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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 10-Q**

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

For the quarterly period ended **September 30, 2022**

OR

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: **001-39645**

**GUILD HOLDINGS COMPANY**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)  
**5887 Copley Drive**  
**San Diego, California**  
(Address of principal executive offices)

**85-2453154**  
(I.R.S. Employer  
Identification No.)

**92111**  
(Zip Code)

Registrant's telephone number, including area code: **(858) 560-6330**

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

| Title of each class                              | Trading<br>Symbol(s) | Name of each exchange on which registered |
|--|----------------------|---|
| Class A common stock, \$0.01 par value per share | GHLD                 | The 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 x 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 x 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 Exchange Act). Yes  No x

As of October 31, 2022, the registrant had 20,733,787 shares of Class A common stock outstanding and 40,333,019 shares of Class B common stock outstanding.

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**GUILD HOLDINGS COMPANY**  
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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains forward-looking statements. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would" and "outlook," or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

Important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements include, but are not limited to, those factors described below under "Summary of Risk Factors" and in Part II, Item 1A. "Risk Factors" in this Quarterly Report.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described elsewhere in this Quarterly Report. Moreover, we operate in a very competitive environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report to reflect events or circumstances after the date of this Quarterly Report or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

As used herein, "Guild," "the Company," "we," "us," "our," and similar terms include Guild Holdings Company and its subsidiaries, unless the context indicates otherwise.

## SUMMARY OF RISK FACTORS

Below is a summary of the principal factors that make an investment in our common stock speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found below under Part II, Item 1A. "Risk Factors" and should be carefully considered, together with other information in this Quarterly Report and our other filings with the Securities and Exchange Commission ("SEC"), before making an investment decision regarding our common stock.

- A disruption in the secondary home loan market or our ability to sell the loans we originate could have a detrimental effect on our business.
- Macroeconomic and U.S. residential real estate market conditions have and could further materially and adversely affect our clients, origination volume, revenue, and results of operations.

- We are highly dependent on certain U.S. government-sponsored entities and government agencies, and any organizational or pricing changes in these entities, their guidelines or their current roles could materially and adversely affect us.
- Changes in prevailing interest rates or U.S. monetary policies have had and may continue to have a detrimental effect on our business. Our hedging strategies may not be successful in mitigating interest rate risk.
- Our servicing rights are subject to termination with or without cause.
- Our existing and any future indebtedness could adversely affect our liquidity and our ability to operate our business.
- A significant disruption in the technology that supports our origination and servicing platform could harm us.
- The acquisition of Residential Mortgage Services Holdings, Inc. ("RMS") has caused, and the RMS acquisition or other future acquisitions or investments may in the future cause, our financial results to differ from expectations; we may not be able to achieve anticipated benefits from the RMS acquisition or other future acquisitions or investments.
- The coronavirus ("COVID-19") pandemic has created economic, financial and public health disruptions that have and are expected to continue to adversely affect the national economy and the local economies in the communities in which we operate
- Pressure from existing and new competitors may adversely affect us.
- Our failure to maintain or grow our historical referral relationships with our referral partners may materially and adversely affect us.
- Servicing advances can be subject to delays in recovery or may not be recoverable at all.
- From time to time our estimates of the fair value of certain assets prove to be inaccurate and we are required to write them down.
- The success and growth of our business will depend upon our ability to adapt to and implement technological changes and to develop and market attractive products and services.
- Our business may be materially and adversely affected by a cybersecurity breach or other vulnerability involving our computer systems or those of certain of our third-party service providers.
- Operating and growing our business may require additional capital that may not be available.
- We are subject to certain operational risks, including employee or customer fraud, the obligation to repurchase sold loans in the event of a documentation error, and data processing system failures and errors.
- We are periodically required to repurchase mortgage loans, or indemnify purchasers of our mortgage loans, including if these loans fail to meet certain criteria or characteristics.
- Seasonality may cause fluctuations in our financial results.
- If we fail to protect our brand and reputation, our ability to grow our business and increase the volume of mortgages we originate and service may be adversely affected.
- We may fail to comply with the complex legal and regulatory framework (including state licensing requirements) governing our mortgage loan origination and servicing activities.
- We are controlled by McCarthy Capital Mortgage Investors, LLC ("MCMI"), and MCMI's interests may conflict with our interests and the interests of our other stockholders.
- We are a "controlled company" and may rely on exemptions from certain corporate governance requirements that provide protection to stockholders of other companies.
- Our directors and executive officers have significant control over our business.
- We are a holding company and depend upon distributions from Guild Mortgage Company LLC ("GMC") to meet our obligations.
- The dual class structure of our common stock may adversely affect the trading market of our Class A common stock.
- We identified material weaknesses in our internal control over financial reporting.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business, financial condition, results of operations and cash flows.

**PART I - FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)****GUILD HOLDINGS COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)**

| (In thousands, except share and per share amounts)  | September 30,<br>2022 | December 31, 2021   |
|---|-----------------------|---------------------|
| <b>Assets</b>   |                       |                     |
| Cash and cash equivalents   | \$ 162,198            | \$ 243,108          |
| Restricted cash   | 7,752                 | 5,012               |
| Mortgage loans held for sale  | 929,561               | 2,204,216           |
| Ginnie Mae loans subject to repurchase right  | 607,614               | 728,978             |
| Accounts and interest receivable  | 32,095                | 68,359              |
| Derivative assets   | 71,826                | 27,961              |
| Mortgage servicing rights, net  | 1,129,551             | 675,340             |
| Intangible assets, net  | 35,063                | 41,025              |
| Goodwill  | 173,434               | 175,144             |
| Other assets  | 194,997               | 214,061             |
| Total assets  | <u>\$ 3,344,091</u>   | <u>\$ 4,383,204</u> |
| <b>Liabilities and stockholders' equity</b>   |                       |                     |
| Warehouse lines of credit   | \$ 819,892            | \$ 1,927,478        |
| Notes payable   | 112,500               | 250,227             |
| Ginnie Mae loans subject to repurchase right  | 608,046               | 729,260             |
| Accounts payable and accrued expenses   | 40,902                | 56,836              |
| Accrued compensation and benefits   | 35,457                | 75,079              |
| Investor reserves   | 16,015                | 18,437              |
| Contingent liabilities due to acquisitions  | —                     | 59,500              |
| Derivative liabilities  | 23,577                | 2,079               |
| Operating lease liabilities   | 87,363                | 97,836              |
| Note due to related party   | 1,057                 | 2,614               |
| Deferred compensation plan  | 93,073                | 101,600             |
| Deferred tax liabilities  | 240,618               | 142,245             |
| Total liabilities   | <u>2,078,500</u>      | <u>3,463,191</u>    |
| Commitments and contingencies (Note 15)   |                       |                     |
| <b>Stockholders' equity</b>   |                       |                     |
| Preferred stock, \$0.01 par value; 50,000,000 shares authorized; no shares issued and outstanding   | —                     | —                   |
| Class A common stock, \$0.01 par value; 250,000,000 shares authorized; 20,477,053 and 20,723,912 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively | 205                   | 207                 |
| Class B common stock, \$0.01 par value; 100,000,000 shares authorized; 40,333,019 shares issued and outstanding as of September 30, 2022 and December 31, 2021                              | 403                   | 403                 |
| Additional paid-in capital  | 44,061                | 42,175              |
| Retained earnings   | 1,220,863             | 877,194             |
| Non-controlling interest  | 59                    | 34                  |
| Total stockholders' equity  | <u>1,265,591</u>      | <u>920,013</u>      |
| Total liabilities and stockholders' equity  | <u>\$ 3,344,091</u>   | <u>\$ 4,383,204</u> |

See accompanying notes to condensed consolidated financial statements

**GUILD HOLDINGS COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)**

| (In thousands, except per share amounts)                                 | Three Months Ended September<br>30, |            | Nine Months Ended<br>September 30, |              |
|--|-------------------------------------|------------|------------------------------------|--------------|
|  | 2022                                | 2021       | 2022                               | 2021         |
| <b>Revenue</b>   |                                     |            |                                    |              |
| Loan origination fees and gain on sale of loans, net                     | \$ 154,618                          | \$ 396,961 | \$ 605,229                         | \$ 1,174,308 |
| Loan servicing and other fees  | 57,647                              | 50,248     | 165,419                            | 143,099      |
| Valuation adjustment of mortgage servicing rights                        | 41,764                              | (35,535)   | 247,439                            | (84,581)     |
| Interest income  | 17,575                              | 16,652     | 47,661                             | 46,386       |
| Interest expense   | (11,324)                            | (15,310)   | (36,411)                           | (46,030)     |
| Other income, net  | 940                                 | (59)       | 1,182                              | 71           |
| Net revenue  | 261,220                             | 412,957    | 1,030,519                          | 1,233,253    |
| <b>Expenses</b>  |                                     |            |                                    |              |
| Salaries, incentive compensation and benefits                            | 137,372                             | 270,894    | 502,893                            | 770,181      |
| General and administrative   | 19,412                              | 24,807     | 20,153                             | 83,508       |
| Occupancy, equipment and communication                                   | 17,302                              | 18,014     | 54,587                             | 47,508       |
| Depreciation and amortization  | 3,895                               | 4,107      | 11,616                             | 7,369        |
| Reversal of provision for foreclosure losses                             | (3,449)                             | (2,325)    | (1,974)                            | (306)        |
| Total expenses   | 174,532                             | 315,497    | 587,275                            | 908,260      |
| Income before income tax expense   | 86,688                              | 97,460     | 443,244                            | 324,993      |
| Income tax expense   | 9,321                               | 25,364     | 99,615                             | 83,355       |
| Net income   | 77,367                              | 72,096     | 343,629                            | 241,638      |
| Net (loss) income attributable to non-controlling interest               | (7)                                 | —          | 25                                 | —            |
| Net income attributable to Guild   | \$ 77,374                           | \$ 72,096  | \$ 343,604                         | \$ 241,638   |
| <b>Net income per share attributable to Class A and Class B Common</b>   |                                     |            |                                    |              |
| <b>Stock:</b>  |                                     |            |                                    |              |
| Basic  | \$ 1.27                             | \$ 1.18    | \$ 5.63                            | \$ 4.01      |
| Diluted  | \$ 1.26                             | \$ 1.17    | \$ 5.56                            | \$ 3.99      |
| <b>Weighted average shares outstanding of Class A and Class B Common</b> |                                     |            |                                    |              |
| <b>Stock:</b>  |                                     |            |                                    |              |
| Basic  | 60,893                              | 60,986     | 61,004                             | 60,332       |
| Diluted  | 61,563                              | 61,400     | 61,806                             | 60,618       |

See accompanying notes to condensed consolidated financial statements

**GUILD HOLDINGS COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)**  
(In thousands, except share and per share amounts)

|   | Class A<br>Shares | Class A<br>Amount | Class B<br>Shares | Class B<br>Amount | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Non-Controlling<br>Interests | Total        |
|---|-------------------|-------------------|-------------------|-------------------|----------------------------------|----------------------|------------------------------|--------------|
| Balance at December 31, 2020  | 19,666,981        | \$ 197            | 40,333,019        | \$ 403            | \$ 18,035                        | \$ 717,357           | \$ —                         | \$ 735,992   |
| Stock-based compensation  | —                 | —                 | —                 | —                 | 1,632                            | —                    | —                            | 1,632        |
| Net income  | —                 | —                 | —                 | —                 | —                                | 160,604              | —                            | 160,604      |
| Balance at March 31, 2021   | 19,666,981        | 197               | 40,333,019        | 403               | 19,667                           | 877,961              | —                            | 898,228      |
| Dividends paid on Class A and Class B common stock (\$1.00 per share) | —                 | —                 | —                 | —                 | —                                | (60,000)             | —                            | (60,000)     |
| Dividend equivalents on unvested restricted stock units               | —                 | —                 | —                 | —                 | 1,447                            | (1,447)              | —                            | —            |
| Stock-based compensation  | —                 | —                 | —                 | —                 | 1,457                            | —                    | —                            | 1,457        |
| Net income  | —                 | —                 | —                 | —                 | —                                | 8,938                | —                            | 8,938        |
| Balance at June 30, 2021  | 19,666,981        | 197               | 40,333,019        | 403               | 22,571                           | 825,452              | —                            | 848,623      |
| Issuance of Class A shares for acquisition of RMS                     | 996,644           | 10                | —                 | —                 | 15,279                           | —                    | —                            | 15,289       |
| Stock-based compensation  | —                 | —                 | —                 | —                 | 1,507                            | —                    | —                            | 1,507        |
| Dividend equivalents on unvested restricted stock units forfeited     | —                 | —                 | —                 | —                 | (36)                             | 36                   | —                            | —            |
| Net income  | —                 | —                 | —                 | —                 | —                                | 72,096               | —                            | 72,096       |
| Balance at September 30, 2021   | 20,663,625        | \$ 207            | 40,333,019        | \$ 403            | \$ 39,321                        | \$ 897,584           | \$ —                         | \$ 937,515   |
|   | Class A<br>Shares | Class A<br>Amount | Class B<br>Shares | Class B<br>Amount | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Non-Controlling<br>Interests | Total        |
| Balance at December 31, 2021  | 20,723,912        | \$ 207            | 40,333,019        | \$ 403            | \$ 42,175                        | \$ 877,194           | \$ 34                        | \$ 920,013   |
| Stock-based compensation  | —                 | —                 | —                 | —                 | 1,272                            | —                    | —                            | 1,272        |
| Dividend equivalents on unvested restricted stock units forfeited     | —                 | —                 | —                 | —                 | (40)                             | 40                   | —                            | —            |
| Net income  | —                 | —                 | —                 | —                 | —                                | 207,958              | 15                           | 207,973      |
| Balance at March 31, 2022   | 20,723,912        | 207               | 40,333,019        | 403               | 43,407                           | 1,085,192            | 49                           | 1,129,258    |
| Stock-based compensation  | —                 | —                 | —                 | —                 | 1,728                            | —                    | —                            | 1,728        |
| Dividend equivalents on unvested restricted stock units forfeited     | —                 | —                 | —                 | —                 | (25)                             | 25                   | —                            | —            |
| Vesting of restricted stock units                                     | 34,055            | —                 | —                 | —                 | —                                | —                    | —                            | —            |
| Repurchase and retirement of Class A common stock                     | (141,952)         | (1)               | —                 | —                 | (1,444)                          | —                    | —                            | (1,445)      |
| Net income  | —                 | —                 | —                 | —                 | —                                | 58,272               | 17                           | 58,289       |
| Balance at June 30, 2022  | 20,616,015        | 206               | 40,333,019        | 403               | 43,666                           | 1,143,489            | 66                           | 1,187,830    |
| Stock-based compensation  | —                 | —                 | —                 | —                 | 1,917                            | —                    | —                            | 1,917        |
| Repurchase and retirement of Class A common stock                     | (138,962)         | (1)               | —                 | —                 | (1,522)                          | —                    | —                            | (1,523)      |
| Net income (loss)   | —                 | —                 | —                 | —                 | —                                | 77,374               | (7)                          | 77,367       |
| Balance at September 30, 2022   | 20,477,053        | \$ 205            | 40,333,019        | \$ 403            | \$ 44,061                        | \$ 1,220,863         | \$ 59                        | \$ 1,265,591 |

See accompanying notes to condensed consolidated financial statements

**GUILD HOLDINGS COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**

| (In thousands)  | Nine Months Ended<br>September 30, |              |
|---|------------------------------------|--------------|
|   | 2022                               | 2021         |
| <b>Cash flows from operating activities</b>   |                                    |              |
| Net income  | \$ 343,629                         | \$ 241,638   |
| Adjustments to reconcile net income to net cash provided by operating activities:           |                                    |              |
| Depreciation and amortization   | 11,616                             | 7,369        |
| Valuation adjustment of mortgage servicing rights   | (247,439)                          | 84,581       |
| Valuation adjustment of mortgage loans held for sale  | 65,297                             | 59,040       |
| Unrealized (gain) loss on derivatives   | (22,366)                           | 52,758       |
| Amortization of right-of-use assets   | 12,408                             | 11,619       |
| Provision for investor reserves   | 679                                | 7,581        |
| Reversal of provision for foreclosure losses  | (1,974)                            | (306)        |
| Valuation adjustment of contingent liabilities due to acquisitions                          | (45,075)                           | 18,587       |
| Gain on sale of mortgage loans excluding fair value of other financial instruments, net     | (440,974)                          | (1,019,439)  |
| Deferred income taxes   | 98,373                             | 11,222       |
| Other   | (8,277)                            | 2,533        |
| Benefit from investor reserves  | (3,101)                            | (4,958)      |
| Foreclosure loss reserve  | (1,436)                            | (1,427)      |
| Stock-based compensation  | 4,917                              | 4,596        |
| Changes in operating assets and liabilities:  |                                    |              |
| Origination of mortgage loans held for sale   | (16,265,741)                       | (28,192,471) |
| Proceeds on sale of and payments from mortgage loans held for sale                          | 17,916,073                         | 29,847,321   |
| Accounts and interest receivable  | 39,674                             | (5,955)      |
| Other assets  | (2,945)                            | (7,901)      |
| Mortgage servicing rights   | (206,772)                          | (257,917)    |
| Accounts payable and accrued expenses   | (15,932)                           | (1,620)      |
| Accrued compensation and benefits   | (39,622)                           | (36,938)     |
| Income taxes  | 4,938                              | (24,595)     |
| Contingent liability payments   | (7,125)                            | (23,448)     |
| Operating lease liabilities   | (12,075)                           | (8,766)      |
| Deferred compensation plan liability  | 4,530                              | 6,038        |
| Real estate owned, net  | (199)                              | 171          |
| Net cash provided by operating activities   | 1,181,081                          | 769,313      |
| <b>Cash flows from investing activities</b>   |                                    |              |
| Acquisition of business, net of cash acquired   | —                                  | (86,864)     |
| Proceeds from the sale of property and equipment  | 177                                | 115          |
| Purchases of property and equipment   | (3,158)                            | (3,538)      |
| Net cash used in investing activities   | (2,981)                            | (90,287)     |
| <b>Cash flows from financing activities</b>   |                                    |              |
| Borrowings on warehouse lines of credit   | 16,006,430                         | 27,415,569   |
| Repayments on warehouse lines of credit   | (17,113,148)                       | (28,082,761) |
| Borrowings on MSR notes payable   | —                                  | 23,500       |
| Repayments on MSR notes payable   | (137,500)                          | (4,250)      |
| Contingent liability payments   | (7,300)                            | —            |
| Net change in notes payable   | (1,784)                            | (1,764)      |
| Repurchases of Class A common stock   | (2,968)                            | —            |
| Dividends paid  | —                                  | (60,000)     |
| Net cash used in financing activities   | (1,256,270)                        | (709,706)    |
| Decrease in cash, cash equivalents and restricted cash                                      | (78,170)                           | (30,680)     |
| Cash, cash equivalents and restricted cash, beginning of period                             | 248,120                            | 339,633      |
| Cash, cash equivalents and restricted cash, end of period                                   | \$ 169,950                         | \$ 308,953   |
| Cash, cash equivalents and restricted cash at end of period are comprised of the following: |                                    |              |
| Cash and cash equivalents   | \$ 162,198                         | \$ 302,931   |



|   |    |                   |    |                   |
|---|----|-------------------|----|-------------------|
| Restricted cash   |    | 7,752             |    | 6,022             |
| Total cash, cash equivalents and restricted cash          |    | <u>\$ 169,950</u> |    | <u>\$ 308,953</u> |
| Supplemental information                                  |    |                   |    |                   |
| Cash paid for interest, net                               | \$ | 26,291            | \$ | 33,947            |
| Cash paid for income taxes, net of refunds                | \$ | (3,745)           | \$ | 96,717            |
| Supplemental disclosure of non-cash investing activities: |    |                   |    |                   |
| Measurement period adjustment to goodwill                 | \$ | (1,710)           | \$ | —                 |

See accompanying notes to condensed consolidated financial statements

**GUILD HOLDINGS COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands, except as otherwise indicated)  
(Unaudited)

**NOTE 1 - BUSINESS, BASIS OF PRESENTATION, AND ACCOUNTING POLICIES**

Guild Holdings Company, including our consolidated subsidiaries (collectively, "Guild", the "Company", "we", "us" or "our") originates, sells, and services residential mortgage loans within the United States.

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and in accordance with U.S. generally accepted accounting principles ("GAAP") applicable to interim financial statements. These unaudited condensed consolidated financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results of the interim period. The condensed consolidated balance sheet data as of December 31, 2021 was derived from audited financial statements but does not include all disclosures required by GAAP. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2021. The Company follows the same accounting policies for preparing quarterly and annual reports.

***Principles of Consolidation***

The Company's condensed consolidated financial statements include the accounts of the Company, Guild Mortgage Company LLC ("GMC"), and their consolidated subsidiaries and those variable interest entities ("VIE") of which the Company is the primary beneficiary.

Generally, a VIE is a legal entity in which the equity investors do not have the characteristics of a controlling financial interest or lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. In determining whether we are the primary beneficiary of a VIE, we consider qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE's economic performance and which party controls such activities; the amount and characteristics of our investment; the obligation or likelihood for us or other investors to provide financial support; and the similarity with and significance to our business activities and the business activities of the other investors.

The Company consolidates one VIE. At September 30, 2022, the VIE had minimal assets and liabilities.

All intercompany accounts and transactions have been eliminated in consolidation.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although management is not currently aware of any factors that would significantly change its estimates and assumptions, actual results could materially differ from those estimates.

Beginning in early 2020 and continuing through 2022, the coronavirus ("COVID-19") pandemic, including the emergence of new variants and strains of COVID-19, has presented a substantial public health challenge throughout the United States. The Company remains fully functional in both its origination and servicing operations. The Company continues to monitor guidance published by the World Health Organization, Centers for Disease Control and Prevention, local and federal government agencies and the Mortgage Bankers Association and is in continual communication with its investors regarding the developments in the mortgage industry.

### **Escrow and Fiduciary Funds**

As a loan servicer, the Company maintains segregated bank accounts in trust for investors and escrow balances for mortgagors, which are excluded from the Company's Condensed Consolidated Balance Sheets. These accounts totaled \$1.0 billion and \$1.1 billion at September 30, 2022 and December 31, 2021, respectively.

### **Recent Accounting Standards**

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-4, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides temporary optional expedients and exceptions to the US GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. ASU 2020-04 generally considers contract modifications related to reference rate reform to be an event that does not require contract remeasurement at the modification date nor a reassessment of a previous accounting determination. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*, which clarifies that the practical expedients in ASU 2020-04 apply to derivatives impacted by changes in the interest rate used for margining, discounting, or contract price alignment. The guidance in ASU 2020-04 is optional and may be elected over time, through December 31, 2022, as reference rate reform activities occur. Once ASU 2020-04 is elected, the guidance must be applied prospectively for all eligible contract modifications. The Company is in the process of transitioning its funding facilities and financing facilities that utilize LIBOR as the reference rate. For contracts to which ASC Topic 470, Debt applies, we have applied the optional expedients available from ASU 2020-04 and accounted for the contract modifications related to reference rate reform prospectively. Of the contracts that have been adjusted for the new reference rate, there has not been a material impact on the consolidated financial statements. We expect to amend the remaining borrowings before the July 1, 2023 LIBOR cessation date.

### **NOTE 2 - FAIR VALUE MEASUREMENTS**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Inputs used to measure fair value are prioritized within a three-level fair value hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The categorization of assets and liabilities measured at fair value within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels of inputs used to measure fair value are as follows:

- **Level One** - Level One inputs are unadjusted, quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- **Level Two** - Level Two inputs are observable for that asset or liability, either directly or indirectly, and include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, observable inputs for the asset or liability other than quoted prices and inputs derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified contractual term, the inputs must be observable for substantially the full term of the asset or liability.
- **Level Three** - Level Three inputs are unobservable inputs for the asset or liability that reflect the Company's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, and are developed based on the best information available.

The Company updates the valuation of each instrument recorded at fair value on a monthly or quarterly basis, evaluating all available observable information, which may include current market prices or bids, recent trade activity, changes in the levels of market activity and benchmarking of industry data. The assessment also includes consideration of identifying the valuation approach that would be used currently by market participants. If it is determined that a change in valuation

technique or its application is appropriate, or if there are other changes in availability of observable data or market activity, the current methodology will be analyzed to determine if a transfer between levels of the valuation hierarchy is appropriate. Such reclassifications are reported as transfers into or out of a level as of the beginning of the quarter that the change occurs.

Fair value is based on quoted market prices, when available. If quoted prices are not available, fair value is estimated based upon other observable inputs. Unobservable inputs are used when observable inputs are not available and are based upon judgments and assumptions, which are the Company's assessment of the assumptions market participants would use in pricing the asset or liability. These inputs may include assumptions about risk, counterparty credit quality, the Company's creditworthiness and liquidity and are developed based on the best information available. When a determination is made to classify an asset or liability within Level Three of the valuation hierarchy, the determination is based upon the significance of the unobservable factors to the overall fair value measurement of the asset or liability. The fair value of assets and liabilities classified within Level Three of the valuation hierarchy also typically includes observable factors and the realized or unrealized gain or loss recorded from the valuation of these instruments would also include amounts determined by observable factors.

### **Recurring Fair Value Measurements**

The Company's fair value measurements are evaluated within the fair value hierarchy, based on the nature of the inputs used to determine the fair value at the measurement date. At September 30, 2022 and December 31, 2021, the Company had the following assets and liabilities that are measured at fair value on a recurring basis:

**Trading Securities** — Trading securities are classified within Level One of the valuation hierarchy. Valuation is based upon quoted prices for identical instruments traded in active markets. Level One trading securities include securities traded on active exchange markets, such as the New York Stock Exchange. Trading securities are included within other assets in the Condensed Consolidated Balance Sheets.

**Derivative Instruments** — Derivative instruments are classified within Level Two and Level Three of the valuation hierarchy, and include the following:

**Interest Rate Lock Commitments** — "IRLCs" are classified within Level Three of the valuation hierarchy. IRLCs represent an agreement to extend credit to a mortgage loan applicant, or an agreement to purchase a loan from a third-party originator, whereby the interest rate on the loan is set prior to funding. The fair value of IRLCs is based upon the estimated fair value of the underlying mortgage loan, including the expected net future cash flows related to servicing the mortgage loan, net of estimated incentive compensation expenses, and adjusted for: (i) estimated costs to complete and originate the loan and (ii) an adjustment to reflect the estimated percentage of IRLCs that will result in a closed mortgage loan under the original terms of the agreement (pull-through rate). The pull-through rate is considered a significant unobservable input and is estimated based on changes in pricing and actual borrower behavior using a historical analysis of loan closing and fallout data. The average pull-through rate used to calculate the fair value of IRLCs as of September 30, 2022 and December 31, 2021, was 94.6% and 91.5%, respectively. On a quarterly basis, actual loan pull-through rates are compared to the modeled estimates to confirm the assumptions are reflective of current trends. Generally, a change in interest rates is accompanied by a directionally opposite change in the assumption used for the pull-through percentage, and the impact to fair value of a change in pull-through would be partially offset by the related change in price.

**Forward Delivery Commitments** — Forward delivery commitments are classified within Level Two of the valuation hierarchy. Forward delivery commitments fix the forward sales price that will be realized upon the sale of mortgage loans into the secondary market. The fair value of forward delivery commitments is primarily based upon the current agency mortgage-backed security market to-be-announced pricing specific to the loan program, delivery coupon and delivery date of the trade. Best efforts sales commitments are also entered into for certain loans at the time the borrower commitment is made. These best-efforts sales commitments are valued using the committed price to the counterparty against the current market price of the IRLC or mortgage loan held for sale.

Option contracts are a type of forward commitment that represents the rights to buy or sell mortgage-backed securities at specified prices in the future. Their value is based upon the underlying current to-be-announced pricing of the agency mortgage-backed security market, and market-based volatility. See Note 6 for additional information on the derivative instruments.

**Mortgage Loans Held for Sale** — "MLHS" are carried at fair value. The fair value of MLHS is based on secondary market pricing for loans with similar characteristics, and as such, is classified as a Level Two measurement. For Level Two MLHS, fair value is estimated through a market approach by using either: (i) the fair value of securities backed by similar mortgage loans, adjusted for certain factors to approximate the fair value of a whole mortgage loan, including the value attributable to servicing rights and credit risk, (ii) current commitments to purchase loans or (iii) recent observable market trades for similar loans, adjusted for credit risk and other individual loan characteristics. The agency mortgage-backed security market is a highly liquid and active secondary market for conforming conventional loans whereby quoted prices exist for securities at the pass-through level and are published on a regular basis. The Company has the ability to access this market and it is the market into which conforming mortgage loans are typically sold.

**Mortgage Servicing Rights** — "MSRs" are classified within Level Three of the valuation hierarchy due to the use of significant unobservable inputs and the lack of an active market for such assets. The fair value of MSRs is estimated based upon projections of expected future cash flows considering prepayment estimates, the Company's historical prepayment rates, portfolio characteristics, interest rates based on interest rate yield curves, implied volatility, costs to service and other economic factors. The Company obtains valuations from an independent third party on a monthly basis, and records an adjustment based on this third-party valuation. See Note 7 for additional information on our MSRs.

**Investment in Warrants** — The Company was a party to a joint marketing agreement with a private independent insurance carrier whereby the Company marketed their products and submitted leads for borrowers needing insurance. In connection with satisfying the conditions set forth under such agreement, the Company received warrants that may be exercised to purchase shares of common stock of the private company. The Company's equity investment in the warrants is carried at its estimated fair value, which was determined using the price per share paid by an investor in an equity sale transaction completed by the private company, resulting in a Level Three classification. The warrants are exercisable until June 2025. The Company's investment in the warrants will be revalued at each balance sheet date with changes in the fair value reported in other income, net in the Condensed Consolidated Statements of Income each reporting period. The Company's investment in warrants is included within other assets in the Condensed Consolidated Balance Sheets.

**Contingent Liabilities due to acquisitions** — Contingent liabilities represent future obligations of the Company to make payments to the former owners of its acquired companies. The Company determines the fair value of its contingent liabilities using a discounted cash flow approach whereby the Company forecasts the cash outflows related to the future payments, which are based on a percentage of net income specified in the purchase agreements. The Company then discounts these expected payment amounts to calculate the present value, or fair value, as of the valuation date. The Company's management evaluates the underlying projections used in determining fair value each period and makes updates to these underlying projections.

The Company uses a risk-adjusted discount rate to value the contingent liabilities, which is considered a significant unobservable input, and as such, the liabilities are classified as a Level Three measurement. Management's underlying projections adjust for market penetration and other economic expectations, and the discount rate is risk-adjusted for key factors such as uncertainty in the mortgage banking industry due to its reliance on external influences (interest rates, regulatory changes, etc.), upfront payments, and credit risk. An increase in the discount rate will result in a decrease in the fair value of the contingent liabilities. Conversely, a decrease in the discount rate will result in an increase in the fair value of the contingent liabilities. At September 30, 2022 and December 31, 2021 the range of the risk adjusted discount rate was 13.8% - 15.0%, with a median of 14.9%, and 15.0% -

19.5%, with a median of 19.1%, respectively. Adjustments to the fair value of the contingent liabilities (other than payments) are recorded as a gain or loss and are included within general and administrative expenses in the Condensed Consolidated Statements of Income.

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis at September 30, 2022:

| Description  | Level 1      | Level 2             | Level 3             | Total               |
|--|--------------|---------------------|---------------------|---------------------|
| <b>Assets:</b>   |              |                     |                     |                     |
| Trading securities   | \$ 83        | \$ —                | \$ —                | \$ 83               |
| Derivative   |              |                     |                     |                     |
| Forward delivery commitments and best effort sales commitments | —            | 71,826              | —                   | 71,826              |
| Mortgage loans held for sale                                   | —            | 929,561             | —                   | 929,561             |
| Mortgage servicing rights                                      | —            | —                   | 1,129,551           | 1,129,551           |
| Investment in warrants   | —            | —                   | 961                 | 961                 |
| Total assets at fair value                                     | <u>\$ 83</u> | <u>\$ 1,001,387</u> | <u>\$ 1,130,512</u> | <u>\$ 2,131,982</u> |
| <b>Liabilities:</b>  |              |                     |                     |                     |
| Derivative   |              |                     |                     |                     |
| Interest rate lock commitments                                 | —            | —                   | 23,577              | 23,577              |
| Total liabilities at fair value                                | <u>\$ —</u>  | <u>\$ —</u>         | <u>\$ 23,577</u>    | <u>\$ 23,577</u>    |

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis at December 31, 2021:

| Description                                | Level 1       | Level 2             | Level 3           | Total               |
|--|---------------|---------------------|-------------------|---------------------|
| <b>Assets:</b>                             |               |                     |                   |                     |
| Trading securities                         | \$ 107        | \$ —                | \$ —              | \$ 107              |
| Derivative                                 |               |                     |                   |                     |
| Forward delivery commitments               | —             | 5,842               | —                 | 5,842               |
| Interest rate lock commitments             | —             | —                   | 22,119            | 22,119              |
| Mortgage loans held for sale               | —             | 2,204,216           | —                 | 2,204,216           |
| Mortgage servicing rights                  | —             | —                   | 675,340           | 675,340             |
| Total assets at fair value                 | <u>\$ 107</u> | <u>\$ 2,210,058</u> | <u>\$ 697,459</u> | <u>\$ 2,907,624</u> |
| <b>Liabilities:</b>                        |               |                     |                   |                     |
| Derivative                                 |               |                     |                   |                     |
| Forward delivery commitments               | \$ —          | \$ 2,079            | \$ —              | \$ 2,079            |
| Contingent liabilities due to acquisitions | —             | —                   | 59,500            | 59,500              |
| Total liabilities at fair value            | <u>\$ —</u>   | <u>\$ 2,079</u>     | <u>\$ 59,500</u>  | <u>\$ 61,579</u>    |

The table below presents a reconciliation of certain Level Three assets and liabilities measured at fair value on a recurring basis for the periods ended:

|                                      | IRLCs              | Contingent<br>Liabilities |
|--------------------------------------|--------------------|---------------------------|
| <b>Balance at June 30, 2022</b>      | <b>\$ 14,600</b>   | <b>\$ 1,557</b>           |
| Net transfers and revaluation losses | (38,177)           | —                         |
| Payments                             | —                  | (1,884)                   |
| Valuation adjustments                | —                  | 327                       |
| <b>Balance at September 30, 2022</b> | <b>\$ (23,577)</b> | <b>\$ —</b>               |
| <b>Balance at December 31, 2021</b>  | <b>\$ 22,119</b>   | <b>\$ 59,500</b>          |
| Net transfers and revaluation losses | (45,696)           | —                         |
| Payments                             | —                  | (14,425)                  |
| Valuation adjustments                | —                  | (45,075)                  |
| <b>Balance at September 30, 2022</b> | <b>\$ (23,577)</b> | <b>\$ —</b>               |
| <b>Balance at June 30, 2021</b>      | <b>\$ 44,486</b>   | <b>\$ 20,416</b>          |
| Net transfers and revaluation losses | (8,765)            | —                         |
| Payments                             | —                  | (12,656)                  |
| Additions                            | —                  | 63,956                    |
| Valuation adjustments                | —                  | 5,473                     |
| <b>Balance at September 30, 2021</b> | <b>\$ 35,721</b>   | <b>\$ 77,189</b>          |
| <b>Balance at December 31, 2020</b>  | <b>\$ 130,338</b>  | <b>\$ 18,094</b>          |
| Net transfers and revaluation losses | (94,617)           | —                         |
| Payments                             | —                  | (23,448)                  |
| Additions                            | —                  | 63,956                    |
| Valuation adjustments                | —                  | 18,587                    |
| <b>Balance at September 30, 2021</b> | <b>\$ 35,721</b>   | <b>\$ 77,189</b>          |

Changes in the availability of observable inputs may result in reclassifications of certain assets or liabilities. Such reclassifications are reported as transfers in or out of Level Three as of the beginning of the period that the change occurs. There were no transfers between fair value levels during the three and nine months ended September 30, 2022 and 2021.

#### **Non-Recurring Fair Value Measurements**

Certain assets and liabilities that are not typically measured at fair value on a recurring basis may be subject to fair value measurement requirements under certain circumstances. These adjustments to fair value usually result from write-downs of individual assets. At September 30, 2022 and December 31, 2021, the Company had the following financial assets measured at fair value on a non-recurring basis:

**Ginnie Mae Loans subject to Repurchase Right**— Government National Mortgage Association ("GNMA" or "Ginnie Mae") securitization programs allow servicers to buy back individual delinquent mortgage loans from the securitized loan pool once certain conditions are met. If a borrower makes no payment for three consecutive months, the servicer has the option to repurchase the delinquent loan for an amount equal to 100% of the loan's remaining principal balance. Under ASC 860, *Transfers and Servicing*, this buy-back option is considered a conditional option until the delinquency criteria are met, at which time the option becomes unconditional. The Company records these assets and liabilities at their fair value, which is determined to be the remaining unpaid principal balance ("UPB"). The Company's future expected realizable cash flows are the cash payments of the remaining UPB whether paid by

the borrower or reimbursed through a claim filed with the United States Department of Housing and Urban Development ("HUD"). The Company considers the fair value of these assets and liabilities to fall into the Level Two bucket in the valuation hierarchy due to the assets and liabilities having specified contractual terms and the inputs are observable for substantially the full term of the assets' and liabilities' lives.

The following table summarizes the Company's financial assets and liabilities measured at fair value on a non-recurring basis at September 30, 2022:

| Description                                  | Level 1 | Level 2    | Level 3 | Total      |
|--|---------|------------|---------|------------|
| <b>Assets:</b>                               |         |            |         |            |
| Ginnie Mae loans subject to repurchase right | \$ —    | \$ 607,614 | \$ —    | \$ 607,614 |
| Total assets at fair value                   | \$ —    | \$ 607,614 | \$ —    | \$ 607,614 |
| <b>Liabilities:</b>                          |         |            |         |            |
| Ginnie Mae loans subject to repurchase right | \$ —    | \$ 608,046 | \$ —    | \$ 608,046 |
| Total liabilities at fair value              | \$ —    | \$ 608,046 | \$ —    | \$ 608,046 |

The following table summarizes the Company's financial assets and liabilities measured at fair value on a non-recurring basis at December 31, 2021:

| Description                                  | Level 1 | Level 2    | Level 3 | Total      |
|--|---------|------------|---------|------------|
| <b>Assets:</b>                               |         |            |         |            |
| Ginnie Mae loans subject to repurchase right | \$ —    | \$ 728,978 | \$ —    | \$ 728,978 |
| Total assets at fair value                   | \$ —    | \$ 728,978 | \$ —    | \$ 728,978 |
| <b>Liabilities:</b>                          |         |            |         |            |
| Ginnie Mae loans subject to repurchase right | \$ —    | \$ 729,260 | \$ —    | \$ 729,260 |
| Total liabilities at fair value              | \$ —    | \$ 729,260 | \$ —    | \$ 729,260 |

#### Fair Value Option

The following is the estimated fair value and UPB of MLHS that have contractual principal amounts and for which the Company has elected the fair value option. The fair value option was elected for MLHS as the Company believes fair value best reflects their expected future economic performance:

|                               | Fair Value   | Principal Amount Due Upon Maturity | Difference <sup>(1)</sup> |
|-------------------------------|--------------|------------------------------------|---------------------------|
| Balance at September 30, 2022 | \$ 929,561   | \$ 972,588                         | \$ (43,027)               |
| Balance at December 31, 2021  | \$ 2,204,216 | \$ 2,184,326                       | \$ 19,890                 |

<sup>(1)</sup> Represents the amount of gains (losses) included in loan origination fees and gain on sale of loans, net due to changes in fair value of items accounted for using the fair value option.

#### NOTE 3 - ACQUISITION

On July 1, 2021, the Company completed the previously announced acquisition of Residential Mortgage Services Holdings, Inc. ("RMS"). RMS is an independent retail mortgage lender focused in the Northeast. This strategic acquisition expanded Guild's presence in this region and added experienced loan officers to Guild's sales force.

The acquisition was accounted for in accordance with ASC 805 ("ASC 805") "Business Combinations", whereby the purchase price paid was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed from RMS based on their estimated fair values as of the closing date.



Total consideration for the acquisition was approximately \$ 265.0 million. The acquisition was financed with a combination of \$ 185.8 million in cash and the issuance of 996,644 shares of the Company's Class A common stock. Additionally, RMS shareholders are entitled to contingent consideration based on net income from RMS branch locations for three years following June 1, 2021. These contingent consideration payments will be calculated and paid based on rolling 12-month periods commencing as of June 1, 2021 and ending on the first anniversary of such date, and thereafter on consecutive 12-month periods.

The fair value of the contingent consideration payments on the acquisition date was \$ 64.0 million and was determined utilizing a Monte Carlo model based on estimated future revenues and volatility factors, among other variables and estimates, and has no maximum payment. The contingent consideration payments to the RMS shareholders are not capped; therefore there is no predetermined upper bound to the undiscounted range and an estimate of the range of outcomes cannot be estimated.

Goodwill was primarily attributable to the assembled workforce and future growth expected after the acquisition date and will not be deductible for income tax purposes. Goodwill recognized was assigned to our Origination segment. Transaction costs associated with the RMS acquisition were approximately \$5.2 million and were expensed as incurred within general and administrative expenses in the Condensed Consolidated Statements of Income.

Measurement period adjustments were recorded in the second quarter of 2022 and resulted in an immaterial decrease to goodwill and increase to income tax receivable (see Note 10). The following summarizes the estimated fair values of the identifiable assets acquired and liabilities assumed as of the acquisition date, including measurement period adjustments:

|   |                          |
|---|--------------------------|
| <b>Purchase price:</b>                                |                          |
| Cash paid at closing of the transaction               | \$ 185,786               |
| Fair value of Class A common stock issued             | 15,289                   |
| Estimated fair value of contingent consideration      | 63,956                   |
| Total purchase price                                  | <u>265,031</u>           |
| <b>Fair value of assets acquired:</b>                 |                          |
| Cash, cash equivalents and restricted cash            | 85,559                   |
| Mortgage loans held for sale                          | 465,020                  |
| Acquired intangible assets                            | 45,000                   |
| Right-of-use assets                                   | 11,855                   |
| Other   | 36,923                   |
| Total assets acquired                                 | <u>644,357</u>           |
| <b>Fair value of liabilities assumed:</b>             |                          |
| Warehouse lines of credit                             | 431,175                  |
| Accounts payable and accrued expenses                 | 26,960                   |
| Operating lease liabilities                           | 12,959                   |
| Deferred taxes  | 16,231                   |
| Other   | 2,601                    |
| Total liabilities assumed                             | <u>489,926</u>           |
| <b>Fair value of net identifiable assets acquired</b> | <b>154,431</b>           |
| <b>Goodwill</b>                                       | <b>\$ <u>110,600</u></b> |

The fair value of the Company's Class A common stock issued was determined based on the closing market price of the Company's common shares on June 30, 2021, the last price prior to the close of the acquisition.

The identifiable intangible assets of \$45.0 million are subject to amortization. The following table summarizes the major classes of acquired intangible assets and their respective estimated fair values and estimated useful lives:

|                                  | <b>Estimated Fair Value</b> | <b>Estimated Useful Life (Years)</b> |
|----------------------------------|-----------------------------|--------------------------------------|
| Acquired intangible assets:      |                             |                                      |
| Referral network                 | \$ 42,300                   | 6                                    |
| Non-compete agreements           | 2,700                       | 3                                    |
| Total acquired intangible assets | <u>\$ 45,000</u>            |                                      |

The acquisition of RMS has been fully integrated with the Company's existing operations; therefore, post-acquisition revenues and net income are not available. Supplementary pro forma financial information related to the acquisition is not included because the impact to the Company's Condensed Consolidated Statements of Income is not material.

**NOTE 4 - ACCOUNTS AND INTEREST RECEIVABLE**

Accounts and interest receivable consisted of the following:

|  | <b>September 30, 2022</b> | <b>December 31, 2021</b> |
|--|---------------------------|--------------------------|
| Trust advances                         | \$ 18,974                 | \$ 43,660                |
| Foreclosure advances, net              | 10,690                    | 19,311                   |
| Receivables related to loan sales, net | 571                       | 3,043                    |
| Other                                  | 1,860                     | 2,345                    |
| Total accounts and interest receivable | <u>\$ 32,095</u>          | <u>\$ 68,359</u>         |

Management has established a foreclosure reserve for estimated uncollectible balances of the foreclosure and trust advances. Management believes that substantially all other accounts and interest receivable amounts are collectible and, accordingly, no allowance for doubtful accounts is necessary.

The activity of the foreclosure loss reserve was as follows:

|  | <b>Three Months Ended September 30,</b> |                  | <b>Nine Months Ended September 30,</b> |                  |
|--|---|------------------|--|------------------|
|  | <b>2022</b>                             | <b>2021</b>      | <b>2022</b>                            | <b>2021</b>      |
| Balance — beginning of period                | \$ 10,997                               | \$ 12,790        | \$ 10,355                              | \$ 12,402        |
| Utilization of foreclosure reserve           | (603)                                   | 204              | (1,436)                                | (1,427)          |
| Reversal of provision for foreclosure losses | (3,449)                                 | (2,325)          | (1,974)                                | (306)            |
| Balance — end of period                      | <u>\$ 6,945</u>                         | <u>\$ 10,669</u> | <u>\$ 6,945</u>                        | <u>\$ 10,669</u> |

**NOTE 5 - OTHER ASSETS**

Other assets consisted of the following:

|                              | <b>September 30, 2022</b> | <b>December 31, 2021</b> |
|------------------------------|---------------------------|--------------------------|
| Prepaid expenses             | \$ 29,993                 | \$ 32,900                |
| Company owned life insurance | 36,594                    | 38,824                   |
| Property and equipment, net  | 13,260                    | 15,834                   |
| Right-of-use assets          | 75,677                    | 86,484                   |
| Income tax receivable        | 36,068                    | 39,295                   |
| Real estate owned            | 820                       | 471                      |
| Land                         | 1,541                     | 146                      |
| Trading securities           | 83                        | 107                      |
| Investment in warrants       | 961                       | —                        |
| Total other assets           | <u>\$ 194,997</u>         | <u>\$ 214,061</u>        |

Property and equipment, net consisted of the following:

|                                     | <b>September 30, 2022</b> | <b>December 31, 2021</b> |
|-------------------------------------|---------------------------|--------------------------|
| Computer equipment                  | \$ 29,436                 | \$ 30,355                |
| Furniture and equipment             | 25,030                    | 25,833                   |
| Leasehold improvements              | 18,556                    | 16,214                   |
| Internal-use software in production | 281                       | 1,548                    |
| Internal-use software               | 10,357                    | 8,557                    |
| Property and equipment, gross       | 83,660                    | 82,507                   |
| Accumulated depreciation            | (70,400)                  | (66,673)                 |
| Property and equipment, net         | <u>\$ 13,260</u>          | <u>\$ 15,834</u>         |

Depreciation and amortization expense for property and equipment was \$ 2.0 million and \$2.1 million for the three months ended September 30, 2022 and 2021, respectively, and \$5.7 million and \$5.4 million for the nine months ended September 30, 2022 and 2021, respectively.

**NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS**

The Company uses forward commitments in hedging the interest rate risk exposure on its fixed and adjustable rate commitments. The Company's derivative instruments are not designated as hedging instruments for accounting purposes; therefore, changes in fair value are recognized in current period earnings. Realized and unrealized gains and losses from the Company's non-designated derivative instruments are included in loan origination fees and gain on sale of loans, net in the Condensed Consolidated Statements of Income.

Changes in the fair value of the Company's derivative financial instruments are as follows:

|                                   | <b>Three Months Ended September 30,</b> |             | <b>Nine Months Ended September 30,</b> |             |
|-----------------------------------|---|-------------|--|-------------|
|                                   | <b>2022</b>                             | <b>2021</b> | <b>2022</b>                            | <b>2021</b> |
| Unrealized hedging gains (losses) | \$ 29,290                               | \$ (4,153)  | \$ 22,366                              | \$ (52,758) |

**Notional and Fair Value**

The notional and fair value of derivative financial instruments not designated as hedging instruments were as follows at September 30, 2022 and December 31, 2021:

|   | Notional Value | Fair Value       |                      |
|---|----------------|------------------|----------------------|
|   |                | Derivative Asset | Derivative Liability |
| <b>Balance at September 30, 2022</b>                            |                |                  |                      |
| IRLCs   | \$ 1,423,205   | \$ —             | \$ 23,577            |
| Forward delivery commitments and best efforts sales commitments | \$ 1,780,910   | \$ 71,826        | \$ —                 |
| <b>Balance at December 31, 2021</b>                             |                |                  |                      |
| IRLCs   | \$ 2,388,097   | \$ 22,119        | \$ —                 |
| Forward delivery commitments and best efforts sales commitments | \$ 3,217,162   | \$ 5,842         | \$ 2,079             |

The Company had an additional \$341.6 million and \$654.0 million of outstanding forward contracts and mandatory sell commitments, comprised of closed loans with equal and offsetting UPB amounts allocated to them, at September 30, 2022 and December 31, 2021, respectively. The Company also had \$600.0 million and \$767.5 million in closed hedge instruments not yet settled at September 30, 2022 and December 31, 2021, respectively. See Note 2 for fair value disclosure of the derivative instruments.

The following table presents the quantitative information about IRLCs and the fair value measurements:

| Unobservable Input                        | September 30, 2022       | December 31, 2021 |
|---|--------------------------|-------------------|
|   | Range (Weighted Average) |                   |
| Loan funding probability ("pull-through") | 0% - 100% (94.6%)        | 0% - 100% (91.5%) |

Counterparty agreements for forward commitments contain master netting agreements. The master netting agreements contain a legal right to offset amounts due to and from the same counterparty. The Company incurred no credit losses due to nonperformance of any of its counterparties during the periods ended September 30, 2022 and 2021.

The table below represents financial assets and liabilities that are subject to master netting arrangements categorized by financial instrument:

|   | Gross Amounts of Recognized Assets (Liabilities) | Gross Amounts Offset in the Balance Sheet | Net Amounts of Recognized Assets (Liabilities) in the Balance Sheet |
|---|--|---|---|
| <b>September 30, 2022</b>                                       |  |   |   |
| Forward delivery commitments and best efforts sales commitments | \$ 72,434  | \$ (608)                                  | \$ 71,826   |
| Total assets  | \$ 72,434  | \$ (608)                                  | \$ 71,826   |
| <b>December 31, 2021</b>  |  |   |   |
| Forward delivery commitments                                    | \$ 7,541   | \$ (1,699)                                | \$ 5,842  |
| Total assets  | \$ 7,541   | \$ (1,699)                                | \$ 5,842  |
| Forward delivery commitments                                    | \$ 1,575   | \$ (2,710)                                | \$ (1,135)  |
| Best efforts sales commitments                                  | (944)  | —   | (944)   |
| Total liabilities   | \$ 631   | \$ (2,710)                                | \$ (2,079)  |

**NOTE 7 - MORTGAGE SERVICING RIGHTS**

The activity of mortgage servicing rights was as follows:

|   | Three Months Ended September 30, |            | Nine Months Ended September 30, |            |
|---|----------------------------------|------------|---------------------------------|------------|
|   | 2022                             | 2021       | 2022                            | 2021       |
| Balance — beginning of period                           | \$ 1,030,310                     | \$ 578,690 | \$ 675,340                      | \$ 446,998 |
| MSRs originated and acquired through acquisitions       | 57,477                           | 81,994     | 206,772                         | 262,732    |
| Changes in fair value:                                  |                                  |            |                                 |            |
| Due to collection/realization of cash flows             | (19,659)                         | (37,313)   | (70,380)                        | (117,119)  |
| Due to changes in valuation model inputs or assumptions | 61,423                           | 1,778      | 317,819                         | 32,538     |
| Balance — end of period                                 | \$ 1,129,551                     | \$ 625,149 | \$ 1,129,551                    | \$ 625,149 |

The following table presents the weighted average discount rate, prepayment speed and cost to service assumptions used to determine the fair value of MSRs:

| Unobservable Input         | September 30, 2022        | December 31, 2021         |
|----------------------------|---------------------------|---------------------------|
|                            | Range (Weighted Average)  |                           |
| Discount rate              | 9.0% - 15.5% (9.8%)       | 9.3% - 15.5% (9.9%)       |
| Prepayment rate            | 7.0% - 31.2% (8.0%)       | 7.3% - 29.5% (13.6%)      |
| Cost to service (per loan) | \$71.9 - \$305.9 (\$90.7) | \$71.9 - \$247.6 (\$91.4) |

At September 30, 2022 and December 31, 2021, the MSRs had a weighted average life of approximately 8.2 years and 5.9 years, respectively. See Note 2 for additional information regarding the valuation of MSRs.

Actual revenue generated from servicing activities included contractually specified servicing fees, as well as late fees and other ancillary servicing revenue, which were recorded within loan servicing and other fees as follows for the periods ended September 30, 2022 and 2021:

|   | Three Months Ended September 30, |           | Nine Months Ended September 30, |            |
|---|----------------------------------|-----------|---------------------------------|------------|
|   | 2022                             | 2021      | 2022                            | 2021       |
| Servicing fees from servicing portfolio | \$ 56,410                        | \$ 48,713 | \$ 161,342                      | \$ 138,604 |
| Late fees                               | 1,486                            | 1,468     | 4,369                           | 3,988      |
| Other ancillary servicing revenue, net  | (249)                            | 67        | (292)                           | 507        |
| Total loan servicing and other fees     | \$ 57,647                        | \$ 50,248 | \$ 165,419                      | \$ 143,099 |

At September 30, 2022 and December 31, 2021, the UPB of mortgage loans serviced totaled \$ 77.7 billion and \$70.9 billion, respectively. Conforming conventional loans serviced by the Company are sold to the Federal National Mortgage Association ("FNMA" or "Fannie Mae") or the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") programs on a nonrecourse basis, whereby foreclosure losses are generally the responsibility of FNMA and FHLMC and not the Company. Similarly, certain loans serviced by the Company are secured through GNMA programs, whereby the Company is insured against loss by the Federal Housing Association ("FHA") or partially guaranteed against loss by the Department of Veterans Affairs ("VA").

The key assumptions used to estimate the fair value of MSRs are prepayment speeds, the discount rate and costs to service. Increases in prepayment speeds generally have an adverse effect on the value of MSRs as the underlying loans prepay faster. In a declining interest rate environment, the fair value of MSRs generally decreases as prepayments increase and therefore, the estimated life of the MSRs and related cash flows decrease. Decreases in prepayment speeds generally have a positive effect on the value of MSRs as the underlying loans prepay less frequently. In a rising interest rate environment, the fair value of MSRs generally increases as prepayments decrease and

therefore, the estimated life of the MSRs and related cash flows increase. Increases in the discount rate generally have an adverse effect on the value of the MSRs. The discount rate is risk adjusted for key factors such as uncertainty in the mortgage banking industry due to its reliance on external influences (interest rates, regulatory changes, etc.), premium for market liquidity, and credit risk. A higher discount rate would indicate higher uncertainty of the future cash flows. Conversely, decreases in the discount rate generally have a positive effect on the value of the MSRs. Increases in the costs to service generally have an adverse effect on the value of the MSRs as an increase in costs to service would reduce the Company's future net cash inflows from servicing a loan. Conversely, decreases in the costs to service generally have a positive effect on the value of the MSRs. MSR uncertainties are hypothetical and do not always have a direct correlation with each assumption. Changes in one assumption may result in changes to another assumption, which might magnify or counteract the uncertainties.

The following table illustrates the impact of adverse changes on the prepayment speeds, discount rate and cost to service at two different data points at September 30, 2022 and December 31, 2021, respectively:

|                           | Prepayment Speeds  |                    | Discount Rate      |                    | Cost to Service (per loan) |                    |
|---------------------------|--------------------|--------------------|--------------------|--------------------|----------------------------|--------------------|
|                           | 10% Adverse Change | 20% Adverse Change | 10% Adverse Change | 20% Adverse Change | 10% Adverse Change         | 20% Adverse Change |
| <b>September 30, 2022</b> |                    |                    |                    |                    |                            |                    |
| Mortgage servicing rights | \$ (38,927)        | \$ (75,808)        | \$ (46,720)        | \$ (90,090)        | \$ (11,732)                | \$ (23,899)        |
| <b>December 31, 2021</b>  |                    |                    |                    |                    |                            |                    |
| Mortgage servicing rights | \$ (35,704)        | \$ (69,207)        | \$ (23,135)        | \$ (45,139)        | \$ (7,875)                 | \$ (16,288)        |

#### NOTE 8 - MORTGAGE LOANS HELD FOR SALE

The Company sells substantially all of its originated mortgage loans into the secondary market. The Company may retain the right to service some of these loans upon sale through ownership of servicing rights. A reconciliation of the changes in mortgage loans held for sale to the amounts presented in the Condensed Consolidated Statements of Cash Flows is set forth below:

|   | Nine Months Ended September 30, |              |
|---|---------------------------------|--------------|
|   | 2022                            | 2021         |
| Balance at the beginning of period  | \$ 2,204,216                    | \$ 2,368,777 |
| Origination of mortgage loans held for sale   | 16,265,741                      | 28,192,471   |
| Proceeds on sale of and payments from mortgage loans held for sale                      | (17,916,073)                    | (29,847,321) |
| Mortgage loans acquired (see Note 3)  | —                               | 465,020      |
| Gain on sale of mortgage loans excluding fair value of other financial instruments, net | 440,974                         | 1,019,439    |
| Valuation adjustment of mortgage loans held for sale                                    | (65,297)                        | (59,040)     |
| Balance at the end of period  | \$ 929,561                      | \$ 2,139,346 |

At September 30, 2022, mortgage loans held for sale included UPB of the underlying loans of \$ 1.0 billion and had a fair value of \$ 0.9 billion. At December 31, 2021, mortgage loans held for sale included UPB of the underlying loans of \$ 2.2 billion and had a fair value of \$ 2.2 billion.

#### NOTE 9 - INVESTOR RESERVES

The Company's estimate of the investor reserves considers the current macro-economic environment and recent repurchase trends; however, if the Company experiences a prolonged period of higher repurchase and indemnification activity, then the realized losses from loan repurchases and indemnifications may ultimately be in excess of the liability. The maximum exposure under the Company's representations and warranties would be the outstanding principal balance and any premium received on all loans ever sold by the Company, less any loans that have already been paid in full by the mortgagee, that have defaulted without a breach of representations and warranties, that have been indemnified via settlement or make-whole, or that have been repurchased. Additionally, the Company may receive relief of certain representations and warranty obligations on

loans sold to FNMA or FHLMC on or after January 1, 2013 if FNMA or FHLMC satisfactorily concludes a quality control loan file review or if the borrower meets certain acceptable payment history requirements within 12 or 36 months after the loan is sold to FNMA or FHLMC. The activity of the investor reserves was as follows:

|                                     | Three Months Ended September 30, |                  | Nine Months Ended September 30, |                  |
|-------------------------------------|----------------------------------|------------------|---------------------------------|------------------|
|                                     | 2022                             | 2021             | 2022                            | 2021             |
| Balance — beginning of period       | \$ 16,919                        | \$ 16,827        | \$ 18,437                       | \$ 14,535        |
| Benefit from investor reserves      | (2,479)                          | (1,646)          | (3,101)                         | (4,958)          |
| Investor reserves acquired from RMS | —                                | 1,507            | —                               | 1,507            |
| Provision for investor reserves     | 1,575                            | 1,977            | 679                             | 7,581            |
| Balance — end of period             | <u>\$ 16,015</u>                 | <u>\$ 18,665</u> | <u>\$ 16,015</u>                | <u>\$ 18,665</u> |

**NOTE 10 - GOODWILL AND INTANGIBLE ASSETS**

**Goodwill**

The changes in the carrying amount of goodwill allocated to the origination segment are presented in the following table:

|  |                   |
|--|-------------------|
| Balance at December 31, 2021                 | \$ 175,144        |
| Measurement period adjustment <sup>(1)</sup> | (1,710)           |
| Balance at September 30, 2022                | <u>\$ 173,434</u> |

<sup>(1)</sup> The Company recorded a measurement period adjustment that included a decrease to goodwill of \$ 1.7 million and an increase to income tax receivable of \$1.7 million. This adjustment did not impact the Company's statements of income.

**Intangible Assets**

The following table presents our intangible assets, net as of September 30, 2022:

|                        | Gross Intangibles | Accumulated Amortization | Net Intangibles  | Weighted Average Amortization Period (Years) |
|------------------------|-------------------|--------------------------|------------------|--|
| Referral network       | \$ 42,300         | \$ 8,812                 | \$ 33,488        | 4.5  |
| Non-compete agreements | 2,700             | 1,125                    | 1,575            | 0.1  |
|                        | <u>\$ 45,000</u>  | <u>\$ 9,937</u>          | <u>\$ 35,063</u> | 4.6  |

Amortization expense related to intangible assets was \$ 2.0 million for each of the three months ended September 30, 2022 and 2021, and \$6.0 million and \$2.0 million for the nine months ended September 30, 2022 and 2021, respectively.

**NOTE 11 - WAREHOUSE LINES OF CREDIT**

Warehouse lines of credit consisted of the following at September 30, 2022 and December 31, 2021. Changes subsequent to September 30, 2022 have been described in the notes referenced with the below table.

|  | Maturity as of September<br>30,<br>2022 | September 30,<br>2022 | December 31,<br>2021 |
|--|---|-----------------------|----------------------|
| \$600 million master repurchase facility agreement <sup>(1)</sup>  | January 2023                            | \$ 67,594             | \$ 472,646           |
| \$150 million master repurchase facility agreement <sup>(2)</sup>  | August 2023                             | 25,979                | 147,750              |
| \$400 million master repurchase facility agreement <sup>(3)</sup>  | March 2023                              | 253,963               | 295,444              |
| \$200 million master repurchase facility agreement <sup>(4)</sup>  | May 2023                                | 17,853                | 146,182              |
| \$200 million master repurchase facility agreement <sup>(5)</sup>  | September 2023                          | 50,158                | 133,772              |
| \$400 million master repurchase facility agreement <sup>(6)</sup>  | June 2023                               | 160,253               | 377,416              |
| \$200 million master repurchase facility agreement <sup>(7)</sup>  | April 2023                              | 77,395                | 117,935              |
| \$100 million master repurchase facility agreement <sup>(8)</sup>  | N/A                                     | 43,388                | 136,173              |
| \$75 million master repurchase facility agreement <sup>(9)</sup>   | March 2025                              | 43,427                | 33,452               |
| \$200 million master repurchase facility agreement <sup>(10)</sup> | N/A                                     | —                     | 26,947               |
| \$300 million master repurchase facility agreement <sup>(11)</sup> | N/A                                     | 81,816                | 35,099               |
| \$75 million master repurchase facility agreement <sup>(12)</sup>  | N/A                                     | —                     | 5,727                |
|  |   | 821,826               | 1,928,543            |
| Prepaid commitment fees  |   | (1,934)               | (1,065)              |
| Net warehouse lines of credit                                      |   | \$ 819,892            | \$ 1,927,478         |

(1) The variable interest rate is calculated using a base rate tied to the Secured Overnight Financing Rate ("SOFR").

(2) The variable interest rate is calculated using a base rate tied to SOFR, plus the applicable interest rate margin. This line of credit requires a minimum deposit of \$750,000.

(3) The variable interest rate is calculated using a base rate tied to SOFR, plus the applicable interest rate margin. This facility requires a minimum deposit of \$2.0 million. Subsequent to September 30, 2022, this facility was reduced to \$ 300.0 million and the minimum deposit required was reduced to \$1.5 million.

(4) The variable interest rate is calculated using a base rate plus SOFR, with a floor of 0.25% plus the applicable interest rate margin.

(5) The variable interest rate is calculated using a base rate tied to SOFR with a floor of 0.40%, plus the applicable interest rate margin.

(6) The variable interest rate is calculated using a base rate tied to SOFR with a floor of 0.50%, plus the applicable interest rate margin.

(7) The variable interest rate is calculated using a base rate tied to SOFR with a floor of 0.25%, plus the applicable interest rate margin.

(8) The variable interest rate is calculated using a base rate tied to SOFR, plus the applicable interest rate margin. This facility's maturity date is 30 days from written notice by either the financial institution or the Company.

(9) The interest rate on this facility is 3.375%. This facility is used for GNMA delinquent buyouts. Each buyout represents a separate transaction that can remain on the facility for up to four years.

(10) This facility matured in January 2022 and was not renewed.

(11) This facility agreement is due on demand and the variable interest rate is calculated using a base rate tied to SOFR with a floor of 0.75%.

(12) This facility was terminated prior to maturity.

The weighted average interest rate for warehouse lines of credit was 2.95% and 2.40% at September 30, 2022 and December 31, 2021, respectively. All warehouse lines of credit are collateralized by underlying mortgages and related documents. Existing balances on warehouse lines are repaid through the sale proceeds from the collateralized loans held for sale. The Company had



cash balances of \$49.7 million and \$46.7 million in its warehouse buy down accounts as offsets to certain lines of credit at September 30, 2022 and December 31, 2021, respectively.

The agreements governing the Company's warehouse lines of credit contain covenants that include certain financial requirements, including maintenance of maximum adjusted leverage ratio, minimum net worth, minimum tangible net worth, minimum liquidity, positive quarterly income and limitations on additional indebtedness, dividends, sale of assets, and decline in the mortgage loan servicing portfolio's fair value. At September 30, 2022 and December 31, 2021, the Company believes it was in compliance with all debt covenants.

The Company has an optional short-term financing agreement between FNMA and the lender described as "As Soon As Pooled" ("ASAP"). The Company can elect to assign FNMA Mortgage Backed Security ("MBS") trades to FNMA in advance of settlement and enter into a financing transaction and revenue related to the assignment is deferred until the final pool settlement date. The Company determines utilization based on warehouse availability and cash needs. There was no outstanding balance as of September 30, 2022 and December 31, 2021.

## **NOTE 12 - NOTES PAYABLE**

### ***Revolving Notes:***

In January 2014, the Company entered into an agreement for a revolving note from one of its warehouse banks, which it can draw upon as needed and has renewed on an annual basis. Borrowings on the revolving note are collateralized by the Company's GNMA MSR. Monthly interest on the outstanding balance is calculated using a base rate tied to the SOFR rate plus the applicable margin, with a SOFR floor of 0.5%. The revolving note also has an unused facility fee on the average unused balance, which is also paid quarterly. The unused facility fee is waived if the average outstanding balance exceeds 70% of the available facility. The revolving note has a maximum committed amount of \$ 135.0 million and the agreement allows for the Company to increase the committed amount up to \$200.0 million. In August 2022, the Company amended and restated the agreement to extend the expiration date of the revolving notes to August 2027. The Company has the option to convert the outstanding balance of the revolving note into a term note at its discretion. At September 30, 2022 and December 31, 2021, the Company had no balance and \$60.0 million, respectively, in outstanding borrowings on this credit facility.

In July 2017, the Company entered into an agreement for a revolving note of up to \$ 25.0 million from one of its warehouse banks, which it can draw upon as needed and has renewed on an annual basis. In July 2020, the Company amended the agreement by extending the expiration date to July 2021 and increasing the revolving note up to \$65.0 million. In July 2021, the Company further amended the agreement by extending the expiration date to July 2022. In February 2022, the Company again amended the agreement and increased the revolving note up to \$100.0 million. In June 2022, the Company further amended the agreement by extending the expiration date to June 2023. Borrowings on the revolving note are collateralized by the Company's FHLMC MSRs. Monthly interest on the outstanding balance is calculated using a base rate tied to the SOFR rate plus the applicable margin, with a floor of 0.50%. The revolving note also has an unused facility fee on the average unused balance, which is also paid quarterly. The unused facility fee is waived if the average outstanding balance exceeds 50% of the available combined warehouse and MSR facility. The lender has the option to convert the outstanding balance of the revolving note into a term note at its discretion. At September 30, 2022 and December 31, 2021, the Company had no balance and \$65.0 million, respectively, in outstanding borrowings on this credit facility.

### ***Term Note:***

In January 2014, the Company entered into a term note agreement with one of its warehouse banks collateralized by the Company's FNMA MSR. In March 2021, the term note was amended and restated, at which time there was an outstanding amount of \$76.5 million. The outstanding amount of \$76.5 million was rolled into a new term note with a commitment of \$ 125.0 million. The note allows for the committed amount to be increased to a maximum of \$175.0 million. The Company could draw on the committed amount through March 2022 and the note matures in March 2024. Interest on the principal is paid monthly and is based upon a margin plus the highest of the (i) Prime Rate, (ii) Federal Funds Rate plus 0.5%, or (iii) the Eurodollar Base Rate plus 1.0%. Principal payments of 5% of the outstanding balance as of March 31, 2022 are due quarterly beginning April

15, 2022, with the remaining principal balance due upon maturity. The term note also has an unused facility fee on the average unused balance, which is also paid quarterly. At September 30, 2022 and December 31, 2021, the Company had an outstanding balance of \$112.5 million and \$125.0 million, respectively, on this facility.

The minimum calendar year payments of the Company's term note as of September 30, 2022 are as follows:

|       |    |                |
|-------|----|----------------|
| 2022  | \$ | 6,250          |
| 2023  |    | 25,000         |
| 2024  |    | 81,250         |
| Total | \$ | <u>112,500</u> |

**NOTE 13 - STOCKHOLDERS' EQUITY AND EARNINGS PER SHARE**

Basic earnings per share is computed based on the weighted average number of shares of Class A and Class B common stock outstanding during the period using the two-class method. Diluted earnings per share is computed based on the weighted average number of shares plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include restricted stock units ("RSUs") for Class A common stock.

The following table sets forth the components of basic and diluted earnings per share:

|   | <b>Three Months Ended September 30,</b> |             | <b>Nine Months Ended September 30,</b> |             |
|---|---|-------------|--|-------------|
|   | <b>2022</b>                             | <b>2021</b> | <b>2022</b>                            | <b>2021</b> |
| Net income attributable to Guild  | \$ 77,374                               | \$ 72,096   | \$ 343,604                             | \$ 241,638  |
| Weighted-average shares outstanding, Class A Common Stock               | 20,560                                  | 20,653      | 20,671                                 | 19,999      |
| Weighted-average shares outstanding, Class B Common Stock               | 40,333                                  | 40,333      | 40,333                                 | 40,333      |
| Weighted-average shares outstanding - basic                             | 60,893                                  | 60,986      | 61,004                                 | 60,332      |
| Add dilutive effects of non-vested shares of restricted stock - Class A | 670                                     | 414         | 802                                    | 286         |
| Weighted-average shares outstanding - diluted                           | 61,563                                  | 61,400      | 61,806                                 | 60,618      |
| Basic earnings per share:   |   |             |  |             |
| Class A and Class B Common Stock  | \$ 1.27                                 | \$ 1.18     | \$ 5.63                                | \$ 4.01     |
| Diluted earnings per share:   |   |             |  |             |
| Class A and Class B Common Stock  | \$ 1.26                                 | \$ 1.17     | \$ 5.56                                | \$ 3.99     |

No shares were excluded from the calculation of earnings per share as a result of being anti-dilutive.

**Capital Stock**

The Company has two classes of common stock: Class A and Class B. The Company's Class A common stock is traded on the New York Stock Exchange under the symbol "GHLA." There is no public market for the Company's Class B common stock. However, under the terms of the Company's Certificate of Incorporation, the holder of Class B common stock may convert any portion or all of the holder's shares of Class B common stock into an equal number of shares of Class A common stock at any time.

The holders of shares of Class A common stock and Class B common stock are entitled to dividends when and if declared by the Company's Board of Directors out of legally available funds.

Any stock dividend must be paid in shares of Class A common stock with respect to Class A common stock and in shares of Class B common stock with respect to Class B common stock.

The voting powers, preferences and relative rights of Class A common stock and Class B common stock are identical in all respects, except that the holders of shares of Class A common stock have one vote per share and the holders of shares of Class B common stock have ten votes per share.

#### ***Restricted Stock Units***

The Company issues RSUs, which represent the right to receive, upon vesting, one share of the Company's common stock. The number of potentially dilutive shares related to RSUs is based on the number of shares, if any, that would be issuable at the end of the respective reporting period, assuming that date was the end of the vesting period.

#### ***Share Repurchase Program***

On May 5, 2022, the Company's Board of Directors authorized the Company to repurchase up to \$ 20.0 million of the Company's outstanding Class A common stock over the next 24 months from such date. The share repurchase program allows the Company to repurchase shares of its Class A common stock from time to time on the open market or in privately negotiated transactions. The Company is not obligated to purchase any shares under the share repurchase program and the timing of any repurchases will depend on a number of factors, including, but not limited to, stock price, trading volume, market conditions, and other general business considerations. The share repurchase program may be modified, suspended or terminated by the Company's Board of Directors at any time. The Company intends to fund any repurchases under the share repurchase program with cash on hand. During the three and nine months ended September 30, 2022, the Company repurchased and subsequently retired 138,962 shares and 280,914 shares of the Company's Class A common stock at an average purchase price of \$ 11.13 per share and \$10.84 per share, respectively. As of September 30, 2022, \$17.0 million remains available for repurchase.

### **NOTE 14 - STOCK-BASED COMPENSATION**

#### ***Stock-Based Compensation***

The Company's stock-based compensation arrangements include grants of RSUs under the 2020 Omnibus Incentive Plan. The stock-based compensation costs recognized during the three and nine months ended September 30, 2022 was \$1.9 million and \$4.9 million, respectively, and \$1.5 million and \$4.6 million for the three and nine months ended September 30, 2021, and are included in salaries, incentive compensation and benefits. The income tax benefit recognized related to this expense was approximately \$0.2 million and \$0.3 million for the three months ended September 30, 2022 and 2021, respectively, and \$0.7 million and \$0.9 million for the nine months ended September 30, 2022 and 2021, respectively. As of September 30, 2022, there was approximately \$15.6 million of unrecognized compensation costs related to non-vested RSUs, which we expect to recognize over the next 2.2 years.

### **NOTE 15 - COMMITMENTS AND CONTINGENCIES**

#### ***Commitments to Extend Credit***

The Company enters into IRLCs with customers who have applied for residential mortgage loans and meet certain credit and underwriting criteria. These commitments expose the Company to market risk if interest rates change and the loan is not economically hedged or committed to an investor. The Company is also exposed to credit loss if the loan is originated and not sold to an investor and the customer does not perform. The collateral upon extension of credit typically consists of a first deed of trust in the mortgagor's residential property. Commitments to originate loans do not necessarily reflect future cash requirements as some commitments are expected to expire without being drawn upon. Total commitments to originate loans at September 30, 2022 and December 31, 2021 were approximately \$1.4 billion and \$2.4 billion, respectively.

The Company manages the interest rate price risk associated with its outstanding IRLCs and loans held for sale by entering into derivative loan instruments such as forward loan sales commitments, mandatory delivery commitments, options and futures contracts. Total commitments

related to these derivatives at September 30, 2022 and December 31, 2021 were approximately \$ 1.8 billion and \$3.2 billion, respectively.

### **Legal**

The Company is involved in various lawsuits arising in the ordinary course of business. While the ultimate results of these lawsuits cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the consolidated financial position or results of operations of the Company.

### **NOTE 16 - MINIMUM NET WORTH REQUIREMENTS**

Certain secondary market investors and state regulators require the Company to maintain minimum net worth and capital requirements. To the extent that these requirements are not met, secondary market investors and/or the state regulators may utilize a range of remedies including sanctions, and/or suspension or termination of selling and servicing agreements, which may prohibit the Company from originating, securitizing or servicing these specific types of mortgage loans.

The Company is subject to the following minimum net worth, minimum capital ratio and minimum liquidity requirements established by the Federal Housing Finance Agency for Fannie Mae and Freddie Mac Seller/Servicers, and Ginnie Mae for single family issuers.

#### **Minimum Net Worth**

The minimum net worth requirement for Fannie Mae and Freddie Mac is defined as follows:

- Base of \$2,500 plus 25 basis points of outstanding UPB for total loans serviced.
- Adjusted/Tangible Net Worth comprises total equity less goodwill, intangible assets, affiliate receivables and certain pledged assets.

The minimum net worth requirement for Ginnie Mae is defined as follows:

- Base of \$2,500 plus 35 basis points of the issuer's total single-family effective outstanding obligations.
- Adjusted/Tangible Net Worth comprises total equity less goodwill, intangible assets, affiliate receivables and certain pledged assets.

#### **Minimum Capital Ratio**

- For Fannie Mae, Freddie Mac and Ginnie Mae the Company is also required to hold a ratio of Adjusted/Tangible Net Worth to Total Assets greater than 6%.

#### **Minimum Liquidity**

The minimum liquidity requirement for Fannie Mae and Freddie Mac is defined as follows:

- 3.5 basis points of total Agency servicing.
- Incremental 200 basis points of total nonperforming Agency, measured as 90 plus day delinquencies, servicing in excess of 6% of the total Agency servicing UPB.
- Allowable assets for liquidity may include: cash and cash equivalents (unrestricted); available for sale or held for trading investment grade securities (e.g., Agency MBS, Obligations of Government Sponsored Entities, US Treasury Obligations); and unused/available portion of committed servicing advance lines.

The minimum liquidity requirement for Ginnie Mae is defined as follows:

- Maintain liquid assets equal to the greater of \$1,000 or 10 basis points of our outstanding single-family MBS.

The most restrictive of the minimum net worth and capital requirements require the Company to maintain a minimum adjusted net worth balance of \$84,482 as of December 31, 2021. As of December 31, 2021, the Company was in compliance with this requirement.

## NOTE 17 - SEGMENTS

ASC 280, *Segment Reporting*, establishes the standards for reporting information about segments in financial statements. In applying the criteria set forth in that guidance, the Company has determined that it has two reportable segments — Origination and Servicing.

**Origination** — The Company operates its loan origination business throughout the United States. Its licensed sales professionals and support staff cultivate deep relationships with referral partners and clients and provide a customized approach to the loan transaction whether it is a purchase or refinance. The origination segment is primarily responsible for loan origination, acquisition and sale activities.

**Servicing** — The Company services loans out of its corporate office in San Diego, California. Properties of the loans serviced by the Company are disbursed throughout the United States and as of September 30, 2022 the Company serviced at least one loan in forty-nine different states. The servicing segment provides a steady stream of cash flow to support the origination segment and more importantly it allows for the Company to build long standing client relationships that drive repeat and referral business back to the origination segment to recapture the client's next mortgage transaction. The servicing segment is primarily responsible for the servicing activities of all loans in the Company's servicing portfolio, which includes, but is not limited to, collection and remittance of loan payments, managing borrower's impound accounts for taxes and insurance, loan payoffs, loss mitigation and foreclosure activities.

The Company does not allocate assets to its reportable segments as they are not included in the review performed by the Chief Operating Decision Maker for purposes of assessing segment performance and allocating resources. The balance sheet is managed on a consolidated basis and is not used in the context of segment reporting. The Company also does not allocate certain corporate expenses, which are represented by All Other in the tables below.

The following table presents the financial performance and results by segment for the three months ended September 30, 2022:

|  | Origination     | Servicing        | Total Segments   | All Other          | Total            |
|--|-----------------|------------------|------------------|--------------------|------------------|
| <b>Revenue</b>                                       |                 |                  |                  |                    |                  |
| Loan origination fees and gain on sale of loans, net | \$ 154,319      | \$ 299           | \$ 154,618       | \$ —               | \$ 154,618       |
| Loan servicing and other fees                        | —               | 57,647           | 57,647           | —                  | 57,647           |
| Valuation adjustment of mortgage servicing rights    | —               | 41,764           | 41,764           | —                  | 41,764           |
| Interest income (expense)                            | 4,388           | 3,392            | 7,780            | (1,529)            | 6,251            |
| Other income, net                                    | (32)            | 979              | 947              | (7)                | 940              |
| Net revenue  | 158,675         | 104,081          | 262,756          | (1,536)            | 261,220          |
| <b>Expenses</b>                                      |                 |                  |                  |                    |                  |
| Salaries, incentive compensation and benefits        | 124,909         | 6,955            | 131,864          | 5,508              | 137,372          |
| General and administrative                           | 13,706          | 2,420            | 16,126           | 3,286              | 19,412           |
| Occupancy, equipment and communication               | 15,043          | 1,202            | 16,245           | 1,057              | 17,302           |
| Depreciation and amortization                        | 3,498           | 159              | 3,657            | 238                | 3,895            |
| Reversal of provision for foreclosure losses         | —               | (3,449)          | (3,449)          | —                  | (3,449)          |
| Income tax expense                                   | —               | —                | —                | 9,321              | 9,321            |
| <b>Net income (loss)</b>                             | <b>\$ 1,519</b> | <b>\$ 96,794</b> | <b>\$ 98,313</b> | <b>\$ (20,946)</b> | <b>\$ 77,367</b> |

The following table presents the financial performance and results by segment for the nine months ended September 30, 2022:

|  | Origination      | Servicing         | Total Segments    | All Other           | Total             |
|--|------------------|-------------------|-------------------|---------------------|-------------------|
| <b>Revenue</b>                                       |                  |                   |                   |                     |                   |
| Loan origination fees and gain on sale of loans, net | \$ 599,285       | \$ 5,944          | \$ 605,229        | \$ —                | \$ 605,229        |
| Loan servicing and other fees                        | —                | 165,419           | 165,419           | —                   | 165,419           |
| Valuation adjustment of mortgage servicing rights    | —                | 247,439           | 247,439           | —                   | 247,439           |
| Interest income (expense)                            | 17,183           | (1,233)           | 15,950            | (4,700)             | 11,250            |
| Other income, net                                    | (57)             | 1,054             | 997               | 185                 | 1,182             |
| Net revenue  | 616,411          | 418,623           | 1,035,034         | (4,515)             | 1,030,519         |
| <b>Expenses</b>                                      |                  |                   |                   |                     |                   |
| Salaries, incentive compensation and benefits        | 464,368          | 21,722            | 486,090           | 16,803              | 502,893           |
| General and administrative                           | 3,455            | 7,342             | 10,797            | 9,356               | 20,153            |
| Occupancy, equipment and communication               | 47,645           | 3,599             | 51,244            | 3,343               | 54,587            |
| Depreciation and amortization                        | 10,374           | 483               | 10,857            | 759                 | 11,616            |
| Reversal of provision for foreclosure losses         | —                | (1,974)           | (1,974)           | —                   | (1,974)           |
| Income tax expense                                   | —                | —                 | —                 | 99,615              | 99,615            |
| <b>Net income (loss)</b>                             | <b>\$ 90,569</b> | <b>\$ 387,451</b> | <b>\$ 478,020</b> | <b>\$ (134,391)</b> | <b>\$ 343,629</b> |

The following table presents the financial performance and results by segment for the three months ended September 30, 2021:

|  | Origination       | Servicing        | Total Segments    | All Other          | Total            |
|--|-------------------|------------------|-------------------|--------------------|------------------|
| <b>Revenue</b>                                       |                   |                  |                   |                    |                  |
| Loan origination fees and gain on sale of loans, net | \$ 392,672        | \$ 4,289         | \$ 396,961        | \$ —               | \$ 396,961       |
| Loan servicing and other fees                        | —                 | 50,248           | 50,248            | —                  | 50,248           |
| Valuation adjustment of mortgage servicing rights    | —                 | (35,535)         | (35,535)          | —                  | (35,535)         |
| Interest income (expense)                            | 4,746             | (1,819)          | 2,927             | (1,585)            | 1,342            |
| Other income, net                                    | (32)              | 7                | (25)              | (34)               | (59)             |
| Net revenue  | 397,386           | 17,190           | 414,576           | (1,619)            | 412,957          |
| <b>Expenses</b>                                      |                   |                  |                   |                    |                  |
| Salaries, incentive compensation and benefits        | 256,728           | 6,343            | 263,071           | 7,823              | 270,894          |
| General and administrative                           | 21,507            | 1,941            | 23,448            | 1,359              | 24,807           |
| Occupancy, equipment and communication               | 15,107            | 959              | 16,066            | 1,948              | 18,014           |
| Depreciation and amortization                        | 3,564             | 166              | 3,730             | 377                | 4,107            |
| Reversal of provision for foreclosure losses         | —                 | (2,325)          | (2,325)           | —                  | (2,325)          |
| Income tax expense                                   | —                 | —                | —                 | 25,364             | 25,364           |
| <b>Net income (loss)</b>                             | <b>\$ 100,480</b> | <b>\$ 10,106</b> | <b>\$ 110,586</b> | <b>\$ (38,490)</b> | <b>\$ 72,096</b> |

The following table presents the financial performance and results by segment for the nine months ended September 30, 2021:

|  | Origination       | Servicing        | Total Segments    | All Other           | Total             |
|--|-------------------|------------------|-------------------|---------------------|-------------------|
| <b>Revenue</b>                                       |                   |                  |                   |                     |                   |
| Loan origination fees and gain on sale of loans, net | \$ 1,166,626      | \$ 7,682         | \$ 1,174,308      | \$ —                | \$ 1,174,308      |
| Loan servicing and other fees                        | —                 | 143,099          | 143,099           | —                   | 143,099           |
| Valuation adjustment of mortgage servicing rights    | —                 | (84,581)         | (84,581)          | —                   | (84,581)          |
| Interest income (expense)                            | 11,247            | (6,317)          | 4,930             | (4,574)             | 356               |
| Other income, net                                    | —                 | 47               | 47                | 24                  | 71                |
| Net revenue  | 1,177,873         | 59,930           | 1,237,803         | (4,550)             | 1,233,253         |
| <b>Expenses</b>                                      |                   |                  |                   |                     |                   |
| Salaries, incentive compensation and benefits        | 722,604           | 20,631           | 743,235           | 26,946              | 770,181           |
| General and administrative                           | 69,301            | 7,612            | 76,913            | 6,595               | 83,508            |
| Occupancy, equipment and communication               | 41,038            | 3,093            | 44,131            | 3,377               | 47,508            |
| Depreciation and amortization                        | 5,553             | 578              | 6,131             | 1,238               | 7,369             |
| Reversal of provision for foreclosure losses         | —                 | (306)            | (306)             | —                   | (306)             |
| Income tax expense                                   | —                 | —                | —                 | 83,355              | 83,355            |
| <b>Net income (loss)</b>                             | <b>\$ 339,377</b> | <b>\$ 28,322</b> | <b>\$ 367,699</b> | <b>\$ (126,061)</b> | <b>\$ 241,638</b> |





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

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to highlight and supplement data and information presented elsewhere in this Quarterly Report, including the condensed consolidated financial statements and related notes thereto included in Part I, Item 1. Prior period information has been revised to conform to the current period presentation. The following discussion includes forward-looking statements that reflect our plans, estimates and assumptions and involve numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section in Part II, Item 1A in this Quarterly Report. See also "Cautionary Statement Regarding Forward-Looking Statements." Future results could differ significantly from the historical results presented in this section.*

As permitted by SEC Final Rule Release No. 33-10890, *Management's Discussion and Analysis, Selected Financial Data and Supplementary Financial Information*, this section discusses our results of operations for the current quarter ended September 30, 2022 compared to the immediately preceding prior quarter ended June 30, 2022.

### Business and Executive Overview

We started our business in 1960 and are among the longest-operating seller servicers in the United States. We are a growth-oriented mortgage company that employs a relationship-based loan sourcing strategy to execute our mission of delivering the promise of homeownership in neighborhoods and communities across the United States. Our business model is centered on providing a personalized mortgage-borrowing experience that is delivered by our knowledgeable loan officers and supported by our diverse product offerings. Throughout these individualized interactions, we work to earn our clients' trust and confidence as a financial partner that can help them find their way through life's changes and build for the future.

Our operations consist of two distinct but related reportable segments that we refer to as our origination and servicing segments. Management believes that maintaining both an origination segment and a servicing segment provides us with a more balanced business model in both rising and declining interest rate environments, compared to other industry participants that predominately focus on either origination or servicing, instead of both. Typically in an interest rising market environment originations tend to shift to purchase originations rather than refinances. Due to our physical presence and footprint throughout the country we believe that we are in an advantageous position when the market is more purchase focused as compared to our competitors that are more refinance focused and have to significantly change their business model during purchase cycles. In addition, one of our business strategies is to seek to recapture mortgage transactions when our borrowers prepay their loans. Recapture rate is calculated as the UPB of our clients that originated a new mortgage with us in a given period, divided by the UPB of our clients that paid off their existing mortgage and originated a new mortgage in the same period. Purchase recapture is calculated based on those clients who originate a new mortgage for the purchase of a home, and refinance recapture is calculated based on those clients who originate a new mortgage to refinance an existing mortgage. Overall recapture rate is calculated as the total of our clients that originate a new mortgage with us divided by the total of our clients that paid off their existing mortgage and originated a new mortgage. This calculation excludes clients to whom we did not actively market due to contractual prohibitions or other business reasons.

We operate our origination segment from approximately 260 office locations. Our licensed sales professionals and support staff cultivate deep relationships with our referral partners and clients and provide a customized approach to the loan transaction, whether it is a purchase or a refinance. We believe that our servicing segment provides a steady stream of revenue to support our origination segment and, more importantly, positions us to build longstanding client relationships that drive repeat and referral business back to the origination segment to recapture our clients' future mortgage transactions. In particular, the growth of our servicing segment is dependent on the continued growth of our origination volume because our servicing portfolio consists primarily of originated MSRs.

## Executive Summary

This executive summary highlights selected financial information that should be considered in the context of the additional discussions below.

- Originated \$4.4 billion and \$5.8 billion of mortgage loans in the three months ended September 30, 2022 and June 30, 2022, respectively, and originated \$16.3 billion and \$28.0 billion of mortgage loans in the nine months ended September 30, 2022 and 2021, respectively. Mortgage rates rose sharply during the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 which has caused significant declines in origination volume across the U.S. mortgage market.
- Purchase originations accounted for 90.8%, 84.2%, 79.0% and 52.3% of total originations for the three months ended September 30, 2022 and June 30, 2022 and for the nine months ended September 30, 2022 and 2021, respectively. According to the Mortgage Bankers Association's ("MBA") October 2022 Mortgage Finance Forecast, purchase originations accounted for 80.8%, 70.4%, 67.5% and 40.2% of total originations for the three months ended September 30, 2022 and June 30, 2022 and for the nine months ended September 30, 2022 and 2021, respectively.
- Servicing portfolio as of September 30, 2022 was \$77.7 billion of unpaid principal balance ("UPB") compared to \$68.0 billion of UPB as of September 30, 2021, with the average size of the portfolio increasing 16.2% since September 30, 2021.
- Generated \$77.4 million and \$58.3 million of net income for the three months ended September 30, 2022 and June 30, 2022, respectively, and \$343.6 million and \$241.6 million for the nine months ended September 30, 2022 and 2021, respectively.
- Generated \$24.1 million and \$13.9 million of Adjusted Net Income for the three months ended September 30, 2022 and June 30, 2022, respectively, and \$70.1 million and \$236.1 million of Adjusted Net Income for the nine months ended September 30, 2022 and 2021, respectively.
- Generated \$32.9 million and \$22.0 million of Adjusted EBITDA for the three months ended September 30, 2022 and June 30, 2022, respectively, and \$101.6 million and \$327.6 million of Adjusted EBITDA for the nine months ended September 30, 2022 and 2021, respectively.
- During the three months ended September 30, 2022, we had a 28% purchase recapture rate, a 25% refinance recapture rate and a 27% overall recapture rate, compared to 29%, 39%, and 34% for the three months ended June 30, 2022, respectively. During the nine months ended September 30, 2022, we had a 31% purchase recapture rate, a 45% refinance recapture rate and a 40% overall recapture rate, compared to 30%, 63%, and 58% for the nine months ended September 30, 2021, respectively.

Please see "—Non-GAAP Financial Measures" for further information regarding our use of non-GAAP measures and reconciliations to net income, the nearest comparable financial measure calculated and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP").

For the three months ended September 30, 2022 and June 30, 2022 and the nine months ended September 30, 2022 and 2021, net income includes a gain of \$41.8 million, \$21.1 million, \$247.4 million and a loss of \$84.6 million, respectively, for changes in the fair value of our MSRs. These fair value adjustments are affected by changes in mortgage rates and assumptions used within the valuation model. According to the MBA's October 2022 Mortgage Finance Forecast, average 30-year mortgage rates increased by 30 basis points and 150 basis points during the three months ended September 30, 2022 and June 30, 2022, respectively, and increased by 250 basis points and 10 basis points during the nine months ended September 30, 2022 and 2021, respectively. Increases in average mortgage rates generally result in lower prepayment speeds and a subsequent upward adjustment to the fair value of our MSRs for the loans that still exist in our portfolio.

The increase in interest rates during 2022 and the limited supply of housing have led to higher levels of competition and lower gain on sale margins. Lower interest rates and increased demand for mortgage financing characterized 2021 and led to higher gain on sale margins. Margins may continue to decrease in the future due to increasing competition among mortgage providers, which has placed additional pressure on pricing, but such changes will depend on future market demand, capacity and other macroeconomic factors.

## Recent Developments

### Market and Economic Overview

Through the end of September 2022, the Federal Reserve raised interest rates by 300 basis points and has announced plans for additional rate hikes in 2022 and 2023. During the nine months ended September 30, 2022, the 10-year treasury yield increased 160 basis points and the 30-year treasury yield increased 250 basis points. The recent increases in interest rates have led to fewer refinancings and lower prepayment activity in 2022. The MBA's October 2022 Mortgage Finance Forecast projects that throughout the remainder of 2022, the 10-year treasury yield will increase by 80 basis points and the 30-year mortgage rate will increase by 110 basis points. The MBA is also forecasting mortgage originations for purchases to decrease 14.9% in 2022 to \$1.6 trillion from \$1.9 trillion in 2021 and are predicting refinance originations will remain slow throughout the remainder of 2022, decreasing by 73.9% to \$700 billion from \$2.6 trillion in 2021.

The housing market continues to face supply chain challenges, which include higher costs and delays in the delivery of building materials. This is coupled with a tightening labor market that continues to impact housing starts. These factors have led to a limited supply of inventory for both new and existing homes; however, during the third quarter of 2022, the industry has seen affordability issues and pricing pressures in certain markets due to the sharp rise in interest rates. As a result of the foregoing market and economic factors, we have experienced lower origination volume year-to-date in 2022 compared to the same period in 2021. This trend may continue in future periods. We continue to experience intense competition in the mortgage market, and we expect this competition will continue to put pressure on gain on sale margins and profitability.

### COVID-19 Pandemic

We continue to closely monitor the economic impact resulting from the COVID-19 pandemic. In March 2020, the federal government enacted the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which allowed borrowers with federally backed loans to request a temporary mortgage forbearance. As a result of the CARES Act forbearance requirements and the subsequent extension of federal forbearance programs, we may experience increases in our foreclosure loss expenses in the future, depending on future delinquency rates in our servicing portfolio. As of September 30, 2022, the 60-plus day delinquency rate on our servicing portfolio was 1.6%, compared to a 60-plus day delinquency rate of 1.9% as of December 31, 2021.

As of September 30, 2022, approximately 0.9% of the loans in our servicing portfolio had elected the forbearance option, which is comparable to the industry average of 0.7%, as reported by the Mortgage Bankers Association. Our in-house servicing team and local loan officers continue to work with our clients to understand forbearance plans and determine the best paths forward for their unique circumstances. By maintaining relationships with our clients throughout the loan lifecycle, and supporting our clients during times of uncertainty, we position ourselves to capture future business.

The extent to which the COVID-19 pandemic affects our business, results of operations and financial condition will ultimately depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic.

## Description of Certain Components of Financial Data

The primary components of our revenue and expenses are described below.

### Our Components of Revenue

**Loan origination fees and gain on sale of loans, net**— This represents all income recognized from the time when a loan is originated until the time when a loan is subsequently sold to an investor and includes cash and non-cash components. Each component is described below:

- *Gain (loss) on sale of loans* — Net proceeds from the difference between the quoted loan price committed to the client and the price received from the investor at loan sale, net of miscellaneous investor fees charged.
- *Loan origination fees* — Fees collected from the client, which typically include processing, underwriting, funding, credit report, tax service, flood certification and appraisal fees, net of any associated third-party costs.
- *The fair value of the MSRs at time of sale* — After a loan for which we continue to act as the servicer is sold to an investor, we record the value of the MSR at fair value. Fair value is estimated based on the present value of future cash flows. We utilize a third-party valuation service to determine this estimated value based on variables such as contractual servicing fees, ancillary fees, estimated prepayment speeds, discount rate and the cost to service.
- *Changes in the fair value of IRLC and MLHS* — When the client accepts an interest rate lock, we record the estimated fair value of the loan. We also evaluate several factors to determine the likelihood of the loan closing and discount the value of any interest rate lock commitments (“IRLCs”) we consider having a lower probability of closing. The probability of the loan ultimately closing changes as the stage of the loan progresses from application to underwriting submission, loan approval and funding. Loans that close and are held for sale are commonly referred to as mortgage loans held for sale or “MLHS.” MLHS are also recorded at fair value. We typically determine the fair value of our MLHS based on investor committed pricing; however, we determine the fair value of any MLHS that is not allocated to a commitment based on current delivery trade prices.
- *Changes in the fair value of forward delivery commitments* — We enter into forward delivery commitments to hedge against changes in the interest rates associated with our IRLCs and MLHS. Our hedging policies are set by our risk management function and are monitored daily. Typically, when the fair value of an IRLC or MLHS increases, the fair value of any related forward contract decreases.
- *Provision for investor reserves* — At the time a loan is sold to an investor, we make certain representations and warranties. If defects are subsequently discovered in these representations and warranties that cause a loan to no longer satisfy the applicable investor eligibility requirements, we may be required to repurchase that loan. We are also required to indemnify several of our investors for borrowers’ prepayments and defaults. We estimate the potential for these losses based on our recent and historical loan repurchase and indemnification experience and our success rate on appeals. We also screen market conditions for any indications of a rise in delinquency rates, which may result in a heightened exposure to loss.
- *Early pay-off fees* — The amount of gain on sale premium received from the investors who purchase our loans that we must return to those investors when loans sold to them are repaid before a specified point in time.

**Loan servicing and other fees**— Loan servicing and other fees consist of:

- *Loan servicing income* — This represents the contractual fees that we earn by servicing loans for various investors. Fees are calculated based on a percentage of the outstanding principal balance and are recognized into revenue as related payments are received.

- *Other ancillary fees* — We may also collect other ancillary fees from the client, such as late fees and nonsufficient funds fees.
- *Impound interest* — We are required to pay interest to our clients annually based on the average escrow account balances that we hold in trust for the payment of their property taxes and insurance.

**Valuation adjustment of mortgage servicing rights**— We have elected to recognize MSRs at fair value. This requires that we periodically reevaluate the valuation of our MSRs following our initial analysis at the time of sale. A third party conducts a monthly valuation of our MSRs, and we record any changes to the fair value of our MSRs that result from changes in valuation model inputs or assumptions and collections of servicing cash flows in accordance with such third-party analysis. Changes in the fair value of our MSRs result in an adjustment to the value of our MSRs.

**Interest income** — Interest income consists primarily of interest earned on MLHS.

**Interest expense** — Interest expense consists primarily of interest paid on funding and non-funding debt facilities collateralized by our MLHS and MSRs. We define funding debt as all other debt related to operations, such as warehouse lines of credit and our early buyout facility, which we use to repurchase certain delinquent Government National Mortgage Association ("GNMA" or "Ginnie Mae") loans. Non-funding debt includes the note agreements collateralized by our MSRs (our "MSR notes payable"). We also record related bank charges and payoff interest expense as interest expense. Payoff interest expense is equal to the difference between what we collect in interest from our clients and what we remit in interest to the investors who purchase the loans that we originate. For loans sold through Agency Mortgage Back Security ("MBS"), we are required to remit a full month of interest to those investors, regardless of the date on which the client prepays during the payoff month, resulting in additional interest expense.

**Other income, net** — Other income, net typically includes non-operating gains and losses.

#### **Our Components of Expenses**

**Salaries, incentive compensation and benefits** — Salaries, incentive compensation and benefits expense includes all payroll, incentive compensation and employee benefits paid to our employees, as well as expenses incurred in connection with our use of employment and temporary help agencies. Our loan officers are paid incentive compensation based on origination volume, resulting in a variable pay structure that fluctuates.

**General and administrative** — General and administrative expense primarily includes costs associated with professional services, attendance at conferences and meetings, office expenses, liability insurance, business licenses and other miscellaneous costs.

In addition, within general and administrative expense, we record any adjustments to the fair value of the contingent liabilities related to our completed acquisitions, commonly known as "earn-out payments." These payments are estimated based on the present value of future cash flows during the earn-out period.

**Occupancy, equipment and communication** — Occupancy, equipment and communication includes expenses related to the commercial office spaces we lease, as well as telephone and internet service and miscellaneous leased equipment used for operations.

**Depreciation and amortization** — We depreciate furniture and equipment on a straight-line basis for a period of up to three years and we record amortization expense related to our leasehold improvements on rented space. That amortization expense is recognized over the shorter of the lease term or the useful life of the asset. We record costs related to the maintenance of software, which consist of both internal and external costs incurred in connection with software development and testing, as well as any costs associated with the implementation of new software. These costs are amortized over a three-year period. We also record amortization expense related to our acquired intangible assets, which are amortized on a straight-line basis over their estimated useful lives.

**Provision for foreclosure losses** — We may incur a loss on government loans related to unreimbursed interest and costs associated with foreclosure. We reserve for government loans based on historical loss experience, future expectations, as well as for loan-specific issues related to foreclosure.

**Income tax expense** — We are subject to federal and state income tax. We record this expense based on our statutory federal and state tax rates. These statutory rates are adjusted for permanent non-deductible differences and reconciliation differences from prior years. We also evaluate material temporary differences to determine whether any additional adjustments to this expense are required.

### Key Performance Indicators

Management reviews several key performance indicators to evaluate our business results, measure our performance, identify trends affecting our business, formulate projections and inform our strategic business decisions. We use these key performance indicators to develop operational goals for managing our business.

Our origination metrics enable us to monitor our ability to generate revenue and expand our market share across different channels. In addition, they help us track origination quality and compare our performance against the nationwide originations market and our competitors. Our servicing metrics enable us to monitor the size of our customer base, the characteristics and related value of our MSR, the health of the business as measured by the average MSR delinquency rate and help drive our customer retention efforts. We believe that the net additions to our portfolio are indicators of the growth of our mortgage loans serviced and our servicing income, but may be offset by sales of servicing rights.

We believe that these key performance indicators provide useful information to investors and others both because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making, and because they may be used by investors in understanding and evaluating our operating results and enhancing the overall understanding of our past performance and future prospects. Summary data for these key performance indicators is listed below. Please refer to "Results of Operations" for additional metrics that management reviews in conjunction with the condensed consolidated financial statements.

| (\$ and units in thousands)   | Three Months Ended |            |              |            | Change         | % Change |
|---|--------------------|------------|--------------|------------|----------------|----------|
|   | Sep 30, 2022       |            | Jun 30, 2022 |            |                |          |
| <b>Origination Data</b>   |                    |            |              |            |                |          |
| \$ Total in-house origination <sup>(1)</sup>                                    | \$                 | 4,363,803  | \$           | 5,721,931  | \$ (1,358,128) | (23.7)%  |
| # Total in-house origination  |                    | 13         |              | 18         | (5)            | (27.8)%  |
| \$ Retail in-house origination  | \$                 | 4,140,897  | \$           | 5,538,743  | \$ (1,397,846) | (25.2)%  |
| # Retail in-house origination   |                    | 12         |              | 17         | (5)            | (29.4)%  |
| \$ Retail brokered origination <sup>(2)</sup>                                   | \$                 | 42,909     | \$           | 65,275     | \$ (22,366)    | (34.3)%  |
| Total originations  | \$                 | 4,406,712  | \$           | 5,787,206  | \$ (1,380,494) | (23.9)%  |
| Gain on sale margin (bps) <sup>(3)</sup>  |                    | 354        |              | 363        | (9)            | (2.5)%   |
| Gain on sale margin on pull-through adjusted locked volume (bps) <sup>(4)</sup> |                    | 349        |              | 357        | (8)            | (2.2)%   |
| 30-year conventional conforming par rate <sup>(5)</sup>                         | 5.6                | %          | 5.3          | %          | 0.3%           | 5.7%     |
| <b>Servicing Data</b>   |                    |            |              |            |                |          |
| UPB (period end)  | \$                 | 77,735,730 | \$           | 75,856,564 | \$ 1,879,166   | 2.5 %    |
| Loans serviced (period end)   |                    | 320        |              | 314        | 6              | 1.9 %    |
| MSR multiple (period end) <sup>(7)</sup>  |                    | 4.9        |              | 4.7        | 0.2            | 4.3 %    |
| Weighted average coupon rate  |                    | 3.5%       |              | 3.4%       | 0.1%           | 2.9%     |
| Loan payoffs <sup>(8)</sup>   | \$                 | 1,348,480  | \$           | 1,847,489  | \$ (499,009)   | (27.0)%  |
| Loan delinquency rate 60-plus days (period end)                                 |                    | 1.6%       |              | 1.6%       | —%             | —%       |

| (\$ and units in thousands)   | Nine Months Ended<br>September 30, |               | Change          | %<br>Change |
|---|------------------------------------|---------------|-----------------|-------------|
|   | 2022                               | 2021          |                 |             |
| <b>Origination Data</b>   |                                    |               |                 |             |
| \$ Total in-house origination <sup>(1)</sup>                                    | \$ 16,147,287                      | \$ 27,973,347 | \$ (11,826,060) | (42.3)%     |
| # Total in-house origination  | 50                                 | 95            | (45)            | (47.4)%     |
| \$ Retail in-house origination  | \$ 15,458,986                      | \$ 27,222,303 | \$ (11,763,317) | (43.2)%     |
| # Retail in-house origination   | 47                                 | 92            | (45)            | (48.9)%     |
| \$ Retail brokered origination <sup>(2)</sup>                                   | \$ 161,279                         | \$ 64,897     | \$ 96,382       | 148.5%      |
| Total originations  | \$ 16,308,566                      | \$ 28,038,244 | \$ (11,729,678) | (41.8)%     |
| Gain on sale margin (bps) <sup>(3)</sup>  | 375                                | 420           | (45)            | (10.7)%     |
| Gain on sale margin on pull-through adjusted locked volume (bps) <sup>(4)</sup> | 342                                | 425           | (83)            | (19.5)%     |
| 30-year conventional conforming par rate <sup>(5)</sup>                         | 5.6 %                              | 2.9 %         | 2.7%            | 93.1%       |
| <b>Servicing Data</b>   |                                    |               |                 |             |
| UPB (period end) <sup>(6)</sup>   | \$ 77,735,730                      | \$ 67,964,979 | \$ 9,770,751    | 14.4%       |
| Loans serviced (period end)   | 320                                | 293           | 27              | 9.2%        |
| MSR multiple (period end) <sup>(7)</sup>  | 4.9                                | 3.2           | 1.7             | 53.1%       |
| Weighted average coupon rate  | 3.5%                               | 3.4%          | 0.1%            | 2.9%        |
| Loan payoffs <sup>(8)</sup>   | \$ 5,603,182                       | \$ 14,485,469 | \$ (8,882,287)  | (61.3)%     |
| Loan delinquency rate 60-plus days (period end)                                 | 1.6%                               | 2.3%          | (0.7)%          | (30.4)%     |

(1) Includes retail and correspondent loans and excludes brokered loans.

(2) Brokered loans are defined as loans we originate in the retail channel that are processed by us but underwritten and closed by another lender. These loans are typically for products we choose not to offer in-house.

(3) Represents loan origination fees and gain on sale of loans, net divided by total in-house origination to derive basis points.

(4) Represents loan origination fees and gain on sales of loans, net divided by pull-through adjusted locked volume. Pull-through adjusted locked volume is equal to total locked volume multiplied by pull-through rates of 94.6%, 92.7% and 91.1% as of September 30, 2022, June 30, 2022 and September 30, 2021, respectively. We estimate the pull-through rate based on changes in pricing and actual borrower behavior using a historical analysis of loan closing data and "fallout" data with respect to the number of commitments that have historically remained unexercised. For additional information regarding our total locked volume and pull-through adjusted locked volume see "*Results of Operations for the Three Months Ended September 30, 2022 and June 30, 2022 and Results of Operations for the Nine Months Ended September 30, 2022 and 2021—Revenue—Loan Origination Fees and Gain on Sale of Loans, Net.*"

(5) Represents the 30-year average conventional conforming note rate published monthly according to the MBA's October 2022 Mortgage Finance Forecast.

(6) Excludes subserviced portfolios of \$1.2 billion as of September 30, 2021. During the fourth quarter of 2021, we sold our subservicing portfolios.

(7) Represents a metric used to determine the relative value of our MSRs in relation to our annualized retained servicing fee. It is calculated by dividing (a) the fair market value of our MSRs as of a specified date by (b) the weighted average annualized retained servicing fee for our servicing portfolio as of such date. We exclude purchased MSRs from this calculation because our servicing portfolio consists primarily of originated MSRs and, consequently, purchased MSRs do not have a material impact on our weighted average service fee.

(8) Represents the gross amount of UPB paid off from our servicing portfolio.

## Non-GAAP Financial Measures

To supplement our financial statements presented in accordance with GAAP and to provide investors with additional information regarding our GAAP financial results, we have presented in this Quarterly Report Adjusted Net Income, Adjusted EBITDA and Adjusted Return on Equity, which are non-GAAP financial measures. These non-GAAP financial measures are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similarly titled measures presented by other companies.

**Adjusted Net Income.** We define Adjusted Net Income as earnings attributable to Guild before the change in the fair value measurements related to our MSRs, contingent liabilities related to completed acquisitions due to changes in valuation assumptions, amortization of acquired intangible assets and stock-based compensation. We exclude these items because we believe they are non-cash expenses that are not reflective of our core operations or indicative of our ongoing operations. Adjusted Net Income is also adjusted by applying an estimated effective tax rate to these adjustments. In addition we exclude the change in the fair value of MSRs due to changes in model inputs and assumptions from Adjusted Net Income and Adjusted EBITDA below because we believe this non-cash, non-realized adjustment to net revenues is not indicative of our operating performance or results of operations but rather reflects changes in model inputs and assumptions (e.g., prepayment speed, discount rate and cost to service assumptions) that impact the carrying value of the Company's MSRs from period to period.

**Adjusted EBITDA.** We define Adjusted EBITDA as earnings before interest (without adjustment for net warehouse interest related to loan fundings and payoff interest related to loan prepayments), taxes, depreciation and amortization and net income attributable to the non-controlling interest exclusive of any change in the fair value measurements of the MSRs due to valuation assumptions, contingent liabilities from business acquisitions and stock-based compensation. We exclude these items because we believe they are non-cash expenses that are not reflective of our core operations or indicative of our ongoing operations.

**Adjusted Return on Equity.** We define Adjusted Return on Equity as annualized Adjusted Net Income as a percentage of average beginning and ending stockholders' equity during the period.

We use these non-GAAP financial measures to evaluate our operating performance, to establish budgets and to develop operational goals for managing our business. These non-GAAP financial measures are designed to evaluate operating results exclusive of fair value adjustments that are not indicative of management's operating performance. Accordingly, we believe that these financial measures provide useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects.

Our non-GAAP financial measures are not prepared in accordance with GAAP and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures rather than net income (loss) or net income (loss) attributable to Guild, which are the most directly comparable financial measures calculated and presented in accordance with GAAP for Adjusted Net Income and Adjusted EBITDA, and Return on Equity, which is the most directly comparable financial measure calculated and presented in accordance with GAAP for Adjusted Return on Equity. These limitations include that these non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles and many of the adjustments to the GAAP financial measures reflect the exclusion of items that are recurring and may be reflected in the Company's financial results for the foreseeable future. In addition, other companies may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison.



The following tables reconcile Adjusted Net Income and Adjusted EBITDA to net income attributable to Guild, net income and Adjusted Return on Equity to Return on Equity, the most directly comparable financial measures calculated and presented in accordance with GAAP.

**Reconciliation of Net Income Attributable to Guild to Adjusted Net Income**

| (\$ in thousands)  | Three Months Ended |              | Nine Months Ended September 30, |            |
|--|--------------------|--------------|---------------------------------|------------|
|  | Sep 30, 2022       | Jun 30, 2022 | 2022                            | 2021       |
| Net income   | \$ 77,367          | \$ 58,289    | \$ 343,629                      | \$ 241,638 |
| Net income (loss) attributable to non-controlling interest         | (7)                | 17           | 25                              | —          |
| Net income attributable to Guild                                   | \$ 77,374          | \$ 58,272    | \$ 343,604                      | \$ 241,638 |
| Add adjustments:   |                    |              |                                 |            |
| Change in fair value of MSRs due to model inputs and assumptions   | (61,423)           | (46,901)     | (317,819)                       | (32,538)   |
| Change in fair value of contingent liabilities due to acquisitions | 327                | (16,511)     | (45,075)                        | 18,587     |
| Amortization of acquired intangible assets                         | 1,988              | 1,988        | 5,963                           | 1,987      |
| Stock-based compensation   | 1,917              | 1,728        | 4,917                           | 4,596      |
| Tax impact of adjustments <sup>(1)</sup>                           | 3,909              | 15,282       | 78,499                          | 1,879      |
| Adjusted Net Income  | \$ 24,092          | \$ 13,858    | \$ 70,089                       | \$ 236,149 |

<sup>(1)</sup> Calculated using the estimated effective tax rates of 6.8%, 25.6%, 22.3% and 25.5% for the three months ended September 30, 2022 and June 30, 2022 and the nine months ended September 30, 2022 and 2021, respectively.

**Reconciliation of Net Income to Adjusted EBITDA**

| (\$ in thousands)  | Three Months Ended |              | Nine Months Ended September 30, |            |
|--|--------------------|--------------|---------------------------------|------------|
|  | Sep 30, 2022       | Jun 30, 2022 | 2022                            | 2021       |
| Net income   | \$ 77,367          | \$ 58,289    | \$ 343,629                      | \$ 241,638 |
| Add adjustments:   |                    |              |                                 |            |
| Interest expense on non-funding debt                               | 1,530              | 1,445        | 4,700                           | 4,574      |
| Income tax expense   | 9,321              | 20,108       | 99,615                          | 83,355     |
| Depreciation and amortization                                      | 3,895              | 3,808        | 11,616                          | 7,369      |
| Change in fair value of MSRs due to model inputs and assumptions   | (61,423)           | (46,901)     | (317,819)                       | (32,538)   |
| Change in fair value of contingent liabilities due to acquisitions | 327                | (16,511)     | (45,075)                        | 18,587     |
| Stock-based compensation   | 1,917              | 1,728        | 4,917                           | 4,596      |
| Adjusted EBITDA  | \$ 32,934          | \$ 21,966    | \$ 101,583                      | \$ 327,581 |

**Reconciliation of Return on Equity to Adjusted Return on Equity**

| (\$ in thousands, except where in percentages) | Three Months Ended |              | Nine Months Ended September 30, |            |
|--|--------------------|--------------|---------------------------------|------------|
|  | Sep 30, 2022       | Jun 30, 2022 | 2022                            | 2021       |
| Numerator: Adjusted Net Income                 | \$ 24,092          | \$ 13,858    | \$ 70,089                       | \$ 236,149 |
| Denominator: Average stockholders' equity      | 1,226,711          | 1,158,544    | 1,092,802                       | 836,754    |
| Adjusted Return on Equity                      | 7.9 %              | 4.8 %        | 8.6 %                           | 37.6 %     |
| Return on Equity                               | 25.2 %             | 20.1 %       | 41.9 %                          | 38.5 %     |

The following table reconciles the valuation adjustment of mortgage servicing rights from the Company's Condensed Consolidated Statements of Income to the change in fair value of MSRs due to model inputs and assumptions included in the reconciliation tables above.

**Reconciliation of valuation adjustment of mortgage servicing rights to change in fair value of MSRs due to model inputs and assumptions**  
**(\$ in thousands)**

|  | Three Months Ended |                  | Nine Months Ended September 30, |                  |
|--|--------------------|------------------|---------------------------------|------------------|
|  | Sep 30, 2022       | Jun 30, 2022     | 2022                            | 2021             |
| Valuation adjustment of mortgage servicing rights                        | \$ 41,764          | \$ 21,074        | \$ 247,439                      | \$ (84,581)      |
| Subtract adjustment:   |                    |                  |                                 |                  |
| Change in fair value of MSRs due to collection/realization of cash flows | (19,659)           | (25,827)         | (70,380)                        | (117,119)        |
| Change in fair value of MSRs due to model inputs and assumptions         | <u>\$ 61,423</u>   | <u>\$ 46,901</u> | <u>\$ 317,819</u>               | <u>\$ 32,538</u> |

**Results of Operations for the Three Months Ended September 30, 2022 and June 30, 2022**
**Consolidated Statements of Operations**  
**(\$ in thousands)**

|  | Three Months Ended |                  | \$ Change        | % Change       |
|--|--------------------|------------------|------------------|----------------|
|  | Sep 30, 2022       | Jun 30, 2022     |                  |                |
| <b>Revenue</b>                                       |                    |                  |                  |                |
| Loan origination fees and gain on sale of loans, net | \$ 154,618         | \$ 207,972       | \$ (53,354)      | (25.7)%        |
| Loan servicing and other fees                        | 57,647             | 54,595           | 3,052            | 5.6 %          |
| Valuation adjustment of mortgage servicing rights    | 41,764             | 21,074           | 20,690           | 98.2 %         |
| Interest income                                      | 17,575             | 14,823           | 2,752            | 18.6 %         |
| Interest expense                                     | (11,324)           | (10,949)         | (375)            | 3.4 %          |
| Other income, net                                    | 940                | 22               | 918              | NM             |
| Net revenue  | <u>261,220</u>     | <u>287,537</u>   | <u>(26,317)</u>  | <u>(9.2)%</u>  |
| <b>Expenses</b>                                      |                    |                  |                  |                |
| Salaries, incentive compensation and benefits        | 137,372            | 178,192          | (40,820)         | (22.9)%        |
| General and administrative                           | 19,412             | 6,371            | 13,041           | 204.7 %        |
| Occupancy, equipment and communication               | 17,302             | 18,973           | (1,671)          | (8.8)%         |
| Depreciation and amortization                        | 3,895              | 3,808            | 87               | 2.3 %          |
| (Reversal of) provision for foreclosure losses       | (3,449)            | 1,796            | (5,245)          | NM             |
| Total expenses                                       | <u>174,532</u>     | <u>209,140</u>   | <u>(34,608)</u>  | <u>(16.5)%</u> |
| Income before income tax expense                     | 86,688             | 78,397           | 8,291            | 10.6 %         |
| Income tax expense                                   | 9,321              | 20,108           | (10,787)         | (53.6)%        |
| <b>Net income</b>                                    | <u>\$ 77,367</u>   | <u>\$ 58,289</u> | <u>\$ 19,078</u> | <u>32.7 %</u>  |

## Results of Operations for the Nine Months Ended September 30, 2022 and 2021

| <b>Consolidated Statement of Operations</b><br><b>(\$ in thousands)</b> | <b>Nine Months Ended</b><br><b>September 30,</b> |                   | <b>\$ Change</b>  | <b>% Change</b> |
|---|--|-------------------|-------------------|-----------------|
|   | <b>2022</b>                                      | <b>2021</b>       |                   |                 |
| <b>Revenue</b>  |  |                   |                   |                 |
| Loan origination fees and gain on sale of loans, net                    | \$ 605,229                                       | \$ 1,174,308      | \$ (569,079)      | (48.5)%         |
| Loan servicing and other fees   | 165,419  | 143,099           | 22,320            | 15.6 %          |
| Valuation adjustment of mortgage servicing rights                       | 247,439  | (84,581)          | 332,020           | 392.5 %         |
| Interest income   | 47,661   | 46,386            | 1,275             | 2.7 %           |
| Interest expense  | (36,411)   | (46,030)          | 9,619             | (20.9)%         |
| Other income, net   | 1,182  | 71                | 1,111             | NM              |
| Net revenue   | <u>1,030,519</u>                                 | <u>1,233,253</u>  | <u>(202,734)</u>  | <u>(16.4)%</u>  |
| <b>Expenses</b>   |  |                   |                   |                 |
| Salaries, incentive compensation and benefits                           | 502,893  | 770,181           | (267,288)         | (34.7)%         |
| General and administrative  | 20,153   | 83,508            | (63,355)          | (75.9)%         |
| Occupancy, equipment and communication                                  | 54,587   | 47,508            | 7,079             | 14.9 %          |
| Depreciation and amortization   | 11,616   | 7,369             | 4,247             | 57.6 %          |
| Reversal of provision for foreclosure losses                            | (1,974)  | (306)             | (1,668)           | 545.1 %         |
| Total expenses  | <u>587,275</u>                                   | <u>908,260</u>    | <u>(320,985)</u>  | <u>(35.3)%</u>  |
| Income before income tax expense  | 443,244  | 324,993           | 118,251           | 36.4 %          |
| Income tax expense  | 99,615   | 83,355            | 16,260            | 19.5 %          |
| <b>Net income</b>   | <u>\$ 343,629</u>                                | <u>\$ 241,638</u> | <u>\$ 101,991</u> | <u>42.2 %</u>   |

### Revenue

#### **Loan Origination Fees and Gain on Sale of Loans, Net**

The tables below provide additional detail regarding the loan origination fees and gain on sale of loans, net for the periods presented:

| <b>(\$ in thousands)</b>                                   | <b>Three Months Ended</b> |                     | <b>\$ Change</b>   | <b>% Change</b> |
|--|---------------------------|---------------------|--------------------|-----------------|
|  | <b>Sep 30, 2022</b>       | <b>Jun 30, 2022</b> |                    |                 |
| Gain on sale of loans                                      | \$ 91,126                 | \$ 159,469          | \$ (68,343)        | (42.9)%         |
| Loan origination fees                                      | 13,006                    | 15,603              | (2,597)            | (16.6)%         |
| Fair value of originated MSRs                              | 53,314                    | 67,135              | (13,821)           | (20.6)%         |
| Fair value adjustment to MLHS and IRLCs                    | (68,720)                  | 40,903              | (109,623)          | (268.0)%        |
| Changes in fair value of forward commitments               | 67,467                    | (73,407)            | 140,874            | (191.9)%        |
| Provision for investor reserves                            | (1,575)                   | (1,731)             | 156                | (9.0)%          |
| Total loan origination fees and gain on sale of loans, net | <u>\$ 154,618</u>         | <u>\$ 207,972</u>   | <u>\$ (53,354)</u> | <u>(25.7)%</u>  |

| (\$ in thousands)  | Nine Months Ended September 30, |              | \$ Change    | % Change |
|--|---------------------------------|--------------|--------------|----------|
|  | 2022                            | 2021         |              |          |
| Gain on sale of loans                                      | \$ 406,867                      | \$ 945,555   | \$ (538,688) | (57.0)%  |
| Loan origination fees                                      | 44,432                          | 83,086       | (38,654)     | (46.5)%  |
| Fair value of originated MSRs                              | 194,532                         | 247,549      | (53,017)     | (21.4)%  |
| Fair value adjustment to MLHS and IRLCs                    | (107,986)                       | (152,642)    | 44,656       | (29.3)%  |
| Changes in fair value of forward commitments               | 68,063                          | 58,341       | 9,722        | 16.7 %   |
| Provision for investor reserves                            | (679)                           | (7,581)      | 6,902        | NM       |
| Total loan origination fees and gain on sale of loans, net | \$ 605,229                      | \$ 1,174,308 | \$ (569,079) | (48.5)%  |

The tables below provide additional detail regarding the composition of our origination volume and other key performance indicators for the periods presented:

| (\$ and units in thousands)   | Three Months Ended |              | Change         | % Change |
|---|--------------------|--------------|----------------|----------|
|   | Sep 30, 2022       | Jun 30, 2022 |                |          |
| Loan origination volume by type:  |                    |              |                |          |
| Conventional conforming   | \$ 2,683,804       | \$ 3,812,136 | \$ (1,128,332) | (29.6) % |
| Government  | 1,219,423          | 1,323,873    | (104,450)      | (7.9) %  |
| State housing   | 250,034            | 247,075      | 2,959          | 1.2 %    |
| Non-agency  | 210,542            | 338,847      | (128,305)      | (37.9) % |
| Total in-house originations <sup>(1)</sup>                                      | \$ 4,363,803       | \$ 5,721,931 | \$ (1,358,128) | (23.7) % |
| Brokered loans  | \$ 42,909          | \$ 65,275    | \$ (22,366)    | (34.3) % |
| Total originations  | \$ 4,406,712       | \$ 5,787,206 | \$ (1,380,494) | (23.9) % |
| In-house loans closed   | 13                 | 18           | (5)            | (27.8) % |
| Average loan amount   | \$ 336             | \$ 318       | \$ 18          | 5.7 %    |
| Purchase  | 90.8 %             | 84.2 %       | 6.6 %          | 7.8 %    |
| Refinance   | 9.2 %              | 15.8 %       | (6.6)%         | (41.8) % |
| Service retained <sup>(2)</sup>   | 89.1 %             | 88.5 %       | 0.6 %          | 0.7 %    |
| Service released <sup>(3)</sup>   | 10.9 %             | 11.5 %       | (0.6)%         | (5.2) %  |
| Gain on sale margin (bps) <sup>(4)</sup>  | 354                | 363          | (9)            | (2.5) %  |
| Total locked volume <sup>(5)</sup>  | \$ 4,681,229       | \$ 6,283,615 | \$ (1,602,386) | (25.5) % |
| Pull-through adjusted locked volume <sup>(6)</sup>                              | \$ 4,428,443       | \$ 5,824,911 | \$ (1,396,468) | (24.0) % |
| Gain on sale margin on pull-through adjusted locked volume (bps) <sup>(7)</sup> | 349                | 357          | (8)            | (2.2) %  |
| Weighted average loan-to-value  | 83.8 %             | 82.1 %       | 1.7 %          | 2.1 %    |
| Weighted average credit score   | 737                | 739          | (2)            | (0.3) %  |
| Weighted average note rate  | 5.6 %              | 4.9 %        | 0.7 %          | 14.3 %   |
| Days application to close   | 42                 | 44           | (2)            | (4.5) %  |
| Days close to purchase by investors   | 16                 | 15           | 1              | 6.7 %    |
| Purchase recapture rate   | 28.3 %             | 28.7 %       | (0.4)%         | (1.4) %  |
| Refinance recapture rate  | 25.1 %             | 38.5 %       | (13.4)%        | (34.8) % |

| (\$ and units in thousands)   | Nine Months Ended<br>September 30, |               | Change          | % Change |
|---|------------------------------------|---------------|-----------------|----------|
|   | 2022                               | 2021          |                 |          |
| Loan origination volume by type:  |                                    |               |                 |          |
| Conventional conforming   | \$ 10,764,986                      | \$ 19,223,301 | \$ (8,458,315)  | (44.0) % |
| Government  | 3,846,910                          | 6,640,947     | (2,794,037)     | (42.1) % |
| State housing   | 758,836                            | 1,257,430     | (498,594)       | (39.7) % |
| Non-agency  | 776,555                            | 851,669       | (75,114)        | (8.8) %  |
| Total in-house originations <sup>(1)</sup>                                      | \$ 16,147,287                      | \$ 27,973,347 | \$ (11,826,060) | (42.3) % |
| Brokered loans  | \$ 161,279                         | \$ 64,897     | \$ 96,382       | 148.5 %  |
| Total originations  | \$ 16,308,566                      | \$ 28,038,244 | \$ (11,729,678) | (41.8) % |
| In-house loans closed   | 50                                 | 95            | (45)            | (47.4) % |
| Average loan amount   | \$ 323                             | \$ 294        | \$ 29           | 9.9 %    |
| Purchase  | 79.0 %                             | 52.3 %        | 26.7 %          | 51.1 %   |
| Refinance   | 21.0 %                             | 47.7 %        | (26.7)%         | (56.0) % |
| Service retained <sup>(2)</sup>   | 89.0 %                             | 85.6 %        | 3.4 %           | 4.0 %    |
| Service released <sup>(3)</sup>   | 11.0 %                             | 14.4 %        | (3.4)%          | (23.6) % |
| Gain on sale margin (bps) <sup>(4)</sup>  | 375                                | 420           | (45)            | (10.7) % |
| Total locked volume <sup>(5)</sup>  | \$ 18,702,039                      | \$ 30,331,471 | \$ (11,629,432) | (38.3) % |
| Pull-through adjusted locked volume <sup>(6)</sup>                              | \$ 17,692,129                      | \$ 27,622,658 | \$ (9,930,529)  | (36.0) % |
| Gain on sale margin on pull-through adjusted locked volume (bps) <sup>(7)</sup> | 342                                | 425           | (83)            | (19.5) % |
| Weighted average loan-to-value  | 81.6 %                             | 78.7 %        | 2.9 %           | 3.7 %    |
| Weighted average credit score   | 738                                | 744           | (6)             | (0.8) %  |
| Weighted average note rate  | 4.6 %                              | 3.0 %         | 1.6 %           | 53.3 %   |
| Days application to close   | 44                                 | 53            | (9)             | (17.0) % |
| Days close to purchase by investors   | 16                                 | 15            | 1               | 6.7 %    |
| Purchase recapture rate   | 30.7 %                             | 29.9 %        | 0.8 %           | 2.7 %    |
| Refinance recapture rate  | 45.3 %                             | 63.3 %        | (18.0)%         | (28.4) % |

(1) Includes retail and correspondent loans and excludes brokered loans.

(2) Represents loans sold for which we continue to act as the servicer.

(3) Represents loans sold for which we do not continue to act as the servicer.

(4) Represents loan origination fees and gain on sales of loans, net divided by total in-house origination to derive basis points.

(5) Total locked volume represents the aggregate dollar value of the potential loans for which the Company has agreed to extend credit to consumers at specified rates for a specified period of time, subject to certain contingencies that are described in the IRLCs between the Company and each of those consumers. The total locked volume for a given period is representative of the IRLCs that the Company has initially entered into during that period.

(6) Pull-through adjusted locked volume is equal to total locked volume multiplied by pull-through rates of 94.6%, 92.7% and 91.1% as of September 30, 2022, June 30, 2022 and September 30, 2021, respectively. We estimate the pull-through rate based on changes in pricing and actual borrower behavior using a historical analysis of loan closing data and "fallout" data with respect to the number of commitments that have historically remained unexercised.

(7) Represents loan origination fees and gain on sales of loans, net divided by pull-through adjusted locked volume.

The decreases in gain on sale of loans for the three months ended September 30, 2022 compared to the sequential quarter was driven by decreases in loan sales of \$1.2 billion, or 20.1%, as well as decreases in gain on sale margins of 2.5%. The decreases in gain on sale of loans for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 was driven by decreases in loan sales of \$11.4 billion, or 39.4%, as well as decreases in gain on sale margins of 10.7%. In 2021, volume across the industry began to decrease especially towards the

end of the year, which allowed the capacity constraints amongst mortgagors to diminish. Throughout 2022 mortgage rates have significantly increased which has caused affordability issues amongst borrowers and therefore a decrease in demand for mortgage loans. As a result, mortgage lenders began lowering their margins through pricing in order to attract borrowers. This is reflective in our gain on sale decreasing from 420 basis points during the nine months ended September 30, 2021 to 375 basis points during the nine months ended September 30, 2022.

The decreases in loan origination fees for the three and nine months ended September 30, 2022 compared to the sequential quarter and the nine months ended September 30, 2021 are directionally consistent with our loan origination volume declines of 23.7% and 42.3%, respectively.

**Loan Servicing and Other Fees**

The tables below provide additional details regarding our loan servicing and other fees for the periods presented.

| (\$ in thousands)                   | Three Months Ended |              | \$ Change | % Change |
|-------------------------------------|--------------------|--------------|-----------|----------|
|                                     | Sep 30, 2022       | Jun 30, 2022 |           |          |
| Servicing fee income                | \$ 56,410          | \$ 53,368    | \$ 3,042  | 5.7 %    |
| Other ancillary fees                | 1,443              | 1,367        | 76        | 5.6 %    |
| Loan modification fees              | 173                | 210          | (37)      | (17.6)%  |
| Interest on impound accounts        | (379)              | (350)        | (29)      | 8.3 %    |
| Total loan servicing and other fees | \$ 57,647          | \$ 54,595    | \$ 3,052  | 5.6 %    |

| (\$ in thousands)                   | Nine Months Ended<br>September 30, |            | \$ Change | % Change |
|-------------------------------------|------------------------------------|------------|-----------|----------|
|                                     | 2022                               | 2021       |           |          |
| Servicing fee income                | \$ 161,342                         | \$ 138,604 | \$ 22,738 | 16.4 %   |
| Other ancillary fees                | 4,354                              | 4,460      | (106)     | (2.4)%   |
| Loan modification fees              | 797                                | 1,196      | (399)     | (33.4)%  |
| Interest on impound accounts        | (1,074)                            | (1,161)    | 87        | (7.5)%   |
| Total loan servicing and other fees | \$ 165,419                         | \$ 143,099 | \$ 22,320 | 15.6 %   |

The tables below provide additional details regarding our servicing portfolio composition and key performance indicators for the periods presented.

| (\$ and units in thousands)                           | Three Months Ended |               |              |          |
|---|--------------------|---------------|--------------|----------|
|   | Sep 30, 2022       | Jun 30, 2022  | Change       | % Change |
| Beginning UPB of servicing portfolio                  | \$ 75,856,564      | \$ 73,250,575 | \$ 2,605,989 | 3.6 %    |
| New UPB origination additions <sup>(2)</sup>          | 4,363,803          | 5,721,931     | (1,358,128)  | (23.7)%  |
| Less:   |                    |               |              |          |
| UPB originations sold service released <sup>(3)</sup> | \$ 534,695         | \$ 682,208    | \$ (147,513) | (21.6)%  |
| Loan payoffs  | 1,348,480          | 1,847,489     | (499,009)    | (27.0)%  |
| Loan principal reductions                             | 593,782            | 578,871       | 14,911       | 2.6 %    |
| Loan foreclosures                                     | 7,680              | 7,374         | 306          | 4.1 %    |
| Ending UPB of servicing portfolio                     | \$ 77,735,730      | \$ 75,856,564 | \$ 1,879,166 | 2.5 %    |
| Average UPB of servicing portfolio                    | \$ 76,796,147      | \$ 74,553,570 | \$ 2,242,577 | 3.0 %    |
| Weighted average servicing fee                        | 0.30 %             | 0.30 %        | — %          | — %      |
| Weighted average coupon rate                          | 3.5 %              | 3.4 %         | 0.1 %        | 2.9 %    |
| Weighted average prepayment speed <sup>(4)</sup>      | 8.2 %              | 8.4 %         | (0.2)%       | (2.4)%   |
| Weighted average credit score                         | 733                | 734           | (1.0)        | (0.1)%   |
| Weighted average loan age (in months)                 | 24.3               | 22.7          | 1.6          | 7.0 %    |
| Weighted average loan-to-value                        | 80.2 %             | 80.0 %        | 0.2 %        | 0.3 %    |
| MSR multiple (period end) <sup>(5)</sup>              | 4.9                | 4.7           | 0.2          | 4.3 %    |
| Loans serviced (period end)                           | 320                | 314           | 6.0          | 1.9 %    |
| Loans delinquent 60-plus days (period end)            | 5.0                | 4.9           | 0.1          | 2.0 %    |
| Loan delinquency rate 60-plus days (period end)       | 1.6 %              | 1.6 %         | — %          | — %      |

| (\$ and units in thousands)                           | Nine Months Ended<br>September 30, |               |                |          |
|---|------------------------------------|---------------|----------------|----------|
|   | 2022                               | 2021          | Change         | % Change |
| Beginning UPB of servicing portfolio <sup>(1)</sup>   | \$ 70,938,588                      | \$ 59,969,653 | \$ 10,968,935  | 18.3 %   |
| New UPB origination additions <sup>(2)</sup>          | 16,147,287                         | 27,973,347    | (11,826,060)   | (42.3)%  |
| Less:   |                                    |               |                |          |
| UPB originations sold service released <sup>(3)</sup> | \$ 1,989,910                       | \$ 4,007,649  | \$ (2,017,739) | (50.3)%  |
| Loan payoffs  | 5,603,182                          | 14,485,469    | (8,882,287)    | (61.3)%  |
| Loan principal reductions                             | 1,735,615                          | 1,467,051     | 268,564        | 18.3 %   |
| Loan foreclosures                                     | 21,438                             | 17,852        | 3,586          | 20.1 %   |
| Ending UPB of servicing portfolio                     | \$ 77,735,730                      | \$ 67,964,979 | \$ 9,770,751   | 14.4 %   |
| Average UPB of servicing portfolio                    | \$ 74,337,159                      | \$ 63,967,316 | \$ 10,369,843  | 16.2 %   |
| Weighted average servicing fee                        | 0.30 %                             | 0.30 %        | — %            | — %      |
| Weighted average coupon rate                          | 3.5 %                              | 3.4 %         | 0.1 %          | 2.9 %    |
| Weighted average prepayment speed <sup>(4)</sup>      | 8.2 %                              | 14.5 %        | (6.3)%         | (43.4)%  |
| Weighted average credit score                         | 733                                | 689           | 44             | 6.4 %    |
| Weighted average loan age (in months)                 | 24.3                               | 21.0          | 3.3            | 15.7 %   |
| Weighted average loan-to-value                        | 80.2 %                             | 80.2 %        | — %            | — %      |
| MSR multiple (period end) <sup>(5)</sup>              | 4.9                                | 3.2           | 1.7            | 53.1 %   |
| Loans serviced (period end)                           | 320                                | 293           | 27             | 9.2 %    |
| Loans delinquent 60-plus days (period end)            | 5.0                                | 6.7           | (1.7)          | (25.4)%  |
| Loan delinquency rate 60-plus days (period end)       | 1.6 %                              | 2.3 %         | (0.7)%         | (30.4)%  |

- (1) Excludes \$1.2 billion at September 30, 2021 subserviced by a third party. During the fourth quarter of 2021, we sold our subservicing portfolios.
- (2) Includes all in-house loans originated in the period, irrespective if it is eventually sold service retained or service released.
- (3) Represents loans sold for which we do not continue to act as the servicer of the loan.
- (4) Represents the percentage of UPB that will pay off ahead of time in each period, calculated as an annual rate. This estimate is calculated by our third-party valuation provider.
- (5) Represents a metric used to determine the relative value of our MSRs in relation to our annualized retained servicing fee. It is calculated by dividing (a) the fair market value of our MSRs as of a specified date by (b) the weighted average annualized retained servicing fee for our servicing portfolio as of such date. We exclude purchased MSRs from this calculation because our servicing portfolio consists primarily of originated MSRs and, consequently, purchased MSRs do not have a material impact on our weighted average service fee.

Total loan servicing and other fees increased for the three months ended September 30, 2022 compared to the sequential quarter due to the 3.0% increase in our average servicing portfolio and the increase in the number of loans serviced. Total loan servicing and other fees increased for the nine months ended September 30, 2022 compared to the corresponding period in 2021 due to the 16.2% increase in our average servicing portfolio and increase in the number of loans serviced. The number of customers in our servicing portfolio who requested forbearance relief under the CARES Act declined during 2021 and 2022. As customers exited forbearance, we resumed collecting servicing fees and ancillary income from those customers.

### Valuation Adjustment of Mortgage Servicing Rights

The table below presents our MSR valuation adjustment for the periods presented.

| (\$ in thousands)        | Three Months Ended |              | \$ Change | % Change |
|--------------------------|--------------------|--------------|-----------|----------|
|                          | Sep 30, 2022       | Jun 30, 2022 |           |          |
| MSR valuation adjustment | \$ 41,764          | \$ 21,074    | \$ 20,690 | 98.2 %   |

  

| (\$ in thousands)        | Nine Months Ended<br>September 30, |             | \$ Change  | % Change |
|--------------------------|------------------------------------|-------------|------------|----------|
|                          | 2022                               | 2021        |            |          |
| MSR valuation adjustment | \$ 247,439                         | \$ (84,581) | \$ 332,020 | 392.5 %  |

The fair value of our MSRs generally increases as interest rates increase and prepayments decrease. Average 30-year mortgage rates increased by 30 basis points and 150 basis points during the three months ended September 30, 2022 and June 30, 2022, respectively, and increased by 250 basis points and 10 basis points during the nine months ended September 30, 2022 and 2021, respectively. Additionally, the weighted average estimated prepayment speed of loans in our servicing portfolio was 8.2% at September 30, 2022 compared to 8.4% at June 30, 2022 and 14.5% at September 30, 2021, respectively. A lower prepayment speed indicates that prepayments will decrease in the future, which results in an increase in the value of the mortgage servicing right asset.

### Interest Income

| (\$ in thousands)               | Three Months Ended |              | \$ Change | % Change |
|---------------------------------|--------------------|--------------|-----------|----------|
|                                 | Sep 30, 2022       | Jun 30, 2022 |           |          |
| Interest income, funding        | \$ 12,534          | \$ 13,030    | \$ (496)  | (3.8)%   |
| Interest income earnings credit | 4,387              | 948          | 3,439     | 362.8 %  |
| Wire transfer fees              | 654                | 845          | (191)     | (22.6)%  |
| Total interest income           | \$ 17,575          | \$ 14,823    | \$ 2,752  | 18.6 %   |



| (\$ in thousands)               | Nine Months Ended<br>September 30, |           | \$ Change | % Change |
|---------------------------------|------------------------------------|-----------|-----------|----------|
|                                 | 2022                               | 2021      |           |          |
| Interest income, funding        | \$ 39,624                          | \$ 39,614 | \$ 10     | — %      |
| Interest income earnings credit | 5,602                              | 2,385     | 3,217     | 134.9 %  |
| Wire transfer fees              | 2,435                              | 4,387     | (1,952)   | (44.5)%  |
| Total interest income           | \$ 47,661                          | \$ 46,386 | \$ 1,275  | 2.7 %    |

Interest income, funding for the nine months ended September 30, 2022 does not include \$3.0 million of interest expense related to FHLMC loans which was recorded in payoff interest expense as seen under the heading "Interest Expense" below. This expense occurs when we deliver a sold loan to FHLMC with a first due date a month after the borrower's first due date. We are obligated to remit to FHLMC interest in an amount determined based on the borrower's first due date. When we receive the borrower's interest payment, it is recorded as interest income, funding, which is then offset by the expense to be remitted to FHLMC. When including the \$3.0 million of interest expense related to FHLMC loans in the nine months ended September 30, 2022 interest income, funding our interest income, funding decreased compared to the prior year by \$3.0 million or 7.5%. This decrease was due to declines in volume of 42.3%, offset by higher weighted average note rates on loans originated. The weighted average note rate of originated loans increased from 3.0% during the nine months ended September 30, 2021 to 4.6% for the nine months ended September 30, 2022.

Interest income earnings credit increased for the three and nine months ended September 30, 2022 compared to the sequential period and the same period in the prior year primarily due to our cash balances yielding a higher earnings credit rate, which is set by our banking partners on non-interest bearing deposits and used to offset bank fees. Wire transfer fees decreased for both the three and nine months ended September 30, 2022 compared to the sequential period and the same period in the prior year primarily due to our decline of origination volume.

### Interest Expense

| (\$ in thousands)                    | Three Months Ended |              | \$ Change  | % Change |
|--------------------------------------|--------------------|--------------|------------|----------|
|                                      | Sep 30, 2022       | Jun 30, 2022 |            |          |
| Interest expense, funding facilities | \$ (7,076)         | \$ (5,896)   | \$ (1,180) | 20.0 %   |
| Interest expense, other financing    | (1,927)            | (1,878)      | (49)       | 2.6 %    |
| Bank servicing charges               | (1,716)            | (2,289)      | 573        | (25.0)%  |
| Payoff interest expense              | (597)              | (874)        | 277        | (31.7)%  |
| Miscellaneous interest expense       | (8)                | (12)         | 4          | (33.3)%  |
| Total interest expense               | \$ (11,324)        | \$ (10,949)  | \$ (375)   | 3.4 %    |

| (\$ in thousands)                    | Nine Months Ended<br>September 30, |             | \$ Change | % Change |
|--------------------------------------|------------------------------------|-------------|-----------|----------|
|                                      | 2022                               | 2021        |           |          |
| Interest expense, funding facilities | \$ (18,134)                        | \$ (23,846) | \$ 5,712  | (24.0)%  |
| Interest expense, other financing    | (5,766)                            | (5,497)     | (269)     | 4.9 %    |
| Bank servicing charges               | (6,707)                            | (8,830)     | 2,123     | (24.0)%  |
| Payoff interest expense              | (5,769)                            | (7,779)     | 2,010     | (25.8)%  |
| Miscellaneous interest expense       | (35)                               | (78)        | 43        | (55.1)%  |
| Total interest expense               | \$ (36,411)                        | \$ (46,030) | \$ 9,619  | (20.9)%  |

There were no material changes for total interest expense during the three months ended September 30, 2022 as compared to the sequential quarter.

Total interest expense for the nine months ended September 30, 2022 decreased as compared to the nine months ended September 30, 2021 primarily due to the decrease in origination volume of \$11.8 billion. The decrease in interest expense, funding facilities was due to decreased

borrowings on our warehouse lines of credit facilities. The decrease in bank servicing charges was due to one time fees during the nine months ended September 30, 2021 related to transferring custody of our GNMA loans to a new document custodian, as well as lower facility fees associated with decreasing our warehouse capacity throughout the nine months ended September 30, 2022. As explained above under the heading "Interest Income", during the nine months ended September 30, 2022 there was \$3.0 million of FHLMC interest expense recorded in payoff interest expense. When excluding FHLMC interest expense from payoff interest expense in the nine months ended September 30, 2022 our payoff interest expense decreased year over year due to a significant reduction in runoff of our portfolio of \$8.9 million.

### Summary of Expenses

| (\$ in thousands)                              | Three Months Ended |              | \$ Change   | % Change |
|--|--------------------|--------------|-------------|----------|
|  | Sep 30, 2022       | Jun 30, 2022 |             |          |
| Salaries, incentive compensation and benefits  | \$ 137,372         | \$ 178,192   | \$ (40,820) | (22.9)%  |
| General and administrative                     | 19,412             | 6,371        | 13,041      | 204.7 %  |
| Occupancy, equipment and communication         | 17,302             | 18,973       | (1,671)     | (8.8)%   |
| Depreciation and amortization                  | 3,895              | 3,808        | 87          | 2.3 %    |
| (Reversal of) provision for foreclosure losses | (3,449)            | 1,796        | (5,245)     | NM       |
| Total expenses                                 | \$ 174,532         | \$ 209,140   | \$ (34,608) | (16.5)%  |

| (\$ in thousands)                             | Nine Months Ended<br>September 30, |            | \$ Change    | % Change |
|---|------------------------------------|------------|--------------|----------|
|   | 2022                               | 2021       |              |          |
| Salaries, incentive compensation and benefits | \$ 502,893                         | \$ 770,181 | \$ (267,288) | (34.7)%  |
| General and administrative                    | 20,153                             | 83,508     | (63,355)     | (75.9)%  |
| Occupancy, equipment and communication        | 54,587                             | 47,508     | 7,079        | 14.9 %   |
| Depreciation and amortization                 | 11,616                             | 7,369      | 4,247        | 57.6 %   |
| Reversal of provision for foreclosure losses  | (1,974)                            | (306)      | (1,668)      | NM       |
| Total expenses                                | \$ 587,275                         | \$ 908,260 | \$ (320,985) | (35.3)%  |

### Salaries, Incentive Compensation and Benefits

| (\$ in thousands)   | Three Months Ended |              | \$ Change   | % Change |
|---|--------------------|--------------|-------------|----------|
|   | Sep 30, 2022       | Jun 30, 2022 |             |          |
| Incentive compensation                                      | \$ 51,559          | \$ 76,531    | \$ (24,972) | (32.6)%  |
| Salaries  | 69,186             | 82,378       | (13,192)    | (16.0)%  |
| Benefits  | 16,627             | 19,283       | (2,656)     | (13.8)%  |
| Total salaries, incentive compensation and benefits expense | \$ 137,372         | \$ 178,192   | \$ (40,820) | (22.9)%  |

| (\$ in thousands)   | Nine Months Ended<br>September 30, |            | \$ Change    | % Change |
|---|------------------------------------|------------|--------------|----------|
|   | 2022                               | 2021       |              |          |
| Incentive compensation                                      | \$ 205,110                         | \$ 430,164 | \$ (225,054) | (52.3)%  |
| Salaries  | 235,837                            | 258,568    | (22,731)     | (8.8)%   |
| Benefits  | 61,946                             | 81,449     | (19,503)     | (23.9)%  |
| Total salaries, incentive compensation and benefits expense | \$ 502,893                         | \$ 770,181 | \$ (267,288) | (34.7)%  |

Incentive compensation expense decreased for the three and nine months ended September 30, 2022 as compared to the sequential quarter and nine months ended September 30, 2021 predominately due to the decrease in origination volumes of 23.7% and 42.3%, respectively.

Salaries expense for the three months ended September 30, 2022 decreased compared to the sequential quarter primarily due to a decrease of \$13.3 million for reduced costs resulting from lower headcount and lower origination volume. We use internal metrics to evaluate our staffing needs relative to our origination volume and have reduced our headcount accordingly during 2022. As a result of reductions occurring throughout the quarter, the full impact of the savings is not recognized in the current time periods presented. Salaries expense for the nine months ended September 30,

2022 decreased compared to the nine months ended September 30, 2021 due to a reduction in headcount during 2022, partially offset by an increase in the number of employees as a result of the acquisition of RMS in July 2021.

Benefits expense decreased for the three months ended September 30, 2022 compared to the sequential quarter primarily due to a decrease of \$2.5 million in payroll taxes. Benefits expense decreased for the nine months ended September 30, 2022 compared to the same period in the prior year primarily due to a decrease of \$7.9 million on our deferred compensation plan driven by fluctuations in the fair market value of the underlying funds, \$6.2 million in lower payroll taxes due to reduced incentive compensation and a \$4.0 million decrease in profit sharing for executives, a portion of which is tied to our profitability performance.

Through September 30, 2022, we realized approximately \$75.0 million of cost savings primarily through headcount reductions on an annualized basis, and we will continue to manage the business as market dynamics evolve.

### General and Administrative

| (\$ in thousands)                          | Three Months Ended |              |           |          |
|--|--------------------|--------------|-----------|----------|
|  | Sep 30, 2022       | Jun 30, 2022 | \$ Change | % Change |
| Contingent liability fair value adjustment | \$ 327             | \$ (16,511)  | \$ 16,838 | 102.0 %  |
| Professional fees                          | 12,808             | 12,003       | 805       | 6.7 %    |
| Advertising and promotions                 | 2,657              | 6,908        | (4,251)   | (61.5)%  |
| Office supplies, travel and entertainment  | 2,551              | 2,512        | 39        | 1.6 %    |
| Miscellaneous                              | 1,069              | 1,459        | (390)     | (26.7)%  |
| Total general and administrative expense   | \$ 19,412          | \$ 6,371     | \$ 13,041 | 204.7 %  |

| (\$ in thousands)                          | Nine Months Ended September 30, |           |             |          |
|--|---------------------------------|-----------|-------------|----------|
|  | 2022                            | 2021      | \$ Change   | % Change |
| Contingent liability fair value adjustment | \$ (45,075)                     | \$ 18,587 | \$ (63,662) | (342.5)% |
| Professional fees                          | 38,479                          | 40,102    | (1,623)     | (4.0)%   |
| Advertising and promotions                 | 14,849                          | 12,890    | 1,959       | 15.2 %   |
| Office supplies, travel and entertainment  | 8,136                           | 7,795     | 341         | 4.4 %    |
| Miscellaneous                              | 3,764                           | 4,134     | (370)       | (9.0)%   |
| Total general and administrative expense   | \$ 20,153                       | \$ 83,508 | \$ (63,355) | (75.9)%  |

During the three months ended September 30, 2022 the earn-out periods for two of our previous acquisitions ended and minimal final payments were made. We adjusted our remaining contingent earn-out liability to zero at September 30, 2022 due to the current expectation of no future earn-out payments to be made for the acquisition of RMS.

Professional fees decreased for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021 primarily due to decreases of \$5.2 million in legal fees and closing costs related to the acquisition of RMS in July 2021, partially offset by increases of \$1.5 million in accounting fees. Accounting fees have increased during 2022 due to increased audit fees as well as consulting fees related to our internal control program.

Advertising and promotions decreased for the three months ended September 30, 2022 compared to the sequential quarter primarily due to holding our annual sales meeting in person in May 2022, which provides valuable networking throughout the Company and exposure to new loan products for our loan officers. This, in turn, increased the expense for the nine months ended September 30, 2022 compared to the same period in the prior year since the sales meeting was virtual in 2021 due to COVID-19.

### Occupancy, Equipment and Communication

| (\$ in thousands)                                    | Three Months Ended |              | \$ Change  | % Change |
|--|--------------------|--------------|------------|----------|
|  | Sep 30, 2022       | Jun 30, 2022 |            |          |
| Occupancy  | \$ 9,694           | \$ 10,321    | \$ (627)   | (6.1)%   |
| Equipment  | 2,164              | 2,198        | (34)       | (1.5)%   |
| Communication  | 5,444              | 6,454        | (1,010)    | (15.6)%  |
| Total occupancy, equipment and communication expense | \$ 17,302          | \$ 18,973    | \$ (1,671) | (8.8)%   |

| (\$ in thousands)                                    | Nine Months Ended<br>September 30, |           | \$ Change | % Change |
|--|------------------------------------|-----------|-----------|----------|
|  | 2022                               | 2021      |           |          |
| Occupancy  | \$ 30,805                          | \$ 26,494 | \$ 4,311  | 16.3 %   |
| Equipment  | 6,547                              | 6,473     | 74        | 1.1 %    |
| Communication  | 17,235                             | 14,541    | 2,694     | 18.5 %   |
| Total occupancy, equipment and communication expense | \$ 54,587                          | \$ 47,508 | \$ 7,079  | 14.9 %   |

Occupancy costs generally consist of fixed costs and remain consistent except any increases associated with new acquisitions, expansion into new territories and entry into new material building leases or any decreases associated with downsizing office space due to lower headcount and employees working from home. Communication expense decreased compared to the sequential quarter due to overall decreasing costs for technology services and products, primarily due to reductions in headcount. Occupancy and communication expenses increased during the nine months ended September 30, 2022 compared to the same period in the prior year due to additional rent and communication services incurred from the RMS acquisition as we realized nine months of expense throughout 2022 compared to three months in the prior year.

### Provision for Foreclosure Losses

Throughout 2020 and 2021 we experienced a decrease in overall foreclosure starts and sales due to the CARES Act's foreclosure moratorium and the federal government's subsequent extension of its mortgage forbearance programs. Due to the uncertainty in the market during 2020 we had increased our foreclosure reserve in anticipation of higher losses. When the moratorium ended at the beginning of 2022, Guild began initiating and completing foreclosures. Due to the recent market conditions of higher home values, shortage of housing supply and higher interest rates, Guild's foreclosure losses per loan have decreased throughout the year. We revised our reserve for foreclosure losses accordingly, which resulted in decreases in the reserve for the three and nine months ended September 30, 2022 compared to the sequential quarter and the same nine month period in the prior year. We continue to monitor foreclosure reserves and potential losses regularly to assess if further changes are needed.

### Income Tax Expense

Our estimated effective tax rate was 6.8%, 25.6%, 22.3% and 25.5% for the three months ended September 30, 2022 and June 30, 2022 and the nine months ended September 30, 2022 and 2021, respectively. The decreases in our estimated effective tax rate for the three and nine months ended September 30, 2022 compared to the sequential quarter and the nine months ended September 30, 2021 was primarily due to the effect of permanent tax benefits related to a previous acquisition.

## Segment Results for the Three Months Ended September 30, 2022 and June 30, 2022 and the Nine Months Ended September 30, 2022 and 2021

We measure the performance of our segments primarily based on their net income (loss). These results do not include unallocated corporate costs. See Note 17, Segments, in Part I, Item 1 for additional information about our segments.

### Origination

| (\$ and units in thousands)                   | Three Months Ended |              | Nine Months Ended September 30, |               |
|---|--------------------|--------------|---------------------------------|---------------|
|   | Sep 30, 2022       | Jun 30, 2022 | 2022                            | 2021          |
| Total in-house originations                   | \$ 4,363,803       | \$ 5,721,931 | \$ 16,147,287                   | \$ 27,973,347 |
| Funded loans                                  | 13                 | 18           | 50                              | 95            |
| Loan origination fees and gain on sale, net   | \$ 154,319         | \$ 206,445   | \$ 599,285                      | \$ 1,166,626  |
| Interest income                               | 4,388              | 5,678        | 17,183                          | 11,247        |
| Other income, net                             | (32)               | (25)         | (57)                            | —             |
| Net revenue                                   | 158,675            | 212,098      | 616,411                         | 1,177,873     |
| Salaries, incentive compensation and benefits | 124,909            | 165,133      | 464,368                         | 722,604       |
| General and administrative                    | 13,706             | 1,460        | 3,455                           | 69,301        |
| Occupancy, equipment and communication        | 15,043             | 16,495       | 47,645                          | 41,038        |
| Depreciation and amortization                 | 3,498              | 3,395        | 10,374                          | 5,553         |
| Total expenses                                | 157,156            | 186,483      | 525,842                         | 838,496       |
| Net income allocated to origination           | \$ 1,519           | \$ 25,615    | \$ 90,569                       | \$ 339,377    |

The decrease in the origination segment's net revenue for the three months ended September 30, 2022 compared to the sequential quarter was primarily due to declines in gain on sale margins of 9 basis points and origination volume of 23.7%. The decrease in the origination segment's net revenue for the nine months ended September 30, 2022 compared to the same period in the prior year was primarily due to declines in gain on sale margins of 45 basis points and origination volume of 42.3%.

Salaries, incentive compensation and benefits expense decreased for the three and nine months ended September 30, 2022 compared to the sequential quarter and the same nine month period in the prior year due to decreased variable incentive compensation paid to our origination teams and reduced headcount due to declines in origination volume.

The increase in general and administrative expenses for the three months ended September 30, 2022 compared to the sequential quarter was primarily due to a gain of \$16.5 million related to the valuation adjustment on our contingent earn-out liability for the three months ended June 30, 2022. The decrease in general and administrative expenses for the nine months ended September 30, 2022 compared to the same period in the prior year was primarily due to a gain of \$45.1 million related to the valuation adjustment on our contingent earn-out liability during the nine months ended September 30, 2022 compared to an expense of \$18.6 million in the same period in the prior year.

The increase in occupancy, equipment and communication expense for the nine months ended September 30, 2022 compared to the same period in the prior year was primarily due to additional rental expense for office locations as well as communication services incurred due to the acquisition of RMS in July 2021.

The increase in depreciation and amortization expense for the nine months ended September 30, 2022 compared to the same period in the prior year was primarily due to the amortization of our long-lived intangibles assets acquired in connection with the acquisition of RMS in July 2021.

**Servicing**

| (\$ and units in thousands)                    | Three Months Ended |               | Nine Months Ended September 30, |               |
|--|--------------------|---------------|---------------------------------|---------------|
|  | Sep 30, 2022       | Jun 30, 2022  | 2022                            | 2021          |
| UPB of servicing portfolio (period end)        | \$ 77,735,730      | \$ 75,856,564 | \$ 77,735,730                   | \$ 67,964,979 |
| Loans serviced (period end)                    | 320                | 314           | 320                             | 293           |
| Loan servicing and other fees                  | \$ 57,647          | \$ 54,595     | \$ 165,419                      | \$ 143,099    |
| Loan origination fees and gain on sale, net    | 299                | 1,527         | 5,944                           | 7,682         |
| Other income, net                              | 979                | 56            | 1,054                           | 47            |
| Total revenue                                  | 58,925             | 56,178        | 172,417                         | 150,828       |
| Valuation adjustment of MSRs                   | 41,764             | 21,074        | 247,439                         | (84,581)      |
| Interest expense                               | 3,392              | (358)         | (1,233)                         | (6,317)       |
| Net revenue                                    | 104,081            | 76,894        | 418,623                         | 59,930        |
| Salaries, incentive compensation and benefits  | 6,955              | 7,509         | 21,722                          | 20,631        |
| General and administrative                     | 2,420              | 2,254         | 7,342                           | 7,612         |
| Occupancy, equipment and communication         | 1,202              | 1,293         | 3,599                           | 3,093         |
| Depreciation and amortization                  | 159                | 162           | 483                             | 578           |
| (Reversal of) provision for foreclosure losses | (3,449)            | 1,796         | (1,974)                         | (306)         |
| Total expenses                                 | 7,287              | 13,014        | 31,172                          | 31,608        |
| Net income allocated to servicing              | \$ 96,794          | \$ 63,880     | \$ 387,451                      | \$ 28,322     |

The increase in the servicing segment's net income for the three months ended September 30, 2022 compared to the sequential quarter was primarily driven by a significantly higher upward adjustment to the fair value of our MSRs of \$41.8 million compared to \$21.1 million in the sequential quarter. See discussion above under "Valuation Adjustment of Mortgage Servicing Rights".

Loan servicing and other fees increased due to the increases in our UPB of our servicing portfolio at September 30, 2022 compared to June 30, 2022 and September 30, 2021.

Our delinquency rate and the number of loans delinquent steadily declined during 2021 and have remained flat during 2022. As we complete loan workouts we are reassessing our expected per-loan losses and adjusting our provision for foreclosure losses accordingly. See discussion above under "Provision for Foreclosure Losses".

## Liquidity, Capital Resources and Cash Flows

Historically, our primary sources of liquidity have included:

- cash flows from our operations, including:
  - sale of whole loans into the secondary market;
  - loan origination fees;
  - servicing fee income; and
  - interest income on MLHS;
- borrowings on warehouse lines of credit to originate mortgage loans; and
- borrowings on our MSR notes payable.

Historically, our primary uses of funds have included:

- cash flows used in our operations, including but not limited to:
  - origination of MLHS;
  - payment of interest expense; and
  - payment of operating expenses, including personnel costs and IT infrastructure;
- repayments on warehouse lines of credit;
- payment of dividends;
- share repurchases; and
- acquisitions of other mortgage businesses.

We are also subject to contingencies that may have a significant effect on the use of our cash. We believe that our cash flows from operations and other available sources of liquidity will be sufficient to fund our operations and meet our material cash requirements for the next 12 months. We believe we will meet longer-term expected future cash requirements and obligations through a combination of existing cash and cash equivalent balances, cash flow from operations, and amounts available for borrowing under our loan funding facilities.

### **Debt Obligations**

We fund substantially all of the mortgage loans we close through borrowings under our loan funding facilities. Given the uncertainty in the financial markets, our future ability to borrow money to fund our current and future loan production and other cash needs is unknown. Our mortgage origination liquidity could also be affected if our lenders curtail access to uncommitted mortgage warehouse financing capacity or impose higher costs to access such capacity. Our liquidity may be further constrained as there may be less demand by investors to acquire our mortgage loans in the secondary market. In addition, we may be required to use significant amounts of cash to fund advances for loans subject to forbearance requirements or that are delinquent.

In order to originate and aggregate loans for sale into the secondary market, we use our own working capital and borrow or obtain money on a short-term basis, primarily through committed and uncommitted loan funding facilities that we have established with large national and global banks.

Our loan funding facilities are primarily in the form of master repurchase agreements, which we refer to as "warehouse lines of credit." Loans financed under these facilities are generally financed at approximately 97% to 98% of the principal balance of the loan (although certain types of loans are financed at lower percentages of the principal balance of the loan), which requires us to fund the balance from cash generated from our operations. Once closed, the underlying residential mortgage loan that is held for sale is pledged as collateral for the borrowing or advance that was made under these loan funding facilities. In most cases, the loans will remain in one of the loan funding facilities for only a short time, generally less than one month, until the loans are pooled and sold. During the time the loans are held for sale, we earn interest income from the borrower on the underlying mortgage loan. This income is partially offset by the interest and fees we must pay under the loan funding facilities.



When we sell a pool of loans in the secondary market, the proceeds received from the sale of the loans are used to pay back the amounts we owe on the loan funding facilities. We rely on the cash generated from the sale of loans to fund future loans and repay borrowings under our loan funding facilities. Delays or failures to sell loans in the secondary market could have an adverse effect on our liquidity position.

As discussed in Note 11, Warehouse Lines of Credit, to the condensed consolidated financial statements included in Part I, Item 1, as of September 30, 2022, we had ten different loan funding facilities in different amounts and with various maturities. As of September 30, 2022, the aggregate available amount under our MSR notes payable was \$475.0 million, with combined outstanding balances of \$112.5 million and unutilized capacity of \$235.0 million. We are continually assessing our financing arrangements to ensure they are aligned with our business needs and making adjustments as necessary.

As discussed in Note 12, Notes Payable, to the condensed consolidated financial statements included in Part I, Item 1, as of September 30, 2022, we had three different MSR notes payable in different amounts with different maturities. As of September 30, 2022, the aggregate available amount under our MSR notes payable was \$475.0 million, with combined outstanding balances of \$112.5 million and unutilized capacity of \$235.0 million, based on total committed amounts and our borrowing base limitations. The borrowing capacity under our MSR notes payable is restricted by the valuation of our servicing portfolio.

The amount of financing advanced on each individual loan under our loan funding facilities is determined by agreed upon advance rates but may be less than the stated rate due to fluctuations in the market value of the mortgage loans securing the financings. If the lenders providing the funds under our loan funding facilities determine that the value of the loans serving as collateral for our borrowings under those facilities has decreased, they can initiate a margin call to require us to provide additional collateral or reduce the amount outstanding with respect to those loans. Our inability or unwillingness to satisfy such a request could result in the termination of the related facilities and a potential default under our other loan funding facilities. In addition, a large unanticipated margin call could have a material adverse effect on our liquidity.

The amount owed and outstanding under our loan funding facilities fluctuates significantly based on our origination volume, the amount of time it takes us to sell the loans we originate and the amount of loans we are self-funding with cash. We may from time to time post surplus cash as additional collateral to buy-down the effective interest rates of certain loan funding facilities or to self-fund a portion of our loan originations. As of September 30, 2022, we had posted \$49.7 million in cash as additional collateral. We have the ability to draw back this additional collateral at any time unless a margin call has been made or a default has occurred under the relevant facilities.

We also have an early buyout facility that is included in our warehouse lines of credit. This facility allows us to purchase certain delinquent GNMA loans that we service and finance them on the facility until the loan is cured or subsequently sold. The capacity of this uncommitted facility is \$75.0 million and, as of September 30, 2022, the outstanding balance on the facility was \$43.4 million.

Our loan funding facilities and MSR notes payable generally require us to comply with certain operating and financial covenants and the availability of funds under these facilities are subject to, among other conditions, our continued compliance with these covenants. These financial covenants include, but are not limited to, maintaining a certain (i) minimum tangible net worth, (ii) minimum liquidity and (iii) a maximum ratio of total liabilities or total debt to tangible net worth and satisfying certain pre-tax net income requirements. A breach of these covenants could result in an event of default under our funding facilities, which would allow the related lenders to pursue certain remedies. In addition, each of these facilities includes cross default or cross acceleration provisions that could result in all of our funding facilities terminating if an event of default or acceleration of maturity occurs under any one of them. We were in compliance with each of these covenants as of September 30, 2022 and December 31, 2021.

Our debt obligations are summarized below by facility as of September 30, 2022:

| Facility<br>(\$ in thousands) | Outstanding<br>Indebtedness | Total Facility<br>Size | Maturity<br>Date |
|-------------------------------|-----------------------------|------------------------|------------------|
| Warehouse lines of credit     | \$ 67,594                   | \$ 600,000             | January 2023     |
|                               | 25,979                      | 150,000                | August 2023      |
|                               | 253,963                     | 400,000 <sup>(1)</sup> | March 2023       |
|                               | 17,853                      | 200,000                | May 2023         |
|                               | 50,158                      | 200,000                | September 2023   |
|                               | 160,253                     | 400,000 <sup>(2)</sup> | June 2023        |
|                               | 77,395                      | 200,000                | April 2023       |
|                               | 43,388                      | 100,000 <sup>(3)</sup> | N/A              |
|                               | 81,816                      | 300,000 <sup>(4)</sup> | N/A              |
|                               | 43,427                      | 75,000 <sup>(5)</sup>  | March 2025       |
| MSR notes payable             | 112,500                     | 175,000 <sup>(6)</sup> | March 2024       |
|                               | —                           | 200,000 <sup>(7)</sup> | August 2027      |
|                               | —                           | 100,000                | June 2023        |

(1) Subsequent to September 30, 2022, this facility was reduced to \$300.0 million.

(2) Amounts drawn on the MSR notes payable with this lender reduce the facility size available under the warehouse line of credit with this lender by an equal and offsetting amount.

(3) This facility's maturity date is 30 days from written notice by either the financial institution or the Company.

(4) This facility agreement is due on demand.

(5) Each buyout transaction carries a maximum term of four years from the date of repurchase.

(6) Facility provides for committed amount of \$112.5 million, which can be increased up to \$175.0 million.

(7) Facility provides for committed amount of \$135.0 million, which can be increased up to \$200.0 million.

### Secondary Market Investors

The investors to whom we sell mortgage loans we originate in the secondary market require us to abide by certain operating and financial covenants. These covenants include maintaining (i) a certain minimum net worth, (ii) a certain minimum liquidity, (iii) a certain minimum of total liquid assets, (iv) a certain maximum ratio of adjusted net worth to total assets and (v) fidelity bond and mortgage servicing errors and omissions coverage. A breach of these covenants could result in an event of default and could disallow us to continue selling mortgage loans to one or all of these investors in the secondary market, which in turn could have a significant impact on our liquidity and results of operations. We were in compliance with each of these covenants as of September 30, 2022 and December 31, 2021.

When we sell loans in the secondary market, we have the option to sell them service released or service retained. The decision whether to sell a loan that we originated service released or service retained is based on factors such as execution and price, liquidity needs and the desire to retain the related client relationship. When we sell a loan service retained, we continue to act as the servicer for the life of the loan. We rely on income from loan servicing and other fees over the life of the loan to generate cash. Certain investors have different rules for the servicer to follow should a loan go into default. As the servicer, we may be legally obligated to make cash payments to the investor who purchased the loan, should the borrower discontinue making payments on the loan. This could have a negative impact to our cash and liquidity; however, we may be able to use other borrower prepayments to cover delinquencies. Should delinquencies significantly increase, or prepayments significantly decrease, we could be forced to use our own cash or borrow on other types of financing in order to make the required monthly payments to the investors who have purchased loans from us. We may also be contractually required to repurchase or indemnify loans with origination defects.

**Cash Flows**

Our cash flows are summarized below:

| (\$ in thousands)  | Nine Months Ended<br>September 30, |             |
|--|------------------------------------|-------------|
|  | 2022                               | 2021        |
| Net cash provided by operating activities                  | \$ 1,181,081                       | \$ 769,313  |
| Net cash used in investing activities                      | (2,981)                            | (90,287)    |
| Net cash used in financing activities                      | (1,256,270)                        | (709,706)   |
| Net decrease in cash, cash equivalents and restricted cash | \$ (78,170)                        | \$ (30,680) |

**Operating activities**

Our cash flows from operating activities are primarily influenced by changes in the levels of inventory of loans held for sale, as shown below:

| (\$ in thousands)                         | Nine Months Ended<br>September 30, |            |
|---|------------------------------------|------------|
|   | 2022                               | 2021       |
| Loans held for sale                       | \$ 1,274,655                       | \$ 694,451 |
| Other operating sources                   | (93,574)                           | 74,862     |
| Net cash provided by operating activities | \$ 1,181,081                       | \$ 769,313 |

Cash provided by loans held for sale increased due to a larger increase in proceeds on sale and payments from mortgage loans held for sale compared to cash used for origination of mortgage loans held for sale. The decrease in cash provided by other operating sources was primarily due to increases in valuation adjustments of mortgage servicing rights.

**Investing activities**

Our investing activities primarily consist of purchases of property and equipment. Cash used in investing activities decreased for the nine months ended September 30, 2022 compared to the same period in 2021, primarily due to decreases in cash used for purchases of property and equipment and \$86.9 million used to fund the acquisition of RMS in July 2021.

**Financing activities**

Our cash flows from financing activities are primarily influenced by changes in the levels of warehouse lines of credit used to fund loan originations, which were consistent with the changes in loan origination volume.

| (\$ in thousands)                     | Nine Months Ended<br>September 30, |              |
|---------------------------------------|------------------------------------|--------------|
|                                       | 2022                               | 2021         |
| Warehouse lines of credit             | \$ (1,106,718)                     | \$ (667,192) |
| Other financing sources               | (149,552)                          | (42,514)     |
| Net cash used in financing activities | \$ (1,256,270)                     | \$ (709,706) |

The increase in cash used in warehouse lines of credit for the nine months ended September 30, 2022 compared to the same period in 2021 was primarily due to higher net repayments on our warehouse lines of credit. The increase in cash used in other financing sources for the nine months ended September 30, 2022 compared to the same period in 2021, was primarily driven by repayments of \$137.5 million compared to net borrowings of \$19.3 million during the nine months ended September 30, 2021 on our MSR notes payable, offset by the payment of \$60.0 million in cash dividends during May 2021. We did not borrow against our MSR notes payable for the nine months ended September 30, 2022. We are managing our debt costs and used our strong liquidity position to repay debt during the nine months ended September 30, 2022. During the nine months ended September 30, 2022 we made payments of \$7.3 million on acquisition-related contingent liabilities and used \$3.0 million to repurchase shares of our Class A common stock.

### **Share Repurchase Program**

On May 5, 2022, our Board of Directors authorized us to repurchase up to \$20.0 million of our outstanding Class A common shares over the next 24 months. The share repurchase program allows us to repurchase our Class A common shares from time to time on the open market or in privately negotiated transactions. We are not obligated to purchase any shares under the share repurchase program and the timing of any repurchases will depend on a number of factors, including, but not limited to, stock price, trading volume, market conditions, and other general business considerations. The share repurchase program may be modified, suspended or terminated by our Board of Directors at any time. We intend to fund any repurchases under the share repurchase program with cash on hand. Through September 30, 2022, we repurchased and subsequently retired 280,914 shares of our Class A common stock at an average purchase price of \$10.84 per share. As of September 30, 2022, \$17.0 million remains available for repurchase.

### **Material Cash Requirements**

Our material cash requirements include servicing our debt obligations as described above and the following contractual obligations.

#### **Repurchase and indemnification obligations**

In the ordinary course of business, we are exposed to liability with respect to certain representations and warranties that we make to the investors who purchase the loans that we originate. Under certain circumstances, we may be required to repurchase mortgage loans, or indemnify the purchaser of such loans for losses incurred, if there has been a breach of these representations and warranties, or in the case of early payment defaults. In addition, in the event of an early payment default, we are contractually obligated to refund certain premiums paid to us by the investors who purchased the related loan. See Note 15, Commitments and Contingencies to the condensed consolidated financial statements in Part I, Item 1.

#### **Interest rate lock commitments, loan sale and forward commitments**

We enter into IRLCs with borrowers who have applied for residential mortgage loans and who meet certain credit and underwriting criteria. These commitments expose us to market risk if interest rates change during the period of time in which the loan is not economically hedged or committed to be sold to an investor. We are also exposed to credit loss if a loan for which we entered into an IRLC is originated and is not sold to an investor and the related client does not perform. The collateral upon extension of credit typically consists of a first deed of trust in the mortgagor's residential property. Commitments to originate loans do not necessarily reflect future cash requirements as some commitments are expected to expire without being drawn upon. Total commitments to originate loans, adjusted for pull-through, were approximately \$1.3 billion and \$2.2 billion as of September 30, 2022 and December 31, 2021, respectively.

### **Critical Accounting Estimates and Significant Accounting Policies**

The preparation of our financial statements in conformity with GAAP requires management to make certain 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. Certain of these estimates significantly influence the portrayal of our financial condition and results, and they require us to make difficult, subjective or complex judgments. Although we believe that the judgments, estimates and assumptions used in the preparation of our consolidated financial statements were appropriate given the circumstances at the time they were made, actual results could materially differ from those estimates. Our critical accounting estimates primarily relate to the fair value estimates of our MLHS, MSRs, IRLCs, forward delivery commitments and contingent liabilities due to acquisitions.

There have not been any material changes to the methods we used and judgments we made relating to critical accounting estimates during the nine months ended September 30, 2022 from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Annual Report").

There have been no changes in our significant accounting policies during the nine months ended September 30, 2022 from those disclosed in Note 1, Business, Basis of Presentation, and

Accounting Policies in the notes to our consolidated financial statements included in our 2021 Annual Report.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

As a smaller reporting company, we are not required to provide information for this item.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

We are required to maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officer ("certifying officers"), as appropriate to allow timely decisions regarding required disclosure. Our management, including our certifying officers, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud due to inherent limitations of internal controls. Because of such limitations, there is a risk that material misstatements will not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Our certifying officers, with the participation of our management, have conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2022. Based upon and as of the date of the evaluation, our certifying officers concluded that our disclosure controls and procedures were not effective as of September 30, 2022 due to material weaknesses in internal controls over financial reporting that were previously disclosed in Part II, Item 9A of our 2021 Annual Report, which remain unremediated as of September 30, 2022.

#### **Remediation**

As previously described in Part II, Item 9A of our 2021 Annual Report, we identified material weaknesses in our internal control over financial reporting because we did not have a sufficient complement of personnel with requisite experience in the design and operation of controls and did not perform an effective risk assessment, including risk of fraud. This resulted in ineffective general information technology controls over user access and change management within the general ledger and loan systems. The deficiencies also contributed to ineffective monitoring of consistent operation of internal control over financial reporting and ineffective evaluation of the reliability of information used in controls. We previously began implementing a remediation plan to address these material weaknesses. The material weaknesses will be considered fully remediated once the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We have made progress towards remediation and will continue to implement our remediation plan for the material weaknesses in internal control over financial reporting described in Part II, Item 9A of our 2021 Annual Report and in the risk factor titled "*We identified material weaknesses in our internal control over financial reporting and any failure to maintain effective internal control over financial reporting may have a material and adverse effect on our business, operating results, financial condition and prospects*" in Part II, Item 1A. in this Quarterly Report and to diligently review our internal control over financial reporting.

#### **Changes in Internal Control over Financial Reporting**

Other than the steps taken to work towards the remediation of the material weaknesses identified in Part II, Item 9A of our 2021 Annual Report and in the risk factor titled "*We identified material weaknesses in our internal control over financial reporting and any failure to maintain effective internal control over financial reporting may have a material and adverse effect on our business, operating results, financial condition and prospects*" Part II, Item 1A. in this Quarterly Report, there were no changes in our internal control over financial reporting identified during the quarter ended September 30, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Inherent Limitations on Effectiveness of Controls**

Our management, including our certifying officers, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake.

## PART II OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are, and from time to time may become, involved in legal and regulatory proceedings or subject to claims arising in the ordinary course of our business. We operate within highly regulated industries on a federal, state and local level and are routinely subject to various examinations and legal and regulatory proceedings in the normal and ordinary course of business. We are not presently a party to any legal or regulatory proceedings that in the opinion of our management, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations and financial condition.

### ITEM 1A. RISK FACTORS

Investing in our Class A common stock involves risks. You should carefully consider the risks and uncertainties described below, together with all of the other information included in this Quarterly Report, including the financial statements and the related notes included in Part I, Item 1 of this Quarterly Report. Our business, financial condition, operating results, cash flow and prospects could be materially and adversely affected by any of these risks or uncertainties. In that case, the trading price of our Class A common stock could decline, and you could lose all or part of your investment. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of or that we currently see as immaterial may also adversely affect our business. Some statements in this Quarterly Report, including statements included in the following risk factors, constitute forward-looking statements. Please refer to "Cautionary Statement Regarding Forward-Looking Statements."

#### Risks Related to Our Business

***A disruption in the secondary home loan market or our ability to sell the loans that we originate could have a detrimental effect on our business.***

Demand in the secondary market for home loans and our ability to sell the mortgages that we originate depend on many factors that are beyond our control, including general economic conditions, the willingness of lenders to provide funding for and purchase home loans and changes in regulatory requirements. Our inability to sell the mortgages that we originate in the secondary market in a timely manner and on favorable terms could be detrimental to our business. In particular, we sell the majority of the mortgages that we originate to Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac") (Fannie Mae and Freddie Mac, together, the "GSEs") and Ginnie Mae, and the gain recognized from these sales represents a significant portion of our revenues and net earnings. If it is not possible or economical for us to continue selling mortgages to the GSEs or other loan purchasers, our business, prospects, financial condition and results of operations could be materially and adversely affected.

***Macroeconomic and U.S. residential real estate market conditions have and could further materially and adversely affect our revenue and results of operations.***

Our business has been, and will continue to be, affected by a number of factors that are beyond our control, including the health of the U.S. residential real estate industry, which is seasonal, cyclical, and affected by changes in general economic conditions, including the effects of the COVID-19 pandemic and related supply chain challenges impacting construction and housing inventory levels. Furthermore, our clients' and potential clients' income, and thus their ability and willingness to make home purchases and mortgage payments, may be negatively affected by macroeconomic factors such as rising inflation rates and the responses by central banking authorities to control such inflation, rising interest rates, unemployment, wage deflation, changes in property values and taxes, and the availability and cost of credit. In addition, continuing low inventory levels of homes for sale and housing generally, together with high home prices have depressed and may continue to depress home loan purchase activity. These macroeconomic factors have and may continue to adversely affect our origination volume.

Increased delinquencies could also increase the cost of servicing existing mortgages and could be detrimental to our business. Lower servicing fees could result in decreased cash flow, and also

could decrease the estimated value of our MSR, resulting in recognition of losses when we write down those values. In addition, an increase in delinquencies lowers the interest income we receive on cash held in collection and other accounts and increases our obligation to advance certain principal, interest, tax, and insurance obligations owed by the delinquent mortgage loan borrower.

***We are highly dependent on certain U.S. government-sponsored entities and government agencies, and any organizational or pricing changes in these entities or their current roles could materially and adversely affect our business, liquidity, financial condition and results of operations.***

A substantial portion of the loans we originate are loans eligible for sale to the GSEs, and government insured or guaranteed loans, such as loans backed by the Federal Housing Association ("FHA"), the Department of Veterans Affairs ("VA") and the USDA, eligible for Ginnie Mae securities issuance. The future of GSEs is uncertain, including with respect to how long they will continue to be in existence, the extent of their roles in the market and what forms they will have, and whether they will be government agencies, government-sponsored agencies or private for-profit entities. If the operation of the GSEs is discontinued or reduced, if there is a significant change in their organization or capital structure, financial condition, activity levels or roles in the primary or secondary mortgage markets or in their pricing and underwriting criteria or if we lose approvals with those agencies or our relationships with those agencies is otherwise adversely affected, our business, financial condition and results of operations could be adversely affected.

***Changes in prevailing interest rates or U.S. monetary policies have had and may continue to have a detrimental effect on our business. Our hedging strategies may not be successful in mitigating interest rate risk.***

Our profitability is directly affected by changes in interest rates. The market value of closed loans held for sale and interest rate locks generally changes along with interest rates. Increasing interest rates currently being experienced in the U.S. has adversely impacted our origination volume because refinancing an existing loan is less attractive for homeowners and qualifying for a purchase loan is more difficult for some borrowers. Furthermore, increasing interest rates could also adversely affect our margins due to increased competition among originators. On the other hand, decreasing interest rates may cause a large number of borrowers to refinance, which could result in the loss of future net servicing revenues with an associated write-down of the related MSR. As such, volatility in prevailing interest rates have had and may continue to have a detrimental effect on our financial performance and results of operations. Many factors beyond our control impact interest rates, including economic conditions, governmental monetary policies, inflation, recession, changes in unemployment, the money supply, and disorder and instability in domestic and foreign financial markets. Changes in monetary policies of the Federal Reserve System could influence not only consumer demand for mortgages but also the fair value of our financial assets and liabilities.

We pursue hedging strategies to mitigate our exposure to adverse changes in interest rates, including with respect to loans held for sale and interest rate locks. Hedging interest rate risk, however, is a complex process, requiring sophisticated models and constant monitoring, and is not a perfect science. Due to interest rate fluctuations, hedged assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation will generally be offset by income or loss on the derivative instruments that are linked to the hedged assets and liabilities. If we engage in derivative transactions, we will be exposed to credit and market risk. If a counterparty fails to perform, counterparty risk exists to the extent of the fair value gain in the derivative. Interest rate risk exists to the extent that interest rates change in ways that are significantly different from what we expected when we entered into the derivative transaction. In addition, we may not engage in hedging strategies with respect to all or a portion of our exposure to changes in interest rates at any given time, or may engage in hedging strategies to a degree or in a manner that is different from that of other companies in our industry. Failure to effectively manage interest rate risk could have a material adverse effect on our business.

***Our servicing rights are subject to termination with or without cause.***

The servicing agreements under which we service mortgage loans for GSE and non-GSE loan purchasers require that we comply with certain servicing guidelines and abide by certain financial and restrictive covenants. Under the terms of our master servicing agreements with the GSEs and non-



GSEs that purchase the loans we originate, the loan purchasers generally retain the right to terminate us as servicer of the loans we service on their behalf, with or without cause. If we were to have our MSR terminated on a material portion of our servicing portfolio, or if our costs related to servicing mortgages were increased by the way of additional fees, fines or penalties or an increase in related compliance costs, this could materially and adversely affect our business.

***Our mortgage loan origination and servicing activities rely on our loan funding facilities to fund mortgage loans and otherwise operate our business. If one or more of those facilities are terminated, we may be unable to find replacement financing at commercially favorable terms, or at all, which could be detrimental to our business.***

We fund substantially all of the mortgage loans we close through borrowings under our loan funding facilities and funds generated by our operations. Our borrowings are in turn generally repaid with the proceeds we receive from mortgage loan sales. We depend upon several lenders to provide the primary funding facilities for our loans. As of September 30, 2022, we had ten warehouse lines of credit pursuant to master repurchase agreements, which provide us with an aggregate maximum borrowing capacity of approximately \$2.6 billion. Additionally, as of September 30, 2022, we were party to (i) a term loan credit agreement with one of our warehouse banks, which agreement is collateralized by our Fannie Mae MSR and provides for a term loan facility of \$112.5 million (which can be increased to up to \$175.0 million), (ii) a loan and security agreement with one of our warehouse banks, which agreement is collateralized by our Ginnie Mae MSR and provides for a revolving facility of up to \$135.0 million (which can be increased to up to \$200.0 million) and (iii) a loan and security agreement with one of our warehouse banks, which agreement is collateralized by our Freddie Mac MSR and provides for a revolving facility of up to \$100.0 million.

In the event that any of our loan funding facilities is terminated or is not renewed, or if the principal amount that may be drawn under our funding agreements were to decrease significantly, we may be unable to find replacement financing on commercially favorable terms, or at all, which could be detrimental to our business. Further, if we are unable to refinance or obtain additional funds for borrowing, our ability to maintain or grow our business could be limited.

Our ability to refinance existing debt and borrow additional funds is affected by a variety of factors, including:

- limitations imposed under existing and future financing facilities that contain restrictive covenants and borrowing conditions that may limit our ability to raise additional debt;
- a decline in liquidity in the credit markets;
- prevailing interest rates;
- the financial strength of the lenders from whom we borrow;
- the decision of lenders from whom we borrow to reduce their exposure to mortgage loans due to a change in such lenders' strategic plan, future lines of business or otherwise;
- the amount of eligible collateral pledged on advance facilities, which may be less than the borrowing capacity of the facility;
- the large portion of our loan funding facilities that is uncommitted;
- more stringent financial covenants in our refinanced facilities, with which we may not be able to comply; and
- accounting changes that impact calculations of covenants in our debt agreements.

If the refinancing or borrowing guidelines become more stringent and those changes result in increased costs to comply or decreased origination volume, those changes could be detrimental to our business.

Our loan funding facilities contain covenants that include certain financial requirements, including maintenance of maximum adjusted leverage ratio, minimum net worth, minimum tangible net worth, minimum current ratio, minimum liquidity, positive quarterly income, and other customary debt covenants, as well as limitations on additional indebtedness, dividends, sales of assets, and declines in the mortgage loan servicing portfolio's fair value. A breach of these covenants

can result in an event of default under these facilities and as such allow the lenders to pursue certain remedies. In addition, our loan facilities include cross default or cross acceleration provisions that could result in most, if not all, of our loan facilities terminating if an event of default or acceleration of maturity occurs under one facility. If we are unable to satisfy, or obtain waivers for, the continuing covenants, we may lose the ability to borrow under all of our financing facilities, which could be detrimental to our business.

***Our business depends on our ability to maintain and improve the technology infrastructure that supports our origination and servicing platform, and any significant disruption in service on our platform could harm our business, brand, operating results, financial condition and prospects.***

Our ability to serve our clients depends on the reliable performance of our technology infrastructure. Interruptions, delays or failures in these systems, whether due to adverse weather conditions, natural disasters, power loss, computer viruses, cybersecurity attacks, physical break-ins, terrorism, hardware failures, errors in our software or otherwise, could be prolonged and could affect the security or availability of our platform and our ability to originate and service mortgages. Furthermore, we may incur significant expense maintaining, updating, and adapting our technology infrastructure, and our disaster recovery planning may be insufficient to prevent or mitigate these and other events or occurrences. The reliability and security of our systems, and those of certain third parties, is important not only to facilitating our origination and servicing of mortgages, but also to maintaining our reputation and ensuring the proper protection of our confidential and proprietary information and the data of mortgage borrowers and other third parties that we possess or control or to which we have access. Operational failures or prolonged disruptions or delays in the availability of our systems could harm our business, brand, reputation, operating results, financial condition, and prospects.

***The acquisition of RMS has caused, and other acquisitions and investments may in the future cause, our financial results to differ from our expectations or the expectations of the investment community and we may not be able to achieve anticipated benefits from such acquisitions and investments.***

We have acquired and may in the future acquire or make investments in, complementary or what we view as strategic businesses, services or products. The ultimate success of these acquisitions, including the RMS acquisition in July 2021, will depend, in part, on our ability to successfully combine and integrate the acquired companies into our business, and realize the synergies and anticipated strategic, financial and other benefits from the acquisitions, as well as on changes in macroeconomic and U.S. residential real estate market conditions. If we are unable to achieve these objectives within the anticipated time frame, or at all, the value of our Class A common stock may decline.

The integration of any acquired company, including RMS, may result in material challenges, including, without limitation:

- coordinating geographically separate organizations with increased operations in jurisdictions in which we previously did not operate and subject to regulations and regulatory authorities to which we previously were not subject;
- undisclosed liabilities that were not discovered during the diligence process;
- managing a larger combined business;
- retaining key management and other employees and maintaining employee morale, and retaining existing business relationships with customers, real estate professionals and other counterparties;
- the possibility of faulty assumptions underlying expectations regarding the integration process and/or our inability to integrate RMS or other future acquisitions in the same manner, or with the same degree of success, as we have integrated past acquisitions;
- unanticipated issues in integrating information technology, communications and other systems;
- the businesses and assets we acquire through acquisitions might not perform at levels we expect, and we may not be able to achieve the anticipated synergies;

- the possibility that we incur additional indebtedness to pay for acquisitions, thereby increasing our leverage and diminishing our liquidity, or issue equity, which could result in dilution to our stockholders;
- the failure of RMS or other acquisitions to continue to grow under our ownership;
- the impact from revisions to forecasted amounts on the fair value of contingent liabilities related to our completed acquisitions, or disputes that may arise out of earn-outs, escrows, and other arrangements related to an acquisition of a company; and
- unforeseen expenses, costs, liabilities or delays associated with the acquisitions.

Any of the foregoing could adversely affect our business, financial condition, and results of operations.

***The COVID-19 pandemic has created economic, financial and public health disruptions that have and are expected to continue to adversely affect the national economy and the local economies in the communities in which we operate, and its ultimate effect on our business and financial results will depend on future developments, which are highly uncertain and cannot be predicted.***

The COVID-19 pandemic has negatively affected, and continues to negatively affect, the national economy and the local economies in the communities in which we operate. The pandemic has also caused significant volatility and disruption in the financial markets. While the full extent of the pandemic's effect on the macroeconomic environment has yet to be fully determined and could continue for months or years, we expect that the pandemic and governmental programs created as a response to the pandemic, will continue to affect certain aspects of our business. Although the impact of COVID-19 on our business has been immaterial so far, such effects, if they continue for a prolonged period, may have a material adverse effect on our business and results of operation. In the event of a prolonged economic downturn or other economic disruption or changes in the broader economy, housing market, debt markets or otherwise, real estate transactions, the volume of mortgages we originate, and the value of the homes that serve as collateral for the loans that we service may decrease significantly.

The COVID-19 pandemic is also affecting our mortgage servicing operations. In March 2020, the federal government enacted the CARES Act, which allowed borrowers with federally backed loans to request a temporary mortgage forbearance. Nevertheless, servicers of mortgage loans are contractually bound to advance monthly payments to investors, insurers, and taxing authorities regardless of whether the borrower actually makes those payments. As a result of the CARES Act forbearance requirements and the subsequent extension of federal forbearance programs, we have recorded, and expect to record additional, increases in delinquencies in our servicing portfolio, which may require us to finance substantial amounts of advances of principal and interest, property taxes, insurance premiums and other expenses to protect investors' interests in the properties securing the loans. While Fannie Mae and Freddie Mac issued guidance limiting the number of payments a servicer must advance in the case of a forbearance, we expect that a borrower who has experienced a loss of employment or a reduction of income may not repay the forborne payments at the end of the forbearance period, or at all. Additionally, we were prohibited through December 31, 2021, from collecting certain servicing-related fees, such as late fees, and initiating foreclosure proceedings. As a result, the effects of the CARES Act forbearance requirements reduced our servicing income, increased our servicing expenses, and required significant unreimbursed cash outlays.

The COVID-19 pandemic may also adversely affect our liquidity. We fund substantially all of the mortgage loans we close through borrowings under our loan funding facilities. Given the broad impact of COVID-19 on the financial markets, our future ability to borrow money to fund our current and future loan production and other cash needs is unknown. Our mortgage origination liquidity could also be affected if our lenders curtail access to uncommitted mortgage warehouse financing capacity or impose higher costs to access such capacity. Our liquidity may be further constrained as there may be less demand by investors to acquire our mortgage loans in the secondary market. In addition, we may be required to use significant amounts of cash to fund advances for loans subject to forbearance requirements or that are delinquent.

To protect the health and safety of our employees and in response to government actions or restrictions in connection with the onset of the COVID-19 pandemic, our workforce shifted from in-person to remote work environment. We have since transitioned to a hybrid work environment in which a portion of our workforce may work in-person. As a result, we continue to be subject to the challenges and risks of having a remote workforce, as well as new challenges and risks from operating with a hybrid in-person workforce. These changes to our operations going forward present additional risks, uncertainties and costs that could affect our performance, including increased operational risk, uncertainty regarding office space needs, heightened vulnerability to cyber-attacks due to increased remote work, potential strains to our business continuity plans, and increased costs to insure our offices are safe and functional as hybrid offices that enable effective collaboration of both remote and in-person colleagues. In addition, although government authorities have lifted or modified some of the restrictive measures, some may in the future reinstitute these measures or impose new, more restrictive measures if we experience surges from new virus variants that are resistant to vaccines. Such restrictive measures could also slow certain aspects of our operations that depend on third parties such as appraisers, closing agents, and others for loan-related verifications.

The extent to which the COVID-19 pandemic affects our business, results of operations, and financial condition will ultimately depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic.

***Pressure from existing and new competitors may adversely affect our business, operating results, financial condition and prospects.***

We operate in a highly competitive industry that could become even more competitive due to economic, legislative, regulatory, and technological changes. We face significant competition for clients from bank and nonbank competitors, including national and regional banks, mortgage banking companies, financial technology companies, and correspondent lenders. Many of our competitors are significantly larger and have significantly more resources, greater name recognition, and more extensive and established retail footprints than we do.

Our ability to compete successfully will depend on a number of factors, including our ability to build and maintain long-term client relationships while ensuring high ethical standards and sound lending and servicing practices, the scope, relevance and pricing of products and services that we offer, our clients' satisfaction with our products and services, industry and general economic trends, and our ability to keep pace with technological advances in the industry.

Our failure to compete effectively in our markets could restrain our growth or cause us to lose market share, which could have a material adverse effect on our business, prospects, financial condition, and results of operations. Although we have expanded our presence in the northeast United States with our acquisition of RMS in 2021, we may face a competitive disadvantage as a result of our concentration primarily in the northwest United States and will be unable, as compared to our more geographically diversified peers, to spread our operating costs across a broader market. Furthermore, a cyclical decline in the industry's overall level of originations, or decreased demand for loans due to a higher interest rate environment, which we believe will increase throughout the balance of 2022 as the Federal Reserve combats rising inflation, may lead to increased competition for remaining loan originations. Any increase in these competitive pressures could have an adverse effect on our business, prospects, financial condition, and results of operations.

***Our failure to maintain or grow our historical referral relationships with our referral partners may materially and adversely affect our business, operating results, financial condition and prospects.***

A substantial portion of our mortgage origination leads are sourced through an established network of referral partners with which we have longstanding relationships. We rely on being a preferred provider to realtors, builders, and other partners with whom we have relationships. Our failure to maintain or grow these relationships could significantly decrease our origination volume and materially and adversely affect our business, operating results, financial condition, and prospects. In addition, changes in the real estate and home construction industries, or in the relationships between those industries and the mortgage industry, could adversely affect our business and operating results, financial condition, and prospects. For example, in recent years,

there has been an increase in products and services designed to facilitate home sales without the involvement of realtors, and if the role of realtors in the sales process declines, our business could be adversely affected if we are unable to adapt to that development in a manner that preserves our loan origination leads.

***We are required to make servicing advances that can be subject to delays in recovery or may not be recoverable in certain circumstances.***

During any period in which our clients are not making payments on loans we service, including during defaults, delinquencies, forbearances, and in certain circumstances where a client prepays a loan, we generally are required under our servicing agreements to advance our own funds to pay principal and interest, property taxes and insurance premiums, legal expenses, and other expenses. In addition, in the event a loan serviced by us defaults or becomes delinquent, or to the extent a mortgagee under such loan is allowed to enter into a forbearance by applicable law or regulation, the repayment to us of any advance related to such events may be delayed until the loan is repaid or refinanced or liquidation occurs. Any delay or impairment in our ability to collect an advance may materially and adversely affect our liquidity, and delays in reimbursements of us, or our inability to be reimbursed, for advances could be detrimental to our business. Market disruptions such as the COVID-19 pandemic and the response, including through the CARES Act and the temporary period of forbearance that is being offered for clients unable to pay on certain mortgage loans, may also increase the number of defaults, delinquencies or forbearances related to the loans we service, increasing the advances we make for such loans, which we may not recover in a timely manner or at all. In addition, any regulatory actions that lengthen the foreclosure process could increase the amount of servicing advances that we are required to make, lengthen the time it takes for us to be reimbursed for such advances, and increase the costs incurred during the foreclosure process. While we have in the past utilized prepayments and payoffs to make advances, such sources, and other sources of liquidity available to us, may not be sufficient in the future, and our business, financial condition, and results of operations could be materially and adversely affected as a result. As of September 30, 2022, loans representing approximately 0.9% of the loans in our servicing portfolio were in forbearance.

***A substantial portion of our assets are measured at fair value. From time to time our estimates of their value prove to be inaccurate and we are required to write them down.***

We record the value of our MSR, IRLC, MLHS, the contingent liabilities related to our completed acquisitions, and our inventory of loans for which we have repurchase rights at fair value. Fair value determinations require many assumptions and complex analyses for which we cannot control many of the underlying factors. From time to time our estimates prove to be incorrect and we are required to write down the value of these assets, which could adversely affect our earnings, financial condition, and liquidity.

In particular, our estimates of the fair value of our MSRs are based on the cash flows projected to result from the servicing of the related mortgage loans and continually fluctuate due to a number of factors, including prepayment rates and other market conditions that affect the number of loans that ultimately become delinquent or are repaid or refinanced. These estimates are calculated by a third party using complex financial models that account for a high number of variables that drive cash flows associated with MSRs and anticipate changes in those variables over the life of the MSR. As such, the accuracy of our estimates of the fair value of our MSRs are highly dependent upon the reasonableness of the results of such models and the variables and assumptions that we build into them. If loan delinquencies or prepayment speeds are higher than anticipated or other factors perform worse than modeled, the recorded value of certain of our MSRs may decrease, which could adversely affect our business, financial condition and results of operations.

***The success and growth of our business will depend upon our ability to adapt to and implement technological changes and to develop and market attractive products and services.***

The mortgage industry is continually undergoing rapid technological change with frequent introductions of new products and services. We seek to differentiate ourselves by the range of mortgage programs we offer and rely on our internally-developed technology to make our platform available to our loan officers, evaluate mortgage applicants, service loans and enable greater

operational efficiency. Our future success and growth depend, in part, upon our ability to develop new products and services that satisfy changing client demand and use technology to provide a desirable client experience and to create additional efficiencies in our operations. If we fail to predict demand and develop, commercialize, and achieve acceptance of attractive products and services, our business and prospects could be adversely affected. In addition, the implementation of technological changes and upgrades to maintain current systems and integrate new ones may also cause service interruptions, transaction processing errors and system conversion delays, may cause us to fail to comply with applicable laws, and may cause us to incur additional expenses, which may be substantial. Failure to keep pace successfully with technological change affecting the mortgage industry and avoid interruptions, errors and delays could have a material adverse effect on our business, financial condition or results of operations.

***Adverse events to our clients could occur, which can result in substantial losses that could adversely affect our financial condition.***

A client's ability or willingness to repay his or her mortgage may be adversely affected by numerous factors, including a loss of or change in employment or income, weak macro-economic conditions, increases in payment obligations to other lenders and deterioration in the value of the home that serves as collateral for the loan. Increases in delinquencies or defaults related to these and other factors may adversely affect our business, financial condition, liquidity and results of operations and may also cause decreased demand in the secondary market for loans originated through Guild. In addition, higher risk loans incur greater servicing costs because they require more frequent interaction with clients and closer monitoring and oversight. We may not be able to pass along these additional servicing costs associated with higher-risk loans to our clients and they could result in substantial losses that could adversely affect our financial condition.

***Our business could be materially and adversely affected by a cybersecurity breach or other vulnerability involving our computer systems or those of certain of our third-party service providers.***

Our systems and those of certain of our third-party service providers could be vulnerable to hardware and cybersecurity issues. Our operations depend upon our ability to protect our computer equipment against damage from fire, power loss, telecommunications failure or a similar catastrophic event. We could also experience a breach by intentional or negligent conduct on the part of employees or other sources. Any damage or failure that causes an interruption in our operations or those of our third-party service providers could have an adverse effect on our business, operating results, financial condition and prospects. In addition, our operations depend upon our ability to protect the computer systems and network infrastructure we use against damage from cybersecurity attacks by sophisticated third parties with substantial computing resources and capabilities and other disruptive problems caused by the internet or other users. These disruptions could jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, including personal or confidential information of our clients, employees and others, which may result in significant liability and damage our reputation.

While we have implemented security measures designed to protect against security incidents, it is difficult or impossible to defend against every risk being posed by changing technologies as well as criminals intent on committing cyber-crime and any measures we employ may not be successful in preventing, detecting or stopping attacks. The increasing sophistication and resources of cyber criminals and other non-state threat actors and increased actions by nation-state actors make keeping up with new threats difficult and could result in a breach of security. Controls employed by our information technology department and our third-party service providers, including cloud vendors, could prove inadequate and we may be unable in the future to detect vulnerabilities in our information technology systems. A breach of our security that results in unauthorized access to our data could expose us to a disruption or challenges relating to our daily operations, as well as to data loss, litigation, damages, fines and penalties, significant increases in compliance costs and reputational damage, any of which could have a material and adverse effect on our business, operating results, financial condition and prospects.

As a result of the continuing COVID-19 pandemic, our workforce shifted from in-person to remote work environment. We have since transitioned to a hybrid work environment in which a portion of our workforce may work in-person. This transition to a prolonged hybrid work environment

may exacerbate certain risks to our business, including increasing the stress on, and our vulnerability to disruptions of, our technology infrastructure and computer systems, increased risk of phishing, ransomware, and other cybersecurity attacks, and increased risk of unauthorized dissemination of personal or confidential information.

To the extent we or our systems rely on third-party service providers through either a connection to, or an integration with, those third-parties' systems, the risk of cybersecurity attacks and loss, corruption or unauthorized publication of our information or the confidential information of our clients, employees, and others, may increase. We may rely on third-party service providers and technologies to operate critical business systems to process sensitive data in a variety of contexts, including, without limitation, cloud-based infrastructure, data center facilities, encryption and authentication technology, employee email, content delivery to customers, and other functions. Third-party risks may include ineffective security measures, data location uncertainty, and the possibility of data storage in inappropriate jurisdictions where laws or security measures may be inadequate.

Any or all of the issues described above could adversely affect our ability to attract new clients and continue our relationship with existing clients and could subject us to governmental or third-party lawsuits, investigations, regulatory fines or other actions or liability, thereby harming our business, operating results, financial condition and prospects.

***Operating and growing our business may require additional capital, and if capital is not available to us, our business, operating results, financial condition, and prospects may suffer.***

Operating and growing our business is expected to require further investments in our technology and operations. We may be presented with opportunities that we want to pursue, and unforeseen challenges may present themselves, either of which could cause us to require additional capital. If our cash needs exceed our expectations or we experience rapid growth, we could experience strain in our cash flow, which could adversely affect our operations in the event we were unable to obtain other sources of liquidity. If we seek to raise funds through equity or debt financing, those funds may prove to be unavailable, may only be available on terms that are not acceptable to us or may result in significant dilution to you or higher levels of leverage. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, operating results, financial condition, and prospects could be materially and adversely affected.

***We are subject to certain operational risks, including, but not limited to, employee or customer fraud, the obligation to repurchase sold loans in the event of a documentation error, and data processing system failures and errors.***

Employee errors and employee and client misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include, among other things, improper use of confidential information and fraud. It is not always possible to prevent employee errors and misconduct or documentation errors, and the precautions we take to prevent and detect this activity may not be effective in all cases. In addition, we rely heavily upon information supplied by third parties, including the information contained in credit applications, property appraisals, title information and valuation, and employment and income documentation, in deciding which loans we will originate as well as the terms of those loans. If any of the information upon which we rely is misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to the mortgage being funded, the value of that mortgage may be significantly lower than expected, or we may fund a mortgage that we would not have funded or on terms we would not have extended. Whether a misrepresentation is made by the mortgage applicant or another third party, we generally bear the risk of loss associated with such misrepresentation. A loan subject to a material misrepresentation is typically unsellable or subject to repurchase if it is sold prior to detection of the misrepresentation. The sources of the misrepresentations are often difficult to identify, and it is often difficult to recover any of the monetary losses we may suffer. These risks could adversely affect our business, results of operation, financial condition, and reputation.

***We are periodically required to repurchase mortgage loans that we have sold, or indemnify purchasers of our mortgage loans, if these loans fail to meet certain criteria or characteristics or under other circumstances.***

At the time a loan is sold to an investor, we make certain representations and warranties. If defects are subsequently discovered in these representations and warranties that cause a loan to no longer satisfy the applicable investor eligibility requirements, we may be required to repurchase that loan. We are also required to indemnify several of our investors for borrowers' prepayments and defaults. In addition, with respect to delinquent Ginnie Mae mortgage loans that we service, we are required to repurchase such loans prior to foreclosing and liquidating the mortgaged properties securing such loans. For the period ended September 30, 2022, Ginnie Mae accounted for 28.3% of the UPB of our servicing portfolio.

As of September 30, 2022, we have a reserve of \$16.0 million for repurchase and indemnification obligations. Actual repurchase and indemnification obligations could materially exceed the reserves we have recorded in our financial statements. There can be no guarantee that future losses will not be in excess of the recorded liability.

***Seasonality may cause fluctuations in our financial results.***

The mortgage origination industry can be seasonal. We typically experience an increase in our mortgage origination activity during the second and third quarters and reduced activity in the first and fourth quarters as homebuyers tend to purchase their homes during the spring and summer in order to move to a new home before the start of the school year. Accordingly, our loan origination revenues vary from quarter to quarter and comparisons of sequential quarters may not be meaningful.

***If we fail to protect our brand and reputation, our ability to grow our business and increase the volume of mortgages we originate and service may be adversely affected.***

Maintaining strong brand recognition and a reputation for trustworthiness and for delivering a superior client experience is important to our business. If we fail to protect our brand and deliver on these expectations, or if negative public opinion relating to Guild or other mortgage industry participants resulting from actual or alleged conduct in mortgage origination, servicing or other activities, government oversight or regulation, litigation or other matters should occur, these events could harm our reputation and damage our ability to attract and retain clients or maintain our referral network, which could adversely affect our business. Our reputation may also be negatively impacted by our environmental, social and governance practices and disclosures, including climate change practices and disclosures.

We could be forced to incur greater expense marketing our brand or maintaining our reputation in the future to preserve our position in the market and, even with such greater expense, we may not be successful in doing so. Many of our competitors have more resources than we do and can spend more advertising their brands and services. If we are unable to maintain or enhance consumer awareness of our brand cost-effectively and maintain our reputation, or otherwise experience negative publicity, our business, operating results, financial condition and prospects could be materially and adversely affected.

***We are subject to certain risks associated with investing in real estate and real estate related assets, including risks of loss from adverse weather conditions, man-made or natural disasters, pandemics, terrorist attacks and the effects of climate change, which may cause disruptions in our operations and could materially and adversely affect the real estate industry generally and our business, financial condition, liquidity and results of operations.***

Weather conditions and man-made or natural disasters such as hurricanes, tornadoes, earthquakes, pandemics, floods, droughts, fires, and other environmental conditions can adversely impact properties that we own or that collateralize loans we own or service, as well as properties where we conduct business. Future adverse weather conditions and man-made or natural disasters could also adversely impact the demand for, and value of, our assets, as well as the cost to service or manage such assets, directly impact the value of our assets through damage, destruction or loss, and thereafter materially impact the availability or cost of insurance to protect against these events.



Terrorist attacks and other acts of violence, including Russia's invasion of Ukraine in February 2022 and the resulting sanctions against Russia and certain Russian citizens, have caused and may continue to cause consumer confidence and spending to decrease or result in disruptions in U.S. financial markets and negatively impact the U.S. economy in general. It is not possible to predict the broader consequences of this conflict, which could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, currency exchange rates and financial markets, all of which could impact our business, financial condition, and results of operations.

Potentially adverse consequences of global warming and climate change, including rising sea levels and increased intensity of extreme weather events, could similarly have an impact on our properties and the local economies of certain areas in which we operate. Although we believe the properties collateralizing our loan assets or underlying our MSR assets are appropriately covered by insurance, we cannot predict at this time if we or our borrowers will be able to obtain appropriate coverage at a reasonable cost in the future, or if we will be able to continue to pass along all of the costs of insurance. There also is a risk that one or more of our property insurers may not be able to fulfill their obligations with respect to claims payments due to a deterioration in its financial condition or may even cancel policies due to increasing costs of providing insurance coverage in certain geographic areas.

Certain types of losses, generally of a catastrophic nature, that result from events described above such as earthquakes, floods, hurricanes, tornados, terrorism, acts of war, and pandemics, may also be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, also might make the insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. Under these circumstances, the insurance proceeds received might not be adequate to restore our economic position with respect to the affected real property. Any uninsured loss could result in the loss of cash flow from, and the asset value of, the affected property, which could have an adverse effect on our business, financial condition, liquidity, and results of operations.

### **Risks Related to Regulatory Environment**

***Our mortgage loan origination and servicing activities are subject to a highly complex legal and regulatory framework, and non-compliance with or changes in laws and regulations governing our industry could harm our business, operating results, financial condition, and prospects.***

The mortgage industry is subject to a highly complex legal and regulatory framework. In addition to the licensing requirements for each of the jurisdictions in which we originate or service loans, we must comply with a number of federal, state, and local consumer protection and other laws including, among others, the Truth in Lending Act, Real Estate Settlement Procedures Act, Equal Credit Opportunity Act ("ECOA"), Fair Credit Reporting Act, Fair Housing Act ("Housing Act"), Telephone Consumer Protection Act, Gramm-Leach-Bliley Act, Electronic Fund Transfer Act of 1978, Servicemembers Civil Relief Act, Military Lending Act, Homeowners Protection Act, Home Mortgage Disclosure Act, Secure and Fair Enforcement for Mortgage Licensing Act, Federal Trade Commission Act, Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, CARES Act, federal, state and local laws designed to discourage predatory lending and servicing practices, prohibit unfair, deceptive, or abusive acts or practices, protect customer privacy, and regulate debt collection and consumer credit reporting, and state foreclosure laws. These and other laws and regulations directly affect our business and require constant compliance monitoring, internal and external audits, and examinations by federal and state regulators. Changes to the laws, regulations, and guidelines relating to the origination and servicing of mortgages, including those already adopted and those that may be adopted in response to the COVID-19 pandemic, their interpretation or the manner in which they are enforced, could render our current business practices non-compliant or make compliance more difficult or expensive.

As a non-depository lending and servicing institution, we are subject to the regulatory authority of the Consumer Financial Protection Bureau ("CFPB"), including, without limitation, its authority to conduct investigations, bring enforcement actions, impose monetary penalties, require remediation of practices, pursue administrative proceedings or litigation, and obtain cease and desist orders for violations of applicable federal consumer financial laws. The CFPB has been active in

investigations and enforcement actions, and has issued civil money penalties to parties when the CFPB has determined that such parties have violated the laws and regulations it enforces. Our failure to comply with the federal consumer protection laws and regulations to which we are subject, whether that failure is actual or alleged, could expose us to enforcement actions or potential litigation liabilities. Additional regulatory uncertainty now exists as a result of a decision issued by the United States Court of Appeals for the Fifth Circuit on October 19, 2022, striking down a CFPB rulemaking as a result of its conclusion that the funding structure for the CFPB violates the Appropriations Clause of the U.S. Constitution. Because all CFPB rulemakings depend on the expenditure of CFPB funds, there is a risk that prior CFPB activities, including the promulgation of regulations impacting the mortgage market and upon which lenders, such as Guild, have relied in conducting their activities, may also be deemed unconstitutional.

It is possible that we are not, and will not in the future be, in full compliance with current and future laws and regulations, or interpretations of the foregoing. Our failure, or the failure of our loan officers, other employees, correspondent sellers or others with whom we have business relationships, to operate in compliance with any of the laws, regulations, and guidelines relating to the origination, servicing, and collection of mortgages could result in, among other things, the loss of licenses and approvals required for us to engage in the business of originating, servicing, and collecting mortgage loans, governmental investigations and enforcement actions, damage to our brand and reputation, civil and criminal liability and administrative penalties, which could have a material and adverse effect on our business, operating results, financial condition, and prospects.

The Financial Stability Oversight Council ("FSOC") has recommended that federal and state regulators strengthen the prudential regulation of nonbank mortgage origination and servicing companies and has issued guidance describing the process FSOC would follow if it were to consider making a determination to subject a nonbank financial company to supervision by the Board of Governors of the Federal Reserve System and prudential standards. The FSOC has also been conducting a review of the secondary mortgage market focused on the regulation of the GSEs. Additionally, the Conference of State Bank Supervisors ("CSBS") has issued a proposal for enhancing regulatory prudential standards for nonbank mortgage servicers subject to licensing and supervision by state financial regulators. The CSBS prudential regulatory proposal includes standards for capital, liquidity, risk management, data standards and integrity, data protection and cyber risk, corporate governance, servicing transfer requirements, and change of control requirements. To the extent that the FSOC and other regulators move forward with new prudential reforms of nonbank mortgage originators or servicers (including designating nonbank mortgage companies for heightened prudential regulation by the Federal Reserve), the markets they serve, or the secondary mortgage market, it could materially affect the operating costs, competitiveness, business plan, and prospects of our business.

***Failure to comply with fair lending laws and regulations could lead to a wide variety of sanctions that could have a material adverse effect on our business, financial condition, and results of operations.***

Anti-discrimination statutes, such as the Housing Act, ECOA, and other fair lending laws and regulations prohibit creditors from discriminating against loan applicants and borrowers based on certain characteristics, such as race, religion, and national origin. The Department of Justice and other federal agencies, including the CFPB, are responsible for enforcing these laws and regulations. In 2015, the U.S. Supreme Court confirmed that the "disparate impact" theory applies to cases brought under the Housing Act, while emphasizing that a causal relationship must be shown between a specific policy of the defendant and a discriminatory result that is not justified by a legitimate objective of the defendant. As a result, various federal regulatory agencies and departments take the position that these laws apply not only to intentional discrimination, but also to neutral practices that have a disparate impact on a group that shares a characteristic that a creditor may not consider in making credit decisions (i.e., creditor or servicing practices that have a disproportionately negative effect on a protected class of individuals). Although it is still unclear whether the theory applies under the ECOA, regulatory agencies and private plaintiffs can be expected to continue to apply it to both the Housing Act and ECOA in the context of mortgage loan lending and servicing. Compliance with anti-discrimination prohibitions, and particularly the disparate impact theory, creates a significant administrative burden and potential liability for failure to comply. In addition, regulatory agencies and consumer advocacy groups are becoming more aggressive in asserting fair lending, fair housing

and other claims that the practices of lenders and loan servicers result in a disparate impact on protected classes. A successful regulatory challenge to our performance under these fair lending laws and regulations could result in a wide variety of sanctions, including damages, injunctive or equitable relief, and civil money penalties. In addition to reputational harm, such sanctions could have a material adverse effect on our business, financial condition, and results of operations. Beyond exposure to potential fair lending or servicing claims under disparate impact theory, lenders face increasing regulatory, enforcement and litigation risk under the FHA and ECOA from claims of “redlining” and “reverse redlining.” Redlining is the practice of avoiding providing services to individuals living in communities of color because of the race or national origin of the people who live in those communities. Reverse redlining is targeting an applicant in a certain neighborhood for a higher cost products or services. In late 2021, the Department of Justice launched a “combating redlining initiative” and partnership with other federal and state agencies, including the CFPB, to crack down on discriminatory lending practices, making clear they are a high priority across the financial services regulatory ecosystem. In addition, the CFPB recently announced that it intends to use its authority under the Consumer Financial Protection Act to identify, prohibit, and prosecute discrimination as an unfair, deceptive, or abusive act or practices to target discriminatory conduct, even where fair lending laws such as the ECOA may not apply. More restrictive laws and regulations may be adopted in the future, and governmental bodies or courts may interpret existing laws or regulations in a more restrictive manner, which could make compliance more difficult or expensive. Any such changes in laws, regulations or interpretations could have a detrimental effect on our business.

***We are subject to state licensing and operational requirements. Our failure to obtain and maintain the appropriate state licenses would prohibit us from originating or servicing mortgages in those states and adversely affect our operations.***

Because we are not a federally chartered depository institution, we do not benefit from exemptions to state mortgage lending, loan servicing or debt collection licensing and regulatory requirements. In most states in which we operate, a regulatory agency or agencies regulates and enforces laws relating to mortgage servicing companies and mortgage origination companies such as us. These rules and regulations generally require that we seek and maintain certain licenses and comply with certain business practice standards, including requirements as to the form and content of contracts and other documentation and the licensing of our employees. As a nonbank mortgage lender, we are subject to licensure, regulation, and supervision by every state and district in which we do business. States examine nonbank mortgage lenders and servicers periodically, depending on state law requirements and other factors such as the lender’s size and compliance history. These examinations may include a review of the nonbank lender’s compliance with all federal and state consumer protection laws, compliance management system, and internal controls. Complying with this regulatory framework requires a meaningful dedication of management and financial resources. Changes to existing state legislation or the adoption of new state legislation, as well as our entry into new markets in states in which we had not previously operated, could increase our compliance costs. This could render business in any one state or states cost-prohibitive and could materially affect our business and our growth strategy. Any failure to comply with these licensing and operational requirements could have a material and adverse effect on our business, operating results, financial condition, and prospects.

***Changes in the guidelines of the GSEs, FHA, VA, USDA, and Ginnie Mae could adversely affect our business.***

We are required to follow specific guidelines and eligibility standards that impact the way we service and originate GSE and U.S. government agency loans, including guidelines and standards with respect to credit standards for mortgage loans, our staffing levels, and other servicing practices, and the servicing and ancillary fees that we may charge. In addition, we are required to meet certain minimum financial requirements relating to our net worth, capital ratio, and liquidity in order to sell the loans that we originate to certain investors, including the GSEs. A change in these guidelines could require us to expend additional resources to originate and service mortgages or make it more difficult for us to do so profitably or at all, and a failure to meet applicable financial requirements could materially impair our ability to originate and service loans, any of which could have a material and adverse effect on our business, operating results, financial condition, and prospects. In August

2022, the Federal Housing Finance Agency and Ginnie Mae announced updated minimum financial eligibility requirements for Fannie Mae and Freddie Mac Seller/Serviceers, and Ginnie Mae for single family issuers. The updated minimum financial eligibility requirements modify the definitions of tangible net worth and eligible liquidity, modify their minimum standard measurement and include a new risk-based capital ratio, among other changes. In September 2022, at the direction of the FHFA, Fannie Mae and Freddie Mac announced similar revisions to minimum financial eligibility requirements. The majority of the requirements are effective on September 30, 2023 with origination liquidity and certain other capital requirements effective as of December 31, 2023. On October 21, 2022, Ginnie Mae extended the compliance date for its risk-based capital requirements to December 31, 2024. Certain of these new capital requirements may impact liquidity in Ginnie Mae markets and while the ultimate impact remains uncertain, such requirements could have the effect of devaluing certain Ginnie Mae MSRs. If we misjudge the magnitude of the costs and benefits of these updated minimum financial eligibility requirements and their impacts on our business, our financial results could be negatively impacted.

In addition, changes in the nature or extent of the guarantees provided by the GSEs, Ginnie Mae, the USDA or the VA, or the insurance provided by the FHA, or coverage provided by private mortgage insurers, could also have broad adverse market implications. Any future increases in guarantee fees or changes to their structure or increases in the premiums we are required to pay to the FHA or private mortgage insurers for insurance, or to the VA or the USDA for guarantees, could increase mortgage origination costs and insurance premiums for our clients. These industry changes could result in reduced demand for our mortgage services, resulting in reduced origination volume and profitability for us, which could materially and adversely affect our business, operating results, financial condition, and prospects.

### **Risks Related to Our Organization and Structure**

#### ***We are controlled by MCMI, and MCMI's interests may conflict with our interests and the interests of our other stockholders.***

MCMI holds all of our issued and outstanding Class B common stock and controls approximately 95.2% of the combined voting power of our outstanding common stock. As a result, MCMI controls any action requiring the general approval of our stockholders, including the election of our Board of Directors, the adoption of amendments to our certificate of incorporation and bylaws, and the approval of any merger or sale of substantially all of our assets. So long as MCMI continues to directly or indirectly own a significant amount of our equity, even if such amount is less than a majority of the combined voting power of our outstanding common stock, MCMI will continue to be able to substantially influence the outcome of votes on all matters requiring approval by the stockholders. The interests of MCMI could conflict with or differ from our interests or the interests of our other stockholders. For example, the concentration of ownership held by MCMI could delay, defer or prevent a change of control of our Company or impede a merger, takeover or other business combination that may otherwise be attractive to us or our other stockholders.

#### ***We are a "controlled company" within the meaning of the New York Stock Exchange ("NYSE") rules and, as a result, we are permitted, and elect, to rely on exemptions from certain corporate governance requirements that provide protection to stockholders of other companies.***

Because MCMI controls a majority of the combined voting power of our outstanding common stock, we are considered a controlled company under the applicable rules of the NYSE. As a controlled company, we are permitted to elect not to comply with certain corporate governance requirements of the NYSE, including the requirements that:

- a majority of our Board of Directors consist of independent directors;
- we have a nominating and corporate governance committee that is composed entirely of independent directors; and
- we have a compensation committee that is composed entirely of independent directors.

These requirements will not apply to us as long as we remain a controlled company. Accordingly, investors in our Class A common stock may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the NYSE. We have currently elected not to rely on the exemption above except that we do not have a compensation committee composed entirely of independent directors.

***Our directors and executive officers have significant control over our business.***

Our directors and executive officers beneficially own, directly or indirectly, in the aggregate, approximately 35.5% of the outstanding shares of our Class A common stock and 100% of the outstanding shares of our Class B common stock (to the extent the Chairman of our Board of Directors may be deemed to beneficially own all of the shares of our Class B common stock beneficially owned by MCMI), representing an aggregate of approximately 96.9% of the combined voting power of our outstanding common stock. As a result, in addition to their day-to-day management roles, our executive officers and directors will be able to exercise significant influence on our business as stockholders, including influence over election of members of the Board of Directors and the authorization of other corporate actions requiring stockholder approval.

***We are a holding company and depend upon distributions from GMC to meet our obligations.***

We are a holding company with no material assets other than our ownership of equity interests in GMC, which is our wholly owned subsidiary. Our ability to pay dividends and to pay taxes and cover other expenses depends on the financial results and cash flows of GMC. As the sole member of GMC, we intend to cause GMC to make distributions to us in amounts sufficient to meet our obligations. Certain laws and regulations, however, may result in restrictions on GMC's ability to make distributions to us. To the extent that we need funds and GMC is restricted from making such distributions under applicable law or regulation or under the terms of any of its financing arrangements, we may not be able to obtain funds on terms acceptable to us or at all and as a result could suffer an adverse effect on our liquidity and financial condition.

**Risks Related to our Class A Common Stock**

***Sales of a substantial number of shares of our common stock by our existing stockholders in the public market could cause the price of our Class A common stock to fall.***

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could significantly reduce the market price of our Class A common stock. If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock (including shares of our Class B common stock that would convert to Class A common stock in connection with such sales) in the public market, the trading price of our Class A common stock could substantially decline. Furthermore, if MCMI or our executive officers and directors were to sell a substantial portion of the shares they hold, it could cause the price of our Class A common stock to decline.

***Our issuance of capital stock in connection with financings, acquisitions, investments, our equity incentive plans or otherwise would dilute all other stockholders.***

We may issue capital stock in the future. Any such issuance would result in dilution to all other stockholders. In the future, we may issue stock, including as a grant of equity awards to employees, directors, and consultants under our equity incentive plans, to raise capital through equity financings or to acquire or make investments in companies, products or technologies for which we may issue equity securities as consideration or for financing purposes. Any such issuances of capital stock in the future may cause stockholders to experience significant dilution of their ownership interests and the per share value of our Class A common stock to decline.

***We do not intend to pay dividends in the foreseeable future.***

Although we have paid some special dividends in the past, we do not anticipate declaring or paying regular cash dividends on our Class A common stock in the foreseeable future. Instead, we anticipate that most or all of our future earnings will be retained to support our operations and finance the growth and development of our business. Any future determination to declare and pay

cash dividends, if any, will be made at the discretion of our Board of Directors and will depend on a variety of factors, including applicable laws, our financial condition, results of operations, contractual restrictions, capital requirements, business prospects, general business or financial market conditions, and other factors our Board of Directors may deem relevant. Investors should not purchase our Class A common stock with the expectation of receiving cash dividends.

***Certain provisions in our certificate of incorporation and bylaws and of Delaware law may prevent or delay an acquisition of Guild, which could decrease the trading price of our Class A common stock.***

Our certificate of incorporation, bylaws, and Delaware law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the bidder and to encourage prospective acquirers to negotiate with our Board of Directors rather than to attempt a hostile takeover. These provisions include, among others, those establishing:

- a dual class common stock structure, which provides MCMI with the ability to control the outcome of matters requiring stockholder approval, even if it beneficially owns significantly less than a majority of the shares of our outstanding common stock;
- the division of our Board of Directors into three classes of directors, with each class serving a staggered three-year term, which could have the effect of making the replacement of incumbent directors more time-consuming and difficult;
- the inability of our stockholders to call a special meeting;
- the inability of our stockholders to act by written consent after MCMI and its affiliated private equity funds cease to beneficially own a majority of the combined voting power of our capital stock;
- rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings;
- the right of our Board of Directors to issue preferred stock without stockholder approval;
- the inability of stockholders to remove directors without cause after MCMI, any other investment funds affiliated with MCMI, and any company or other entity controlled by, controlling or under common control with MCMI or any such investment fund (other than any portfolio company) cease to beneficially own a majority of the combined voting power of our capital stock; and
- the ability of our directors, not our stockholders, to fill vacancies on the Board of Directors.

In addition, because we have not elected to be exempt from Section 203 of the Delaware General Corporation Law (the "DGCL"), this provision could also delay or prevent a change of control that stockholders may favor. Section 203 of the DGCL provides that, subject to limited exceptions, a person that acquires, or is affiliated with a person that acquires, more than 15% of the outstanding voting stock of a Delaware corporation (an "interested stockholder") must not engage in any business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which the person became an interested stockholder, unless (i) prior to such time, the board of directors of such corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of such corporation at the time the transaction commenced (excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) the voting stock owned by directors who are also officers or held in employee benefit plans in which the employees do not have a confidential right to tender or vote stock held by the plan); or (iii) on or subsequent to such time the business combination is approved by the board of directors of such corporation and authorized at a meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock of such corporation not owned by the interested stockholder.

We believe these provisions protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our Board of Directors and by providing our Board of Directors with more time to assess any acquisition proposal. These provisions are not intended to make Guild immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our Board of Directors determines is not in the best interests of Guild and its stockholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

***Our Board of Directors has the ability to issue blank check preferred stock, which may discourage or impede acquisition attempts or other transactions.***

Our Board of Directors has the power, subject to applicable law, to issue series of preferred stock that could, depending on the terms of the series, impede the completion of a merger, tender offer or other takeover attempt. For instance, subject to applicable law, a series of preferred stock may impede a business combination by including class voting rights, which would enable the holder or holders of such series to block a proposed transaction. Our Board of Directors will make any determination to issue shares of preferred stock based on its judgment as to our and our stockholders' best interests. Our Board of Directors, in so acting, could issue shares of preferred stock having terms which could discourage an acquisition attempt or other transaction that some, or a majority, of the stockholders may believe to be in their best interests or in which stockholders would have received a premium for their stock over the then-prevailing market price of the stock.

***Our certificate of incorporation contains an exclusive forum provision that may discourage lawsuits against us and our directors and officers.***

Our certificate of incorporation provides that, unless the Board of Directors otherwise determines, the state courts in the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal court for the District of Delaware, will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of Guild, any action asserting a claim of breach of a fiduciary duty owed by any director or officer of Guild to Guild or Guild's stockholders, any action asserting a claim against Guild or any director or officer of Guild arising pursuant to any provision of the DGCL or Guild's certificate of incorporation or bylaws, or any action asserting a claim against Guild or any director or officer of Guild governed by the internal affairs doctrine under Delaware law (collectively, the "covered actions"). This exclusive forum provision applies to all covered actions, including any covered action in which the plaintiff chooses to assert a claim or claims under federal law in addition to a claim or claims under Delaware law, although stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. This exclusive forum provision does not apply to actions that do not assert any covered Delaware state law claims, such as, for example, any action asserting solely federal securities law claims, and the enforceability of similar choice of forum provisions in other companies' organizational documents has been challenged in legal proceedings and it is possible that, in connection with claims arising under federal securities laws or otherwise, a court could find this exclusive forum provision to be inapplicable or unenforceable.

This exclusive forum provision may limit the ability of Guild's stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with Guild or Guild's directors or officers, which may discourage such lawsuits against Guild and Guild's directors and officers. Alternatively, if a court were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, Guild may incur additional costs associated with resolving such matters in other jurisdictions or forums, which could materially and adversely affect Guild's business, financial condition or results of operations.

***The dual class structure of our common stock may adversely affect the trading market for our Class A common stock.***

We cannot predict the potential effects our dual class structure may have on our Class A common stock, such as a lower or more volatile market price. In 2017, S&P Dow Jones and FTSE Russell announced that they would begin excluding most newly public companies with multiple classes of shares of common stock from being added to certain indices, including the Russell 2000,

the S&P 500, the S&P MidCap 400 and the S&P SmallCap 600. As a result, our dual class capital structure would make us ineligible for inclusion in any of these indices, and mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track these indices likely will not invest in our stock. Furthermore, we cannot assure you that other stock indices will not take a similar approach to S&P Dow Jones or FTSE Russell in the future. It is unclear what effect, if any, these policies will have on the valuations of publicly traded companies excluded from these indices. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, however, it is possible that exclusion from such indices could make our Class A common stock less attractive to investors. As a result, the market price of our Class A common stock could be adversely affected.

### **Risks Related to Being a Public Company**

***Our quarterly and annual operating results or other operating metrics may fluctuate significantly and may not meet expectations of research analysts, which could cause the trading price of our Class A common stock to decline.***

Our quarterly and annual operating results and other operating metrics have fluctuated in the past and may in the future fluctuate as a result of a number of factors, many of which are outside of our control and may be difficult to predict. Period-to-period variability or unpredictability of our results could result in our failure to meet our expectations or those of any analysts that cover us or investors with respect to revenue or other operating results for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our Class A common stock could decline significantly, and we could face litigation, including securities class action litigation.

***We identified material weaknesses in our internal control over financial reporting and any failure to maintain effective internal control over financial reporting may have a material and adverse effect on our business, operating results, financial condition and prospects.***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on our system of internal control. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. As a public company, we are required to comply with the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act") and other rules that govern public companies. In particular, we are required to certify our compliance with Section 404 of the Sarbanes-Oxley Act, which requires us to furnish annually a report by management on the effectiveness of our internal control over financial reporting. In addition, our independent registered public accounting firm is required to report on the effectiveness of our internal control over financial reporting. In connection with the preparation of our financial statements, material weaknesses in our internal control over financial reporting were identified as of December 31, 2021, which remain unremediated as of September 30, 2022. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Our management's assessment of our internal control over financial reporting in connection with the audit of our December 31, 2021 financial statements and internal control over financial reporting identified that we did not have a sufficient complement of personnel with requisite experience in the design and operation of controls and did not perform an effective risk assessment, including risk of fraud. This resulted in ineffective general information technology controls over user access and change management within the general ledger and loan systems. The deficiencies also contributed to ineffective monitoring of consistent operation of internal control over financial reporting and ineffective evaluation of the reliability of information used in controls. The material weaknesses described above did not result in a misstatement to our annual consolidated financial statements for the year ended December 31, 2021. However, each of these material weaknesses could in the future result in a misstatement of our financial statement accounts or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. We have taken certain measures to remediate the material weaknesses described above, including the following: (1) investing in and continuing to hire



additional finance, accounting and IT resources with appropriate knowledge and expertise to effectively design, operate and document financial reporting processes and internal controls, (2) enhancing risk assessment, including over source systems to identify the appropriate complement of controls to address access and other information technology specific risks, (3) designing and implementing controls to formalize roles and review responsibilities to align with our team's skills and experience, including over segregation of duties and information technology solutions, (4) implementing and monitoring our approach to remediation of control activities, (5) engaging third party specialists to conduct a comprehensive review, update and enhancement of the design and documentation of key business processes to ensure the components of internal control over financial reporting are present and functioning, and (6) reporting regularly to the audit committee on the progress and results of the remediation plan, including the identification, status, and resolution of internal control deficiencies.

We cannot assure you that the measures we have taken to date and may take in the future, will be sufficient to remediate the control deficiencies that led to the material weaknesses in internal control over financial reporting or that they will prevent or avoid potential future material weaknesses. These actions and planned actions are subject to ongoing management evaluation and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles. In addition, even if we are successful in strengthening our controls and procedures, in the future those controls and procedures may not be adequate to prevent or identify irregularities or errors or to facilitate the fair presentation of our consolidated financial statements. As a result, investors, counterparties and consumers may lose confidence in the accuracy and completeness of our financial reports. As a further result, our access to capital markets and perceptions of our creditworthiness could be adversely affected, and the market price of our Class A common stock could decline. In addition, we could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources. Also, the existence of any material weaknesses could require management to devote significant time and incur significant expense to remediate any such material weaknesses, and management may not be able to remediate any such material weaknesses in a timely manner, or at all. These events could have a material and adverse effect on our business, operating results, financial condition and prospects.

***We concluded that our disclosure controls and procedures were not effective as of September 30, 2022 and if we do not remediate our disclosure controls and procedures in a timely manner or fail to maintain effective disclosure controls and procedures in the future, we may not be able to meet applicable reporting requirements, which could materially and adversely affect us.***

We are subject to the informational requirements of the Exchange Act and are required to file reports and other information with the SEC. As a publicly-traded company, we are required to maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file with, or submit to, the SEC is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in reports filed with, or submitted to, the SEC is accumulated and communicated to management, including our principal executive and principal financial officer, to allow timely decisions regarding required disclosure. Effective disclosure controls and procedures are necessary for us to provide reliable reports, effectively prevent and detect fraud, and to operate successfully as a public company. Designing and implementing effective disclosure controls and procedures is a continuous effort that requires significant resources and devotion of time. In designing and evaluating disclosure controls and procedures, our management recognizes that any system of controls, however well designed and operated, can provide only reasonable assurance, and not absolute assurance, that the desired control objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals in all future circumstances. Due to the material weaknesses in our internal control over financial reporting we identified as of December 31, 2021 which remain unremediated as of September 30, 2022 as discussed above, we concluded that our disclosure controls and procedures were not effective as of September 30, 2022. We have taken certain measures to remediate our material weaknesses as discussed above but it

may be difficult or time consuming to remediate them in a timely manner. Any failure to timely effect any necessary improvements thereto or to maintain effective disclosure controls and procedures in the future could cause us to fail to meet our reporting obligations (which could affect the listing of our Class A common stock on the NYSE). Additionally, ineffective disclosure controls and procedures could also adversely affect our ability to prevent or detect fraud, harm our reputation, and cause investors to lose confidence in our reports filed with, or submitted to, the SEC, which would likely have a negative effect on the trading price of our Class A common stock.

### General Risk Factors

***Our existing and any future indebtedness could adversely affect our ability to operate our business, our financial condition or the results of our operations.***

Our existing and any future indebtedness could have important consequences, including:

- requiring us to dedicate a substantial portion of our cash flow to payments on our indebtedness, which would reduce the amount of cash flow available to fund working capital, capital expenditures or other corporate purposes;
- increasing our vulnerability to general adverse economic, industry and market conditions;
- subjecting us to restrictive covenants that may reduce our ability to take certain corporate actions or obtain further debt or equity financing;
- limiting our ability to plan for and respond to business opportunities or changes in our business or industry; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or better debt servicing options.

Failure to make payments or comply with other covenants under our existing debt instruments could result in an event of default. If an event of default occurs and the lender accelerates the amounts due, we may need to seek additional financing, which may not be available on acceptable terms, in a timely manner or at all. In that event, we may not be able to make accelerated payments, and the lender could seek to enforce security interests in the collateral securing such indebtedness, which includes substantially all of our assets.

***Our risk management strategies may not be fully effective in mitigating our risk exposures in all market environments or against all types of risk.***

We have devoted significant resources to develop our risk management policies and procedures and expect to continue to do so in the future. Nonetheless, our risk management strategies may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk, including market, interest rate, credit, liquidity, operational, cybersecurity, legal, regulatory and compliance risks, as well as other risks that we may not have identified or anticipated. As our products and services change and grow and the markets in which we operate evolve, our risk management strategies may not always adapt to those changes in a timely or effective manner. Some of our methods of managing risk are based upon our use of observed historical market behavior and management's judgment. As a result, these methods may not predict future risk exposures, which could be different or significantly greater than the historical measures indicate. Although we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the timing of such outcomes. Any of these circumstances could have an adverse effect on our business, financial condition and results of operations.

***If we are unable to attract, integrate and retain qualified personnel, our ability to develop and successfully grow our business could be harmed.***

Our business depends on our ability to retain our key executives and management and to hire, develop and retain qualified loan officers and other employees. Our ability to expand our business depends on our being able to hire, train and retain sufficient numbers of employees to staff our in-house servicing centers, as well as other personnel. Our success in recruiting highly skilled and qualified personnel can depend on factors outside of our control, including the strength of the

general economy and local employment markets and the availability of alternative forms of employment. If the services of any of our key personnel should become unavailable for any reason, we may not be able to identify and hire qualified persons on terms acceptable to us, which could have a material and adverse effect on our business, operating results, financial condition and prospects.

**We may from time to time be subject to litigation, which may be extremely costly to defend, could result in substantial judgment or settlement costs and could subject us to other remedies.**

From time to time, we have been, and may continue to be, involved in various legal proceedings, including, but not limited to, actions related to our lending and servicing practices as well as alleged violations of the local, state and federal laws to which our business is subject. See "Part II, Item 1 – Legal Proceedings." Claims may be expensive to defend and may divert management's time away from our operations, regardless of whether they are meritorious or ultimately lead to a judgment against us. We cannot assure you that we will be able to successfully defend or resolve any current or future litigation matters, and the resolution of such matters may result in significant financial payments by, or penalties imposed upon, us, restrictions on our business and operations, or other remedies, in which case those litigation matters could have a material and adverse effect on our business, operating results, financial condition and prospects.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information with respect to repurchases of shares of our Class A common stock during the three months ended September 30, 2022:

| Period                                  | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup> | Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands) <sup>(2)</sup> |
|---|----------------------------------|------------------------------|---|--|
| July 1, 2022 to July 31, 2022           | 66,625                           | \$ 11.52                     | 66,625  | \$ 17,807  |
| August 1, 2022 to August 31, 2022       | 27,763                           | \$ 11.07                     | 27,763  | \$ 17,496  |
| September 1, 2022 to September 30, 2022 | 44,574                           | \$ 10.77                     | 44,574  | \$ 17,032  |
| Total                                   | 138,962                          | \$ 11.13                     | 138,962   |  |

(1) Average price paid per share includes costs associated with the repurchases.

(2) On May 5, 2022, our Board of Directors approved a stock repurchase program for the repurchase of up to \$20.0 million of our outstanding Class A common stock over a period of 24 months from such date. As of September 30, 2022, \$17.0 million remains available for repurchase. The share repurchase program allows us to repurchase shares of our Class A common stock from time to time on the open market or in privately negotiated transactions. We are not obligated to purchase any shares under the share repurchase program and the timing of any repurchases will depend on a number of factors, including, but not limited to, stock price, trading volume, market conditions, and other general business considerations. The share repurchase program may be modified, suspended or terminated by our Board of Directors at any time.

**ITEM 6. EXHIBITS****EXHIBIT INDEX**

| <b>Exhibit</b> | <b>Description</b>  |
|----------------|---|
| 3.1            | <a href="#">Amended and Restated Certificate of Incorporation of Guild Holdings Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-39645) filed on October 26, 2020)</a>  |
| 3.2            | <a href="#">Amended and Restated Bylaws of Guild Holdings Company (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-39645) filed on October 26, 2020)</a>  |
| 31.1*          | <a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>   |
| 31.2*          | <a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>   |
| 32.1#          | <a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>  |
| 101            | The following financial information from Guild's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Changes in Stockholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements |
| 104            | Cover Page Interactive Data File - (formatted as Inline XBRL and contained in Exhibit 101)  |

\* Filed herewith.

# This certification is not deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended or the Exchange Act.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant caused this Quarterly Report to be signed on its behalf by the undersigned, thereunto duly authorized.

GUILD HOLDINGS COMPANY

Dated: November 4, 2022

By: /s/ Mary Ann McGarry  
Name: Mary Ann McGarry  
Title: Chief Executive Officer

Dated: November 4, 2022

By: /s/ Desiree A. Kramer  
Name: Desiree A. Kramer  
Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mary Ann McGarry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Guild Holdings Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2022

By: \_\_\_\_\_  
/s/ Mary Ann McGarry  
Mary Ann McGarry  
Chief Executive Officer

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Desiree A. Kramer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Guild Holdings Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2022

By:

/s/ Desiree A. Kramer

Desiree A. Kramer  
Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Guild Holdings Company (the "Company") for the period ending September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2022

By: \_\_\_\_\_  
/s/ Mary Ann McGarry  
Mary Ann McGarry  
Chief Executive Officer

Date: November 4, 2022

By: \_\_\_\_\_  
/s/ Desiree A. Kramer  
Desiree A. Kramer  
Chief Financial Officer