price holdback	11.2	11.0
Lease liability	8.8	9.0
Mortgage insurance premium payable	7.4	7.5
Liability for unfunded pension obligation and gratuity plans	7.9	7.4
Derivatives, at fair value	6.3	27.6
Derivative related payables	5.6	15.2
Excess servicing fee spread payable	1.9	2.2
Income taxes payable	1.3	1.0
Liability for uncertain tax positions (1)	—	13.3
Other	6.1	4.2
	<u>\$ 340.0</u>	<u>\$ 420.6</u>

(1) See Note 18 - Income Taxes

Note 15 – Stockholders' Equity

In 2021, in connection with certain transactions with Oaktree (see Note 11 - Investment in Equity Method Investee and Related Party Transactions), we issued to Oaktree warrants to purchase 1,184,768 and 261,248 shares of our common stock at a price per share of \$26.82 and \$24.31, that may be exercised at any time through March 4, 2027 and May 3, 2025, respectively, in cash or pursuant to a cashless exercise, as defined. The warrants were reported within Stockholders' Equity with an aggregated \$20.8 million allocated fair value.

On October 23, 2024, 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 (cashless exercise). The amendment did not result in any change in the accounting or equity presentation of the warrants.

On February 13, 2025, Oaktree exercised its right to purchase 261,248 shares of our common stock in a net share settlement, at the exercise price of \$24.31 per share, entitling Oaktree to an estimated 92,788 shares of common stock based on the trailing average stock price, as defined. Pursuant to the warrant agreement, as amended, Onity elected to settle in cash the exercise of the warrants, resulting in a \$3.5 million cash payment to Oaktree and an equal reduction of Stockholders' Equity. The warrant exercise did not result in any change to the number of issued and outstanding shares of common stock.

Note 16 – 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 three months ended March 31, 2025 and 2024.

	March 31, 2025			December 31, 2024		
	Maturities	Notional	Fair value	Maturities	Notional	Fair value
Derivative Assets (Other assets)						
Forward sales of Reverse loans	N/A	\$ —	\$ —	January 2025	\$ 60.0	\$ 0.4
Forward loans IRLCs	April 2025 - August 2025	1,593.0	8.2	N/A	—	—
Reverse loans IRLCs	May 2025 - July 2025	38.3	1.2	February 2025	25.6	0.2
TBA forward MBS trades	April 2025 - June 2025	1,081.0	3.0	January - March 2025	1,391.1	10.0
Forward sales of Forward loans	April 2025	0.5	—	January 2025	215.0	1.5
Interest rate swap futures	June 2025	950.0	3.1	March 2025	225.0	3.2
Total		<u>\$ 3,662.9</u>	<u>\$ 15.6</u>		<u>\$ 1,916.6</u>	<u>\$ 15.4</u>
Derivative Liabilities (Other liabilities)						
Forward loans IRLCs	N/A	\$ —	\$ —	January - May 2025	\$ 1,311.6	\$ (0.7)
Forward sales of Reverse loans	April 2025 - May 2025	65.0	(0.2)	NA	—	—
TBA forward MBS trades	April 2025 - June 2025	1,511.9	(5.8)	January - February 2025	789.0	(5.0)
Forward sales of Forward loans	April 2025	164.0	(0.1)	N/A	—	—
Interest rate swap futures	June 2025	100.0	(0.2)	March 2025	875.0	(21.9)
Total		<u>\$ 1,840.9</u>	<u>\$ (6.3)</u>		<u>\$ 2,975.6</u>	<u>\$ (27.6)</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 March 31,		Financial Statement Line
	2025	2024	
Derivative Instruments			
Forward loans IRLCs	\$ 8.9	\$ (0.6)	Gain on loans held for sale, net
Reverse loans IRLCs	1.0	—	Gain on reverse loans held for investment and HMBS-related borrowings, net
Forward trades (economically hedging forward pipeline trades and EBO pipeline)	(1.7)	(0.3)	Gain on loans held for sale, net (Economic hedge)
TBA trades (economically hedging forward pipeline trades and EBO pipeline)	(19.9)	4.9	Gain on loans held for sale, net (Economic hedge)
Interest rate swap futures, TBA trades and interest rate option contracts	20.8	(53.7)	MSR valuation adjustments, net
Forward sales of Reverse loans	(0.6)	0.3	Gain on reverse loans held for investment and HMBS-related borrowings, net
Total	<u>\$ 8.6</u>	<u>\$ (49.3)</u>	

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 and reverse mortgage buyouts, 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 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 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. 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 20 – 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, to preserve 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 17 – Interest Expense

	Three Months Ended March 31,	
	2025	2024
Mortgage loan financing facilities	\$ 26.1	\$ 18.7
MSR financing facilities	18.6	17.9
Senior Notes Due 2029	12.8	—
Advance match funded liabilities	7.9	10.4
Onity Senior Secured Notes (1)	—	11.2
PMC Senior Secured Notes	—	7.4
Escrow	1.7	1.8
	<u>\$ 67.0</u>	<u>\$ 67.4</u>

(1) Notes issued to Oaktree affiliates, inclusive of amortization of debt issuance costs and discount of nil and \$2.7 million for the three months ended March 31, 2025 and 2024, respectively.

Note 18 - Income Taxes

	Three Months Ended March 31,	
	2025	2024
Income tax expense (benefit)	\$ (13.0)	\$ 1.7
Income before income taxes	\$ 9.1	\$ 31.8
Effective tax rate	(142.9)%	5.2 %

The \$13.0 million income tax benefit for the three months ended March 31, 2025 includes the recognition of a \$13.3 million benefit due to the favorable resolution of a prior-year uncertain tax position during the period.

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 (\$179.8 million as of December 31, 2024). The realization of deferred tax assets is dependent on our ability to generate sufficient future taxable income. We conduct periodic evaluations of positive and negative evidence to determine whether it is more likely than not that the deferred tax asset can be realized in future periods. In these evaluations, we give more significant weight to objective evidence, such as our actual financial condition and historical results of operations, as compared to subjective evidence, such as projections of future taxable income or losses. Other factors considered in these evaluations are future reversals of temporary differences, tax character and the impact of tax planning strategies that may be implemented, if warranted. We determined that a full valuation allowance at March 31, 2025 remained appropriate.

We believe it is reasonably possible that by December 31, 2025, we could release some or all of our valuation allowance that currently offsets our net U.S. deferred tax asset. The accounting guidance (ASC 740, Income Taxes) states that “a cumulative loss in recent years is a significant piece of negative evidence that is difficult to overcome”. We believe it is reasonably possible that by December 31, 2025, we would have transitioned from a cumulative loss in recent years to cumulative income as a result of Onity improving its earnings in the more recent years. Any release of our valuation allowance requires significant judgment and is contingent on continued analysis of the positive and negative evidence and actual and expected future profitability. As such, the exact timing and amount of any valuation allowance release is subject to change. We will continue to maintain a full valuation allowance on our U.S. net deferred tax asset until there is sufficient positive evidence to support the reversal of all or some portion of this allowance. Release of the valuation allowance would result in an increase to Deferred tax assets, net on our consolidated balance sheet, and a corresponding non-cash decrease to income tax expense (thus an increase to net income and stockholders’ equity).

Note 19 – 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 common stockholders by the weighted average number of shares of common stock outstanding during the period. We calculate diluted earnings or loss per share by dividing net income or loss attributable to common stockholders by the weighted average number of shares of common stock outstanding including the potential dilutive shares of common stock related to outstanding restricted stock awards, stock options and warrants as determined using the treasury stock method.

	Three Months Ended March 31,	
	2025	2024
Basic earnings per share		
Net income attributable to common stockholders	\$ 21.1	\$ 30.1
Weighted average shares of common stock outstanding	7,873,989	7,711,534
Basic earnings per share	\$ 2.68	\$ 3.91
Diluted earnings per share		
Net income attributable to common stockholders	\$ 21.1	\$ 30.1
Weighted average shares of common stock outstanding	7,873,989	7,711,534
Effect of dilutive elements		
Common stock warrants	224,557	68,584
Stock option awards	36	—
Common stock awards	338,292	266,070
Dilutive weighted average shares of common stock	8,436,874	8,046,188
Diluted earnings per share	\$ 2.50	\$ 3.74
Stock options and common stock awards excluded from the computation of diluted earnings per share		
Anti-dilutive (1)	21,659	31,944
Market-based (2)	41,520	188,344

(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 20 – Business Segment Reporting

Our business segments reflect the internal reporting that our Chief Executive Officer, whom we have determined to be our Chief Operating Decision Maker (CODM), uses to evaluate our operating and financial performance and to assess the allocation of our resources. The CODM uses pre-tax income calculated both on a GAAP basis and on a managed or adjusted basis, as internally defined, to assess the segment performance and allocate resources. The segment information presented below is prepared under GAAP, consistent with the amounts included in our consolidated financial statements. Our current reportable business segments consist of Servicing, Originations, and Corporate.

Financial information for our segments prepared under GAAP is as follows:

Results of Operations	Three Months Ended March 31, 2025			
	Servicing	Originations	Corporate	Business Segments Consolidated
Servicing and subservicing fees	\$ 203.3	\$ —	\$ —	\$ 203.3
Gain on reverse loans held for investment and HMBS-related borrowings, net	16.9	6.9	—	23.8
Gain (loss) on loans held for sale, net	(3.8)	15.6	—	11.8
Other revenue, net	4.8	6.2	—	10.9
Revenue	221.2	28.6	—	249.8
MSR valuation adjustments, net	(41.9)	3.0	—	(38.9)
Operating expenses				
Compensation and benefits	23.1	12.4	21.9	57.4
Servicing and origination	11.7	1.1	0.2	13.0
Technology and communications	7.4	2.1	5.5	15.0
Professional services	6.3	0.5	15.9	22.6
Occupancy, equipment and mailing	7.1	0.7	0.4	8.2
Corporate overhead allocations	12.4	3.9	(16.4)	—
Other expenses	0.5	1.5	1.6	3.6
Operating expenses	68.6	22.2	29.1	119.9
Other income (expense):				
Interest income	11.8	13.3	1.1	26.2
Interest expense	(47.9)	(12.7)	(6.4)	(67.0)
Pledged MSR liability expense	(41.9)	—	—	(41.9)
Other, net	0.5	(0.4)	0.8	0.9
Other income (expense), net	(77.5)	0.2	(4.5)	(81.9)
Income (loss) before income taxes	\$ 33.1	\$ 9.6	\$ (33.6)	\$ 9.1

Three Months Ended March 31, 2024

Results of Operations	Servicing	Originations	Corporate	Business Segments Consolidated
Servicing and subservicing fees	\$ 204.2	\$ 0.3	\$ —	204.5
Gain on reverse loans held for investment and HMBS-related borrowings, net	8.6	6.8	—	15.4
Gain on loans held for sale, net	1.8	9.1	—	10.9
Other revenue, net	4.5	3.8	—	8.3
Revenue	<u>219.1</u>	<u>20.0</u>	<u>—</u>	<u>239.1</u>
MSR valuation adjustments, net	(12.5)	0.9	—	(11.6)
Operating expenses				
Compensation and benefits	25.3	10.2	18.1	53.6
Servicing and origination	13.3	1.4	0.3	15.0
Technology and communications	6.1	1.7	4.9	12.7
Professional services	7.1	0.3	4.6	12.0
Occupancy, equipment and mailing	6.8	0.5	0.4	7.7
Corporate overhead allocations	10.9	3.9	(14.8)	—
Other expenses	1.1	1.0	1.3	3.4
Operating expenses	<u>70.6</u>	<u>19.0</u>	<u>14.8</u>	<u>104.4</u>
Other income (expense):				
Interest income	6.7	9.7	1.1	17.5
Interest expense	(45.8)	(10.4)	(11.2)	(67.4)
Pledged MSR liability expense	(44.9)	—	—	(44.8)
Gain on extinguishment of debt	—	—	1.4	1.4
Earnings of equity method investee	2.7	—	—	2.7
Other, net	(0.5)	(0.1)	—	(0.7)
Other income (expense), net	<u>(81.8)</u>	<u>(0.8)</u>	<u>(8.6)</u>	<u>(91.3)</u>
Income (loss) before income taxes	<u>\$ 54.2</u>	<u>\$ 1.1</u>	<u>\$ (23.4)</u>	<u>\$ 31.8</u>

Total Assets	Servicing	Originations	Corporate	Business Segments Consolidated
March 31, 2025	\$ 15,013.1	\$ 1,009.6	\$ 236.6	\$ 16,259.3
December 31, 2024	15,242.5	945.0	247.9	16,435.4

Note 21 – 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 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 is required to maintain a 6% minimum ratio of tangible net worth to total assets (leverage ratio) pursuant to Agency rules. As issuer of HMBS, we received an exemption to exclude securitized reverse mortgage loans held for investment pledged to HMBS (\$10.6 billion at March 31, 2025) from total assets in the computation of the leverage ratio due to the "lack of true sale accounting treatment of the HMBS Program" as per the Ginnie Mae guide.

We believe our licensed entities were in compliance with all of their minimum net worth and liquidity requirements at March 31, 2025. 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 \$513.6 million at March 31, 2025. PHH's adjusted net worth was \$639.5 million at March 31, 2025. 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 \$136.6 million at March 31, 2025. PHH's eligible liquidity, as defined, for licensing and seller/servicer obligations was \$217.8 million at March 31, 2025.

Ginnie Mae announced a new risk-based capital ratio (RBCR) effective on December 31, 2024 for Ginnie Mae issuers. Ginnie Mae issued a waiver extending the deadline by which PHH must meet the RBCR requirements to October 1, 2025. PHH will be required to maintain a minimum of 6% ratio of Adjusted Net Worth less Excess MSR, as defined, to risk weighted assets. Excess MSR is deducted from Adjusted Net Worth when the MSR portfolio exceeds 100% of the Adjusted Net Worth. Government and GSE conforming loans held-for-sale are risk weighted at 20%, other assets at 100% and MSR at 250%. HECM reverse mortgage loans held for investment are risk weighted at 0%. MSR values may be reduced by 10% to 50% depending on historical Hedge Efficacy ratio of fair value changes of MSR hedging derivatives and MSR fair value changes due to market and model changes (e.g., 50% MSR value reduction for 80-120% Hedge Efficacy). We are currently implementing certain actions intended to achieve compliance with the requirements. We intend to continue to operate our Ginnie Mae issuer and other activities through PHH which would be subject to the risk-based capital rules, and separately conduct certain GSE MSR investment activities through PHH Asset Services LLC (PAS), a wholly owned subsidiary of PHH Corporation and Onity. We have received all necessary licensing and regulatory approvals to operate PAS except for one state with whom discussions are ongoing.

New York Department of Financial Services (NY DFS). The NY DFS currently limits our ability to acquire MSR with respect to New York loans, so that Onity may not increase its aggregate portfolio of New York loans serviced or subserved by Onity by more than 2% per year. This restriction will remain in place until the NY DFS determines that Onity has developed a

satisfactory infrastructure to board sizable portfolios of MSRs. We believe we have complied with all terms required by the NY DFS.

Note 22 — Commitments

Servicer Advance Obligations

In the normal course of business as servicer or master servicer, we are required to advance loan principal and interest payments (P&I), property taxes and insurance premiums (T&I) on behalf of the borrower, if delinquent. We also advance legal fees, inspection, maintenance, and preservation costs (Corporate advances) 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. Advances made by us as primary servicer are generally recovered from the borrower or the mortgage loan investor. To the extent there are funds held for future distribution in the custodial accounts, generally we are permitted to borrow from these amounts if P&I advances are required. Advances are primarily recovered from the borrower via a cure of the delinquency, proceeds from sale of loan collateral, mortgage insurance proceeds, or the investor.

For PLS loans, generally, we may stop advancing for P&I once future advances are deemed non-recoverable from the anticipated net proceeds of the property, although we are generally obligated to continue T&I and Corporate advances until the loan delinquency is cured or until a completion of a foreclosure and sale of the REO.

For Ginnie Mae loans, we are required to make advances for the life of the loan without regard to whether we will be able to recover those payments from cure, liquidation proceeds, insurance proceeds, or late payments. We may stop advancing P&I by purchasing loans out of the pool when they are more than 90 days delinquent. We are also required to advance both T&I and Corporate advances until cure or liquidation.

For GSE loans, we are required to advance P&I until the borrower is 120 days delinquent for Fannie Mae loans, but advance only interest payments for the same length of delinquency for Freddie Mac loans. For Freddie Mac loans, servicers may submit claims for T&I and Corporate advances upon borrower resolution or liquidation. For Fannie Mae loans, we can submit reimbursement claims for certain T&I and Corporate advances after incurring the expense. T&I and Corporate advancing on GSE loans continues until the completion of the foreclosure sale.

As subservicer, we are required to make T&I and Corporate advances and in some cases P&I advances on behalf of servicers in accordance with the servicing agreements or guides. Servicers are generally required to reimburse us within 30 days of our advancing under the terms of the subservicing agreements. We are generally reimbursed by Rithm the same day we fund P&I advances, or within no more than three days for servicing advances and certain P&I advances under the Onity agreements.

Rithm is obligated to fund new servicing advances with respect to the MSRs underlying the Rights to MSRs (RMSR), pursuant to the servicing agreements. Rithm has the responsibility to fund advances for loans where they own the MSR, i.e., are the servicer of record. We are dependent upon Rithm for funding the servicing advance obligations for Rights to MSRs where we are the servicer of record. As the servicer of record, we are contractually required under our servicing agreements to make certain servicing advances even if Rithm does not perform its contractual obligations to fund those advances.

Unfunded Lending Commitments

We have originated floating-rate reverse mortgage loans under which the borrowers have additional borrowing capacity of \$3.0 billion at March 31, 2025. This additional borrowing capacity is available on a scheduled or unscheduled payment basis. During the three months ended March 31, 2025, we funded \$76.8 million out of the \$3.1 billion borrowing capacity as of December 31, 2024. We also had short-term commitments to lend \$1.6 billion and \$38.3 million in connection with our forward and reverse mortgage loan IRLCs, respectively, outstanding at March 31, 2025. 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 March 31, 2025.

Securitized HECM loans at less than 92% MCA	\$	8,774.3
Securitized HECM loans at equal to or greater than 92% and less than 95% MCA		605.6
Securitized HECM loans at equal to or greater than 95% MCA and less than 98% MCA		676.8
Total Securitized HECM loans UPB	\$	10,056.7

For the three months ended March 31, 2025 and 2024, we repurchased HECM loans from Ginnie Mae securitizations in the amount of \$156.9 million and \$41.9 million, respectively. Activity with regard to HMBS repurchases for the three months ended March 31, 2025 is as follows:

	Active (2)	Inactive	Total
Beginning balance	\$ 68.5	\$ 159.5	\$ 228.0
Additions	103.0	53.9	156.9
Recoveries, net (1)	(68.2)	(8.7)	(76.9)
Transfers	4.9	(4.9)	—
Changes in value	0.2	(4.2)	(4.0)
Ending balance	\$ 108.5	\$ 195.6	\$ 304.1

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

(2) Excludes \$381.6 million UPB in loans directly assigned to HUD from the underlying Ginnie Mae securities without a cash repurchase from us.

Client Concentration

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

For the three months ended March 31, 2025, servicing and subservicing fees from Rithm amounted to \$22.2 million, or 14% of total servicing and subservicing fees (excluding ancillary income), and the related Rithm Pledged MSR liability expense amounted to \$9.0 million. As of March 31, 2025, Rithm represented \$34.7 billion, or 11% of the UPB and 21% of the loan count of our total servicing and subservicing portfolio, and approximately 58% of all delinquent loans that Onity services. Our subservicing agreements with Rithm provide for automatic one-year renewals, unless Onity or Rithm provide advance notice of termination. During the three months ended March 31, 2025 Rithm exercised their previously agreed right to transfer up to 15% of the mortgage loans to another servicer and transferred \$5.7 billion in UPB to its own servicing platform, with an additional \$1.9 billion in UPB expected to deboard in the second quarter of 2025.

If Rithm exercises its right to terminate the subservicing agreements for convenience by November 1, 2025 or 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 agreements. Also refer to Note 8 — Other Financing Liabilities, at Fair Value and Note 14 – Other Liabilities.

Note 23 – 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 FDCPA, 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 FDCPA 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 \$27.3 million at March 31, 2025. We cannot currently estimate the amount, if any, of reasonably possible losses above amounts that have been recorded at March 31, 2025.

As previously disclosed, we are subject to individual lawsuits relating to our FDCPA compliance and putative state law class actions based on the FDCPA 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 moved 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. On October 25, 2024, *Knapp v. PHH Mortg. Corp., et al.* (D. OR) was filed in state court in Oregon. We removed the matter to federal court in Oregon on November 27, 2024, and filed our motion to dismiss the complaint on December 11, 2024. In February 2025, *Smith-Fowler v. PHH Mortgage Corp.* (D.D.C) was filed in federal court in Washington, D.C. We are in the process of evaluating options to respond to the complaint. 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 Corporation 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 legal defenses against the claims. 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. Following additional proceedings, on March 19, 2025, the parties reached an agreement in principle to settle the litigation. We are in the process of negotiating a term sheet and long-form settlement agreement. Our current accrual with respect to this matter is included in the \$27.3 million legal and regulatory accrual referenced above. At this time, Onity is unable to predict the outcome of this lawsuit if the court does not approve the settlement. 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 plaintiff's sought. In October 2023, the parties reached a tentative settlement to resolve the lawsuit prior to trial. 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. On October 10, 2024, the Court entered an order approving the settlement.

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 was, however, impleaded as a third-party defendant into five consolidated loan repurchase cases first filed against Nomura Credit & Capital, Inc. in 2012 and 2013. We vigorously defended ourselves 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. Subsequent appeals by both parties were denied. In January 2025, the parties agreed to settle the five loan repurchase cases and each has now been dismissed with prejudice.

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.

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 related to borrower convenience fees and we recently resolved one such matter with HUD, which requires us to credit/refund consumers for convenience fees charged on FHA-insured loans since May 1, 2020. We have in the past resolved, and may in the future resolve, these or other 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 \$27.3 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 March 31, 2025 and March 31, 2024, we had outstanding representation and warranty repurchase demands of \$25.5 million UPB (96 loans) and \$25.3 million UPB (75 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:

	Three Months Ended March 31,	
	2025	2024
Beginning balance (1)	\$ 27.4	\$ 32.9
Provision for (reversal of) representation and warranty obligations	(1.4)	(0.3)
Provision for representation and warranty obligations - New production liability	0.7	0.3
Charge-offs and other (2)	(2.3)	1.8
Ending balance (1)	<u>\$ 24.5</u>	<u>\$ 34.7</u>

(1) The liability for representation and warranty obligations 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.

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 MSRs 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.

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. PHH 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 servicers 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 \$304.6 billion on behalf of more than 4,000 investors and 124 subservicing clients as of March 31, 2025. 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.

Volume Overview

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 first quarter of 2025, we added \$16.8 billion of new volume, with \$4.9 billion of subservicing additions, \$7.0 billion of new Originations production and \$4.9 billion bulk acquisitions, as further detailed in the below table.

\$ In billions

	UPB			\$ Change	
	Three Months Ended			Q1 2025 vs. Q4 2024	Q1 2025 vs. Q1 2024
	March 31, 2025	December 31, 2024	March 31, 2024		
Mortgage servicing originations					
Retail - Consumer Direct MSR (1)	\$ 0.3	\$ 0.4	\$ 0.1	\$ (0.1)	\$ 0.2
Correspondent MSR (1)	3.8	5.0	2.7	(1.2)	1.1
Flow and Agency Cash Window MSR purchases (2)	2.8	4.0	1.6	(1.2)	1.1
Reverse mortgage servicing (3)	0.2	0.2	0.2	—	—
Total Originations production	7.0	9.6	4.6	(2.6)	2.4
Bulk MSR purchases	4.9	8.3	0.8	(3.5)	4.1
Total servicing additions	11.9	17.9	5.4	(6.0)	6.5
Interim forward subservicing	2.2	2.2	1.7	—	0.5
Other new forward subservicing	2.7	4.8	16.1	(2.1)	(13.4)
Reverse subservicing	—	0.1	—	(0.1)	—
Total Subservicing additions (4)	4.9	7.2	17.8	(2.2)	(12.9)
Total servicing and subservicing UPB additions	\$ 16.8	\$ 25.1	\$ 23.2	\$ (8.3)	\$ (6.4)

- (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 loans for which the MSR is purchased.
- (3) 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.

(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.

The following table summarizes the average volume of our Servicing segment, on a current and comparative basis. The average servicing volume is a key driver of the profitability of our Servicing segment. 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 increased by \$4.8 billion or 1.6% during the first quarter of 2025 compared to prior quarter and increased by \$13.1 billion or 4.5% as compared to the prior year quarter, net of runoff.

\$ In billions

	Average UPB			\$ Change	
	Three Months Ended			Q1 2025 vs. Q4 2024	Q1 2025 vs. Q1 2024
	March 31, 2025	December 31, 2024	March 31, 2024		
Owned MSR	\$ 134.1	\$ 122.8	\$ 123.2	\$ 11.3	\$ 10.9
Subservicing (including reverse subservicing)	67.3	72.3	51.6	(5.0)	15.7
MAV	40.8	41.5	54.6	(0.7)	(13.8)
Rithm	39.4	41.7	44.6	(2.3)	(5.2)
Other MSR capital partners	10.0	9.6	8.5	0.4	1.5
Reverse mortgage loans (owned)	11.9	10.7	8.1	1.2	3.8
Other servicing (including whole loans)	0.9	1.0	0.7	(0.1)	0.2
Total servicing and subservicing UPB (average)	\$ 304.5	\$ 299.7	\$ 291.4	\$ 4.8	\$ 13.1

As of March 31, 2025 and December 31, 2024, the total servicing and subservicing UPB amounted to \$304.6 billion and \$301.7 billion, respectively, a net increase of \$3.0 billion or 1.0%.

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		
	March 31, 2025	December 31, 2024	March 31, 2024
30-year fixed rate mortgage (FRM) (1)			
Average	6.83%	6.59%	6.74%
End of period	6.65%	6.85%	6.79%
10-year Treasury rate (end of period)	4.23%	4.58%	4.20%
1-month Term SOFR (average)	4.32%	4.59%	5.33%

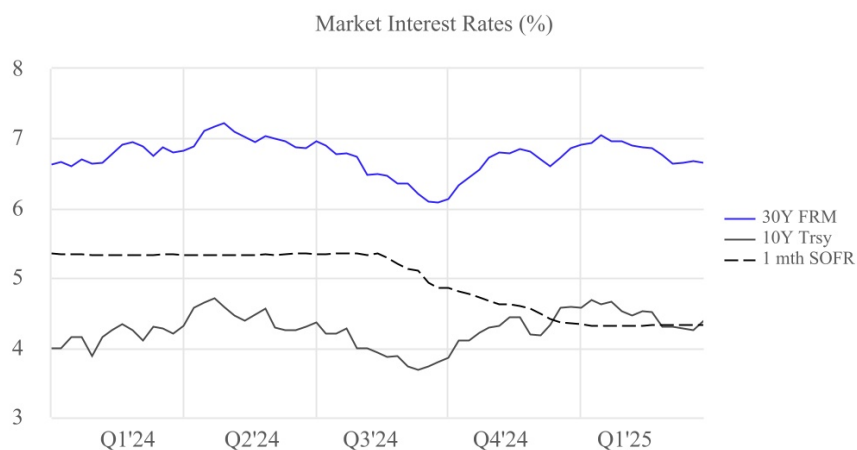
(1) Source: Freddie Mac PMMS - Primary Mortgage Market Survey

In the three months ended March 31, 2025, the average 30-year fixed rate mortgage rate increased 24 basis points (vs. the three months ended December 31, 2024), reducing borrower affordability and further contracting the origination market. When comparing the three months ended March 31, 2025 to the three months ended March 31, 2024, the average 30-year fixed rate mortgage rate was mostly flat (up 9 basis points).

In 2024, the Federal Reserve reduced its federal funds target rate a total of 1 percentage point between September and December 2024 (50-basis point reduction in September and two consecutive 25-basis point reductions in November and December). In the first quarter of 2025, the Federal Reserve kept the federal funds rate unchanged. The 1-month SOFR largely followed the Federal Reserve actions, as illustrated in the below graph, resulting in a 27-basis point decline in its quarterly average.

Despite the Federal Reserve actions, the 10-year Treasury rate remained mostly flat year over year in 2024 (up 3 basis points) but increased 77 basis points in the fourth quarter of 2024, and declined 35 basis points in the first quarter of 2025, driving MSR fair values down at March 31, 2025.

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



Financial Highlights

Results of operations for the first quarter of 2025

- Net income attributable to common stockholders of \$21 million, or \$2.68 per share basic and \$2.50 diluted
- Servicing and subservicing fee revenue of \$203.3 million
- Originations gain on sale of \$15.6 million
- \$2.2 million MSR valuation gain attributable to input and assumption changes, net of hedging

Financial condition at March 31, 2025

- Stockholders' equity of \$460.2 million, or \$57.66 book value per common share
- MSR investment of \$2.5 billion, and \$304.6 billion total servicing and subservicing UPB
- Cash position of \$178.0 million
- Total assets of \$16.3 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 expand higher margin products and origination channels to drive accretive MSR investments;
- **Industry-leading cost structure:** Achieve industry cost leadership through continuous cost and process improvement, optimizing global operations and technology, and drive innovation, including artificial intelligence based solutions;
- **Top-tier operating performance and capabilities:** Deliver industry top-tier servicing operational performance and increase borrower and client satisfaction;
- **Dynamic asset management:** Optimize investment returns and liquidity through dynamic and opportunistic asset purchases and sales.

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, 2024.

Condensed Statements of Operations	Three Months Ended			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
Revenue	\$ 249.8	\$ 224.8	11%	\$ 239.1	4 %
MSR valuation adjustments, net	(38.9)	(20.4)	91	(11.6)	236
Operating expenses	119.9	115.6	4	104.4	15
Other income (expense), net	(81.9)	(122.4)	(33)	(91.3)	(10)
Income (loss) before income taxes	9.1	(33.7)	(127)	31.8	(71)
Income tax expense (benefit)	(13.0)	(5.6)	132	1.7	(882)
Net income (loss)	\$ 22.1	\$ (28.1)	(179)%	\$ 30.1	(27)%
Segment income (loss) before income taxes					
Servicing	\$ 33.1	\$ 38.4	(14)%	\$ 54.2	(39)%
Originations	9.6	9.7	(1)	1.1	788
Corporate	(33.6)	(81.8)	(59)	(23.4)	43
	\$ 9.1	\$ (33.7)	(127)%	\$ 31.8	(71)%

Onity reported \$22.1 million net income in the first quarter of 2025, an improvement of \$50.2 million compared to the \$28.1 million loss in the fourth quarter of 2024, largely driven by expenses recognized in the fourth quarter of 2024 in connection with our corporate debt refinancing and strategic transactions, with the following considerations:

- \$25.0 million increase in revenue, largely attributed to a \$23.6 million increase in gains on our reverse mortgage portfolio of loans held for investment and HMBS-related borrowings, net driven by a decline in market rates.
- \$18.5 million higher loss on MSR valuation adjustments, net largely driven by the impact of interest rates, net of hedging derivatives. While separately presented in our consolidated financial statements, the change in fair value of our reverse mortgage portfolio attributable to interest rates discussed above is included as a partial offset to the change in fair value of our MSR portfolio attributable to interest rates, for hedging and risk management purposes.
- \$4.3 million increase in Operating expenses, primarily driven by an increase in our accrual for probable losses in connection with the settlement of a legacy litigation matter, partly offset by a decrease in Compensation and benefits as a result of higher annual bonus and awards expense recognized in the fourth quarter of 2024.
- \$40.6 million decline in Other expense, net mostly driven by expenses recognized in the fourth quarter of 2024 in connection with our corporate debt refinancing and strategic transactions, and a \$4.6 million decline in net interest expense in the first quarter of 2025. In the fourth quarter of 2024, we recognized a \$51.2 million loss on debt extinguishment and \$16.2 million earnings (including gain on sale) on our 15% equity interest in MAV Canopy, sold in November 2024.
- \$7.4 million increase in Income tax benefit, largely due to the favorable resolution of a prior year uncertain tax position in the first quarter of 2025.

Revenue

The below table presents revenue by type and segment:

Revenue	Three Months Ended			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
Servicing and subservicing fees	\$ 203.3	\$ 206.0	(1)%	\$ 204.5	(1)%
Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net	23.8	0.6	n/m	15.4	54 %
Gain on loans held for sale, net	11.8	5.9	101 %	10.9	8 %
Other revenue, net	10.9	12.4	(12)%	8.3	31 %
Total revenue	\$ 249.8	\$ 224.8	11 %	\$ 239.1	4 %
Servicing	\$ 221.2	\$ 194.4	14 %	\$ 219.1	1 %
Originations	28.6	30.4	(6)	20.0	43
Corporate	—	—	n/m	—	n/m
Total segment revenue	\$ 249.8	\$ 224.8	11 %	\$ 239.1	4 %
n/m: not meaningful					

Total revenue for the three months ended March 31, 2025 increased \$25.0 million, or 11% compared to the three months ended December 31, 2024 due to a \$26.8 million, or 14% increase in Servicing revenue, partially offset by a \$1.8 million, or 6% decrease in Originations revenue.

- The increase in Servicing revenue is primarily due to a \$23.6 million increase in Gain on reverse loans held for investment and HMBS-related borrowings, net largely driven by a favorable decline in market rates. In addition, Gain on loans held for sale, net improved \$5.8 million (lower loss within Servicing) mostly attributed to the impact of market interest rates on reverse mortgage loan buyouts. Servicing and subservicing fees decreased by \$2.7 million due to lower float earnings partly offset by higher servicing fees with a 7% higher average servicing UPB.
- The 6% decrease in Originations revenue is primarily attributed to lower fees (other revenue) due to lower funded volume as Originations gains (forward and reverse loans) remained mostly flat.

Compared to the three months ended March 31, 2024, total revenue for the three months ended March 31, 2025 was \$10.7 million, or 4% higher due to a \$2.1 million, or 1% increase in Servicing revenue and an \$8.7 million, or 43% increase in Originations revenue.

- The increase in Servicing revenue is mostly due to an \$8.3 million increase in Gain on reverse loans held for investment and HMBS-related borrowings, net mostly driven by a favorable decrease in market interest rates vs. an increase in the prior year period, partially offset by changes in yield spreads.
- The increase in Originations revenue is primarily driven by an increase in Gain on loans held for sale, net in our Consumer Direct channel, attributed to our increased recapture operational capability. In addition, fee revenue increased due to higher production volume in both our Consumer Direct and Correspondent channels.

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		
	March 31, 2025	December 31, 2024	March 31, 2024
Realization of expected cash flows (runoff)	\$ (41.1)	\$ (38.5)	\$ (39.9)
Fair value gains (losses) due to input and assumption changes	(18.6)	80.9	82.0
MSR hedging derivative fair value gain (loss)	20.8	(62.8)	(53.7)
MSR valuation adjustments, net (1)	\$ (38.9)	\$ (20.4)	\$ (11.6)

(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 Risk for further detail and the discussion below within Servicing.

The \$38.9 million loss on MSR valuation adjustments, net for the three months ended March 31, 2025 is comprised of \$41.1 million runoff, \$18.6 million fair value loss attributed to input and assumption changes and \$20.8 million gain on MSR hedging derivatives.

- 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 \$2.7 million higher runoff quarter-over-quarter is mostly due to MSR portfolio growth.
- The \$18.6 million fair value loss due to input and assumption changes is attributed to a decline in interest rates in the quarter, partially offset by favorable other input and assumption updates. The change from an \$80.9 million fair value gain in the three months ended December 31, 2024 to a \$18.6 million fair value loss in the three months ended March 31, 2025 is mostly driven by changes in market interest rates, as the 10-year Treasury rate declined 35 basis points in the three months ended March 31, 2025 and increased 77 basis points in the three months ended December 31, 2024.
- MSR hedging derivative fair value changes are designed to partially offset the expected fair value changes of the net MSR, MSR pledged liabilities and ESS exposure, commensurate with our target hedge coverage ratio. The \$20.8 million derivative gain recognized in the three months ended March 31, 2025 and the variance from the prior quarter are driven by the rate changes discussed above. We maintained a high hedge coverage ratio in both quarters. Also refer to Item 3. Quantitative and Qualitative Disclosures about Market Risk for further detail on our hedging strategy and its effectiveness.

The \$27.3 million higher loss in MSR valuation adjustments, net in the three months ended March 31, 2025 as compared to the three months ended March 31, 2024 is primarily driven by the impact of interest rate changes, net of hedge activity and favorable assumption updates in the three months ended March 31, 2024 that did not recur in the three months ended March 31, 2025.

- The unfavorable \$1.2 million increase in runoff is mostly due to MSR portfolio growth.
- The change from an \$82.0 million fair value gain in the three months ended March 31, 2024 to an \$18.6 million fair value loss in the three months ended March 31, 2025 is primarily driven by changes in market interest rates, as the 10-year Treasury rate declined 35 basis points during the three months ended March 31, 2025 compared to an increase of 32 basis points during the same period of 2024, and certain favorable assumption updates in the three months ended March 31, 2024 to reflect actual market trade pricing levels.
- The change from a \$53.7 million loss from derivatives in the three months ended March 31, 2024 to a \$20.8 million gain in the three months ended March 31, 2025 is mainly due to the market interest rate changes noted above.

Operating Expenses

The table below presents the key components of operating expenses:

	Three Months Ended			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
Compensation and benefits	\$ 57.4	\$ 64.3	(11)%	\$ 53.6	7 %
Servicing and origination	13.0	12.3	6	15.0	(13)
Technology and communications	15.0	14.1	7	12.7	18
Professional services	22.6	12.5	81	12.0	88
Occupancy, equipment and mailing	8.2	8.3	(1)	7.7	6
Other expenses	3.6	4.1	(13)	3.4	5
Total operating expenses	\$ 119.9	\$ 115.6	4 %	\$ 104.4	15 %
Servicing	\$ 68.6	\$ 69.7	(2)%	\$ 70.6	(3)%
Originations	22.2	25.1	(11)	19.0	17
Corporate	29.1	20.8	39	14.8	97
	\$ 119.9	\$ 115.6	4 %	\$ 104.4	15 %
Average headcount	4,290	4,312	(1)%	4,486	(4)%

Compensation and benefits expense for the three months ended March 31, 2025 decreased \$6.9 million, or 11% compared to the three months ended December 31, 2024, largely due to a \$5.2 million decrease in incentive compensation with a higher annual bonus and awards expense recognized in the fourth quarter of 2024. In addition, salaries and benefits expense decreased \$1.1 million.

Compared to the three months ended March 31, 2024, Compensation and benefits expense for the three months ended March 31, 2025 increased \$3.8 million, or 7% largely due to a \$4.2 million increase in incentive compensation primarily driven by an increase in the fair value of cash-settled share-based awards during the three months ended March 31, 2025 (increase in our stock price vs. a decrease in the comparative period). Other offsetting factors include a \$1.5 million increase in commissions on higher Originations production volume, a \$1.0 million decrease in salaries and benefits and a \$1.0 million decrease in severance expense. Our total average headcount declined 4%, mostly due to a decrease in Servicing headcount attributed to efficiencies and runoff of our reverse subservicing portfolio, partially offset by an increase in Originations headcount mostly related to our Consumer Direct channel.

Servicing and origination expense for the three months ended March 31, 2025 was mostly flat compared to the three months ended December 31, 2024, with additional provision expense on Servicing advances mostly offset by the reversal of a liability for representation and warranty indemnification obligations in our Originations segment.

Compared to the three months ended March 31, 2024, Servicing and origination expenses for the three months ended March 31, 2025 decreased \$2.0 million largely due to a decrease in Servicing with a lower provision expense for Ginnie Mae claim receivables, among other offsetting factors.

Professional services expense for the three months ended March 31, 2025 increased \$10.1 million compared to the three months ended December 31, 2024 primarily due to an increase in our accrual for probable losses at March 31, 2025 in connection with the settlement of a legacy matter, and reimbursements received in the fourth quarter of 2024 from a mortgage insurer related to prior year legal expenses.

Compared to the three months ended March 31, 2024, Professional services expense for the three months ended March 31, 2025 increased \$10.6 million, driven by the same factors discussed above.

Other Income (Expense)

	Three Months Ended			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
Interest income	\$ 26.2	\$ 28.8	(9)%	\$ 17.5	50 %
Interest expense	(67.0)	(74.2)	(10)	(67.4)	(1)
Net interest expense	\$ (40.8)	\$ (45.4)	(10)%	\$ (49.9)	(18)%
Pledged MSR liability expense	(41.9)	(42.1)	(1)	(44.9)	(7)
Gain (loss) on extinguishment of debt	—	(51.2)	(100)	1.4	(100)
Earnings of equity method investee	—	16.2	(100)	2.7	(100)
Other, net	0.9	0.1	814	(0.6)	(251)
Other income (expense), net	\$ (81.9)	\$ (122.4)	(33)%	\$ (91.3)	(10)%

In November 2024, we redeemed all of the outstanding PMC Senior Secured Notes due 2026 and Onity Senior Secured Notes due 2027, resulting in the recognition of a loss on extinguishment of debt primarily due to the accelerated write-off of unamortized discount and debt issuance costs, the payment of a make-whole redemption premium and a transaction fee to Oaktree. During March 2024, we repurchased a total of \$47.4 million of the PMC Senior Secured Notes and recognized a gain on debt extinguishment, net of the associated write-off of unamortized discount and debt issuance costs.

Refer to the segments for discussion and analysis of Interest income and Interest expense. Refer to the Servicing segment for discussion and analysis of Pledged MSR liability expense and earnings of our former equity method investee, MAV Canopy sold in the fourth quarter of 2024.

Income Tax Expense (Benefit)

	Three Months Ended		
	March 31, 2025	December 31, 2024	March 31, 2024
Income tax expense (benefit)	\$ (13.0)	\$ (5.6)	\$ 1.7
Income (loss) before income taxes	\$ 9.1	\$ (33.7)	\$ 31.8
Effective tax rate	(142.9)%	16.7 %	5.2 %

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 (\$179.8 million as of December 31, 2024). 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 due primarily to our history of cumulative operating losses, we determined that a full valuation allowance at March 31, 2025 remains appropriate.

Our income tax benefit for the three months ended March 31, 2025 is primarily driven by the favorable resolution of a prior-year uncertain tax position during the current quarter. The decrease in the effective tax rate for the three months ended March 31, 2025 compared to the same period of 2024 is primarily due to recognizing income tax benefit of \$13.3 million related to the reversal of the uncertain tax liability.

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%.

We believe it is reasonably possible that by December 31, 2025, we could release some or all of our valuation allowance that currently offsets our net U.S. deferred tax asset. Any release of our valuation allowance requires significant judgment and is contingent on continued analysis of the positive and negative evidence and actual and expected future profitability. As such, the exact timing and amount of any valuation allowance release is subject to change. Refer to Note 18 - Income Taxes for additional information.

Financial Condition

Financial Condition Summary	March 31, 2025	December 31, 2024	\$ Change	% Change
Cash and cash equivalents	\$ 178.0	\$ 184.8	\$ (6.8)	(4)%
Restricted cash	58.9	80.8	(21.9)	(27)
MSRs, at fair value	2,547.4	2,466.3	81.1	3
Advances, net	514.0	577.2	(63.2)	(11)
Loans held for sale, at fair value	1,402.2	1,290.2	112.0	9
Loans held for investment, at fair value	10,812.5	11,125.3	(312.8)	(3)
Receivables, net	222.3	176.4	45.9	26
Premises and equipment, net	10.8	11.0	(0.2)	(2)
Other assets	106.0	111.3	(5.2)	(5)
Contingent loan repurchase asset	407.2	412.2	(5.0)	(1)
Total assets	\$ 16,259.3	\$ 16,435.4	\$ (176.1)	(1)%
Total Assets by Segment				
Servicing	\$ 15,013.1	\$ 15,242.5	\$ (229.4)	(2)%
Originations	1,009.6	945.0	64.7	7
Corporate	236.6	247.9	(11.3)	(5)
	\$ 16,259.3	\$ 16,435.4	\$ (176.1)	(1)%
HMBS-related borrowings, at fair value	\$ 10,587.6	\$ 10,872.1	\$ (284.5)	(3)%
Other financing liabilities, at fair value	835.5	846.9	(11.4)	(1)
Advance match funded liabilities	377.5	417.1	(39.6)	(9)
Mortgage loan financing facilities, net	1,577.4	1,528.2	49.2	3
MSR financing facilities, net	1,136.0	957.9	178.1	19
Senior notes, net	488.0	487.4	0.6	—
Other liabilities	340.0	420.6	(80.6)	(19)
Contingent loan repurchase liability	407.2	412.2	(5.0)	(1)
Total liabilities	15,749.2	15,942.5	(193.3)	(1)%
Mezzanine equity	49.9	49.9	—	—
Total stockholders' equity	460.2	442.9	17.2	4
Total liabilities and equity	\$ 16,259.3	\$ 16,435.4	\$ (176.1)	(1)%
Total Liabilities by Segment				
Servicing	\$ 14,495.0	\$ 14,712.8	\$ (217.8)	(1)%
Originations	957.2	928.3	28.9	3
Corporate	297.0	301.4	(4.4)	(1)
	\$ 15,749.2	\$ 15,942.5	\$ (193.3)	(1)%
Book value per share	\$ 57.66	\$ 56.26	\$ 1.40	2 %

Total assets decreased \$176.1 million, or 1%, between December 31, 2024 and March 31, 2025 with a \$312.8 million decrease in reverse Loans held for investment driven by the runoff of the portfolio exceeding originations and capitalization of interest since the acquisition of the \$2.9 billion portfolio of reverse mortgage loans from Waterfall in November 2024 that is relatively more aged. In addition, servicing advances declined \$63.2 million largely driven by seasonal reduction of taxes and insurance (T&I) balances. These decreases were partially offset by a \$112.0 million increase in our Loans held for sale portfolio

driven by the growth of our Originations pipeline, and an \$81.1 million increase in our MSR portfolio due to \$158.8 million MSR additions, partially offset by runoff and other fair value losses.

Total liabilities decreased by \$193.3 million, or 1%, compared to December 31, 2024, due largely to the factors described above. Our HMBS-related borrowings decreased by \$284.5 million with repayments exceeding new securitizations after the \$2.9 billion acquisition of reverse mortgage loans and assumption of HMBS-related borrowings in November 2024. Advance match funded liabilities decreased \$39.6 million consistent with the decline in servicing advances (mainly T&I). The \$80.6 million decline in Other liabilities is mainly driven by derivative fair value balances that follow interest rate market conditions, the payment of annual bonuses and the reduction of the servicing float balance due to Rithm. Partially offsetting these decreases, MSR financing facilities increased \$178.1 million with an increase in our MSR portfolio. Our borrowings under Mortgage loan financing facilities increased \$49.2 million due to the higher loans held for sale balance.

Total equity increased \$17.2 million during the three months ended March 31, 2025 mainly due to \$22.1 million net income for the period partially offset by the exercise of common stock warrants and the quarterly dividend on preferred stock.

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, 2024, 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, MSR bulk acquisitions, and subservicing additions. We expect ancillary float income to trend with short-term interest rates also considering changes in average float balances due to seasonality and portfolio growth.

Gain on sale of loans held for sale - Our gain on sale is driven by both Originations volume and margin, and is channel-sensitive. The updated industry forecasts (average of MBA, April 2025 and Fannie Mae, April 2025) suggest a 17% increase in loan origination in 2025 as compared to 2024, with the 30-year fixed rate mortgage expected to end 2025 at 6.5%. However, macroeconomic conditions and their impact on the housing and capital markets remain highly uncertain. We anticipate growth in our Consumer Direct channel driven by our increased recapture capabilities that may be curtailed if interest rates remain at the current levels or increase. If this should occur, we expect home equity lending products will be more attractive to consumers and will be a more important product. We expect to continue to prudently grow year-over-year 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 also expect continued competitive pressure on margins across all channels and volatility of gain on sale associated with GSE pricing dependency and volatile interest rates. We expect some further volatility of gain (loss) on sale on loans held for sale related to reverse mortgage buyouts (mostly inactive loans) due to the increased size of the portfolio.

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 \$2.9 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 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. We expect increased uncertainties related to hedge performance and higher hedge cost in an

environment of higher economic and capital market volatility. 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 short-term interest rates 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). 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 as a result of the corporate debt refinancing transactions in the fourth quarter of 2024.

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 and cost, or other factors. In addition, we believe it is reasonably possible that by December 31, 2025, we could release some or all of our valuation allowance that currently offsets our net U.S. deferred tax asset, resulting in an increase to net income and stockholders' equity.

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 segment.

SERVICING

This segment is primarily comprised of our mortgage servicing and subservicing business. We earn servicing and subservicing fees, including ancillary income, and incur cost to service the loans which varies depending on delinquency status. We are exposed to MSR valuation adjustments and advancing obligations when we own the MSR. Our servicing portfolio includes conventional, government-insured and non-Agency mortgage loans, including reverse mortgage loans classified as loans held for investment on our balance sheet. As of March 31, 2025, we serviced 1.4 million mortgage loans with an aggregate UPB of \$304.6 billion.

In addition, the Servicing segment includes our wholly-owned captive reinsurance business (referred to as CRL), which provides re-insurance related to direct physical loss coverage on foreclosed real estate properties owned or serviced by us. CRL assumes a 90% (60% through January 2024) quota share of insurance coverage written by a third-party insurer issued to PHH.

Concentration

Rithm is one of our largest subservicing clients. Servicing and subservicing fees from Rithm amounted to \$22.2 million, or 14% of total servicing and subservicing fees (excluding ancillary income) in the three months ended March 31, 2025 (\$24.9 million and 16% in the three months ended March 31, 2024, respectively), and the related remittances to Rithm presented as Pledged MSR liability expense amounted to \$9.0 million. Rithm accounted for \$34.7 billion, or 11% and 21% of the total serviced UPB and loan count, respectively, of our servicing and subservicing portfolio as of March 31, 2025, and 58% of all delinquent loans that Onity serviced, for which the cost to service and the associated risks are higher (\$44.1 billion, 15%, 25% and 66% as of March 31, 2024, respectively). Consistent with a subservicing relationship, Rithm is responsible for funding the advances we service on its behalf. The servicing agreements automatically renew annually unless notice of termination is provided.

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. To select an appropriate loan modification option for a borrower in accordance with the applicable servicing agreement, 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. Refer to Note 22 — Commitments for further discussion on our servicing advance obligations.

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

Our reverse business activities include both the subservicing of reverse mortgage loans on behalf of investors and the servicing of our owned portfolio. Owned portfolio loans are insured by the FHA, which provides protection against risk of borrower default, and are securitized through the Ginnie Mae program.

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. 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).
- 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. We may carry loans for some time in anticipation of payoff or favorable liquidation if we deem the investment accretive. 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 remain 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 tails and servicing value. Tails are participations in previously securitized HECM loans 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 interest rate 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, HUD claim receivables, and real estate properties. We finance our asset acquisitions along with the buyouts of our own portfolio through on-balance sheet private placement securitizations (referred to as OLIT). The financial performance of such reverse asset management is reported within the Servicing segment, largely within Gains (losses) on loans held for sale, that are driven 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 and outlook:

	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	—

Operating Metrics

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

Selected Operating Statistics	March 31,		% Change	March 31,	
	2025	2024		2024	% Change
Assets Serviced					
<i>Unpaid principal balance (UPB) in billions:</i>					
Performing loans (1)	\$ 293.8	\$ 289.7	1 %	\$ 290.8	1 %
Non-performing loans	10.4	11.5	(10)	11.0	(5)
Non-performing real estate	0.4	0.4	(8)	0.5	(13)
Total	<u>\$ 304.6</u>	<u>\$ 301.7</u>	1 %	<u>\$ 302.3</u>	1 %
Non-performing to total %	3.5 %	4.0 %	(11)%	3.8 %	(6)%
Conventional loans	\$ 209.8	\$ 198.0	6 %	\$ 200.6	5 %
Government-insured loans	39.3	38.5	2	34.5	14
Non-Agency loans	55.6	65.1	(15)	67.1	(17)
Total	<u>\$ 304.6</u>	<u>\$ 301.7</u>	1 %	<u>\$ 302.3</u>	1 %
Conventional loans to total %	68.9 %	65.6 %	5 %	66.4 %	4 %
Servicing portfolio (2)	\$ 150.5	\$ 142.7	5 %	\$ 133.5	13 %
Subservicing portfolio					
Subservicing - forward	55.4	53.1	4 %	43.3	28 %
Subservicing - commercial	4.8	4.5	7 %	3.7	28 %
Subservicing - reverse	8.6	9.1	(5)	15.5	(45)
Total subservicing	68.8	66.7	3	62.5	10
MAV (3) (4)	40.5	41.2	(2)	53.4	(24)
Rithm (4) (5)	34.7	41.2	(16)	44.1	(21)
Other MSR capital partners (4)	10.2	9.9	3	8.8	16
Total	<u>\$ 304.6</u>	<u>\$ 301.7</u>	1 %	<u>\$ 302.3</u>	1 %
MSR weighted average note rate (6)	4.4 %	4.3 %	2	4.2 %	4

	Three Months Ended			March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
<i>Prepayment speed (CPR)</i>					
% Voluntary CPR	4.5 %	5.9 %	(23)%	3.7 %	22 %
% Involuntary CPR	0.3	0.3	(4)	0.3	(18)
% Total CPR (7)	8.1 %	9.4 %	(14)%	7.3 %	11 %
Number of completed modifications (<i>in thousands</i>)	4.6	4.4	7 %	3.9	18 %

- (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) Includes HECM reverse mortgage loans held for investment with a UPB of \$10.4 billion that are recognized in our unaudited consolidated balance sheet at March 31, 2025.
- (3) Includes \$19.4 billion UPB subserviced and \$21.1 billion UPB of MSRs sold to MAV that did not achieve sale accounting treatment at March 31, 2025.

- (4) Loans serviced pursuant to our sale or transfer agreements with MAV, Rithm or others for which sale accounting is not achieved, and loans subserviced.
(5) Includes \$25.7 billion UPB of subserviced loans on behalf of Rithm at March 31, 2025.
(6) Related to our owned MSR forward servicing portfolio.
(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)	
	2025	2024	2025	2024
Portfolio at January 1	\$ 301.7	\$ 288.4	1,395.1	1,344.5
Additions (1)	16.5	23.1	56.7	74.0
MSR Sales	—	—	(0.1)	(0.1)
Servicing transfers (1)	(6.9)	(2.6)	(45.7)	(9.7)
Runoff	(6.6)	(6.6)	(24.0)	(25.8)
Portfolio at March 31	<u>\$ 304.6</u>	<u>\$ 302.3</u>	<u>1,382.0</u>	<u>1,382.9</u>

- (1) Includes the volume of 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.

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

Advances by investor type	March 31, 2025				December 31, 2024			
	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	\$ 0.3	\$ 57.1	\$ 7.2	\$ 64.6	\$ 1.3	\$ 87.3	\$ 5.4	\$ 94.0
Government-insured	2.5	34.3	26.4	63.1	1.7	47.0	21.8	70.6
Non-Agency	142.1	162.2	82.1	386.3	146.8	179.8	86.0	412.6
Total, net	<u>\$ 144.8</u>	<u>\$ 253.6</u>	<u>\$ 115.6</u>	<u>\$ 514.0</u>	<u>\$ 149.8</u>	<u>\$ 314.2</u>	<u>\$ 113.2</u>	<u>\$ 577.2</u>

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

	March 31, 2025	December 31, 2024	% Change	March 31, 2024	% Change
Reverse Mortgage Loans					
<i>Unpaid principal balance (UPB) in millions:</i>					
Loans held for investment (1)	\$ 10,297.3	\$ 10,618.8	(3)%	\$ 7,700.9	34 %
Active Buyouts (2)	199.0	158.8	25	98.7	102
Inactive Buyouts (2)	539.3	525.3	3	288.2	87
Total	<u>\$ 11,035.7</u>	<u>\$ 11,302.8</u>	(2)%	<u>\$ 8,087.8</u>	36 %
<i>Future draw commitments (UPB) in millions:</i>	3,048.8	3,077.7	(1)%	1,793.4	70 %
<i>Fair value in millions:</i>					
Loans held for investment (1)	\$ 10,676.0	\$ 10,950.8	(3)%	\$ 8,018.2	33 %
HMBS related borrowings	10,587.6	10,872.1	(3)	7,945.0	33
Net asset value (HECM or reverse MSR)	<u>\$ 88.3</u>	<u>\$ 78.6</u>	12 %	<u>\$ 73.2</u>	21 %
Net asset value to UPB	0.86 %	0.74 %		0.95 %	

- (1) Securitized loans only; excludes unsecured 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			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
Revenue					
Servicing and subservicing fees	\$ 203.3	\$ 206.0	(1)%	\$ 204.2	— %
Gain (loss) on loans held for sale, net	(3.8)	(9.6)	(60)	1.8	(308)
Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net	16.9	(6.7)	(353)	8.6	97
Other revenue, net	4.8	4.7	1	4.5	6
Total revenue	221.2	194.4	14 %	219.1	1 %
MSR valuation adjustments, net	(41.9)	(25.8)	62 %	(12.5)	236 %
Operating expenses					
Compensation and benefits	23.1	24.8	(7)%	25.3	(8)%
Servicing expense	11.7	9.5	23	13.3	(12)
Occupancy, equipment and mailing	7.1	7.1	—	6.8	4
Technology and communications	7.4	6.3	17	6.1	21
Professional services	6.3	8.5	(26)	7.1	(12)
Corporate overhead allocations	12.4	12.6	(1)	10.9	14
Other expenses	0.5	0.8	(32)	1.1	(53)
Total operating expenses	68.6	69.7	(2)%	70.6	(3)%
Other income (expense)					
Interest income	11.8	10.6	12 %	6.7	77 %
Interest expense	(47.9)	(45.0)	7	(45.8)	5
Pledged MSR liability expense	(41.9)	(42.2)	(1)	(44.9)	(7)
Earnings of equity method investee	—	16.2	(100)	2.7	(100)
Other, net	0.5	(0.1)	(639)	(0.5)	(191)
Other income (expense), net	(77.5)	(60.4)	28 %	(81.8)	(5)%
Income before income taxes	\$ 33.1	\$ 38.4	(14)%	\$ 54.2	(39)%

Servicing and Subservicing Fees

	Three Months Ended			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
Loan servicing and subservicing fees:					
Servicing and subservicing fees	156.0	150.7	4 %	156.6	— %
Ancillary income	47.3	55.3	(14)	47.6	(1)
Total	<u>\$ 203.3</u>	<u>\$ 206.0</u>	(1)%	<u>\$ 204.2</u>	— %

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

	Three Months Ended			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
Servicing fees					
Average servicing UPB (1)	\$ 175.4	\$ 164.3	7 %	\$ 170.9	3 %
Average servicing fee (2)	0.30	0.30	(1)	0.30	—
Servicing fees (3)	129.9	\$ 122.6	6	127.1	2
Subservicing fees					
Average number of subserviced loans (4)	583.0	608.1	(4)	547.0	7
Average monthly fee per loan (5)	15	15	(3)	18	(17)
Subservicing fees (3)	26.1	28.1	(7)	29.5	(12)
Servicing and subservicing fees (excluding Ancillary income)	<u>\$ 156.0</u>	<u>\$ 150.7</u>	4 %	<u>\$ 156.6</u>	— %

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

Servicing and subservicing fees (excluding Ancillary income) for the three months ended March 31, 2025 increased \$5.3 million or 4% compared to the three months ended December 31, 2024, driven by a 7% increase in average servicing UPB (with additional \$7.4 million servicing fee collection), partially offset by a 4% reduction in subservicing volume (with a \$2.0 million decline in subservicing fee). The increase in average servicing UPB is due to recent bulk MSR acquisitions and robust originations as part of our replenishment and growth initiative. The decline in subservicing fee is driven by the Rithm portfolio, and reverse portfolio due to runoff.

Compared to the three months ended March 31, 2024, our servicing and subservicing fees (excluding Ancillary income) for the three months ended March 31, 2025 remained mostly flat, with a \$3.4 million decrease in subservicing fees partially offset by a \$2.9 million increase in servicing fees (due to the same factors described above). The decrease in subservicing fees is largely due to the acquisition of the reverse subservicing portfolio from Waterfall in the fourth quarter of 2024 and the deboarding of \$5.7 billion UPB Rithm loans in the first quarter of 2025.

The following table presents the detail of our ancillary income:

	Three Months Ended			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
Custodial accounts (float earnings)	\$ 27.1	\$ 34.9	(22)%	\$ 27.2	— %
Late charges	9.7	8.8	10	8.0	21
Reverse subservicing ancillary fees	3.8	4.3	(10)	6.7	(43)
Other	6.6	7.3	(10)	5.6	18
Ancillary income	<u>\$ 47.3</u>	<u>\$ 55.3</u>	(14)%	<u>\$ 47.6</u>	(1)%

Ancillary income for the three months ended March 31, 2025 declined by \$8.0 million, or 14% compared to the three months ended December 31, 2024 primarily due to a \$7.7 million decline in float earnings attributable to seasonally lower average float balances and lower average interest rates (as a benchmark, the average 1-month term SOFR declined by 27 basis points).

Compared to the three months ended March 31, 2024, ancillary income for the three months ended March 31, 2025 remained mostly flat (declined by 1%), with some offsetting factors, including a \$2.9 million decline in reverse subservicing ancillary fees driven by the acquisition of previously-subserviced client portfolio (from Waterfall) in the fourth quarter of 2024 and portfolio runoff, and a \$1.7 million increase in late charges. Float earnings remained flat with an offsetting impact of higher float balances due to increased servicing volume overall and lower average interest rates (as a benchmark, the average 1-month term SOFR declined by 101 basis points).

Gain (Loss) on Loans Held for Sale, Net

We recognized a \$3.8 million loss on loans held for sale, net for the three months ended March 31, 2025, compared to a \$9.6 million loss recognized in the three months ended December 31, 2024, mostly attributed to losses on reverse mortgage buyouts. The \$5.8 million favorable variance quarter-over-quarter is mostly driven by market interest rate changes in the respective periods (unrealized losses in the fourth quarter of 2024 vs. unrealized gains in the first quarter of 2025), partly offset by an increase in losses on new repurchases (largely attributed to the reverse portfolio acquired from Waterfall in the fourth quarter of 2024).

We recognized a \$3.8 million loss on loans held for sale, net for the three months ended March 31, 2025, compared to a \$1.8 million gain recognized in the three months ended March 31, 2024. The \$5.7 million unfavorable variance year-over-year is mostly driven by the factors discussed above for the first quarter 2025 and gains recognized in the first quarter 2024 on previously acquired reverse mortgage buyouts.

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			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
Net interest income (servicing fee)	\$ 8.3	\$ 8.0	4 %	\$ 6.0	39 %
Other change in fair value of securitized loans held for investment and HMBS-related borrowings, net	8.6	(14.7)	(159)	2.6	231
Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net (Servicing)	<u>\$ 16.9</u>	<u>\$ (6.7)</u>	<u>(353)%</u>	<u>\$ 8.6</u>	<u>97 %</u>

Gain on reverse loans held for investment and HMBS-related borrowings, net increased \$23.6 million for the three months ended March 31, 2025 compared to the three months ended December 31, 2024 mostly driven by a favorable decline in market interest rates, partly offset by changes in spreads (less favorable tightening vs. the prior year period). While not the only benchmark for the reverse mortgage exposure, the 10-year Treasury rate declined 35 basis points during the three months ended March 31, 2025 and increased 77 basis points during the three months ended December 31, 2024. Net interest income remained mostly flat (+4%), consistent with the average portfolio growth.

Compared to the three months ended March 31, 2024, Gain on reverse loans held for investment and HMBS-related borrowings, net for the three months ended March 31, 2025 increased \$8.3 million mostly driven by the same factors as discussed above, specifically a favorable decline in market interest rates vs. an increase in the prior year period, partly offset by changes in spreads (less favorable tightening vs. the prior year period). The 10-year Treasury rate declined 35 basis points during the three months ended March 31, 2025 compared to an increase of 32 basis points during the three months ended March 31, 2024. Net interest income increased \$2.3 million (or 39%), consistent with the portfolio growth and acquisition of the servicing portfolio from Waterfall in the fourth quarter of 2024.

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 along with the impact of fair value changes due to other input and assumption updates. 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			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
MSR fair value gains (losses) due to input and assumption changes (1) - Servicing (2)	\$ (21.6)	\$ 75.5	(129)%	\$ 81.1	(127)%
MSR hedging derivative fair value gain (loss) (1)	20.8	(62.8)	(133)	(53.7)	(139)
Other change in fair value of securitized loans held for investment and HMBS-related borrowings, net (3)	8.6	(14.7)	(159)	2.6	231
Net MSR portfolio exposure gains (losses)	<u>\$ 7.8</u>	<u>(2.1)</u>	<u>(480)%</u>	<u>\$ 30.0</u>	<u>(74)%</u>

(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.

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 three months ended March 31, 2025 were largely offset by gains on MSR hedging derivatives and loans held for investment net of HMBS-related borrowings. The Net MSR portfolio exposure gains of \$7.8 million in the first quarter of 2025 are largely driven by favorable other input and assumption updates.

The \$22.2 million lower Net MSR portfolio exposure gains for the three months ended March 31, 2025 compared to the three months ended March 31, 2024 is mainly driven by certain favorable assumption updates in the first quarter of 2024 to reflect actual market trade pricing levels.

Compensation and Benefits

	Three Months Ended			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
Compensation and benefits	\$ 23.1	\$ 24.8	(7)%	\$ 25.3	(8)%
Average Employment - Servicing	2,946	3,036	(3)%	3,276	(10)%

Compensation and benefits expense for the three months ended March 31, 2025 decreased \$1.7 million or 7% compared to the three months ended December 31, 2024 primarily due to higher annual cash awards expense recorded in the three months ended December 31, 2024 based on our financial performance for 2024, and a 3% reduction in average headcount (with 5% reduction in the U.S.) in the three months ended March 31, 2025.

Compared to the three months ended March 31, 2024, Compensation and benefits expense for the three months ended March 31, 2025 decreased \$2.1 million or 8%, mostly driven by a 10% headcount reduction resulting in a \$2.3 million decrease in salaries and benefits. The decrease in average headcount, with a 14% decrease in the U.S., is mostly attributed to the further integration of reverse servicing and the runoff of our reverse subservicing portfolio.

Servicing Expense

Servicing expense primarily includes claim losses and interest curtailments on government-insured loans (provision for account receivables), provision expense for advances and servicing representation and warranties, other provision expense (incl. CRL), and certain loan-volume related expenses.

Servicing expense increased \$2.2 million in the three months ended March 31, 2025 compared to the three months ended December 31, 2024, largely driven by additional provision expense on servicing advances with an increase in non-Agency claims in the first quarter of 2025 and a favorable settlement in the fourth quarter of 2024.

Compared to the three months ended March 31, 2024, Servicing expense for the three months ended March 31, 2025 declined \$1.6 million. The decline in servicing expenses is driven by a \$1.4 million reduction in provision expenses for Ginnie Mae claim receivables, among other offsetting factors. The provision expense reduction is largely attributed to favorable liquidations of reverse mortgage loans previously acquired at a discount and lower claim volume of forward mortgage loans in the first quarter of 2025.

Other Operating Expenses

Other operating expenses (total operating expenses less Compensation and benefit expense and Servicing expense) for the three months ended March 31, 2025 decreased \$1.5 million as compared to the three months ended December 31, 2024, mostly due to lower litigation expenses reported within Professional services.

Compared to the three months ended March 31, 2024, Other operating expenses for the three months ended March 31, 2025 increased \$1.7 million mostly due to a \$1.5 million increase in Corporate overhead allocations primarily driven by higher Corporate services to support our growth initiatives.

Other Income (Expense)

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

	Three Months Ended			Three Months Ended March 31, 2024	
	March 31, 2025	December 31, 2024	% Change		% Change
Interest Expense					
Advance match funded liabilities	\$ 7.9	\$ 8.5	(8)%	\$ 10.4	(25)%
Mortgage loan financing facilities					
Securitization notes (OLIT)	10.1	11.1	(8)%	6.9	46 %
Warehouse facilities	3.4	1.6	116	1.5	126
MSR financing facilities	18.6	16.3	14	17.9	4
Corporate debt interest expense allocation	6.3	6.3	—	7.3	(14)
Escrow	1.7	1.3	27	1.8	(6)
Total interest expense	<u>\$ 47.9</u>	<u>\$ 45.0</u>	<u>7 %</u>	<u>\$ 45.8</u>	<u>5 %</u>
Average balances					
Advance match funded liabilities	\$ 362.4	\$ 365.9	(1)%	\$ 442.2	(18)%
Mortgage loan financing facilities					
Securitization notes (OLIT)	469.1	503.2	(7)%	217.7	115
Warehouse facilities	188.2	87.0	116	64.3	193
MSR financing facilities	1,024.2	851.0	20	861.4	19
Total asset-backed financing	<u>\$ 1,574.8</u>	<u>\$ 1,303.9</u>	<u>21 %</u>	<u>\$ 1,368.0</u>	<u>15 %</u>
Effective average interest rate					
Advance match funded liabilities	8.67%	9.29%	(7)%	9.45%	(8)%
Mortgage loan financing facilities					
Securitization notes (OLIT)	8.63	8.79	(2)	12.71	(32)
Warehouse facilities	7.17	7.19	—	9.28	(23)
MSR financing facilities	7.25	7.64	(5)	8.29	(13)
Average 1 month Term SOFR	4.32%	4.59%	(6)%	5.33%	(19)%

Interest expense for the three months ended March 31, 2025 increased \$2.9 million, or 7% compared to the three months ended December 31, 2024. The interest expense increase includes a \$2.3 million increase on MSR financing facilities with higher average borrowings due to our MSR portfolio growth, and a \$1.8 million increase on warehouse facilities with higher

average warehouse financing debt due to average buyout balances as the portfolio ages. These increases were partially offset by a \$0.9 million decrease in interest expense on lower OLIT securitization notes balances due to increased loan resolutions.

Compared to the three months ended March 31, 2024, interest expense for the three months ended March 31, 2025 increased \$2.1 million, or 5%, with a \$3.2 million increase attributed to the OLIT securitizations of reverse mortgage buyouts in February and September 2024. In addition, interest expense on warehouse facilities increased \$1.9 million primarily due to an increase in the average debt balance, offset in part by lower average short-term market interest rates. These increases were partially offset by a \$2.6 million decrease in interest on Advance funding liabilities, mostly driven by the decline in average debt balances for servicing advances due to lower delinquencies and loan resolutions in our non-Agency MSR portfolio, and \$1.0 million lower corporate debt interest allocation due to our corporate debt refinancing in November 2024, which resulted in a lower effective interest rate.

Interest income for the three months ended March 31, 2025 increased \$1.2 million compared to the three months ended December 31, 2024 primarily due to reverse mortgage buyouts acquired in the fourth quarter of 2024. Compared to the three months ended March 31, 2024, interest income increased \$5.1 million for the three months ended March 31, 2025, primarily due to the reverse mortgage buyouts acquired in the third and fourth quarters of 2024.

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, including 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			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
Servicing fees collected on behalf of third parties	\$ 32.4	\$ 32.3	— %	\$ 36.6	(12)%
Less: Subservicing fee retained	(5.9)	(6.2)	(6)	(7.1)	(17)
Ancillary fee/income and other settlement (including expense reimbursement)	2.3	3.2	(26)	2.3	—
Net servicing fee remittance (1)	28.8	29.3	(2)	31.8	(9)
ESS servicing spread remittance	13.1	12.9	2	13.1	—
Pledged MSR liability expense	<u>\$ 41.9</u>	<u>\$ 42.2</u>	(1)%	<u>\$ 44.9</u>	(7)%

(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 March 31, 2025 was mostly flat as compared to the three months ended December 31, 2024.

Compared to the three months ended March 31, 2024, Pledged MSR liability expense for the three months ended March 31, 2025 decreased \$3.0 million mostly driven by MAV's sale of MSRs (previously sold by Onity to MAV in a transaction which did not qualify for sale accounting) which resulted in the derecognition of the Pledged MSR liability during the three months ended September 30, 2024, partially offset by the increase in the portfolio of MSRs sold to MSR capital partners.

Earnings of equity method investee for the three months ended December 31, 2024 and three months ended March 31, 2024 represents our previously owned 15% share of MAV Canopy which we sold in November 2024. Earnings for the three months ended December 31, 2024 includes a \$13.7 million gain, net of transaction costs, we recognized on the sale of our 15% interest.

ORIGINATIONS

We originate and purchase loans and MSRs through multiple channels. Loans generally conform to the underwriting standards of Fannie Mae or Freddie Mac (GSEs) or are government-insured (FHA, VA or USDA). We generally sell the loans in the secondary mortgage market through GSE and Ginnie Mae mortgage 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, along with fee revenue.

We conduct our Originations business through the following five channels:

1- Consumer Direct

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 March 31, 2025, we have relationships with 716 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 March 31, 2025, we have relationships with 511 approved sellers through the Agency Cash Window co-issue programs. We initially recognize our MSR originations and purchases with the associated economics in our Originations segment, and transfer the MSR to our Servicing segment once the MSR is initially recognized on our balance sheet with all subsequent performance associated with the MSR, including funding cost, run-off and other fair value changes reflected in our Servicing segment.

5- Subservicing Growth

We source additional servicing volume through our subservicing and interim servicing agreements, through 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.

Operating Metrics

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

	Three Months Ended			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
Funded Loan UPB by Channel (in billions)					
Forward loans					
Correspondent	\$ 3.80	\$ 4.98	(24)%	\$ 2.69	41 %
Consumer Direct	0.30	0.39	(24)	0.11	165
	<u>\$ 4.09</u>	<u>\$ 5.38</u>	<u>(24)%</u>	<u>\$ 2.80</u>	<u>46 %</u>
% Purchase production	76 %	73 %	5	81 %	(6)
% Refinance production	24	27	(12)	19	28
Weighted average note rate (%)	6.6%	6.1%	8 %	6.5%	(6)%
Reverse loans (1)					
Correspondent	\$ 0.10	\$ 0.14	(27)%	\$ 0.12	(13)%
Wholesale	0.05	0.04	9	0.02	106
Retail	0.02	0.03	(11)	0.02	2
	<u>\$ 0.18</u>	<u>\$ 0.21</u>	<u>(18)%</u>	<u>\$ 0.17</u>	<u>6 %</u>
UPB of MSR Purchases by Channel (in billions)					
Agency Cash Window / Flow MSR	\$ 2.77	\$ 4.00	(31)%	\$ 1.63	69%
Bulk purchases	4.85	5.47	(11)	0.62	689
Bulk reverse purchases	—	2.86	(100)	0.14	(100)
	<u>\$ 7.62</u>	<u>\$ 12.33</u>	<u>(38)</u>	<u>\$ 2.39</u>	<u>219</u>
Total	<u>\$ 11.89</u>	<u>\$ 17.92</u>	<u>(34)%</u>	<u>\$ 5.36</u>	<u>122%</u>
Short-term loan commitment (2) (at period end; in millions)					
Consumer Direct	\$ 203.2	\$ 165.7	23 %	\$ 85.5	138 %
Correspondent	1,389.8	1,145.9	21 %	1,091.1	27 %
Total Forward loans	<u>\$ 1,593.0</u>	<u>\$ 1,311.6</u>	<u>21 %</u>	<u>\$ 1,176.6</u>	<u>35 %</u>
Reverse loans	38.3	25.6	50 %	25.5	50 %
Average Headcount - Originations	563	532	6 %	462	22 %

(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 16 – 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			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
Revenue					
Gain on loans held for sale, net	\$ 15.6	\$ 15.5	1 %	\$ 9.1	71 %
Gain on reverse loans held for investment and HMBS-related borrowings, net	6.9	7.2	(5)	6.8	2
Other revenue, net (1)	6.2	7.7	(20)	4.1	51
Total revenue	28.6	30.4	(6)%	20.0	43 %
MSR valuation adjustments, net	3.0	5.5	(45)	0.9	229
Operating expenses					
Compensation and benefits	12.4	13.2	(6)%	10.2	21 %
Origination expense	1.1	2.3	(52)	1.4	(21)
Technology and communications	2.1	2.0	2	1.7	23
Occupancy, equipment and mailing	0.7	0.8	(4)	0.5	46
Professional services	0.5	0.8	(31)	0.3	49
Corporate overhead allocations	3.9	4.4	(12)	3.9	—
Other expenses	1.5	1.7	(10)	1.0	50
Total operating expenses	22.2	25.1	(11)%	19.0	17 %
Other income (expense)					
Interest income	13.3	15.8	(16)%	9.7	38 %
Interest expense	(12.7)	(16.7)	(24)	(10.4)	23
Other, net	(0.4)	(0.1)	277	(0.1)	319
Other income (expense), net	0.2	(1.1)	(117)%	(0.8)	(121)%
Income before income taxes	\$ 9.6	\$ 9.7	(1)%	\$ 1.1	795 %

(1) Includes \$0.4 million ancillary fee income related to MSR acquisitions reported as Servicing and subservicing fees at the consolidated level for the three months ended March 31, 2024.

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			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
Origination UPB (1) (in billions)					
Correspondent	\$ 3.80	\$ 4.98	(24)%	\$ 2.69	41 %
Consumer Direct	0.30	0.39	(24)	0.11	165
	<u>\$ 4.09</u>	<u>\$ 5.38</u>	<u>(24)%</u>	<u>\$ 2.80</u>	<u>46 %</u>
% Gain on Sale Margin (2)					
Correspondent	0.15 %	0.13 %	13 %	0.18 %	(17)%
Consumer Direct	3.32	2.26	47	3.75	(12)
	<u>0.38 %</u>	<u>0.29 %</u>	<u>32 %</u>	<u>0.32 %</u>	<u>17 %</u>
Gain on Loans Held for Sale					
Correspondent	\$ 5.7	\$ 6.6	(13)%	\$ 4.9	17 %
Consumer Direct	9.9	8.9	11	4.2	135
	<u>\$ 15.6</u>	<u>\$ 15.5</u>	<u>1 %</u>	<u>\$ 9.1</u>	<u>71 %</u>

(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 March 31, 2025 was flat compared to the three months ended December 31, 2024, with a \$0.9 million decrease in our Correspondent channel offset by a \$1.0 million increase in Consumer Direct. The decrease in our Correspondent channel Gain on loans held for sale, net is largely due to a 24% decrease in loan production volume, consistent with the seasonal industry volume trend (down 22%, based on average of MBA and Fannie Mae data) and our prudent margin management. The increase in our Consumer Direct channel Gain on loans held for sale, net is primarily driven by the increase in margin, largely offset by 24% lower loan funded volume. The decline in volume is largely explained by the refinance industry volume trend (down 40%, based on average of MBA and Fannie Mae data) partially offset by higher recapture rates. The increase in margin is largely due to relatively lower margins in the fourth quarter of 2024, attributed to the timing of funded volume vs. locked volume (mostly between the third and fourth quarter of 2024) as we recognize gains on loans held for sale at the time of the interest rate lock commitment in accordance with GAAP.

Compared to the three months ended March 31, 2024, Gain on loans held for sale, net for the three months ended March 31, 2025 increased \$6.5 million, with a \$5.7 million increase in our Consumer Direct channel and a \$0.8 million increase in our Correspondent channel. The increase in Consumer Direct gain is driven by a 165% increase in loan funded volume, largely attributed to our increased recapture operational capability. In our Correspondent channel, the \$0.8 million increase is driven by the 41% increased loan production volume, attributed to our MSR growth and replenishment strategy following our opportunistic MSR bulk sales in 2024, largely offset by the decline in margin.

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			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
Origination UPB (1) (in billions)	\$ 0.18	\$ 0.21	(18)%	\$ 0.17	6 %
Origination margin (2)	3.92 %	3.39 %	16	4.06 %	(4)
Gain on reverse loans held for investment and HMBS-related borrowings, net (Originations)	<u>\$ 6.9</u>	<u>\$ 7.2</u>	<u>(5)%</u>	<u>\$ 6.8</u>	<u>2 %</u>

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

(2) Ratio of origination gain to funded UPB; includes loan fees.

Gain on reverse loans held for investment and HMBS-related borrowings, net remained mostly flat when comparing current quarter with the prior quarter and the prior year quarter, 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 largely due to volume changes.

Operating Expenses

Operating expenses for the three months ended March 31, 2025 decreased \$2.9 million, or 11% compared to the three months ended December 31, 2024 primarily due to \$1.2 million lower Originations expense, driven by a provision release for representation and warranty indemnification due to favorable demand resolutions, and \$0.8 million lower Compensation and benefits largely due to lower commissions on lower production volume.

Compared to the three months ended March 31, 2024, Operating expenses for the three months ended March 31, 2025 increased \$3.2 million primarily due to a \$2.2 million increase in Compensation and benefits driven by higher commissions on higher production volume, as well as an increase in incentive compensation and an increase in 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. We finance mortgage loans with repurchase and participation agreements, commonly referred to as warehouse lines. 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

Corporate 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, legal, risk and compliance, or finance 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 needs, with the exception of the Onity Senior Secured Notes through their redemption date in November 2024.

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

	Three Months Ended			Three Months Ended March 31,	
	March 31, 2025	December 31, 2024	% Change	2024	% Change
Revenue	\$ —	\$ —	n/m	\$ —	n/m
Operating expenses					
Compensation and benefits	21.9	26.3	(17)%	18.1	21 %
Professional services	15.9	3.3	377	4.6	247
Technology and communications	5.5	5.7	(3)	4.9	12
Servicing and origination	0.2	0.5	(53)	0.3	(30)
Occupancy, equipment and mailing	0.4	0.4	(14)	0.4	(11)
Other expenses	1.6	1.7	(7)	1.3	23
Total operating expenses before corporate overhead allocations	45.4	37.9	20 %	29.6	53 %
Corporate overhead allocations					
Servicing segment	(12.4)	(12.6)	(1)%	(10.9)	14 %
Originations segment	(3.9)	(4.4)	(12)	(3.9)	—
Total operating expenses	29.1	20.8	39 %	14.8	97 %
Other income (expense), net					
Interest income	1.1	2.5	(57)%	1.1	(7)%
Interest expense	(6.4)	(12.5)	(49)	(11.2)	(43)
Gain (loss) on extinguishment of debt	—	(51.1)	(100)	1.4	(100)
Other, net	0.8	0.2	273	—	n/m
Other income (expense), net	(4.5)	(61.0)	(93)%	(8.6)	(48)%
Income (loss) before income taxes	\$ (33.6)	\$ (81.8)	(59)%	\$ (23.4)	43 %

Operating Expenses

Operating expenses before corporate overhead allocations increased by \$7.5 million, or 20%, for the three months ended March 31, 2025 compared to the three months ended December 31, 2024, primarily driven by a \$12.5 million increase in Professional services, partially offset by a \$4.4 million decline in Compensation and benefits. The increase in Professional services is driven by an increase in our accrual for probable losses at March 31, 2025 in connection with the settlement of a legacy litigation matter, and the recovery of prior years' legal expenses from a mortgage insurer in the three months ended December 31, 2024. The decline in Compensation and benefits is mostly due to higher incentive compensation expense recorded in the three months ended December 31, 2024 based on our financial performance for 2024.

Operating expenses before corporate overhead allocations increased by \$15.8 million, or 53%, for the three months ended March 31, 2025 compared to the three months ended March 31, 2024. Professional services increased \$11.3 million driven by an increase in our accrual for probable losses in connection with the settlement of a legacy litigation matter, as disclosed above. Compensation and benefits increased \$3.8 million mostly due to higher incentive compensation, primarily driven by an increase in the fair value of cash-settled share-based awards during the three months ended March 31, 2025 (increase in our stock price vs. a decrease in the comparative period), and an increase in average headcount (mostly in the U.S.).

Other Income (Expense)

Interest expense for the three months ended March 31, 2025 decreased \$6.1 million as compared to the three months ended December 31, 2024 primarily driven by our corporate debt refinancing in November 2024 which resulted in lower corporate debt balance and lower effective interest rate. In addition, due to certain closing conditions, we incurred \$3.1 million interest expense in three months ended December 31, 2024 on the new corporate debt (\$500.0 million principal balance of 9.875% Senior Notes Due 2029) for approximately one month before redeeming the existing corporate debt (the 7.875% PMC Senior Secured Notes due 2026 and the 12% Onity Senior Secured Notes due 2027).

The \$4.8 million reduction in interest expense for the three months ended March 31, 2025 as compared to the three months ended March 31, 2024 is driven by the corporate debt refinancing discussed above.

In November 2024, we redeemed all of the outstanding PMC Senior Secured Notes due 2026 and Onity Senior Secured Notes due 2027, resulting in the recognition of a loss on debt extinguishment primarily due to the accelerated write-off of unamortized discount and debt issuance costs, the payment of a make-whole redemption premium and a transaction fee to Oaktree.

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 transaction during the three months ended March 31, 2025 impacting our liquidity:

- Entered into a one-year \$70.0 million PLS MSR financing agreement in February 2025. The financing agreement is structured as a repurchase agreement and was entered into upon the final repayment of the amortizing PLS 2022 Notes.

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):

	March 31, 2025			December 31, 2024		
	Total Borrowing Capacity (1)	Remaining Borrowing Capacity - Committed (1)	Remaining Borrowing Capacity - Uncommitted (1)	Total Borrowing Capacity (1)	Remaining Borrowing Capacity - Committed (1)	Remaining Borrowing Capacity - Uncommitted (1)
Advance facilities	\$ 714	\$ 273	\$ 64	\$ 714	\$ 234	\$ 64
Mortgage loan financing facilities	2,556	217	1,214	2,553	213	1,294
MSR financing facilities	1,270	98	58	1,200	235	55
Total	\$ 4,541	\$ 588	\$ 1,336	\$ 4,467	\$ 681	\$ 1,413

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

We may utilize committed borrowing capacity under our 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. 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 March 31, 2025, we had \$60.6 million total available committed and uncommitted borrowing capacity based on the amount of eligible collateral as follows:

	March 31, 2025		
	Total	Committed	Uncommitted
Advance facilities	\$ —	\$ —	\$ —
Mortgage loan financing facilities	24.5	—	24.5
MSR financing facilities	36.1	27.0	9.1
Total available borrowing capacity based on eligible collateral	\$ 60.6	\$ 27.0	\$ 33.6

At March 31, 2025, our total liquidity of \$238.6 million included \$178.0 million of unrestricted cash and \$60.6 million total available committed and uncommitted borrowing capacity based on the amount of eligible collateral as described above. With total liquidity of \$248.5 million at December 31, 2024, the decrease is mostly attributed to lower available committed borrowing capacity on MSR financing facilities primarily driven by declining interest rates.

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 including advances and draws related to reverse mortgage assets (see below);
- Investment in MSRs (purchased and originated) and other related asset acquisitions;
- 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, warehouse facilities and OLIT securitization notes, and payment of interest expense including on the Senior Notes Due 2029;
- Dividend payments on Series B Preferred Stock; and
- Net negative working capital and other general corporate cash outflows.

We have short-term commitments to lend \$1.6 billion in connection with our forward and reverse mortgage loan IRLCs outstanding at March 31, 2025. In addition, we have originated floating-rate reverse mortgage loans under which the borrowers have additional borrowing capacity of \$3.0 billion at March 31, 2025. During the three months ended March 31, 2025, we funded \$76.8 million of the \$3.1 billion borrowing capacity available as of December 31, 2024. 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 March 31, 2025, we have approximately \$2.6 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 \$1.1 billion of borrowings under forward and reverse mortgage loan financing facilities, \$376.9 million outstanding under advance financing facilities based on expected repayment, \$1.0 billion outstanding under GSE and Ginnie Mae MSR financing facilities maturing in the next 12 months, and \$66.4 million outstanding under a new MSR financing (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 Senior Notes Due 2029⁽¹⁾;
- 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.

⁽¹⁾Supplemental information required pursuant to the Indenture governing the Onity Senior Notes Due 2029 disclosed in Exhibit 99.1 .

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. We issued private placement securitizations to finance reverse mortgage buyouts, expanding our access to capital markets and reducing our reliance on warehouse financing facilities.

We regularly evaluate financing structure options including asset-backed financing to support our investment plans and accommodate our business needs. We strive to diversify our sources of funds, optimize maturities and reduce our funding cost. We continuously evaluate the allocation of our capital to MSR and other investments, the related returns, funding and liquidity requirements.

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 or regulatory 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 March 31, 2025, 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 21 – Regulatory Requirements.

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 March 31, 2025. Ginnie Mae announced a new risk-based capital ratio effective on December 31, 2024 for Ginnie Mae issuers. Ginnie Mae issued a waiver extending the deadline by which PHH must meet the risk-based capital ratio requirements to October 1, 2025.

PHH will be required to maintain a minimum of 6% ratio of Adjusted Net Worth less Excess MSRs, as defined, to risk weighted assets. We are currently implementing certain actions intended to achieve compliance with the requirements. We intend to continue to operate our Ginnie Mae issuer activities through PHH which would be subject to the risk-based capital rules, and separately conduct certain GSE MSR investment activities through PHH Asset Services LLC (PAS), a wholly owned subsidiary of PHH Corporation and Onity. We have received all necessary licensing and regulatory approvals to operate PAS except for one state with whom discussions are ongoing.

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 March 31, 2025.

Credit Ratings

Credit ratings are intended to be an indicator of the creditworthiness of a company's debt obligations. Lower ratings generally result in higher borrowing costs and reduced access to capital markets. The following table summarizes our current ratings and outlook by the respective nationally recognized rating agencies. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

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 2029. 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 2029. 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.

It is possible that additional actions by credit rating agencies could have a material adverse impact on our liquidity and funding position, including materially changing the terms on which we may be able to borrow money.

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, securitizations, or liquidation 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 under GAAP. 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 that do not meet sale accounting criteria have a significant impact on our consolidated statements of cash flows. Because the payments we receive 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>	Three Months Ended March 31,	
	2025	2024
Net cash used in operating activities	\$ (148)	\$ (297)
Net cash provided by (used in) investing activities	420	(4)
Net cash provided by (used in) financing activities	(300)	297
Net decrease in cash, cash equivalents and restricted cash	\$ (29)	\$ (4)
Cash, cash equivalents and restricted cash at end of period	\$ 237	\$ 251

Cash flows for the three months ended March 31, 2025

Our operating activities used \$148 million of cash during the period with \$159 million net cash paid on loans held for sale and \$11 million other operating cash inflows, net. The \$159 million net cash paid on loans held for sale is attributed to the growth of the pipeline with loan production volume exceeding sales and \$61 million originated MSRs. Operating cash outflows also include the payment of annual bonuses, the reduction of servicing float balances and margin calls on derivatives. Operating cash inflows included \$54 million net collections of servicing advances mostly driven by seasonality.

Our investing activities provided \$420 million of cash. Cash inflows primarily include \$509 million net cash received in connection with our HECM reverse mortgages, with increased collections driven by the portfolio acquired from Waterfall. Offsetting cash outflows include \$98 million to invest in MSRs as part of our growth strategy.

Our financing activities used \$300 million of cash. Cash outflows primarily include \$468 million net cash repaid in connection with our reverse HMBS related borrowings, with \$777 million of repayments of borrowings (see above discussion of collection drivers), partly offset by \$309 million received in connection with our reverse mortgage securitizations of our new production, and which are accounted for as secured financings. Other cash outflows include \$40 million of net repayments on advance match funded liabilities due to the seasonal decline in servicing advances. Offsetting financing cash inflows are primarily comprised of \$178 million net drawdown on MSR financing facilities due to the increase in the MSR portfolio and \$44 million net from borrowings under our mortgage loan financing facilities due to the increase in loans held for sale.

Cash flows for the three months ended March 31, 2024

Our operating activities used \$297 million of cash primarily due to net cash paid on loans held for sale of \$385 million as loan production volume exceeded sales, including \$95 million for the purchase of reverse mortgage buyouts (government-insured loans and claim receivables), and \$35 million originated MSRs. Offsetting operating cash inflows include net collections of servicing advances of \$73 million driven by seasonal activity and our increased collection efforts on legacy advances.

Our investing activities used \$4 million of cash. The primary use of cash in our investing activities was \$26 million to purchase MSRs and \$12 million to purchase real estate in connection with our reverse mortgage buyout transaction. Offsetting cash inflows include \$27 million net cash inflows in connection with our HECM reverse mortgages and \$7 million proceeds from sales of real estate as part of our asset recovery strategy.

Our financing activities provided \$297 million of cash. Financing cash inflows are primarily comprised of \$397 million net from borrowings under our mortgage loan financing facilities due to the increase in loans held for sale, including \$247.8 million with the issuance of the OLIT securitization of reverse mortgage buyouts, and \$49 million of net proceeds on MSR financing facilities. Offsetting cash outflows include \$60 million of net repayments on advance match funded liabilities due to the decline in servicing advances, and \$20 million of net payments on the financing liabilities related to MSRs transferred and ESS financings due to runoff. We also paid \$45 million to repurchase \$47 million of our 7.875% PMC Senior Secured Notes.

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. In developing estimates and assumptions, management uses all available information; however, actual results could materially differ from those estimates and assumptions. 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 March 31, 2025, 91% of our assets and 73% 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. See Note 3 – Fair Value for 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 and nonrecurring basis or disclosed, but not measured, using fair value

Our significant accounting policies and critical accounting estimates are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2024 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.” There have been no material changes to the critical accounting policies and estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2024.

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 16 – 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 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 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 reverse mortgage loans held for investment (HECM) 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. 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 represents a reverse mortgage economic MSR (HMSR) for risk management purposes. 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, we hedge certain Ginnie Mae EBO loans repurchased out of securitization pools for modification and reperformance 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 MSR, 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 March 31, 2025, 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	\$ 5	\$ (5)
Loans held for investment - Unsecuritized HECM loans and tails	—	—
Loans held for sale	15	(18)
Derivative instruments	11	(9)
Total MSRs - Agency and non-Agency (1)	(33)	30
IRLCs	(2)	2
Total, net	\$ (3)	\$ (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 March 31, 2025 balances, if interest rates were to decrease by 100 bps, we estimate a net positive impact on our profitability of approximately \$1.3 million resulting from a decrease of \$24.7 million in annual interest income and other credits on cash deposits and float balances, and a decrease of \$26.1 million in annual interest expense on our variable-rate debt.

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 March 31, 2025.

Based on such evaluation, management concluded that our disclosure controls and procedures as of March 31, 2025 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 March 31, 2025 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 23 – 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, 2024. 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, 2024.

ITEM 6. EXHIBITS

- | | |
|------|---|
| 3.1 | Amended and Restated Articles of Incorporation, as amended (1) |
| 3.2 | Amended and Restated Bylaws of Registrant (2) |
| 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. |
| 10.1 | Form of 2025 Annual Performance-Based Cash Award Agreement (filed herewith) |
| 10.2 | Form of Amendment effective February 13, 2025 to Warrants dated March 4, 2021 and May 3, 2021 (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) |
| 99.1 | Supplemental Information Pursuant to the Indenture dated as of November 6, 2024 (filed herewith) |
| 101 | The following financial statements from the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2025 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 March 31, 2025, formatted in Inline XBRL (Included as Exhibit 101). |

(1) Incorporated by reference to the similarly described exhibit included with the Registrant’s Quarterly Report on Form 10-Q for the period ended September 30, 2024 filed on November 7, 2024.

(2) 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: April 30, 2025

CASH-SETTLED PERFORMANCE STOCK UNIT AWARD AGREEMENT

THIS CASH-SETTLED PERFORMANCE STOCK UNIT AWARD AGREEMENT (this “Agreement”) is made as of [DATE] (the “Award Date”) between Onity Group Inc., a Florida corporation (the “Corporation”), and [NAME], an employee of the Corporation or of a Subsidiary (the “Participant”).

WHEREAS, the Corporation desires, by granting to the Participant an award of cash-settled stock units pursuant to the Corporation’s 2021 Equity Incentive Plan (the “Plan”), to further the objectives of the Plan;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, and intending to be legally bound hereby, the parties hereto have agreed, and do hereby agree, as follows:

1. STOCK UNIT GRANT

The Corporation hereby grants to the Participant, pursuant to and subject to the Plan, an aggregate “target” of [NUMBER] stock units (the “Stock Units”), on the terms and conditions herein set forth (the “Award”). As used herein, the term “stock unit” shall mean a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of the Corporation’s Common Stock (subject to adjustment as provided in Section 7.1 of the Plan) solely for purposes of the Plan and this Agreement. The Stock Units shall be used solely as a device for the determination of the payment to eventually be made to the Participant if such Stock Units vest pursuant to Paragraph 2 below. The Stock Units shall not be treated as property or as a trust fund of any kind. Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Plan.

2. VESTING OF STOCK UNITS

A. Generally

Subject to the following provisions of this Paragraph 2 and Paragraph 4, the extent to which the Stock Units become vested and payable will be determined in accordance with the performance-based vesting conditions as set forth in Appendix A hereto, incorporated herein by this reference. The “Vesting Date” applicable to the Stock Units is the third anniversary of the Award Date, subject to adjustment as set forth in Paragraph 2 hereof.

B. Retirement, Termination by the Corporation Without Cause, Death or Disability

If, at any time on or before the Vesting Date, the Participant’s employment with the Corporation or any of its Subsidiaries terminates by reason of the Participant’s (i) Retirement, (ii) termination by the Participant’s employer without Cause (other than following a 409A Change of Control (as defined below)), (iii) death, or (iv) Disability occurring while employed by the Corporation or one of its Subsidiaries (in each case, such date of termination of the Participant’s employment, the “Separation Date”), the Award shall immediately vest on a pro-rata basis in proportion to the percentage of the corresponding vesting period the Participant was employed by the Corporation or one of its Subsidiaries prior to the Separation Date, except as provided below and subject to the conditions below. In such circumstances, the performance-based vesting conditions shall be deemed to have been achieved as set

forth in Appendix A and the Award shall vest as provided in Appendix A, provided that (i) the number of Stock Units eligible to vest shall be reduced such that the “target” number of Stock Units subject to the Award equals (x) such target number of Stock Units before giving effect to this adjustment multiplied by (y) the percentage of the three-year period between the Award Date and the original Vesting Date that the Participant was employed by the Corporation or one of its Subsidiaries prior to such termination of the Participant’s employment; (ii) in the event of Retirement or termination by the Participant’s employer without Cause, the Participant satisfies the release requirement set forth in the following sentence, and (iii) in the event of Retirement, the Participant complies with the conditions set forth in Paragraph 5 hereof through the Vesting Date. As a condition of any such vesting, in the event of Retirement or termination without Cause, the Participant shall, not later than 21 days after such termination of the Participant’s employment (or such longer period as may be required under applicable law for the Participant to consider the release in order for the release to be effective) provide the Corporation with a valid, executed written release of claims in a form acceptable to the Corporation, and such release shall not have been revoked by the Participant pursuant to any revocation rights afforded by applicable law. Any such Stock Units that vest according to this Paragraph 2B shall be paid in accordance with Paragraph 7 hereof, provided that for the purposes of such payment the Vesting Date as to such Stock Units shall be deemed to be the Separation Date. Any remaining unvested portion of the Award after giving effect to such acceleration shall terminate and be cancelled as of the Separation Date without payment of any consideration by the Corporation and without any other action by the Participant, or the Participant’s beneficiary or personal representative, as the case may be.

For purposes of this Agreement, “Retirement” shall mean termination (other than by reason of death, Disability (as defined below) or by the Participant’s employer for Cause) of the Participant’s employment with the Corporation or one of its Subsidiaries; provided, however, that for purposes of this Agreement only, the Participant must have attained the age of 60 and been an employee of the Corporation or any of its Subsidiaries for not less than 5 years as of the date of termination of employment by reason of Retirement.

For purposes of this Agreement, “Cause” shall mean that the Administrator, acting in good faith based on the information then available to it, determines that the Participant: (a) has been convicted of, or has pled guilty to, a felony (under the laws of the United States or any state thereof or other applicable jurisdiction); (b) has engaged in acts of fraud, material dishonesty or other acts of willful misconduct in the course of the Participant’s duties for the Corporation or any of its Subsidiaries; (c) the Participant has willfully failed to substantially perform the Participant’s duties for the Corporation or any of its Subsidiaries; (d) has materially breached any of the provisions of any agreement to which the Participant is a party with the Corporation or any of its Subsidiaries; or (e) has materially breached any written policy of the Corporation or any of its Subsidiaries that is applicable to the Participant in the course of the Participant’s employment and has been communicated to the Participant; provided, however, as to clauses (c), (d) and (e) only, that Cause shall only exist if the Corporation or a Subsidiary (as the case may be) shall have provided written notice to the Participant of the condition(s) claimed to constitute Cause under such clause and the Participant shall have failed to remedy such circumstance(s) within 30 days following the date of such notice.

For purposes of this Agreement, “Disability” shall mean the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

The Stock Units subject to the Award remain subject to forfeiture should the applicable performance conditions as provided in Appendix A not be met as of the Vesting Date.

For clarity, for purposes of this Agreement no termination of the Participant's employment shall be deemed to have occurred if the Participant ceases to be employed by the Corporation or a Subsidiary but, immediately thereafter, continues in the employ of another Subsidiary or the Corporation.

C. Change of Control

If a 409A Change of Control occurs on or before the Vesting Date, the Award shall remain outstanding and eligible to vest on the Vesting Date, provided that the performance-based vesting conditions for any outstanding and incomplete Measurement Period set forth in Appendix A shall be measured with the Measurement Period end date being the date of the 409A Change in Control and deemed to have been achieved at the greater of actual results or "Target" as set forth in Appendix A (that is, following the 409A Change of Control, the Award will be subject to only time-based vesting based on the Participant's continued employment, and not any additional performance-based measure). Such Stock Units shall be paid in accordance with Paragraph 7 hereof. As used herein, "409A Change of Control" shall mean the occurrence of (a) a "change in the ownership" of the Corporation within the meaning of Treasury Regulation 1.409A-3(i)(5)(v) (which, for illustrative purposes, is generally triggered if any one person (or persons acting as a group) acquire ownership of Corporation stock which constitutes more than 50% of the total fair market value or total voting power of the stock of the Corporation), (b) a "change in the effective control" of the Corporation within the meaning of Treasury Regulation 1.409A-3(i)(5)(vi)(A)(1) (which, for illustrative purposes, is generally triggered if any one person (or persons acting as a group) acquire during a period of not more than twelve months ownership of stock of the Corporation possessing 30% or more of the total voting power of the stock of the Corporation; or certain majority changes in the membership of the Board occur over a period of not more than twelve months), or (c) a change "in the ownership of a substantial portion of the assets" of the Corporation within the meaning of Treasury Regulation 1.409A-3(i)(5)(vii) (which, for illustrative purposes, is generally triggered if any one person (or persons acting as a group) acquire during a period of not more than twelve months assets from the Corporation that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all assets of the Corporation immediately before such acquisition(s)).

Except as expressly otherwise provided in this Paragraph 2, the Participant's continued employment on the Vesting Date shall be a condition to the vesting of the Award and the rights and benefits under this Agreement.

If the Participant's employment terminated in the circumstances set forth in Paragraph 2.B prior to the 409A Change of Control and the conditions to vesting pursuant to Paragraph 2.B are satisfied, the performance-based vesting condition shall be deemed to have been achieved at "Target" as set forth in Appendix A as of the Vesting Date (including as to any otherwise-completed Measurement Period set forth in Appendix A) and such Stock Units shall be paid in accordance with Paragraph 7.

D. Post Change of Control Termination by the Corporation Without Cause or Resignation for Good Reason

If, following a 409A Change of Control and on or before the Vesting Date, (i) the Corporation (or Subsidiary that employs the Participant, as the case may be) terminates the Participant's employment for any reason other than Cause or (ii) the Participant resigns employment with the Corporation (or Subsidiary that employs the Participant, as the case may be) for Good Reason, the Stock Units subject to

the Award shall vest as of the date of such termination of the Participant's employment with the Corporation and its Subsidiaries (the Participant's "Separation Date"), with the performance-based vesting conditions for any outstanding and incomplete Measurement Period set forth in Appendix A deemed to have been achieved at "Target" as set forth in Appendix A, subject, however, to the Participant satisfying the release requirement set forth in the following sentence. As a condition of any such vesting, the Participant shall, not later than 21 days after such a termination of the Participant's employment (or such longer period as may be required under applicable law for the Participant to consider the release in order for the release to be effective) provide the Corporation with a valid, executed written release of claims in a form acceptable to the Corporation, and such release shall not have been revoked by the Participant pursuant to any revocation rights afforded by applicable law. If this Paragraph 2.E applies, payment of the Stock Units that vest shall be made in accordance with Paragraph 7, except that if the Separation Date occurs within two years following the 409A Change of Control the Vesting Date shall be deemed to be the Separation Date as to such Stock Units and such Stock Units shall be paid within 60 days following the Separation Date.

For the purposes of this Agreement, "Good Reason" means, a (1) a material reduction by the Corporation in Participant's base salary; (2) a material diminution in Participant's position; or (3) a relocation of Participant's location of employment by more than 50 miles from the office where Participant is located as of the Award Date; provided, however, that any such condition or conditions, as applicable, shall not constitute grounds for a termination for Good Reason unless both (x) the Participant provides written notice to the Corporation of the condition(s) claimed to constitute grounds for Good Reason within 60 days of the initial existence of such condition(s), and (y) the Corporation or Subsidiary (as the case may be) fails to remedy such condition(s) within 30 days after receiving such written notice thereof; and provided, further, that in all events the termination of the Participant's employment shall not constitute a termination for Good Reason unless such termination occurs not more than 180 days following the initial existence of the condition claimed to constitute grounds for Good Reason.

E. Continued Employment

Except as expressly otherwise provided in this Paragraph 2, continued employment through the Vesting Date is a condition to the vesting of the Award and the rights and benefits under this Agreement. Except as expressly otherwise provided in this Paragraph 2, employment for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment as provided in Paragraph 4 below or under the Plan. As used in this Agreement, references to the Participant's "employment" (and similar references to the Participant's being "employed" and an "employee") shall include any period when the Participant is either (i) an employee of the Corporation or any of its Subsidiaries or (ii) a member of the Board.

3. DIVIDEND AND VOTING RIGHTS

The Participant shall have no rights as a stockholder of the Corporation, no dividend rights, and no voting rights with respect to the Stock Units.

4. TERMINATION OF AWARD

If, on or before the Vesting Date, the Participant's employment with the Corporation or any of its Subsidiaries terminates other than under circumstances described in Paragraph 2, above (or if the termination occurs in circumstances described in Paragraph 2 above but a release or other condition to the

treatment otherwise provided for in Paragraph 2 above in the circumstances is not satisfied), the Award shall terminate and be cancelled as of the last day of the Participant's employment with the Corporation or such Subsidiary. If the Award is terminated hereunder (including, without limitation, pursuant to Appendix A, Paragraph 2 or this Paragraph 4), the Stock Units shall automatically terminate and be cancelled as of the applicable termination date without payment of any consideration by the Corporation and without any other action by the Participant, or the Participant's beneficiary or personal representative, as the case may be.

5. CONDITIONS UPON RETIREMENT

If the Participant's employment with the Corporation or any of its Subsidiaries terminates by reason of Retirement, the rights of the Participant with respect to the Award shall be subject to the conditions that until the Award is vested, he/she shall (a) not engage, either directly or indirectly, in any manner or capacity as advisor, principal, agent, partner, officer, director, employee, member of any association or otherwise, in any business or activity which is at the time competitive with any business or activity conducted by the Corporation or any of its direct or indirect Subsidiaries, and (b) be available, unless he/she shall have died, at reasonable times for consultations at the request of the Corporation's management with respect to phases of the business with which he/she was actively connected during his/her employment, but such consultations shall not be required to be performed during usual vacation periods or periods of illness or other incapacity or without reasonable compensation and cost reimbursement. In the event that either of the above conditions is not fulfilled, the Participant shall forfeit all rights to the Award, as of the date of the breach of the conditions of this Paragraph 5. Any determination by the Board that the Participant is or has engaged in a competitive business or activity as aforesaid or has not been available for consultations as aforesaid shall be conclusive.

6. NO EMPLOYMENT COMMITMENT

Nothing contained in this Agreement or the Plan constitutes an employment or service commitment by the Corporation or any of its Subsidiaries, affects the Participant's status as an employee at will who is subject to termination with or without Cause, confers upon the Participant any right to remain employed by or in service to the Corporation or any Subsidiary, interferes in any way with the right of the Corporation or any Subsidiary at any time to terminate such employment or services, or affects the right of the Corporation or any Subsidiary to increase or decrease the Participant's other compensation or benefits. Nothing in this Agreement, however, is intended to adversely affect any independent contractual right of the Participant without his or her consent thereto.

7. TIMING AND MANNER OF PAYMENT OF STOCK UNITS

On or as soon as administratively practical following the Vesting Date as provided in Appendix A (or other applicable date determined pursuant to Paragraph 2 hereof), and in all events not later than 74 days after the Vesting Date (or such other period as may be provided for in Paragraph 2), the Corporation shall deliver to the Participant a cash payment (subject to any withholding for taxes pursuant to Paragraph 8) equal to the number of Stock Units that vested on the Vesting Date multiplied by the Payment Value. The "Payment Value" as of the Vesting Date is the sum of: (a) the closing price (in regular trading) for a share of Common Stock on the principal stock exchange on which the Common Stock is then listed or admitted to trade (the "Exchange") on the Vesting Date or, if no sales of Common Stock were reported on the Exchange on that date, the closing price (in regular trading) for a share of Common Stock on the Exchange for the next preceding day on which sales of Common Stock were reported on the Exchange, plus (b) the amount of regular cash dividends paid by the Corporation on a share of Common Stock as to

which the applicable ex-dividend date(s) are after the Award Date and on or before the Vesting Date; provided, however, that if the Corporation's Common Stock is not listed or admitted to trade on any national securities exchange on the Vesting Date, the Payment Value with respect to the Vesting Date shall be either (i) if a 409A Change of Control has occurred on or prior to the Vesting Date and the Corporation's Common Stock has ceased to be so listed or admitted to trade in connection with such 409A Change of Control, the amount of the cash consideration paid for a share of Corporation Common Stock in such transaction plus the amount of regular cash dividends paid by the Corporation on a share of Common Stock as to which the applicable ex-dividend date(s) are after the Award Date and before the date of such 409A Change of Control, or (ii) if clause (i) is not applicable, such other amount as the Administrator determines, in its sole and absolute discretion, to be fair and reasonable and consistent with the purposes of the Award. The Participant shall have no further rights with respect to any Stock Units that are paid or that terminate pursuant to Appendix A, Paragraph 2 or Paragraph 4.

If the Participant is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of the Participant's separation from service with the Corporation, and payment pursuant to the preceding paragraph is to be made in connection with such separation from services, the Participant shall not be entitled to any payment or benefit pursuant to the preceding paragraph until the earlier of (i) the date which is six (6) months after the Participant's separation from service for any reason other than death, or (ii) the date of the Participant's death. The provisions of this paragraph shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A. Any amounts otherwise payable to the Participant upon or in the six (6) month period following the Participant's separation from service that are not so paid by reason of this paragraph shall be paid as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after the Participant's separation from service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of the Participant's death). If, in connection with the Participant's separation from service, the Participant is required to provide the Corporation with a release of claims and the maximum period in which the Participant has to consider, execute, and revoke such release of claims spans two calendar years, any payment of the Stock Units vesting in connection with such separation from service shall be made in the second of such two calendar years.

The timing of payment of any Stock Units may not be changed by the Corporation (including pursuant to any provision of the Plan), except as would satisfy Treasury Regulation Section 1.409A-3(j)(4).

8. TAX WITHHOLDING

Upon any payment in respect of the Stock Units, the Corporation shall be entitled to reduce the amount of the cash payment to the Participant with respect of the Award by the amount of any tax withholding obligations of the Corporation or its Subsidiaries with respect to such payment.

9. ADJUSTMENT UPON SPECIFIED EVENTS

Upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 7.1 of the Plan (including, without limitation, an extraordinary cash dividend on such stock), the Administrator shall make adjustments in accordance with such section to the number of Stock Units (or the consideration that may become payable with respect to a vested Stock Unit) then outstanding in respect of the Award. No such adjustment shall be made, however, as to any cash dividend or distribution that has already been taken into account in determining the Payment Value pursuant to Section 7.

10. NON-TRANSFERABILITY OF THE AWARD

The Award shall not be transferable otherwise than by will or by the applicable laws of descent and distribution. More particularly (but without limiting the generality of the foregoing), the Award may not be assigned, transferred (except as aforesaid), pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Award contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Award, shall be null and void and without effect.

11. AMENDMENT

In the event that the Board amends the Plan and such amendment modifies or otherwise affects the subject matter of this Agreement, this Agreement shall, to that extent, be deemed to be amended by such amendment to the Plan. However, the timing of payment of the Award (to the extent it becomes vested) shall be as set forth in this Award Agreement and may not be changed (pursuant to the Plan, any amendment thereto, or otherwise) except as would be compliant with (and not result in any tax, penalty or interest under) Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

12. CONSTRUCTION

In the event of any conflict between the Plan and this Agreement, the provisions of the Plan shall control. If any provision of this Agreement is held to be invalid or unenforceable for any reason, such provision shall be conformed to prevailing law rather than voided, if possible, in order to achieve the intent of the parties and, in any event, the remaining provisions of this Agreement shall remain in full force and effect and shall be binding upon the parties hereto. This Agreement shall be governed in all respects by the laws of the State of Florida.

13. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the Corporation and the Participant and supersedes all other discussions, correspondence, representations, understandings and agreements between the parties, with respect to the subject matter hereof.

14. HEADINGS

The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed a part hereof.

15. CLAWBACK POLICY

The Stock Units are subject to the terms of the Corporation's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of the Stock Units or cash received with respect to the Stock Units.

16. SECTION 409A

It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) so as not to subject the Participant to payment of any additional tax, penalty or interest imposed under Code Section 409A. The provisions of this Agreement shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefit payable to the Participant.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

ONITY GROUP INC.

By: _____

PARTICIPANT

By: _____

APPENDIX A

VESTING REQUIREMENTS

The Stock Units subject to the Award will be eligible to vest in a single installment on the Vesting Date based on the Corporation's achievement of certain performance goals as determined below and subject to the continued service requirements set forth in this Agreement.

The Stock Units that will be available to vest on the Vesting Date shall be determined based on the following four measurement periods (each, a "Measurement Period"), with the percentage of the "target" number of Stock Units allocated to each such Measurement Period as set forth in the chart below:

Measurement Period	Period Dates	Percentage of Stock Units Allocated
First Measurement Period	March 15, 2025 through March 15, 2026	15%
Second Measurement Period	March 15, 2026 through March 15, 2027	15%
Third Measurement Period	March 15, 2027 through March 15, 2028	15%
Fourth Measurement Period	March 15, 2025 through March 15, 2028	55%

For each Measurement Period, the target number of Stock Units subject to the Award that will be allocated to that Measurement Period will be determined by multiplying the total target number of Stock Units subject to the Award by the percentage of Stock Units allocated to that Measurement Period (as shown above) ("Allocated Stock Units").

The Stock Units for a particular Measurement Period that will be eligible to vest will be determined by multiplying the Allocated Stock Units for that Measurement Period by the percentage of Stock Units vesting based on the Relative TSR (as defined below) achieved by the Corporation for that Measurement Period as follows:

Relative TSR Achieved for the Measurement Period	Performance Level	Percentage of Allocated Stock Units Vesting
<25 th percentile	Below Threshold	0%
25 th percentile	Threshold	50%
50 th percentile	Target	100%
100 th percentile	Maximum	200%

Provided that the level of Relative TSR achieved for a Measurement Period is at least "Threshold," the percentage of the Allocated Stock Units for that Measurement Period that will be eligible to vest for a Relative TSR for that Measurement Period achieved between the levels set forth in the table above will be

determined based on straight-line interpolation between points (for clarity, if the Relative TSR achieved for the Measurement Period was the 60th percentile, the percentage of the Allocated Stock Units for that Measurement Period that will be eligible to vest would be 120%). In no event will the vesting percentage exceed 200% for any Measurement Period.

In the event of a termination of employment described under Paragraph 2B of this Agreement, this paragraph shall apply. For any Measurement Period listed above that begins after the Separation Date, the performance level of that Measurement Period will be deemed to be achieved at “Target”. In the event the Separation Date is earlier than the end date of a Measurement Period listed above, the Separation Date shall become the end date of that Measurement Period.

In the event of a 409A Change in Control described under Paragraph 2C of this Agreement, this paragraph shall apply. For any Measurement Period listed above that begins after the date of the 409A Change in Control, the performance level for that Measurement Period will be deemed to be achieved at “Target”. In the event the date of the 409A Change in Control is earlier than the end date of a Measurement Period listed above, the date of the 409A Change in Control shall become the end date of that Measurement Period.

Definitions. For purposes of this Appendix A, the following definitions shall apply:

“Absolute Total Shareholder Return” (or “Absolute TSR”) means, as to the applicable company for the applicable Measurement Period, the cumulative (non-compounded) total return (expressed as a percentage) of an investment in the company’s common stock for the Measurement Period, determined using the Beginning Stock Price to value the company’s common stock at the start of the Measurement Period and the Ending Stock Price to value the company’s common stock at the end of the Measurement Period. For purposes of such determination, the Ending Price (or one or more of the Closing Stock Prices used to determine the Ending Price, as the Administrator may determine) shall be equitably and proportionately adjusted by the Administrator to the extent (if any) determined necessary by the Administrator to preserve the intended incentives of the award and mitigate the impact of any stock split, stock dividend or reverse stock split occurring during the Measurement Period and the Beginning Price (or one or more of the Closing Stock Prices used to determine the Beginning Price, as the Administrator may determine) shall be equitably and proportionately adjusted by the Administrator to the extent (if any) determined necessary by the Administrator to preserve the intended incentives of the award and mitigate the impact of any stock split, stock dividend or reverse stock split occurring during the thirty (30) consecutive trading day period used to determine the Beginning Stock Price.

“Beginning Stock Price” as to a Measurement Period means the average of the Closing Stock Prices for the applicable company for the thirty (30) consecutive trading days ending with the first trading day of the Measurement Period.

“Closing Stock Price” means, as of any calendar day as to the applicable company for the applicable Measurement Period, the sum of (a) the closing price (in regular trading) for a share of the company’s common stock on the principal stock exchange on which the company’s common stock is then listed or admitted to trade (the “Exchange”) for the date in question or, if no sales of the company’s common stock were reported on the Exchange on that date, the closing price (in regular trading) for a share of the company’s common stock on the Exchange for the next preceding day on which sales of the company’s common stock were reported on the Exchange, plus (b) (as of any date after the Award Date) the amount of cash dividends paid by the company on a share of its common stock as to which the applicable ex-dividend date(s) are after the Award Date and on or before the particular calendar day in question. If the

applicable company's common stock is no longer listed or admitted to trade on a national securities exchange as of any particular date, the Closing Stock Price for that date as to that company shall be the value as reasonably determined by the Administrator for purposes of the award in the circumstances.

“Ending Stock Price” means, as to a particular Measurement Period, the average of the Closing Stock Prices for the applicable company for the thirty (30) consecutive trading days ending with the last trading day of the Measurement Period.

“Performance Peer Group” means the following companies:

- Annaly Capital Management, Inc.
- Better Home & Finance Holding Company
- Cherry Hill Mortgage Investment Corporation
- Finance of America Companies, Inc.
- Guild Holdings Company
- loanDepot, Inc.
- MGIC Investment Corporation
- Mr. Cooper Group Inc.
- PennyMac Financial Services, Inc.
- Radian Group Inc.
- Redwood Trust, Inc.
- Rithm Capital Corp.
- Rocket Companies, Inc.
- Two Harbors Investment Corp.
- UWM Holdings Corporation

To measure relative performance, the Performance Peer Group will consist of (1) companies that are in the Performance Peer Group and are publicly-traded for the entire Measurement Period and (2) companies that are initially in the Performance Peer Group and cease to be publicly-traded during the Measurement Period because of insolvency (with the Absolute TSRs of such companies being deemed equal to the lowest Absolute TSR of companies that are in the Performance Peer Group for the entire period). Companies that are initially included in the Performance Peer Group but that cease to be publicly-traded during the Measurement Period because they are acquired or for other reasons will not be included in assessing relative performance and shall be deemed to be excluded from the Performance Peer Group.

“Relative Total Shareholder Return” (or **“Relative TSR”**) means the Corporation's Absolute TSR ranked relative to the Absolute TSR values of companies in its Performance Peer Group (as defined above), expressed as a percentile where the highest Absolute TSR achieved by the Corporation or other company in the Performance Peer Group is the 100th percentile and the lowest Absolute TSR achieved by the Corporation or other company in the Performance Peer Group is the 0th percentile.

Determination. Following the end of each Measurement Period, the Administrator shall make a determination as to the Corporation's achievement of the performance-based vesting requirements set forth in this Appendix A as to that Measurement Period. Any portion of the Allocated Stock Units subject to the Award for a particular Measurement Period that are outstanding at the end of that Measurement Period and are not eligible to vest in accordance with this Appendix A based on the Corporation's performance for that Measurement Period shall terminate as of the last day of that Measurement Period (except as provided in Paragraph 2 of the Agreement). In all events, the Administrator's determination of the Corporation's performance during each Measurement Period, and the number of Stock Units eligible to vest, pursuant to this Appendix A shall be final and binding.

* * *

FORM OF
AMENDMENT To WARRANT CERTIFICATES

This Amendment to Warrant Certificates, effective as of February 13, 2025 (this “Amendment”), by and between Onity Group Inc., a Florida corporation (f/k/a Ocwen Financial Corporation) (the “Company”) and [●] (“Holder”) amends (i) the certain Warrant Certificate No. [●], dated March 4, 2021, issued by the Company to Holder evidencing Warrants to purchase up to [●] shares of common stock of the Company, subject to the terms and conditions set forth therein (“Warrant Certificate No. [●]”) and Warrant Certificate No. [●], dated May 3, 2021, issued by the Company to Holder evidencing Warrants to purchase up to [●] shares of common 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 Certificate” 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 with respect to each Warrant Certificate that in Section 5. “Mechanics of Exercise,” subsection (a) “Delivery of Warrant Shares upon Exercise,” the words “Final Average Trading Price Corresponding to the Warrant Share Delivery Date” shall be replaced with the words “Fair Market Value.”

Except as expressly amended by this Amendment, all terms and provisions of the Warrant Certificates all terms and provisions of the Warrant Certificates remain in full force and effect.

The provisions of Sections 13(a) and 13(b) of the Warrant Certificate shall apply to this Amendment mutatis mutandis as if set forth herein.

This Amendment may be executed in multiple counterparts, each of which shall be an original but all of which together shall constitute but one and the same agreement. The signature of any party hereto to any counterpart hereof shall be deemed a signature to, and may be appended to, any other counterpart hereof. The exchange of copies of this Amendment or any signature pages required hereunder by electronic transmission (including but not limited to Portable Document Format via email) shall constitute effective execution and delivery of same as to the parties thereto and may be used in lieu of the original documents for all purposes. Signatures transmitted by other electronic transmission shall be deemed to be original signatures for all purposes.

* * * * *

[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:

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: April 30, 2025

/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.

April 30, 2025

/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 March 31, 2025 (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: April 30, 2025

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 March 31, 2025 (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: April 30, 2025

Supplemental Information Pursuant to the Indenture, dated as of November 6, 2024, by and between PHH Escrow Issue LLC and Wilmington Trust, national association, as trustee and collateral trustee

9.875% Senior Notes Due 2029

The details of the items enumerated in the definition of “Total LTV Ratio”, as defined in Section 1.01 of the Indenture, are as follows as of March 31, 2025: (A) Specified Net Servicing Advances, (B) Specified Deferred Servicing Fees, (C) Excess of Specified MSR Value over MTM MSR Indebtedness and Permitted MSR Indebtedness, (D) Unrestricted Cash of Parent and Restricted Subsidiaries, (E) Advance Facility Reserves, (F) Specified Loan Value, (G) Specified Residual Value, and (H) Marketable Securities held by Parent and Restricted Subsidiaries amounted to \$131.3 million, \$6.7 million, \$722.6 million, \$178.0 million, \$9.8 million, \$148.2 million, nil and nil, respectively.

Available Cash held by Regulated Subsidiary Guarantors was \$147.3 million at March 31, 2025.