UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024
OR

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

Commission File Number 001-40143

Better Home & Finance Holding Company

(Exact name of registrant as specified in its charter)

Delaware	**93-3029990**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Better Home & Finance Holding Company
53 Beach Street, 3rd Floor
New York, NY 10013
(Address of Principal Executive Offices, including zip code)
(415) 522-8837
(Registrant’s telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.0001 per share	BETR	The Nasdaq Stock Market LLC
Warrants exercisable for one share of Class A common stock at an exercise price of $575	BETRW	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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

As of November 4, 2024, there were 8,546,917 shares of Class A common stock, 5,165,938 shares of Class B common stock and 1,437,545 shares of Class C common stock of the registrant issued and outstanding.

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Part I - Financial Information

Item 1. Financial Statements

BETTER HOME & FINANCE HOLDING COMPANY AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share amounts)	September 30, 2024	December 31, 2023
Assets		
Cash and cash equivalents	$ 207,673	$ 503,591
Restricted cash	29,406	24,475
Short-term investments	54,414	25,597
Mortgage loans held for sale, at fair value	339,485	170,150
Loans held for investment (net of allowance for credit losses of $1,138 and none as of September 30, 2024 and December 31, 2023, respectively)	81,401	4,793
Other receivables, net	17,337	16,888
Property and equipment, net	12,846	16,454
Right-of-use assets	3,471	19,988
Internal use software and other intangible assets, net	24,684	38,126
Goodwill	33,403	32,390
Derivative assets, at fair value	4,425	1,716
Prepaid expenses and other assets	36,618	51,386
Total Assets	$ 845,163	$ 905,554
Liabilities and Stockholders' (Deficit)/Equity		
Liabilities		
Warehouse lines of credit	$ 134,481	$ 126,218
Convertible Note	518,012	514,644
Customer deposits	97,782	11,839
Accounts payable and accrued expenses (includes $81 and none payable to related parties as of September 30, 2024 and December 31, 2023, respectively)	68,557	66,558
Escrow payable and other customer accounts	4,736	3,376
Derivative liabilities, at fair value	6	949
Warrant and equity related liabilities, at fair value	1,404	2,331
Lease liabilities	4,824	31,202
Other liabilities (includes none and $390 payable to related parties as of September 30, 2024 and December 31, 2023, respectively)	14,973	25,837
Total Liabilities	844,775	782,954
Commitments and contingencies (see Note 12)		
Stockholders' (Deficit)/Equity		
Common stock $0.0001 par value; 66,000,000 shares authorized as of September 30, 2024 and December 31, 2023, and 15,136,302 and 15,035,467 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively[1]	2	2
Notes receivable from stockholders	(9,149)	(10,111)
Additional paid-in capital [1]	1,858,070	1,838,499
Accumulated deficit	(1,851,143)	(1,704,076)
Accumulated other comprehensive loss	2,608	(1,714)
Total Stockholders' (Deficit)/Equity	388	122,600
Total Liabilities and Stockholders' (Deficit)/Equity	$ 845,163	$ 905,554

1. Periods have been adjusted to reflect the 1-for-50 reverse stock split on August 16, 2024. See Note 1 Organization and Nature of the Business - Reverse Stock Split, for additional information.

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

BETTER HOME & FINANCE HOLDING COMPANY AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands, except share and per share amounts)	2024	2023	2024	2023
Revenues:				
Gain on loans, net	$ 21,503	$ 11,553	$ 61,384	$ 50,739
Other revenue	3,070	4,009	8,768	13,664
Net interest income				
Interest income	9,867	4,043	27,900	18,006
Interest expense	(5,446)	(14,698)	(14,545)	(27,781)
Net interest income/(loss)	4,421	(10,655)	13,355	(9,775)
Total net revenues	28,994	4,907	83,507	54,628
Expenses:				
Compensation and benefits	37,752	84,329	111,079	156,437
General and administrative	12,611	14,234	41,813	43,700
Technology	7,249	6,349	19,289	31,959
Marketing and advertising	12,101	5,064	25,186	15,925
Loan origination expense	3,774	627	7,142	9,226
Depreciation and amortization	8,259	10,491	25,323	32,791
Other expenses/(Income)	1,332	237,043	270	247,572
Total expenses	83,078	358,137	230,102	537,610
Loss before income tax (benefit)/expense	(54,084)	(353,230)	(146,595)	(482,982)
Income tax (benefit)/expense	126	659	472	2,539
Net loss	(54,210)	(353,889)	(147,067)	(485,521)
Other comprehensive loss:				
Foreign currency translation adjustment, net of tax	4,056	(759)	4,322	(987)
Comprehensive loss	$ (50,154)	$ (354,648)	$ (142,745)	$ (486,508)
Per share data:				
Loss per share attributable to common stockholders:				
Basic	$ (3.58)	$ (35.63)	$ (9.74)	$ (66.54)
Diluted	$ (3.58)	$ (35.63)	$ (9.74)	$ (66.54)
Weighted average common shares outstanding — basic	15,121,994	9,931,555	15,102,741	7,296,349
Weighted average common shares outstanding — diluted	15,121,994	9,931,555	15,102,741	7,296,349

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

BETTER HOME & FINANCE HOLDING COMPANY AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

For the Three Months Ended September 30, 2024

	Common Stock						
(Amounts in thousands, except share and per share amounts)	Issued and Outstanding [1]	Par Value [1]	Notes Receivables from Stockholders	Additional Paid-In Capital [1]	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders' (Deficit) Equity
Balance as of June 30, 2024	15,110,974	2	(9,130)	1,852,417	(1,796,933)	(1,448)	44,908
Issuance of common stock for options exercised	1,483	—	—	74	—	—	74
Stock-based compensation	—	—	—	5,924	—	—	5,924
Tax withholding upon vesting of restricted stock units	—	—	—	(364)	—	—	(364)
Shares issued for vested restricted stock units	23,845	—	—	—	—	—	—
Vesting of common stock issued via notes receivable from stockholders	—	—	(19)	19	—	—	—
Net loss	—	—	—	—	(54,210)	—	(54,210)
Other comprehensive income— foreign currency translation adjustment, net of tax	—	—	—	—	—	4,056	4,056
Balance - September 30, 2024	15,136,302	$ 2	$ (9,149)	$ 1,858,070	$ (1,851,143)	$ 2,608	$ 388

1. Periods have been adjusted to reflect the 1-for-50 reverse stock split on August 16, 2024. See Note 1 Organization and Nature of the Business - Reverse Stock Split, for additional information.

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

BETTER HOME & FINANCE HOLDING COMPANY AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY (DEFICIT)

For the Three Months Ended September 30, 2023

	Convertible preferred stock		Common Stock						
(Amounts in thousands, except share and per share amounts)	Shares [1]	Amount	Issued and Outstanding [1]	Par Value [1]	Notes Receivables from Stockholders	Additional Paid-In Capital [1]	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders' (Deficit) Equity
Balance - June 30, 2023	2,174,429	$ 436,280	1,967,644	$ —	$ (56,757)	$ 631,503	$ (1,299,320)	$ (1,732)	$ (726,306)
Recapitalization of shares due to Business Combination	4,471,866	—	4,046,598	1	—	(1)	—	—	—
Adjusted Balance as of June 30, 2023	6,646,295	436,280	6,014,242	1	(56,757)	631,502	(1,299,320)	(1,732)	(726,306)
Conversion of convertible preferred stock to common stock	(6,646,295)	(436,280)	6,646,295	1	—	436,279	—	—	436,280
Conversion of pre-closing bridge notes to common stock	—	—	2,100,000	—	—	750,000	—	—	750,000
Issuance of common stock upon Business Combination close	—	—	200,090	—	—	37,967	—	—	37,967
Exercise of warrants	—	—	291,523	—	—	4,290	—	—	4,290
Transaction costs related to the Business Combination	—	—	—	—	—	(18,178)	—	—	(18,178)
Recognition of derivative liability related to earnout	—	—	—	—	—	(1,112)	—	—	(1,112)
Assumption private & public placement warrants	—	—	—	—	—	(1,276)	—	—	(1,276)
Issuance of common stock for options exercised	—	—	34,686	—	—	2,253	—	—	2,253
Repurchase or cancellation of common stock	—	—	(56,110)	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	1,257	40,869	—	—	42,126
Shares issued for vested restricted stock units	—	—	247,048	—	—	(4,790)	—	—	(4,790)
Vesting of common stock issued via notes receivable from stockholders	—	—	—	—	(1,297)		—	—	(1,297)
Forfeiture of shares	—	—	(308,813)	—	30,161	(30,161)	—	—	—
Forgiveness of officer loans	—	—	—	—	988	—	—	—	988
Shares transferred in settlement of loans	—	—	(149,626)	—	15,200	(15,200)	—	—	—
Net loss	—	—	—	—	—	—	(353,889)	—	(353,889)
Other comprehensive loss—foreign currency translation adjustment, net of tax	—	—	—	—		1	—	(698)	(697)
Balance - September 30, 2023	—	$ —	15,019,335	$ 2	$ (10,448)	$ 1,832,444	$ (1,653,209)	$ (2,430)	$ 166,359

1. Periods have been adjusted to reflect the 1-for-50 reverse stock split on August 16, 2024. See Note 1 Organization and Nature of the Business - Reverse Stock Split, for additional information

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

BETTER HOME & FINANCE HOLDING COMPANY AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

For the Nine Months Ended September 30, 2024

(Amounts in thousands, except share and per share amounts)	Common Stock Issued and Outstanding [1]	Common Stock Par Value [1]	Notes Receivables from Stockholders	Additional Paid-In Capital [1]	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' (Deficit) Equity
Balance - December 31, 2023	15,035,467	2	(10,111)	1,838,499	(1,704,076)	(1,714)	122,600
Adjustment of transaction costs related to Business Combination	—	—	—	(2,372)	—	—	(2,372)
Issuance of common stock for options exercised	4,254	—	—	1,529	—	—	1,529
Cancellation of common stock	(30,673)	—	—	—	—	—	—
Stock-based compensation	—	—	—	23,120	—	—	23,120
Tax withholding upon vesting of restricted stock units	—	—	—	(1,736)	—	—	(1,736)
Shares issued for vested restricted stock units	127,254	—	—	—	—	—	—
Vesting of common stock issued via notes receivable from stockholders	—	—	(884)	876	—	—	(8)
Settlement of notes receivable from stockholders	—	—	1,846	(1,846)	—	—	—
Net loss	—	—	—	—	(147,067)	—	(147,067)
Other comprehensive income— foreign currency translation adjustment, net of tax	—	—	—	—	—	4,322	4,322
Balance - September 30, 2024	15,136,302	$ 2	$ (9,149)	$ 1,858,070	$ (1,851,143)	$ 2,608	$ 388

1. Periods have been adjusted to reflect the 1-for-50 reverse stock split on August 16, 2024. See Note 1 Organization and Nature of the Business - Reverse Stock Split, for additional information.

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BETTER HOME & FINANCE HOLDING COMPANY AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

For the Nine Months Ended September 30, 2023

(Amounts in thousands, except share and per share amounts)	Convertible preferred stock		Common Stock						
	Shares	Amount	Issued and Outstanding [1]	Par Value [1]	Notes Receivables from Stockholders	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders' (Deficit) Equity
Balance - December 31, 2022	2,174,429	$ 436,280	1,961,567	$ —	$ (53,225)	$ 618,153	$ (1,167,688)	$ (1,423)	$ (604,183)
Recapitalization of shares due to Business Combination	4,471,866	—	4,034,101	1	—	(1)	—	—	—
Adjusted Balance as of December 31, 2022	6,646,295	436,280	5,995,668	1	(53,225)	618,152	(1,167,688)	(1,423)	(604,183)
Conversion of convertible preferred stock to common stock	(6,646,295)	(436,280)	6,646,295	1	—	436,279	—	—	436,280
Conversion of pre-closing bridge notes to common stock	—	—	2,100,000	—	—	750,000	—	—	750,000
Issuance of common stock upon Business Combination close	—	—	200,090	—	—	37,967	—	—	37,967
Exercise of warrants	—	—	291,523	—	—	4,290	—	—	4,290
Transaction costs related to the Business Combination	—	—	—	—	—	(18,178)	—	—	(18,178)
Recognition of derivative liability related to earnout	—	—	—	—	—	(1,112)	—	—	(1,112)
Assumption private & public placement warrants	—	—	—	—	—	(1,276)	—	—	(1,276)
Issuance of common stock for options exercised	—	—	34,686	—	—	4,459	—	—	4,459
Repurchase or cancellation of common stock	—	—	(56,110)	—	—	(8)	—	—	(8)
Stock-based compensation	—	—	—	—	926	52,022		—	52,948
Tax withholding upon vesting of restricted stock units	—	—	—	—	—	(4,790)	—	—	(4,790)
Shares issued for vested restricted stock units	—	—	265,622	—	—	—	—	—	—
Vesting of common stock issued via notes receivable from stockholders	—	—	—	—	(4,498)	—	—	—	(4,498)
Forfeiture of shares	—	—	(308,813)	—	30,161	(30,161)	—	—	—
Forgiveness of officer loans	—	—	—	—	988	—	—	—	988
Shares transferred in settlement of loans	—	—	(149,626)	—	15,200	(15,200)		—	—
Net loss	—	—	—	—	—	—	(485,521)	—	(485,521)
Other comprehensive loss— foreign currency translation adjustment, net of tax	—	—	—	—			—	(1,007)	(1,007)
Balance - September 30, 2023	—	$ —	15,019,335	$ 2	$ (10,448)	$ 1,832,444	$ (1,653,209)	$ (2,430)	$ 166,359

1. Periods have been adjusted to reflect the 1-for-50 reverse stock split on August 16, 2024. See Note 1 Organization and Nature of the Business - Reverse Stock Split, for additional information.

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

BETTER HOME & FINANCE HOLDING COMPANY AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

	Nine Months Ended September 30,	
(Amounts in thousands)	2024	2023
Cash Flows from Operating Activities:		
Net loss	$ (147,067)	$ (485,521)
Adjustments to reconcile net loss to net cash (used in)/provided by operating activities:		
Depreciation of property and equipment	4,187	4,694
Impairments	—	4,914
Amortization of internal use software and other intangible assets	21,136	28,098
Gain on sale of loans, net	(44,032)	(42,809)
Non-cash interest and amortization of debt issuance costs and discounts	4,472	6,043
Other non-cash adjustments	—	2,147
Change in fair value of warrants	(927)	(861)
Change in fair value of convertible preferred stock warrants	—	(266)
Change in fair value of bifurcated derivative	—	236,603
Stock-based compensation	21,812	47,879
(Recovery of)/Provision for loan repurchase reserve	(10,168)	178
Provision for credit losses	1,138	—
Change in fair value of derivatives	(3,651)	(819)
Change in fair value of mortgage loans held for sale	(4,666)	6,070
Change in operating lease of right-of-use assets	(4,321)	3,484
Change in operating assets and liabilities:		
Originations of mortgage loans held for sale	(2,676,979)	(2,607,781)
Proceeds from sale of mortgage loans held for sale	2,554,975	2,728,150
Operating lease liabilities	(5,540)	(8,706)
Other receivables, net	(450)	5,567
Prepaid expenses and other assets	14,769	14,156
Accounts payable and accrued expenses	(2,111)	2,059
Escrow payable and other customer accounts	1,360	(4,848)
Other liabilities	2,118	(17,847)
Net cash used in operating activities	(273,945)	(79,416)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(2,917)	(332)
Proceeds from sale of property and equipment	—	643
Capitalization of internal use software	(4,132)	(8,563)
Acquisitions of businesses, net of cash acquired	—	(12,713)
Maturities of short-term investments	139,901	12,324
Purchase of short-term investments	(167,426)	(33,425)
Origination of loans held for investment	(79,715)	—
Principal payments received on loans held for investment	2,464	—
Net cash used in investing activities	(111,825)	(42,066)
Cash Flows from Financing Activities:		
Issuance of convertible notes (issued to a related party. See Note 10)	—	528,585
Principal payments on convertible notes	(1,103)	—
Exercise of convertible preferred stock warrants	—	1,460
Proceeds from Business Combination	—	21,616
Proceeds from issuance of common stock	—	16,351
Net borrowings/(repayments) on warehouse lines of credit	8,263	(70,513)
Repayments on finance lease liabilities	—	(1,062)
Net increase (decrease) in customer deposits	85,943	(2,466)
Repayments on corporate line of credit	—	(146,449)
Payment of debt issuance costs	—	(3,561)
Payment of equity financing costs	—	(13,375)
Proceeds from exercise of stock options	5	343
Net cash provided by/(used in) financing activities	93,108	330,929
Effects of currency translation on cash, cash equivalents, and restricted cash	1,675	(941)
Net (Decrease)/Increase in Cash, Cash Equivalents, and Restricted Cash	(290,987)	208,506
Cash, cash equivalents, and restricted cash—Beginning of period	528,066	346,065
Cash, cash equivalents, and restricted cash—End of period	$ 237,079	$ 554,571

BETTER HOME & FINANCE HOLDING COMPANY AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

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

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets to the total of the same such amounts shown on the previous page.

	Nine Months Ended September 30,	
(Amounts in thousands)	2024	2023
Cash and cash equivalents, end of period	$ 207,673	$ 526,765
Restricted cash, end of period	29,406	27,806
Total cash, cash equivalents and restricted cash, end of period	$ 237,079	$ 554,571
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 2,594	$ 12,008
Income taxes paid/(refunded)	$ 548	$ (5,886)
Non-Cash Investing and Financing Activities:		
Capitalization of stock-based compensation related to internal use software	$ 1,309	$ 5,100
Vesting of stock options early exercised in prior periods	$ 1,524	$ 195
Vesting of common stock issued via notes receivable from stockholders	$ 884	$ 3,395
Settlement of Notes Receivable from Stockholders	$ 1,846	$ —
Reduction of lease liability via modification	$ 20,839	$ —
Acquisition earnout	$ —	$ 3,430
Forgiveness of notes receivable from stockholders	$ —	$ 46,350

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

BETTER HOME & FINANCE HOLDING COMPANY AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Nature of the Business

Better Home & Finance Holding Company, formerly known as Aurora Acquisition Corp. (“Aurora”), together with its subsidiaries (collectively, the “Company”), provides a comprehensive set of homeownership offerings in the United States while expanding the Company’s offerings in the United Kingdom. The Company’s offerings include mortgage loans, real estate agent services, title and homeowner’s insurance, and other homeownership offerings. The Company leverages Tinman, its proprietary technology platform, to optimize the mortgage process from the initial application, to the integration of a suite of additional homeownership offerings, to the sale of loans to a network of loan purchasers.

Mortgage loans originated within the United States are through the Company’s wholly-owned subsidiary Better Mortgage Corporation (“BMC”). BMC is an approved Title II Single Family Program Lender with the Department of Housing and Urban Development’s (“HUD”) Federal Housing Administration (“FHA”), and is an approved seller and servicer with the Federal National Mortgage Association (“FNMA”) and the Federal Home Loan Mortgage Corporation (“FMCC”). The Company has expanded into the U.K. by acquisition of regulated entities to offer a multitude of financial products and services to consumers.

On August 22, 2023 (the “Closing Date”), the Company consummated its business combination, pursuant to the terms of the Agreement and Plan of Merger, dated as of May 10, 2021, as amended as of October 27, 2021, November 9, 2021, November 30, 2021, August 26, 2022, February 24, 2023 and June 23, 2023 (as amended, the “Merger Agreement”), by and among Aurora, Better Holdco, Inc. (“Pre-Business Combination Better”), and Aurora Merger Sub I, Inc., formerly a wholly owned subsidiary of Aurora (“Merger Sub”). On the Closing Date, Merger Sub merged with and into Pre-Business Combination Better, with Pre-Business Combination Better surviving the merger (the “First Merger”) and Pre-Business Combination Better merged with and into Aurora, with Aurora surviving the merger and changing its name to “Better Home & Finance Holding Company” (referred to as “Better Home & Finance” or the “Company”) (such merger, and together with the First Merger, the “Business Combination” and the completion thereof, the “Closing”).

Unless otherwise indicated, references to “Better,” “Better Home & Finance,” the “Company,” “we,” “us,” “our” and other similar terms refer to (i) Pre-Business Combination Better and its consolidated subsidiaries prior to the Closing and (ii) Better Home & Finance and its consolidated subsidiaries following the Closing.

The Company’s Class A common stock, par value $0.0001 per share (“Class A common stock”), and public warrants are listed on the Nasdaq Capital Market under the ticker symbols “BETR” and “BETRW,” respectively.

Reverse Stock-Split— On Friday, August 16, 2024, the Company filed a Certificate of Amendment to its Amended and Restated Certificate of Incorporation, effecting a 1-for-50 reverse stock split of the Company’s common stock (the “Reverse Stock Split”) for the primary purpose of increasing the per share trading price of the Company’s Class A common stock to enable the Company to regain compliance with the minimum bid price requirement for continued listing on The Nasdaq Capital Market (the “Nasdaq”). The Company’s Class A common stock began trading on a split-adjusted basis on the Nasdaq upon the market open on Monday, August 19, 2024.

Effective August 16, 2024, as a result of the Reverse Stock Split, every 50 shares of the Company’s issued and outstanding common stock were converted into one issued and outstanding share of Class A common stock, Class B common stock and Class C common stock, as applicable, without any change to the par value per share, the voting rights of the common stock, any stockholder’s percentage interest in the Company’s equity or any other aspect of the common stock. The accompanying financial statements have been retroactively recast to reflect this reverse split stock resulting in a reclass to historic financials between common stock and additional paid-in-capital.

On September 3, 2024, the Company received a letter from Nasdaq notifying the Company that the Staff has determined that for the last 10 consecutive business days, from August 19, 2024, to August 30, 2024, the closing bid price of the Company’s common stock has been at $1.00 per share or greater, and accordingly, the Company has regained compliance with Listing Rule 5550(a)(2) and the matter is now closed.

2. Summary of Significant Accounting Policies

Basis of Presentation—The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

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In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of its financial position and its results of operations, and stockholders' equity (deficit) and cash flows. The results of operations and other information for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2024. The unaudited condensed consolidated financial statements presented herein should be read in conjunction with the audited consolidated financial statements and related notes of Better thereto for the year ended December 31, 2023.

Consolidation—The accompanying condensed consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates—The preparation of condensed consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant items subject to such estimates and assumptions include the fair value of mortgage loans held for sale, the fair value of derivative assets and liabilities, including interest rate lock commitments and forward sale commitments, the determination of a valuation allowance on the Company's deferred tax assets, capitalization of internally developed software and its associated useful life, determination of fair value of the stock options at grant date, the fair value of acquired intangible assets and goodwill, the provision for loan repurchase reserves, and the incremental borrowing rate used in determining lease liabilities and warrant liabilities.

Short-term investments—Short term investments consist of fixed income securities, typically U.S and U.K. government treasury securities and U.S. and U.K. government agency securities with maturities ranging from 91 days to one year. Management determines the appropriate classification of short-term investments at the time of purchase. Short-term investments reported as held-to-maturity are those investments that the Company has both the positive intent and ability to hold to maturity and are stated at amortized cost on the condensed consolidated balance sheets. All of the Company's short term investments are classified as held to maturity. The Company has not recognized any impairments on these investments to date and any unrealized gains or losses on these investments are immaterial.

Allowance for Credit Losses–Held to Maturity ("HTM") Short-term Investments—The Company's HTM Short-term investments are required to utilize the Current Expected Credit Loss approach to estimate expected credit losses. Management measures expected credit losses on short-term investments on a collective basis by major security types that share similar risk characteristics, such as financial asset type and collateral type adjusted for current conditions and reasonable and supportable forecasts. Management classifies the short term investments portfolio by security types, such as U.S. or U.K. government agency securities.

The U.S and U.K. government treasury securities and U.S. and U.K. government agency securities are issued by the U.S. and U.K. government entities and agencies, respectively. These securities are either explicitly or implicitly guaranteed by the respective governments as to timely repayment of principal and interest, are highly rated by major rating agencies, and have a long history of no credit losses. Therefore, credit losses for these securities were immaterial as the Company does not currently expect any material credit losses on these short-term investments.

Mortgage Loans Held for Sale, at Fair Value—The Company sells its loans held for sale ("LHFS") to loan purchasers. LHFS primarily consists of mortgage loans as well as home equity line of credit and closed-end second lien loans (together defined as "HELOC"), originated for sale by BMC. The Company elects the fair value option, in accordance with ASC 825 – *Financial Instruments* ("ASC 825"), for all LHFS with changes in fair value recorded in gain on loans, net in the condensed consolidated statements of operations and comprehensive loss. Management believes that the election of the fair value option for LHFS improves financial reporting by presenting the most relevant market indication of LHFS. The fair value of LHFS is based on market prices and yields at period end. The Company accounts for the gains or losses resulting from sales of loans based on the guidance of ASC 860-20 – *Sales of Financial Assets*.

The Company generally sells all of its loans servicing released. For interim servicing, the Company engages a third-party sub-servicer to collect monthly payments and perform associated services.

The Company issues interest rate lock commitments ("IRLC") to originate mortgage loans and the fair value of the IRLC, adjusted for the probability that a given IRLC will close and fund, is recognized within gain on loans, net.

Subsequent changes in the fair value of the IRLC are measured at each reporting period within gain on loans, net until the loan is funded. When the loan is funded, the IRLC is derecognized and the LHFS is recognized based on the fair value of the loan. The LHFS is subsequently remeasured at fair value at each reporting period and the changes in fair value are included within gain on loans, net until the loan is sold on the secondary market. When the loan is sold on the secondary market, the LHFS is derecognized and the gain/(loss) is included within gain on loans, net based on the cash settlement.

LHFS are considered sold when the Company surrenders control over the loans. Control is considered to have been surrendered when the transferred loans have been isolated from the Company, are beyond the reach of the Company and its creditors, and the loan purchaser obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred loans. The Company typically considers the above criteria to have been met upon receipt of sales proceeds from the loan purchaser.

Loans Held for Investment—The Company originates, primarily through its U.K. operations, loans held for investment, for which management has the intent and ability to hold for the foreseeable future or until maturity or payoff and are reported at amortized cost, which is the principal amount outstanding, net of cumulative charge-offs, unamortized net deferred loan origination fees and costs and unamortized premiums or discounts on purchased loans.

The allowance for credit losses is a valuation account that is deducted from the loans held for investment amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged-off against the allowance when management believes the loan balance is deemed to be uncollectible. Management's estimation of expected credit losses is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts, including expected defaults and prepayments. See Note 6.

Fair Value Measurements—Assets and liabilities recorded at fair value on a recurring basis on the condensed consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the exchange price that would be received for an asset or an exit price that would be paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The price used to measure fair value is not adjusted for transaction costs. The principal market is the market in which the Company would sell or transfer the asset with the greatest volume and level of activity for the asset. In determining the principal market for an asset or liability, it is assumed that the Company has access to the market as of the measurement date. If no market for the asset exists, or if the Company does not have access to the principal market, a hypothetical market is used.

The authoritative guidance on fair value measurements establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows:

Level 1—Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2—Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active; and

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities measured at fair value on a recurring basis include LHFS, derivative assets and liabilities, including IRLCs and forward sale commitments, and warrant and equity related liabilities. When developing fair value measurements, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs. However, for certain instruments, the Company must utilize unobservable inputs in determining fair value due to the lack of observable inputs in the market, which requires greater judgment in measuring fair value. In instances where there is limited or no observable market data, fair value measurements for assets and liabilities are based primarily upon the Company's own estimates, and the measurements reflect information and assumptions that management believes a market participant would use in pricing the asset or liability.

Warehouse Lines of Credit—Warehouse lines of credit represent the outstanding balance of the Company's warehouse borrowings collateralized by mortgage loans held for sale or related borrowings collateralized by restricted cash. Generally, warehouse lines of credit are used as interim, short-term financing which bears interest at a fixed margin over an index rate, such as the Secured Overnight Financing Rate ("SOFR"). The outstanding balance of the Company's warehouse lines of credit will fluctuate based on its lending volume. The advances received under the warehouse lines of credit are based upon a percentage of the fair value or par value of the mortgage loans collateralizing the advance, depending upon the type of mortgage loan. Should the fair value of the pledged mortgage loans decline, the warehouse provider may require the Company to provide additional cash collateral or mortgage loans to maintain the required collateral level under the relevant warehouse line. The Company did not incur any significant issuance costs related to its warehouse lines of credit.

Convertible Note—As part of the Closing of the Business Combination, the Company issued the Convertible Note to a related party. Upon initial issuance, the Convertible Note is evaluated for redemption and conversion features that could result in embedded derivatives that require bifurcation from the notes. Upon initial issuance, any embedded derivatives are measured at fair value. Convertible Note proceeds are allocated between the carrying value of the note and the fair value of embedded derivatives on the initial issuance date. Any portion of proceeds allocated to embedded derivatives are treated as reductions in, or discounts to, the carrying value of the Convertible Note on the issuance date. Embedded derivatives are adjusted to fair value at each reporting period, with the change in fair value included within the consolidated statements of operations and comprehensive income (loss). See Note 10 for further details on the Convertible Note.

Income Taxes—Income taxes are calculated in accordance with ASC 740, *Accounting for Income Taxes*. An estimated annual effective tax rate is applied to year-to-date income (loss). At the end of each interim period, the estimated effective tax rate expected to be applicable for the full year is calculated. This method differs from that described in the Company's income taxes policy footnote in the audited consolidated financial statements and related notes thereto for the year ended December 31, 2023, which describes the Company's annual significant income tax accounting policy and related methodology.

Revenue Recognition—The Company generates revenue from the following streams:

1) Gain on loans, net includes revenues generated from the Company's loan production process, see Note 3. The components of gain on loans, net are as follows:

   i. *Gain on sale of loans, net*—This represents the premium the Company receives in excess of the loan principal amount and certain fees charged by loan purchasers upon sale of loans into the secondary market. Gain on sale of loans, net includes unrealized changes in the fair value of LHFS, which are recognized on a loan by loan basis as part of current period earnings until the loan is sold on the secondary market. The fair value of LHFS is measured based on observable market data. This also includes activity for loans originated on behalf of the integrated partnership that are subsequently purchased by the Company as well as the portion of the sale proceeds to be received by the integrated partner. The portion of the sale proceeds that is to be allocated to the integrated partner is accrued as a reduction of gain on sale of loans, net when the loan is initially purchased by the Company from the integrated partner.

      Gain on sale of loans, net also includes the changes in fair value of IRLCs and forward sale commitments. IRLCs include the fair value upon issuance with subsequent changes in the fair value recorded in each reporting period until the loan is sold on the secondary market. Fair value of forward sale commitments hedging IRLCs and LHFS are measured based on quoted prices for similar assets.

   ii. *Integrated partnership fees*—Includes fees that the Company receives for originating loans on behalf of an integrated partnership, which are recognized as revenue upon the integrated partner's funding of the loan.

   iii. *Provision for loan repurchase reserve recovery/(provision)*—In connection with the sale of loans on the secondary market, the Company makes customary representations and warranties to the relevant loan purchasers about various characteristics of each loan, such as the origination and underwriting guidelines, including but not limited to the validity of the lien securing the loan, property eligibility, borrower credit, income and asset requirements, and compliance with applicable federal, state and local laws. In the event of a breach of its representations and warranties, the Company may be required to repurchase the loan with the identified defects. The provision for loan repurchase reserve, represents the charge for these potential losses.

2) Other revenue consists of revenue from the Company's additional offerings such as real estate services, insurance services, and international lending revenue, which is recognized based on ASU 2014-09, *Revenue from Contracts with Customers* ("ASC 606"). ASC 606 outlines a single comprehensive model in accounting for revenue arising from contracts with customers. The core principle, involving a five-step process, of the revenue model is that an

entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For real estate services, the Company generates revenues from fees related to real estate agent services, mainly from cooperative brokerage fees from the Company's network of third-party real estate agents, which assist customers in the purchase or sale of a home. The Company recognizes revenues from real estate services upon completion of the performance obligation which is when the mortgage transaction closes. Performance obligations for real estate agent services are typically completed 40 to 60 days after the commencement of the home search process. Payment for these services is typically settled in cash as part of closing costs to the borrower upon closing of the mortgage transaction.

Also included in real estate services are settlement services, which are revenue from fees charged for services such as title search fees, wire fees, policy and document preparation, and other mortgage settlement services. The Company recognizes revenues from settlement services upon completion of the performance obligation, which is when the mortgage transaction closes.

Insurance revenue primarily consists of fees earned on homeowners insurance policies and title insurance. The Company generates revenues from agent fees on homeowners insurance policies obtained by customers through the Company's marketplace of third-party insurance carriers. The Company offers title insurance as an agent and works with third-party providers that underwrite the title insurance policies. For title insurance, the Company recognizes revenue from fees upon the completion of the performance obligation which, is when the mortgage transaction closes. For homeowners insurance and title insurance, the Company is the agent in the transactions as the Company does not control the ability to direct the fulfillment of the service, is not primarily responsible for fulfilling the performance of the service, and does not assume the risk in a claim against a policy.

For international lending revenue, the Company generates revenue primarily from broker fees earned in the U.K. The Company recognizes international lending revenue upon completion of the performance obligation, which is when the mortgage transaction closes.

3) Net interest income includes interest income from LHFS, calculated based on the note rate of the respective loan, interest income from short-term investments, and interest income on loans held for investment. Interest expense includes interest expense on warehouse lines of credit, interest expense on customer deposits, as well as interest expense on the Convertible Note.

Compensation and Benefits—Compensation and benefits include salaries, wages, and incentive pay as well as stock-based compensation, employee health benefits, 401(k) plan benefits, and social security and unemployment taxes. Stock-based compensation includes expenses associated with restricted stock unit grants, performance stock unit grants, and stock option grants, under the Company's stock plans. Compensation expense for the stock-based payments is based on the fair value of the awards on the grant date. Compensation and benefits expenses are expensed as incurred with the exception of stock-based compensation, which is recognized in a straight-line basis over the requisite service period.

General and Administrative Expenses—General and administrative expenses include rent and occupancy expenses, insurance, and external legal, tax and accounting services. General and administrative expenses are expensed as incurred.

Technology Expenses—Technology expenses consist of direct costs related to vendors engaged in product management, design, development, and testing of the Company's websites and products. Technology expenses are expensed as incurred.

Marketing and Advertising Expenses—Marketing and advertising expenses consist of direct costs related to customer acquisition expenses, brand costs, and paid marketing. For customer acquisition expenses, the Company primarily generates loan origination leads through third-party financial service websites for which they incur "pay-per-click" expenses. A majority of the Company's marketing and advertising expenses are incurred from leads purchased from these third-party financial service websites. Marketing and advertising expenses are expensed as incurred.

Loan Origination Expenses—Loan origination expenses consist of costs directly attributable to the production of loans such as appraisal fees, processing expenses, underwriting, closing fees, and servicing costs. These expenses are expensed as incurred.

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Other Expenses—Other expenses consist of direct costs related to other non-mortgage homeownership activities, including settlement service expenses, lead generation expenses, expenses incurred in relation to our international lending activities, and gains and losses from equity related liabilities. Settlement service expenses consist of fees for transactional services performed by third-party providers for borrowers while lead generation expenses consist of fees for services related to real estate agents. Other expenses are expensed as incurred.

Segments—The Company has one reportable segment. The Company's chief operating decision maker, the Chief Executive Officer, reviews financial information presented on a company-wide basis for purposes of allocating resources and evaluating financial performance.

Reclassification of Prior Period Presentation in the Balance Sheet and Statement of Operations and Comprehensive Loss—Reclassifications of the previously reported statement of operations and comprehensive loss have been made to conform to the current period's presentation, which provides increased transparency to the nature of the costs. To conform to the current presentation, the following changes were made to the prior period condensed consolidated financial statements:

Assets

- Loans held for investment—Loans held for investment has been reclassified from prepaid expenses and other assets to loans held for investment on the condensed consolidated balance sheets.

Equity

- Common Stock—Common Stock has been recast to reflect the 1-for-50 reverse stock split, see Note 1 Organization and Nature of the Business - Reverse Stock Split, for additional information.
- Additional paid-in-capital—Additional paid-in-capital has been recast to reflect the 1-for-50 reverse stock split,. see Note 1 Organization and Nature of the Business - Reverse Stock Split, for additional information.

Revenue

- Gain on loans, net (Previously mortgage platform revenue, net)—Loan repurchase reserve recovery (provision) has been reclassified from mortgage platform expenses to gain on loans, net. The Company's mortgage related activities that do not include originating and selling loans, namely in the U.K., have been reclassified from other platform revenue to other revenue.
- Net interest income:
    - Interest income—Interest income from short-term investments has been reclassified from other income.
    - Interest expense (Previously warehouse interest expense)—Interest expense and amortization on non-funding debt has been reclassified to interest expense from interest expense and amortization on non-funding debt.

Expenses

- Loan origination expense (Previously mortgage platform expenses)—The Company's expenses that were not incurred to originate and sell loans, namely in the U.K., have been reclassified to other expenses.
- Other expenses (Previously other platform expenses)—Restructuring and impairment expenses, change in fair value of convertible preferred stock warrants, and change in fair value of bifurcated derivative have been reclassified to other expenses.

Previously Allocated Expenses

- Compensation and benefits—Compensation and benefits, which includes stock-based compensation, was previously allocated to mortgage platform expenses, other platform expenses, general and administrative expenses, marketing and advertising expenses, and technology and product development expenses based on allocated headcount is now presented as its own financial statement line item.

- Rent and occupancy—Rent and occupancy was previously allocated to mortgage platform expenses, other platform expenses, general and administrative expenses, marketing and advertising expenses, and technology and product development expenses based on allocated headcount, is now included within general and administrative expenses.
- Depreciation and amortization—Depreciation and amortization was previously allocated to mortgage platform expenses, other platform expenses, general and administrative expenses, marketing and advertising expenses, and technology and product development expenses based on allocated headcount is now presented as its own financial statement line item.

The impacts of the reclassifications on the condensed consolidated statements of operations and comprehensive loss are as follows:

(Amounts in thousands)		Nine Months Ended September 30, 2023		
	Caption name change	**As previously reported**	**Reclassifications**	**As reclassified**
Revenues:				
Mortgage platform revenue, net	Gain on loans, net	$ 53,277	$ (2,538)	$ 50,739
Cash offer program revenue		304	(304)	—
Other platform revenue	Other revenue	9,964	3,700	13,664
Net interest income				
Interest income		12,527	5,479	18,006
Warehouse interest expense	Interest expense	(9,544)	(18,237)	(27,781)
Net interest income		2,983	(12,758)	(9,775)
Total net revenues		66,528	(11,900)	54,628
Expenses:				
Compensation and benefits		—	156,437	156,437
Mortgage platform expenses	Loan origination expense	71,109	(61,883)	9,226
Cash offer program expenses		398	(398)	—
Other platform expenses	Other expenses/(Income)	12,103	235,469	247,572
General and administrative expenses		121,228	(77,528)	43,700
Marketing and advertising expenses		17,144	(1,219)	15,925
Technology and product development expenses		67,689	(35,730)	31,959
Restructuring and impairment expenses		11,508	(11,508)	—
Depreciation and amortization		—	32,791	32,791
Total expenses		301,179	236,431	537,610
Interest and other income (expense), net				
Other income (expense)		5,382	(5,382)	—
Interest and amortization on non-funding debt		(18,237)	18,237	—
Change in fair value of warrant liabilities		861	(861)	—
Change in fair value of convertible preferred stock warrants		266	(266)	—
Change in fair value of bifurcated derivative		(236,603)	236,603	—
Total interest and other expense, net		(248,331)	248,331	—
Loss before income tax (benefit) expense		(482,982)	—	(482,982)
Income tax (benefit) expense		2,539	—	2,539
Net loss		$ (485,521)	$ —	$ (485,521)

Reclassification of the Statement of Cash Flows—To conform to the current presentation, borrowings on warehouse lines of credit and repayments of warehouse lines of credit on the statement of cash flows have been combined into net borrowings (repayments) on warehouse lines of credit within cash (used in)/provided by financing activities, as original maturities are short-term (90 days or less), as well as the breakout for gain on sale of loans, net from proceeds from sale of mortgage loans held for sale within cash used in operating activities.

Recently Issued Accounting Standards Not Yet Adopted

In July 2023, the FASB issued Accounting Standard Update ("ASU") 2023-03, *Presentation of Financial Statements (Topic 205), Income Statement—Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation—Stock Compensation (Topic 718): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022 EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280—General Revision of Regulation S-X: Income or Loss Applicable to Common Stock* ("ASU 2023-03"). This ASU amends or supersedes various Securities and Exchange Commission ("SEC") paragraphs within the applicable codification to conform to past SEC staff announcements. This ASU does not provide any new guidance. ASU 2023-03 will become effective for the Company once the addition to the FASB Codification is made available. As of September 30, 2024, the Company does not expect ASU 2023-06 will have a material impact on the consolidated financial statements.

In August 2023, the FASB issued ASU 2023-04, *Liabilities (Topic 405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121* ("ASU 2023-04"). This ASU amends and adds various SEC paragraphs to the FASB Codification to reflect guidance regarding the accounting for obligations to safeguard crypto assets an entity holds for platform users. This ASU does not provide any new guidance. ASU 2023-04 will become effective for the Company once the addition to the FASB Codification is made available. As of September 30, 2024, the Company does not expect ASU 2023-04 will have any impact on the consolidated financial statements.

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative* ("ASU 2023-06"). This ASU incorporates certain SEC disclosure requirements into the FASB ASC. The amendments in the ASU are expected to clarify or improve disclosure and presentation requirements of a variety of Codification Topics, allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the requirements, and align the requirements in the Codification with the SEC's regulations. ASU 2023-06 will become effective for each amendment on the effective date of the SEC's corresponding disclosure rule changes. As of September 30, 2024, the Company does not expect ASU 2023-06 will have a material impact on the consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures*. This ASU improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This ASU is effective for our annual fiscal year 2024, and interim periods starting in fiscal year 2025. Early adoption is permitted. A public entity should apply the amendments in this ASU retrospectively to all prior periods presented in the financial statements. The Company does not expect ASU 2023-07 will have a material impact on the consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which provides qualitative and quantitative updates to the rate reconciliation and income taxes paid disclosures, among others, in order to enhance the transparency of income tax disclosures, including consistent categories and greater disaggregation of information in the rate reconciliation and disaggregation by jurisdiction of income taxes paid. The amendments in ASU 2023-09 are effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied prospectively; however, retrospective application is also permitted. The Company does not expect ASU 2023-09 will have a material impact on the consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, *Income Statement - Comprehensive Income - Expense Disaggregation Disclosures (subtopic 220-410),* which requires disclosure, in the notes to financial statements, of specified information about certain costs and expenses. This ASU is effective on a prospective basis, with the option for retrospective application, for annual periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. Early adoption is permitted for annual financial statements that have not yet been issued. The Company is in the process of assessing the impact the adoption of this guidance will have on the Company's financial statement disclosures.

Recent Securities and Exchange Commission (SEC) Final Rules Not Yet Adopted

In March 2024, the SEC adopted final rules under SEC Release No. 33-11275*: The Enhancement and Standardization of Climate-Related Disclosures for Investors*, which requires registrants to provide certain climate-related information in their registration statements and annual reports. The rules require information about a registrant's climate-related risks that are reasonably likely to have a material impact on its business, results of operations, or financial condition. The required information about climate-related risks will also include disclosure of a registrant's greenhouse gas emissions. In addition, the rules will require registrants to present certain climate-related financial metrics in their audited financial statements. These requirements are effective for the Company in various fiscal years, starting with its fiscal year beginning January 1, 2027. Disclosures will be required prospectively, with information for prior periods required only to the extent it was previously disclosed in an SEC filing. On April 4, 2024, the SEC determined to voluntarily stay the final rules pending certain legal challenges. The Company is currently evaluating the impact of these final rules on its consolidated financial statements and disclosures.

3. Revenue

Revenue— The Company disaggregates revenue based on the following revenue streams:

Gain on loans, net consisted of the following**:**

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands)	**2024**	**2023**	**2024**	**2023**
Gain on sale of loans, net	$ 15,836	$ 9,589	$ 44,032	$ 42,809
Integrated partnership fees	2,441	2,830	7,184	8,108
Loan repurchase reserve recovery/(provision)	3,226	(866)	10,168	(178)
Total gain on loans, net	$ 21,503	$ 11,553	$ 61,384	$ 50,739

Other revenue consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands)	**2024**	**2023**	**2024**	**2023**
International lending revenue	$ 1,190	$ 1,072	$ 3,517	$ 2,740
Insurance Services	438	997	1,614	2,822
Real estate services	753	651	1,753	6,517
Other revenue	689	1,289	1,884	1,585
Total other revenue	$ 3,070	$ 4,009	$ 8,768	$ 13,664

Net interest income consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands)	**2024**	**2023**	**2024**	**2023**
Mortgage interest income	$ 5,400	$ 3,577	$ 12,832	$ 12,305
Interest Income from Investments	4,467	466	15,068	5,701
Warehouse interest expense	(3,815)	(2,758)	(8,582)	(9,544)
Other interest expense	(1,631)	(11,940)	(5,963)	(18,237)
Total net interest income/(loss)	$ 4,421	$ (10,655)	$ 13,355	$ (9,775)

4. Restructuring and Impairments

In December 2021, the Company initiated an operational restructuring program that included plans for costs reductions in response to a difficult interest rate environment as well as a slowing housing market. The restructuring program, which continued during the nine months ended September 30, 2024, consists of reductions in headcount and any associated costs that primarily include reduction in real estate footprint expenses and one-time employee termination benefits. The Company expects the restructuring initiatives to continue at least through the end of 2024.

Due to reduced headcount, the Company has also reduced its real estate footprint. The Company has impaired right-of-use assets related to office space that is no longer in use or has been completely abandoned. Leases where the Company is unable to terminate or amend the lease with the landlord remain on the balance sheet under lease liabilities.

In September 2024, the Company entered into a lease amendment with a landlord to reassign the lease to a third party and release the Company of all rights and obligations under the original lease. The amendment was accounted for as a lease modification (the "Lease Modification") which reduced the term of the lease from June 30, 2030 to November 1, 2024. Upon entering into the Lease Modification, the Company made the remaining lease payments of $7.3 million and incurred initial direct costs of $1.1 million. As part of the Lease Modification, the Company reduced the right-of-use asset by $12.4 million and removed the lease liability of $20.8 million. Total lease costs will be expensed over the amended lease term and are included within general and administrative expenses within the condensed consolidated statements of operations and comprehensive loss. All corresponding leasehold improvements will be depreciated over the amended lease term.

For both the three months ended September 30, 2024 and 2023, the Company impaired property and equipment of none. For the nine months ended September 30, 2024 and 2023, the Company impaired property and equipment of none and $4.8 million, respectively, which was related to termination of lease agreement and sale of laptops resulting from a reduction in the workforce. For the three and nine months ended September 30, 2024 and 2023, the Company's restructuring and impairment expenses consist of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands)	2024	2023	2024	2023
Employee one-time termination benefits[1]	$ 43	$ 765	$ 948	$ 2,319
Impairments of Right-of-Use assets [2]	—	—	—	118
Real estate restructuring loss [2]	—	(37)	—	5,252
Gain on lease settlement [2]	—	(49)	—	(1,025)
Impairment of property and equipment [2]	—	—	—	4,844
Total Restructuring and Impairments	$ 43	$ 679	$ 948	$ 11,508

(1) Employee one-time termination benefits are included in compensation and benefits on the condensed consolidated statements of operations and comprehensive loss.
(2) Impairments of Right-of-Use Assets, real estate restructuring loss, gain on lease settlement, and impairment of property and equipment are included in other expenses on the condensed consolidated statements of operations and comprehensive loss.

The cumulative amount of one-time termination benefits, impairment of loan commitment assets, impairment of right-of-use assets and real estate restructuring loss, and impairment of property and equipment as of September 30, 2024 is $123.2 million, $105.6 million, $8.5 million, and $12.0 million, respectively.

5. Loans Held for Sale and Warehouse Lines of Credit

The Company has the following outstanding warehouse lines of credit:

(Amounts in thousands)	Maturity	Facility Size	September 30, 2024	December 31, 2023
Funding Facility 1 [1]	September 30, 2024	$ 100,000	$ —	$ 61,709
Funding Facility 2 [2]	December 6, 2024	150,000	72,379	40,088
Funding Facility 3 [3]	August 1, 2025	175,000	62,102	24,421
Total warehouse lines of credit		$ 425,000	$ 134,481	$ 126,218

(1) Interest charged under the facility is at the 30-day term SOFR plus 2.125%. Cash collateral deposit of $15 million is maintained and included in restricted cash. Subsequent to September 30, 2024, the Company extended the maturity to September 30, 2025.
(2) Interest charged under the facility is at the 30-day term SOFR plus 2.10% - 2.25%. Cash collateral deposit of $3.8 million is maintained and included in restricted cash.
(3) Interest charged under the facility is at the 30-day term SOFR plus 1.75% - 3.75%. There is no cash collateral deposit maintained as of September 30, 2024.

The unpaid principal amounts of the Company's LHFS are also pledged as collateral under the relevant warehouse funding facilities. The Company's LHFS are summarized below by those pledged as collateral and those fully funded by the Company:

(Amounts in thousands)	September 30, 2024	December 31, 2023
Funding Facility 1	$ 60,583	$ 63,483
Funding Facility 2	78,667	42,316
Funding Facility 3	66,941	26,894
Total LHFS pledged as collateral	206,191	132,693
Company-funded LHFS	10,250	12,386
Company-funded HELOC	118,377	25,098
Total LHFS	334,818	170,177
Fair value adjustment	4,667	(27)
Total LHFS at fair value	$ 339,485	$ 170,150

Average days loans held for sale, excluding Company-funded LHFS and Company-funded HELOC, for the three and nine months ended September 30, 2024 and 2023 were approximately 24 days, 21 days, 28 days, and 21 days, respectively. This is defined as the average days between funding and sale for loans funded during each period. As of September 30, 2024 and December 31, 2023, the Company had an immaterial amount of loans either 90 days past due or non-performing.

For the nine months ended September 30, 2024 and 2023, the weighted average interest rate for the warehouse lines of credit was 6.90% and 6.92%, respectively. The warehouse lines of credit contain certain restrictive covenants that require the Company to maintain certain minimum net worth, liquid assets, current ratios, liquidity ratios, and leverage ratios. In addition, these warehouse lines also require the Company to maintain compensating cash balances, which aggregated to $18.8 million as of September 30, 2024 and December 31, 2023 and are included in restricted cash on the accompanying condensed consolidated balance sheets. The Company was in compliance with all financial covenants under the warehouse lines as of September 30, 2024.

6. Loans Held for Investment

Loans Held for Investment—The majority of the Company's Loans Held for Investment portfolio consists of property - buy to let loans, which is the purchase of property for the purpose of renting to a tenant, which makes up 97.5% of the total loan portfolio as of September 30, 2024. The Company's Loans Held for Investment portfolio is summarized as follows:

(Amounts in thousands)	September 30, 2024	December 31, 2023
Property - Buy to Let	$ 80,499	$ 1,063
Other	2,040	3,730
Allowance for credit losses	$ (1,138)	$ —
Total Loans Held for Investment, net	$ 81,401	$ 4,793

Accrued interest receivable on loans receivable totaled $0.2 million and an immaterial amount, respectively, as of September 30, 2024 and December 31, 2023 and is included in other receivables, net on the condensed consolidated balance sheets. The Company elected the practical expedient to exclude the applicable accrued interest receivable on loans receivable from the disclosed amortized cost basis.

The Company concluded that it has a substantive non-accrual policy which allows for the timely reversal of accrued interest should an asset be placed on non-accrual; accordingly, there was no allowance for credit losses for accrued interest receivable on loans receivable as of September 30, 2024. When writing off uncollectible accrued interest receivables on its loans held for investment portfolio, the Company considers 90 days to be a timely manner.

Uncollectible amounts of accrued interest receivable are charged off by reversing interest income. The Company had no charge offs of uncollectible accrued interest on its outstanding loans held for investment during the three and nine month periods ended September 30, 2024 and 2023.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. As of both September 30, 2024 and December 31, 2023, there were no loans held for investment past due.

The Company considers loans for which the repayment is expected to be provided substantially through the operation or sale of collateral and the borrower is experiencing financial difficulty, or where foreclosure is probable, to be collateral dependent. As of September 30, 2024 and December 31, 2023, there were no loans secured by any asset type for which formal foreclosure proceedings are in process.

Loans are placed on non-accrual status and the accrual of interest is discontinued if principal or interest payments become 90 days past due and/or management deems the collectability of the principal and/or interest to be in question. Loans to a customer whose financial condition has deteriorated are considered for non-accrual status whether or not the loan is 90 days or more past due. Generally, payments received on non-accrual loans are recorded as principal reductions. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. As of September 30, 2024 and December 31, 2023, there were no loans that were placed on non-accrual status.

During the three and nine months ended September 30, 2024 and 2023, there were no modifications for loans to borrowers experiencing financial difficulty.

Loans are categorized into risk categories based on relevant information about the ability of borrowers to service their debt, including, but not limited to, current financial information, historical payment experience, credit documentation, public information, and current economic trends. The Company analyzes loans individually by classifying the loans as to credit risk.

This analysis includes all loans with the exception of homogeneous loans, or loans that are evaluated together in pools of similar loans (i.e., home mortgage loans, home equity lines of credit, overdraft loans, express business loans, and automobile loans). This analysis is performed at least on a quarterly basis. Homogeneous loans are not risk rated and credit risk is analyzed largely by the contractual maturity and payment status of the loan.

We utilize maturity bands to assess the probability of credit losses within the portfolio. The three main bands are as follows: 0-20 months, 21-40 months, and over 40 months. The following table presents amortized cost for outstanding loans, by class and year of origination/renewal, as of September 30, 2024 and December 31, 2023.

The tables below presents loans by credit quality indicator and vintage year:

	September 30, 2024						
(Amounts in thousands)	2024	2023	2022	2021	2020	Prior	Total
Property - Buy to Let							
0-20 Months	$ —	$ —	$ —	$ —	$ —	$ —	$ —
21-40 Months	—	—	—	—	—	—	—
Over 40 Months	79,710	789	—	—	—	—	80,499
Total	$ 79,710	$ 789	$ —	$ —	$ —	$ —	$ 80,499
Other							
0-20 Months	$ —	$ 51	$ 302	$ 401	$ 138	$ 18	$ 910
21-40 Months	—	—	849	266	—	—	1,115
Over 40 Months	—	15	—	—	—	—	15
Total	$ —	$ 66	$ 1,151	$ 667	$ 138	$ 18	$ 2,040
Total	$ 79,710	$ 855	$ 1,151	$ 667	$ 138	$ 18	$ 82,539

	December 31, 2023						
(Amounts in thousands)	2023	2022	2021	2020	2019	Prior	Total
Property - Buy to Let							
0-20 Months	$ —	$ —	$ —	$ —	$ —	$ —	$ —
21-40 Months	—	—	—	—	—	—	—
Over 40 Months	1,063	—	—	—	—	—	1,063
Total	$ 1,063	$ —	$ —	$ —	$ —	$ —	$ 1,063
Other							
0-20 Months	$ 116	$ 472	$ 417	$ 175	$ 203	$ 2	$ 1,385
21-40 Months	10	1,093	856	129	—	—	2,088
Over 40 Months	17	240	—	—	—	—	257
Total	$ 143	$ 1,805	$ 1,273	$ 304	$ 203	$ 2	$ 3,730
Total	$ 1,206	$ 1,805	$ 1,273	$ 304	$ 203	$ 2	$ 4,793

7. Goodwill and Internal Use Software and Other Intangible Assets, Net

Changes in the carrying amount of goodwill, net consisted of the following:

	Nine Months Ended September 30,	
(Amounts in thousands)	2024	2023
Balance at beginning of period	$ 32,390	$ 17,388
Goodwill acquired	—	14,041
Effect of foreign currency exchange rate changes	1,013	(75)
Balance at end of period	$ 33,403	$ 31,354

No impairment of goodwill was recognized for the three and nine months ended September 30, 2024 and 2023.

BETTER HOME & FINANCE HOLDING COMPANY AND SUBSIDIARIES

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Internal use software and other intangible assets, net consisted of the following:

	As of September 30, 2024			
(Amounts in thousands, except useful lives)	Weighted Average Useful Lives (in years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Intangible assets with finite lives				
Internal use software and website development	3.0	$ 144,504	$ (124,678)	$ 19,826
Intellectual property and other	5.7	1,062	(401)	661
Total Intangible assets with finite lives, net		145,565	(125,079)	20,486
Intangible assets with indefinite lives				
Domain name		1,820	—	1,820
Licenses and other		2,378	—	2,378
Total Internal use software and other intangible assets, net		$ 149,763	$ (125,079)	$ 24,684

	As of December 31, 2023			
(Amounts in thousands, except useful lives)	Weighted Average Useful Lives (in years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Intangible assets with finite lives				
Internal use software and website development	3.0	$ 136,879	$ (103,587)	$ 33,292
Intellectual property and other	5.7	1,008	(254)	754
Total Intangible assets with finite lives, net		137,887	(103,841)	34,046
Intangible assets with indefinite lives				
Domain name		1,820	—	1,820
Licenses and other		2,260	—	2,260
Total Internal use software and other intangible assets, net		$ 141,967	$ (103,841)	$ 38,126

The Company capitalized $2.5 million and $5.2 million in internal use software and website development costs during the three months ended September 30, 2024 and 2023, respectively. Included in capitalized internal use software and website development costs are $0.4 million and $2.7 million of stock-based compensation costs for the three months ended September 30, 2024 and 2023, respectively. Amortization expense totaled $6.0 million and $9.3 million during the three months ended September 30, 2024 and 2023, respectively. For the three months ended September 30, 2024 and 2023, no impairment was recognized relating to intangible assets.

The Company capitalized $5.4 million and $13.6 million in internal use software and website development costs during the nine months ended September 30, 2024 and 2023, respectively. Included in capitalized internal use software and website development costs are $1.3 million and $5.1 million of stock-based compensation costs for the nine months ended September 30, 2024 and 2023, respectively. Amortization expense totaled $21.1 million and $28.1 million during the nine months ended September 30, 2024 and 2023, respectively. For the nine months ended September 30, 2024 and 2023, no impairment was recognized relating to intangible assets.

8. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consisted of the following:

(Amounts in thousands)	As of September 30, 2024	As of December 31, 2023
Prepaid expenses	$ 18,488	$ 27,859
Tax receivables	7,109	8,348
Security Deposits	11,021	15,179
Total prepaid expenses and other assets	$ 36,618	$ 51,386

9. Customer Deposits

Customer Deposits—In relation to the Company's banking activities tied to the Company's acquisition of Birmingham Bank in the U.K., the Company offers individual savings accounts and other depository products with differing maturities and interest rates to its customers. The balance of customer deposits as of September 30, 2024 and December 31, 2023 was $97.8 million and $11.8 million, respectively, on the condensed consolidated balance sheets.

The following table presents average balances and weighted average rates paid on deposits for the periods indicated:

	Three Months Ended September 30,			
	2024		2023	
(Amounts in thousands)	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Notice	$ 9,059	2.58 %	$ 2,190	2.92 %
Term	54,789	3.86 %	2,962	2.13 %
Savings	3,973	2.07 %	4,991	2.18 %
Total Deposits	$ 67,821	2.84 %	$ 10,143	2.41 %

	Nine Months Ended September 30,			
	2024		2023	
(Amounts in thousands)	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Notice	$ 4,724	2.76 %	$ 2,842	2.62 %
Term	28,012	3.86 %	2,402	1.66 %
Savings	4,298	2.16 %	5,511	1.97 %
Total Deposits	$ 37,034	2.93 %	$ 10,755	2.08 %

The following table presents maturities of customer deposits:

(Amounts in thousands)	As of September 30, 2024
Demand deposits	41,072
Maturing In:	
2024	181
2025	12,605
2026	16,734
2027	15,122
2028	—
Thereafter	12,068
Total	$ 97,782

Interest Expense on deposits is recorded in interest expense in the condensed consolidated statements of operations and comprehensive loss for the periods indicated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands)	**2024**	**2023**	**2024**	**2023**
Notice	$ 52	$ 22	$ 97	$ 43
Term	587	4	856	10
Savings	31	26	89	54
Total Interest Expense	$ 670	$ 52	$ 1,042	107

Deposits are for U.K. banking clients and are protected up to £85.0 thousand ($113.8 thousand, USD equivalent as of September 30, 2024) per eligible person by the Financial Services Compensation Scheme in the U.K. Of the total customer deposits as of September 30, 2024, $22.1 million were over the applicable insured amount.

10. Corporate Line of Credit, Preclosing Bridge Notes, and Convertible Note

Corporate Line of Credit—The Company made the final principal payment on its corporate line of credit in August 2023 and as such incurred no interest expense under the corporate line of credit during the three and nine months ended September 30, 2024.

For the three months ended September 30, 2023, the Company recorded a total of $11.3 million related to interest expense as follows: $6.1 million in interest expense related to the line of credit and $5.2 million in interest expense related to the amortization of deferred debt issuance costs and discount and other debt servicing fees which is included in interest expense within the condensed consolidated statements of operations and comprehensive loss.

For the nine months ended September 30, 2023, the Company recorded a total of $17.5 million related to interest expense as follows: $11.5 million in interest expense related to the line of credit and $6.0 million in interest expense related to the amortization of deferred debt issuance costs and discount and other debt servicing fees, which is included in interest expense within the condensed consolidated statements operations and comprehensive loss.

Pre-Closing Bridge Notes—In connection with the Closing of the Business Combination, the Pre-Closing Bridge Notes held by SB Northstar in an aggregate principal amount of $650.0 million automatically converted into Class C common stock at a conversion price of $10.00 per share and the Pre-Closing Bridge Notes held by the Sponsor in an aggregate principal amount of $100.0 million were exchanged for 40.0 million shares of Class A common stock.

For the three and nine months ended September 30, 2023, the Company recorded a loss of $237.7 million and a loss of $236.6 million, respectively, of changes in fair value of embedded derivatives included in other expenses/(income), within the consolidated statements of operations and comprehensive loss.

Convertible Note—In connection with the Closing of the Business Combination, the Company issued to SB Northstar LP, a related party, a Cayman Islands exempted limited partnership, and an affiliate of SoftBank Group Corp., a senior subordinated convertible note in the aggregate principal amount of $528.6 million (the “Convertible Note”), $550.0 million less approximately $21.4 million released to the Company at the Closing from Aurora’s trust account, pursuant to an Indenture, dated as of August 22, 2023 (the “Indenture”). The Convertible Note bears 1% interest per annum and matures on August 22, 2028, unless earlier converted or redeemed. Per the Indenture, the Company may elect to pay all or any portion of interest in kind by issuing to the holder of such note an additional note or in cash. The counter parties to the Convertible Note and Merger Agreement are related parties.

The Convertible Note is convertible, at the option of SB Northstar, into shares of the Company’s Class A common stock, with an initial conversion rate per $1,000 principal amount of Convertible Note equal to (a) $1,000 divided by (b) a dollar amount equal to 115% of the First Anniversary VWAP (as defined in the Indenture), subject to adjustments as described therein. The Indenture provides that the First Anniversary VWAP may be no less than $400.00 and no greater than $600.00, adjusted by the 1-for-50 reverse stock split, subject to adjustments as described therein. The Convertible Note may be redeemed at the option of the Company at a redemption price of 115% of par plus accrued interest in cash, at any time on or before the 30th trading day prior to the maturity date of the Convertible Note if the last reported sale price of the Class A common stock has been at least 130% of the conversion price then in effect for at least 20 trading days during the 30 trading day period ending on, and including, the trading day immediately preceding the date of notice of optional redemption. The Convertible Note is redeemable prior to maturity in the event of a fundamental change under the Indenture, such as the removal of the Company's Class A common stock from the Nasdaq. In this event, the Company would be required to redeem the Convertible Note for an amount in cash equal to the principal balance plus accrued and unpaid interest on the redemption date.

As of September 30, 2024 and December 31, 2023, the carrying amount of the Convertible Note was $518.0 million and $514.6 million on the condensed consolidated balance sheets, respectively. For the three and nine months ended September 30, 2024, the Company recorded a total of $1.6 million and $5.9 million, respectively, of interest expense related to the Convertible Note. Interest expense from the Convertible Note is included in interest expense within the condensed consolidated statements of operations and comprehensive loss. In February 2024, the Company made a cash payment in the amount of $2.5 million, which consisted of $1.1 million towards the principal and $1.4 million of interest from January 1, 2024 through February 15, 2024. For the period February 16, 2024 to September 30, 2024, the Company has elected to pay interest in kind on the Convertible Note, which is calculated at 1% per annum and accrued at the fair value of the additional note issued. For the both the three and nine months ended September 30, 2023, the Company recorded a total of $0.5 million of interest expense related to the Post-Closing Convertible Notes.

11. Related Party Transactions

The Company has entered into a number of commercial agreements with related parties, which management believes provide the Company with products or services that are beneficial to its commercial objectives. Often these products and services have been tailored to the Company's specific needs or are part of pilot programs, both for the Company and the counterparty, for which there are no clear alternative vendors offering comparable services to compare pricing with. It is reasonable to assume that none of these related party commercial agreements were structured at arm's length and therefore may be beneficial to the counterparty.

1/0 Capital—The Company is a party to an employee and expense allocation agreement with 1/0 Capital, LLC ("1/0 Capital"), an entity affiliated with 1/0 Real Estate, LLC ("1/0 Real Estate") (an entity wholly owned by 1/0 Holdco LLC, in which Vishal Garg, the Chief Executive Officer of the Company, and certain of the Company's executive officers each hold a more than five percent ownership interest). Under the employee and expense allocation agreement, 1/0 Capital provides the Company access to certain employees in exchange for reasonable consideration in the form of fees based on their time, as well as IT support services. Any intellectual property created under the agreement by 1/0 Capital employees working on behalf of the Company belongs to the Company. The term of the agreement will continue in perpetuity. The services provided by 1/0 Capital are not integral to the Company's technology platform and amounts incurred are not material to the Company. In connection with this agreement, the Company incurred gross expense of none in the three months ended September 30, 2024 and reduced the accrued expense by $27 thousand in the three months ended September 30, 2023, which are included within general and administrative expenses on the condensed consolidated statements of operations and comprehensive loss. The Company incurred gross expense of none and $6 thousand in the nine months ended September 30, 2024 and 2023, respectively, which are included within general and administrative expenses on the condensed consolidated statements of operations and comprehensive loss. As part of this agreement, the Company may provide access to certain of its employees for use by 1/0 Capital which reduced the amounts owed to 1/0 Capital by none for both the three and nine months ended September 30, 2024 and 2023, respectively. The Company is invoiced on a net basis and recorded none and $153 thousand payable as of September 30, 2024 and December 31, 2023, respectively, included within other liabilities on the condensed consolidated balance sheets.

TheNumber—The Company originally entered into a data analytics services agreement in August 2016 with TheNumber, LLC ("TheNumber"), an entity affiliated with both Vishal Garg, the Chief Executive Officer of the Company, and 1/0 Real Estate.

In September 2021, the Company and TheNumber entered into a technology integration and license agreement, which was amended in November 2021, to develop a consumer credit profile technology that is to be launched in three stages. The first stage involves testing TheNumber's limited graph Application Programming Interface in a testing environment with test data. The second stage involves data such as credit, income, and assets of staged borrowers meeting certain measures of speed and performance. The third stage requires TheNumber to run the product and serve all borrowers on the production side as well as provide data to the Company from its rich data set. The listed services provided by TheNumber are lead generation, market rate analysis, lead growth analysis, property listing analysis, automated valuation models, and financial risk analysis. Both parties agreed to jointly develop all aspects of this program, and the agreement provides for the utilization of TheNumber employees by the Company. In January 2024, the agreement was extended for an additional year.

The services provided by TheNumber are not integral to the Company's technology platform and amounts incurred are not material to the Company. In connection with these agreements, the Company paid expenses of $232 thousand and $67 thousand for the three months ended September 30, 2024 and 2023 respectively, which are included within general and administrative expenses on the condensed consolidated statements of operations and comprehensive loss. The Company paid expenses of $711 thousand and $438 thousand for the nine months ended September 30, 2024 and 2023 respectively, which are included within general and administrative expenses on the condensed consolidated statements of operations and comprehensive loss and had a payable of $68 thousand and $230 thousand as of September 30, 2024 and December 31, 2023, respectively, included within other liabilities on the condensed consolidated balance sheets.

Notable—In October 2021, the Company entered into a private label and consumer lending program agreement (the "2021 Notable Program Agreement") to provide home improvement lines of credit to qualified borrowers of the Company with Notable Finance, LLC ("Notable"), an entity in which Vishal Garg, the Chief Executive Officer of the Company, and 1/0 Real Estate collectively hold a majority ownership interest. The program is intended to be used by qualified customers of the Company for home improvement purchases.

In September 2022, the Company entered into an amendment of the 2021 Notable Program Agreement, the "Amended Notable Program". The Amended Notable Program expands Notable's product offerings to include in the private label consumer loan program, a non-revolving personal line of credit, where the unpaid principal balance converts to a closed-end, multiyear unsecured personal loan following a designated draw period, to qualified consumers for the financing of purchases of home improvement products and services.

In January 2022, Better Trust I, a subsidiary of the Company, entered into a master loan purchase agreement (the "Notable MLPA") with Notable to purchase from Notable up to $20.0 million of unsecured home improvement loans underwritten and originated by Notable for the Company's customers. Under the Notable MLPA, Notable originated home improvement loans, all of which Notable makes available for purchase by the Company. No additional cost outside the sale of the loan was contemplated by the Notable MLPA. The services provided by Notable are not integral to the Company's technology platform and expenses incurred are not material to the Company. As of September 30, 2024 and December 31, 2023, the Company had $4.8 million and $6.3 million of unsecured home improvement loans from Notable, which are included within mortgage loans held for sale, at fair value on the condensed consolidated balance sheets.

For both the three months ended September 30, 2024 and 2023 the Company incurred $16 thousand of expenses for amortization of internal use software under the agreement, which are included within depreciation and amortization on the condensed consolidated statements of operations and comprehensive loss. For the nine months ended September 30, 2024, the Company incurred $48 thousand of expenses for amortization of internal use software under the agreement, which are included within depreciation and amortization on the condensed consolidated statements of operations and comprehensive loss. For the nine months ended September 30, 2023, the Company incurred $38 thousand of expenses under the agreement, which are included within marketing expenses and depreciation and amortization on the condensed consolidated statements of operations and comprehensive loss.

Truework—The Company is a party to a data analytics services agreement with Zethos, Inc., ("Truework"), an entity in which Vishal Garg, the Chief Executive Officer of the Company, is an investor. Under the data analytics services agreement, Truework provides digital Verification of Employment ("VOE") and Verification of Income ("VOI") services to the Company during the mortgage loan origination process to confirm the employment and income of borrowers seeking a mortgage. This is data required for underwriting mortgages to the specifications of Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FMCC"), and private loan purchasers. These data services are standard product offerings of Truework, which they offer to a number of mortgage lenders. Truework is one of multiple vendors the Company uses for VOE and VOI services, the largest other one being The Work Number by Equifax. The Company uses the two vendors interchangeably based on estimated lowest cost and turnaround time. The Company originally entered into the data services agreement in March 2021, and amended the agreement in October 2021 to run until September 30, 2023. In connection with usage of the services, the Company incurred expenses of $51 thousand and none for the three months ended September 30, 2024 and 2023 respectively, which are included within loan origination expenses on the consolidated statements of operations and comprehensive loss. The Company incurred expenses of $90 thousand and none for the nine months ended September 30, 2024 and 2023 respectively, which are included within loan origination expenses on the consolidated statements of operations and comprehensive loss. The Company recorded a payable of $13 thousand and $7 thousand as of September 30, 2024 and December 31, 2023, respectively, and is included within other liabilities on the condensed consolidated balance sheets.

12. Commitments and Contingencies

Litigation—The Company, among other things, engages in mortgage lending, title and settlement services, and other financial technology services. The Company operates in a highly regulated industry and may be subject to various legal and administrative proceedings concerning matters that arise in the normal and ordinary course of business, including inquiries, complaints, audits, examinations, investigations, employee labor disputes, vendors, and potential enforcement actions from regulatory agencies. While the ultimate outcome of these matters cannot be predicted with certainty due to inherent uncertainties in litigation, management is of the opinion that these matters will not have a material impact on the condensed consolidated financial statements of the Company. The Company accrues for losses when they are probable to occur and such losses are reasonably estimable, and discloses pending litigation if the Company believes a possibility exists that the litigation will have a material effect on its financial results. Legal costs expected to be incurred are accounted for as they are incurred.

The Company is currently a party to pending legal claims and proceedings regarding an employee related labor dispute brought forth during the third quarter of 2020. The dispute alleges that the Company has failed to pay certain employees for overtime and is in violation of the Fair Labor Standards Act and labor laws in the State of California and the State of Florida. The case is still in its early stages and has not yet reached the class certification stage and as such the ultimate outcome cannot be predicted with certainty due to inherent uncertainties in the legal claims. As part of the dispute, the Company included an estimated liability of $8.3 million and $8.4 million as of September 30, 2024 and December 31, 2023, respectively, which is included in accounts payable and accrued expenses on the condensed consolidated balance sheets. During the three months ended September 30, 2024, the changes in the liability included settlements of $0.2 million as well as a reduction of accrued expense of $0.2 million related to certain other employment matters, which is included within general and administrative expense on the consolidated statement of operations and comprehensive loss. During the nine months ended September 30, 2024, changes included settlement payments of $0.7 million as well as a reduction of accrued expense of $0.1 million related to certain other employment matters, which is included within general and administrative expense on the consolidated statement of operations and comprehensive loss. There were no changes in the estimated liability for both the three and nine months ended September 30, 2023.

On June 7, 2022, Sarah Pierce, Pre-Business Combination Better's former Head of Sales and Operations, filed litigation against Pre-Business Combination Better, Mr. Garg, and Nicholas Calamari, our Chief Administrative Officer and Senior Counsel. Ms. Pierce has since voluntarily dismissed her claims against the Company and Messrs. Garg and Calamari with prejudice and withdrawn her appeal of a separate judgment obtained by the Company against her. Impacts of the settlement were not material to the Company and are included within the condensed consolidated statements of stockholder's equity.

Regulatory Matters—In the third quarter of 2021, following third-party audits of samples of loans produced during the fiscal years 2018, 2019, and 2022, the Company became aware of certain TILA-RESPA Integrated Disclosure ("TRID") defects in the loan production process that resulted in the final closing costs disclosed in the closing disclosure, in some instances, being greater than those disclosed in the loan estimate. Some of these defects were outside applicable tolerances under the TRID rule, which resulted in potential overcharges to consumers. As of September 30, 2024 and December 31, 2023, the Company included an estimated liability of $6.6 million and $8.6 million, respectively, within accounts payable and accrued expenses on the condensed consolidated balance sheets. For the three and nine months ended September 30, 2024, the Company recorded additional accruals for these potential TRID defects of $0.1 million and $0.3 million, respectively, which are included within loan origination expense in the condensed consolidated statement of operations and comprehensive loss. During the three and nine months ended September 30, 2024, the Company had relief of the liability due to payments to customers in the amount of $0.1 million and $2.2 million, respectively.

For the three and nine months ended September 30, 2023, the Company recorded an additional accrual for these potential TRID defects of $3.0 million and $2.7 million, respectively, and are included within loan origination expense in the condensed consolidated statement of operations and comprehensive loss. This accrual is the Company's best estimate of potential exposure on the larger population of loans based on the results obtained by the audited sample. The accrued amounts are for estimated refunds potentially due to consumers for TRID tolerance errors for loans produced from 2018 through 2024. The Company is continuing to remediate TRID tolerance defects as necessary.

Minimum Bid Price Notice—On October 12, 2023, the Company received a letter from Nasdaq notifying the Company that it is not in compliance with the minimum bid price requirement set forth in Nasdaq Listing Rule 5450(a)(1) (the "Bid Price Rule") for continued listing. The Bid Price Rule requires listed securities to maintain a minimum bid price of $1.00 per share, and Nasdaq Listing Rule 5810(c)(3)(A) (the "Compliance Period Rule") provides that a failure to meet the minimum bid price requirement exists if the deficiency continues for a period of 30 consecutive business days. The Company applied for and, on March 7, 2024, received approval from Nasdaq to transfer the listing of its Class A common stock, from the Nasdaq Global Market to the Nasdaq Capital Market. The Class A common stock transferred to the Nasdaq Capital Market effective as of the opening of business on March 13, 2024 and continues to trade under the symbol "BETR."

In accordance with the Compliance Period Rule, the Company has 180 calendar days, from the date of notification, October 12, 2023, to regain compliance. On April 9, 2024, the Company received formal notice that Nasdaq granted the Company's request for an additional 180-day period, or until October 7, 2024, to evidence compliance with the $1.00 per share requirement for continued inclusion on The Nasdaq Capital Market pursuant to the Bid Price Rule.

On Friday, August 16, 2024, the Company filed a Certificate of Amendment to its Amended and Restated Certificate of Incorporation, effecting a 1-for-50 reverse stock split of the Company's common stock (the "Reverse Stock Split") for the primary purpose of increasing the per share trading price of the Company's Class A common stock to enable the Company to regain compliance with the minimum bid price requirement for continued listing on The Nasdaq. The Company's Class A common stock began trading on a split-adjusted basis on the Nasdaq upon the market open on Monday, August 19, 2024.

On September 3, 2024, the Company received a letter from Nasdaq notifying the Company that the Staff has determined that for the last 10 consecutive business days, from August 19, 2024, to August 30, 2024, the closing bid price of the Company's common stock has been at $1.00 per share or greater, and accordingly, the Company has regained compliance with Listing Rule 5550(a)(2) and the matter is now closed.

Loan Commitments—The Company enters into IRLCs to fund mortgage loans, at specified interest rates and within a specified period of time, with potential borrowers who have applied for a loan and meet certain credit and underwriting criteria. As of September 30, 2024 and December 31, 2023, the Company had outstanding commitments to fund mortgage loans in notional amounts of approximately $223.3 million and $227.4 million, respectively. The IRLCs derived from those notional amounts are recorded within derivative assets and liabilities, at fair value as of September 30, 2024 and December 31, 2023, respectively, on the condensed consolidated balance sheets. See Note 15.

Forward Sale Commitments—In the ordinary course of business, the Company enters into contracts to sell existing LHFS or loans committed but yet to be funded into the secondary market at specified future dates. As of September 30, 2024 and December 31, 2023, the Company had outstanding forward sales commitment contracts of notional amounts of approximately $295.0 million and $265.0 million, respectively. The forward sales commitments derived from those notional amounts are recorded within derivative assets and liabilities, at fair value as of September 30, 2024 and December 31, 2023, respectively, on the condensed consolidated balance sheets. See Note 15.

Concentrations—See below for areas considered to be concentrations of credit risk for the Company:

Significant loan purchasers are those that represent more than 10% of the Company's loan volume. During the three months ended September 30, 2024, the Company had three loan purchasers that accounted for 36%, 27% and 19% of loans sold by the Company. During the three months ended September 30, 2023, the Company had three loan purchasers that accounted for 56%, 22%, and 11% of loans sold by the Company. During the nine months ended September 30, 2024, the Company had three loan purchasers that accounted for 44%, 20% and 20% of loans sold by the Company. During the nine months ended September 30, 2023, the Company had one loan purchaser that accounted for 68% of loans sold by the Company.

Concentrations of credit risk associated with the LHFS carried at fair value are limited due to the large number of borrowers and their dispersion across many geographic areas throughout the United States. As of September 30, 2024, the Company had no significant originations representing 10% or greater of its LHFS secured by properties in any specific geographical area. As of December 31, 2023, the Company originated 12% and 11% of its LHFS secured by properties in Florida and Texas, respectively.

The Company maintains cash and cash equivalent balances at various financial institutions. Cash accounts at each bank are insured by the Federal Deposit Insurance Corporation for amounts up to $0.25 million. As of September 30, 2024 and December 31, 2023, the majority of the Company's cash and cash equivalent balances are in excess of the insured limits at various financial institutions.

Escrow Payable and Other Customer Accounts—In accordance with its lender obligations, the Company maintains a separate escrow bank account to hold borrower funds pending future disbursement. The Company administers escrow deposits representing undisbursed amounts received for payment of property taxes, insurance and principal, and interest on mortgage loans held for sale. The Company also administers customer deposits in relation to other non-mortgage products and services that the Company offers. These funds are shown as restricted cash and there is a corresponding escrow payable on the consolidated balance sheet, as they are being held on behalf of the borrower or customer. The balance in these accounts as of September 30, 2024 and December 31, 2023 was $4.7 million and $3.4 million, respectively.

13. Risks and Uncertainties

In the normal course of business, companies in the mortgage lending industry encounter certain economic and regulatory risks. Economic risks include credit risk and interest rate risk, in either a rising or declining interest rate environment. Credit risk is the risk of default that may result from the borrowers' inability or unwillingness to make contractually required payments during the period in which loans are being held for sale by the Company.

Interest Rate Risk—The Company is subject to interest rate risk in a rising interest rate environment, as the Company may experience a decrease in loan production, as well as decreases in the fair value of LHFS, loan applications in process with locked-in rates, and commitments to originate loans, which may negatively impact the Company's operations. To preserve the value of such fixed-rate loans or loan applications in process with locked-in rates, agreements are executed for best effort or mandatory loan sales to be settled at future dates with fixed prices. These loan sales take the form of short-term forward sales of mortgage-backed securities and commitments to sell loans to loan purchasers.

Alternatively, in a declining interest rate environment, customers may withdraw their loan applications that include locked-in rates with the Company. Additionally, when interest rates decline, interest income received from LHFS will decrease. The Company uses an interest rate hedging program to manage these risks. Through this program, mortgage-backed securities are purchased and sold forward.

For all counterparties with open positions as of September 30, 2024, in the event that the Company does not deliver into the forward-delivery commitments, they can be settled on a net basis. Net settlements entail paying or receiving cash based upon the change in market value of the existing instrument.

The Company currently uses forward sales of mortgage-backed securities, interest rate commitments from borrowers, and mandatory and/or best-efforts forward commitments to sell loans to loan purchasers to protect the Company from interest rate fluctuations. These short-term instruments, which do not require any payments to be paid to the counterparty in connection with the execution of the commitments, are generally executed simultaneously.

Credit Risk—The Company's hedging program is not designated as formal hedging from an accounting standpoint, contains an element of risk because the counterparties to its mortgage securities transactions may be unable to meet their obligations. While the Company does not anticipate nonperformance by any counterparty, it is exposed to potential credit losses in the event the counterparty fails to perform. The Company's exposure to credit risk in the event of default by the counterparty is the difference between the contract and the current market price. The Company minimizes its credit risk exposure by limiting the counterparties to well-established banks and securities dealers who meet established credit and capital guidelines.

Loan Repurchase Reserve—The Company sells loans to loan purchasers without recourse. As such, the loan purchasers have assumed the risk of loss or default by the borrower. However, the Company is usually required by these loan purchasers to make certain standard representations and warranties relating to the loan for up to three years post sale. To the extent that the Company does not comply with such representations, or there are early payment defaults, the Company may be required to repurchase the loans or indemnify these loan purchasers for losses. In addition, if loans pay-off within a specified time frame the Company may be required to refund a portion of the sales proceeds to the loan purchasers. The Company repurchased $3.2 million (8 loans) and $3.6 million (11 loans) in unpaid principal balance of loans during the three months ended September 30, 2024 and 2023, respectively, related to its loan repurchase obligations. The Company repurchased $6.2 million (19 loans) and $20.8 million (52 loans) in unpaid principal balance of loans during the nine months ended September 30, 2024 and 2023, respectively, related to its loan repurchase obligations. The Company's loan repurchase reserve is included within other liabilities on the consolidated balance sheets. The (recovery of)/provision for the loan repurchase reserve is included within gain on loans, net on the consolidated statements of operations and comprehensive loss. The following presents the activity of the Company's loan repurchase reserve:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands)	2024	2023	2024	2023
Loan repurchase reserve at beginning of period	$ 11,721	$ 21,832	$ 19,472	$ 26,745
(Recovery)/provision	(3,226)	866	(10,168)	178
Charge-offs	(558)	(945)	(1,367)	(5,170)
Loan repurchase reserve at end of period	$ 7,937	$ 21,753	$ 7,937	$ 21,753

Borrowing Capacity—The Company funds the majority of mortgage loans on a short-term basis through committed and uncommitted warehouse lines as well as from operations for any amounts not advanced by warehouse lenders, see Note 5. As a result, the Company's ability to fund current operations depends on its ability to secure these types of short-term financings. If the Company's principal lenders decided to terminate or not to renew any of the warehouse lines with the Company, the loss of borrowing capacity could be detrimental to the Company's condensed consolidated financial statements unless the Company found a suitable alternative source.

14. Net Loss Per Share

The computation of net loss per share and weighted average shares of the Company's Common Stock outstanding during the periods presented is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands, except for share and per share amounts)	2024	2023	2024	2023
Basic net loss per share:				
Net loss	$ (54,210)	$ (353,889)	$ (147,067)	$ (485,521)
Income allocated to participating securities	—	—	—	—
Net loss attributable to common stockholders - Basic	$ (54,210)	$ (353,889)	$ (147,067)	$ (485,521)
Diluted net loss per share:				
Net loss attributable to common stockholders - Basic	$ (54,210)	$ (353,889)	$ (147,067)	$ (485,521)
Net loss income attributable to common stockholders - Diluted	$ (54,210)	$ (353,889)	$ (147,067)	$ (485,521)
Shares used in computation:				
Weighted average common shares outstanding	15,121,994	9,931,555	15,102,741	7,296,349
Weighted-average effect of dilutive securities:			—	—
Assumed exercise of stock options	—	—	—	—
Assumed exercise of warrants	—	—	—	—
Assumed conversion of convertible preferred stock	—	—	—	—
Diluted weighted-average common shares outstanding	15,121,994	9,931,555	15,102,741	7,296,349
Earnings (loss) per share attributable to common stockholders:				
Basic	$ (3.58)	$ (35.63)	$ (9.74)	$ (66.54)
Diluted	$ (3.58)	$ (35.63)	$ (9.74)	$ (66.54)

Basic and diluted loss per share are the same for each class of our Common Stock because they are entitled to the same dividend rights. Basic and diluted loss per share are presented together as the amounts for basic and diluted loss per share are the same (i.e., the Company's other equity-linked instruments outstanding are anti-dilutive for the periods presented). There were no preferred dividends declared or accumulated during the three and nine months ended September 30, 2024 and 2023. Historically, the Company applied the two-class method that requires earnings available to common stockholders for the period to be allocated between our Common Stock and participating securities based upon their respective rights to receive dividends as if all earnings for the period had been distributed.

Prior to conversion as part of the Closing of the Business Combination, the Company's outstanding convertible preferred stock was a participating security as the holders of such shares participated in earnings but did not contractually participate in the Company's losses and therefore no losses were allocated to the convertible preferred stock in prior periods. The Company's potentially dilutive securities, which include stock options, RSUs, convertible preferred stock prior to the Business Combination, warrants to purchase shares of convertible common stock, warrants to purchase shares of preferred stock prior to the Business Combination, pre-closing Bridge Notes prior to the Business Combination, and Sponsor locked-up shares, have been excluded from the computation of diluted net loss per share, as the effect would be anti-dilutive. The Company excluded the following securities, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to common stockholders for the periods indicated as including them would have had an anti-dilutive effect:

	Nine Months Ended September 30,	
(Amounts in thousands)	2024	2023
Convertible preferred stock [2]	—	—
Pre-Closing Bridge Notes [2]	—	—
RSUs and Options to purchase common stock [1]	1,156	968
Warrants to purchase convertible preferred stock [1]	—	—
Public Warrants [1]	122	—
Private Warrants [1]	75	—
Sponsor locked-up shares [1]	14	—
Total	1,367	968

(1) Securities have an antidilutive effect under the treasury stock method.
(2) Securities have an antidilutive effect under the if-converted method.

15. Fair Value Measurements

The Company's financial instruments measured at fair value on a recurring basis are summarized below:

	September 30, 2024			
(Amounts in thousands)	Level 1	Level 2	Level 3	Total
Mortgage loans held for sale, at fair value	$ —	$ 339,485	$ —	$ 339,485
Derivative assets, at fair value [1]	—	193	4,232	4,425
Total Assets	$ —	$ 339,678	$ 4,232	$ 343,910
Derivative liabilities, at fair value [1]	$ —	$ 4	$ 2	$ 6
Warrants and equity related liabilities, at fair value [2]	$ 697	$ 707	$ —	$ 1,404
Total Liabilities	$ 697	$ 711	$ 2	$ 1,410

	December 31, 2023			
(Amounts in thousands)	Level 1	Level 2	Level 3	Total
Mortgage loans held for sale, at fair value	$ —	$ 170,150	$ —	$ 170,150
Derivative assets, at fair value [1]	—	—	1,716	1,716
Total Assets	$ —	$ 170,150	$ 1,716	$ 171,866
Derivative liabilities, at fair value [1]	$ —	$ 872	$ 77	$ 949
Warrants and equity related liabilities, at fair value [2]	972	1,359	—	2,331
Total Liabilities	$ 972	$ 2,231	$ 77	$ 3,280

(1) As of September 30, 2024 and December 31, 2023, derivative assets and liabilities represent both IRLCs and forward sale commitments.

(2) Fair value is based on the intrinsic value of the Company's underlying stock price at each balance sheet date and includes certain assumptions with regard to volatility.

Specific valuation techniques and inputs used in determining the fair value of each significant class of assets and liabilities are as follows:

Mortgage Loans Held for Sale—The Company originates certain LHFS to be sold to loan purchasers and elected to carry these loans at fair value in accordance with ASC 825. The fair value is primarily based on the price obtained for other mortgage loans with similar characteristics. The changes in fair value of these assets are largely driven by changes in interest rates subsequent to loan funding and receipt of principal payments associated with the relevant LHFS.

Derivative Assets and Liabilities—The Company uses derivatives to manage various financial risks. The fair values of derivative instruments are determined based on quoted prices for similar assets and liabilities, dealer quotes, and internal pricing models that are primarily sensitive to market observable data. The Company utilizes IRLCs and forward sale commitments. The fair value of IRLCs, which are related to mortgage loan commitments, is based on quoted market prices, adjusted by the pull-through factor, and includes the value attributable to the net servicing fee. The Company evaluated the significance and unobservable nature of the pull-through factor and determined that the classification of IRLCs should be Level 3 as of September 30, 2024 and December 31, 2023. Significant changes in the pull-through factor of the IRLCs, in isolation, could result in significant changes in the IRLCs' fair value measurement. The value of IRLCs also rises and falls with changes in interest rates; for example, entering into interest rate lock commitments at low interest rates followed by an increase in interest rates in the market, will decrease the value of IRLC. The Company had issuances of approximately $10.0 million and $0.1 million of IRLCs during the three months ended September 30, 2024 and 2023, respectively. The Company had issuances of approximately $15.9 million and $0.6 million of IRLCs during the nine months ended September 30, 2024 and 2023, respectively.

The number of days from the date of the IRLC to expiration of the rate lock commitment outstanding as of September 30, 2024 was approximately 51 days on average. The Company attempts to match the maturity date of the IRLCs with the forward commitments. Derivatives are presented in the condensed consolidated balance sheets under derivative assets, at fair value and derivative liabilities, at fair value. During the three months ended September 30, 2024, the Company recognized $1.0 million of gains and $9.1 million of losses related to changes in fair value of IRLCs and forward sale commitments, respectively. During the nine months ended September 30, 2024, the Company recognized gains of $2.6 million and losses of $2.7 million related to changes in fair value of IRLCs and forward sale commitments, respectively. During the three months ended September 30, 2023, the Company recognized $0.9 million of losses and $5.0 million of gains related to changes in the fair value of IRLCs and forward sale commitments, respectively. During the nine months ended September 30, 2023, the Company recognized $0.1 million and $8.4 million of gains related to changes in the fair value of IRLCs and forward sale commitments, respectively. Gains and losses related to changes in the fair value of IRLCs and forward sale commitments are included in gain on loans, net within the condensed consolidated statements of operations and comprehensive loss. Unrealized activity related to changes in the fair value of forward sale commitments were $1.0 million of losses and $1.5 million of gains, included in the $9.1 million of losses and $5.0 million of gains, during the three months ended September 30, 2024 and 2023, respectively. Unrealized activity related to changes in the fair value of forward sale commitments were $3.5 million of gains and $0.8 million of gains, included in the $2.7 million of losses and $8.4 million of gains, during the nine months ended September 30, 2024 and 2023, respectively. The notional and fair value of derivative financial instruments not designated as hedging instruments were as follows:

(Amounts in thousands)	Notional Value	Derivative Asset	Derivative Liability
Balance as of September 30, 2024			
IRLCs	$ 223,343	$ 4,232	$ 2
Forward commitments	$ 295,000	193	4
Total		$ 4,425	$ 6
Balance as of December 31, 2023			
IRLCs	$ 227,380	$ 1,716	$ 77
Forward commitments	$ 265,000	—	872
Total		$ 1,716	$ 949

Warrant and equity related liabilities—The warrant liability consists of Warrants and certain shares issued to Novator Capital Sponsor Ltd. ("Sponsor, a related party") that are subject to transfer restrictions contingent on the price of Class A common stock exceeding certain thresholds (the "Sponsor-Locked-Up Shares"). The warrants consist of the Company's publicly traded warrants ("Public Warrants") and private warrants to acquire shares of Aurora that have been converted into warrants to acquire shares of Class A common stock ("Private Warrants"). The Public Warrants trade on the Nasdaq Capital Market under the ticker symbol "BETRW" and as such is considered a Level 1 input from an active market to derive the value. The Private Warrants and Sponsor-Locked up Shares, although not publicly traded on an active market, use inputs from the publicly traded Public Warrants and the Company's publicly traded Common Stock, respectively, and are further calibrated using unobservable inputs representing Level 2 measurements within the fair value hierarchy.

As of September 30, 2024 and December 31, 2023, Level 3 instruments include IRLCs. The following table presents the rollforward of Level 3 IRLCs:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands)	2024	2023	2024	2023
Balance at beginning of period	$ 3,206	$ (514)	$ 1,640	$ (1,513)
Change in fair value of IRLCs	1,024	(953)	2,590	46
Balance at end of period	$ 4,230	$ (1,467)	$ 4,230	$ (1,467)

Counterparty agreements for forward sale commitments contain master netting agreements, which contain a legal right to offset amounts due to and from the same counterparty and can be settled on a net basis. The table below presents gross amounts of recognized assets and liabilities subject to master netting agreements.

(Amounts in thousands)	Gross Amount of Recognized Assets	Gross Amount of Recognized Liabilities	Net Amounts Presented in the Condensed Consolidated Balance Sheet
Offsetting of Forward Commitments - Assets			
Balance as of:			
September 30, 2024:	$ 635	$ (442)	$ 193
December 31, 2023	$ —	$ —	$ —
Offsetting of Forward Commitments - Liabilities			
Balance as of:			
September 30, 2024:	$ 29	$ (33)	$ (4)
December 31, 2023	$ 168	$ (1,041)	$ (872)

Significant Unobservable Inputs—The following table presents quantitative information about the significant unobservable inputs used in the recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	September 30, 2024	
(Amounts in dollars, except percentages)	Range	Weighted Average
Level 3 Financial Instruments:		
IRLCs		
Pull-through factor	0.33% - 100%	70.1 %

	December 31, 2023	
(Amounts in dollars, except percentages)	Range	Weighted Average
Level 3 Financial Instruments:		
IRLCs		
Pull-through factor	0.77% - 100%	89.8 %

U.S. GAAP requires disclosure of fair value information about financial instruments, whether recognized or not recognized in the condensed consolidated financial statements, for which it is practical to estimate the fair value. In cases where quoted market prices are not available, fair values are based upon the estimation of discount rates to estimated future cash flows using market yields or other valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimates of fair value in both inactive and orderly markets. Accordingly, fair values are not necessarily indicative of the amount the Company could realize on disposition of the financial instruments in a current market exchange. The use of market assumptions or estimation methodologies could have a material effect on the estimated fair value amounts.

The estimated fair value of the Company's cash and cash equivalents, restricted cash, warehouse lines of credit, and escrow funds and customer deposits approximates their carrying values as these financial instruments are highly liquid or short-term in nature. The following table presents the carrying amounts and estimated fair value of financial instruments that are not recorded at fair value on a recurring or non-recurring basis:

		September 30, 2024		December 31, 2023	
(Amounts in thousands)	Fair Value Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short-term investments	Level 1	$ 54,414	$ 54,422	$ 25,597	$ 25,563
Loans held for investment	Level 3	$ 81,401	$ 82,931	$ 4,793	$ 5,103
Convertible Note	Level 3	$ 518,012	$ 323,990	$ 514,644	$ 309,135

In determining the fair value of the Short-term investments, management used observable inputs such as quoted prices in active markets for identical assets. The fair value of loans held for investment is determined by management estimates of the specific credit risk attributes of each pool of loans, in addition to the quoted secondary-market prices, which account for the interest rate characteristics of each loan. In determining the fair value of the Convertible Note, issued by a related party, management used factors that are material to the valuation process, including but not limited to, the trading price of the Company's securities, actual and projected financial results, risks, prospects, and economic and market conditions, among other factors. As a number of assumptions and estimates were involved that are largely unobservable, loans held for investment and the Convertible Note were classified as Level 3 inputs within the fair value hierarchy.

16. Income Taxes

On a consolidated basis, the Company recorded total income tax expense of $0.1 million and $0.7 million for the three months ended September 30, 2024 and 2023, respectively. The Company recorded total income tax expense of $0.5 million and $2.5 million for the nine months ended September 30, 2024 and 2023, respectively. The Company's quarterly tax provision, and estimate of its annual effective tax rate, is subject to variation due to several factors, including the ability to accurately project the Company's pre-tax income or loss for the year and the mix of earnings among various tax jurisdictions. The year-to-date effective tax rate, after discrete items, of (0.23)% for the three months ended September 30, 2024, changed from (0.19)% for the three months ended September 30, 2023, as the Company was subject to withholding taxes on an intercompany dividend in 2023. The year-to-date effective tax rate, after discrete items, of (0.3)% for the nine months ended September 30, 2024, changed from (0.5)% for the nine months ended September 30, 2023, as the Company was subject to withholding taxes on an intercompany dividend in 2023.

As of each reporting date, the Company considers existing evidence, both positive and negative, that could impact management's view with regard to future realization of deferred income tax assets. The Company is in a three-year cumulative loss position in all material jurisdictions as of September 30, 2024. Further, due to losses being estimated in the future, management continues to believe it is more likely than not that the benefit of the deferred income tax assets will not be realized. In recognition of this risk, the Company continues to provide a full valuation allowance on deferred income tax assets.

17. Convertible Preferred Stock

In connection with the Business Combination, as described in Note 1, all series of Pre-Business Combination Better convertible preferred stock were converted into Pre-Business Combination Better common stock and subsequently converted to the Company's Common Stock at an exchange ratio of approximately 3.06.

Convertible Preferred Stock Warrants—Immediately prior to the Closing of the Business Combination, certain convertible preferred stock warrant holders exercised their warrants on a cash basis and the remaining convertible preferred stock warrant holders exercised their warrants on a net basis at the Closing.

The change in fair value of warrants for both the three months ended September 30, 2024 and 2023 was none. The change in fair value of warrants for the nine months ended September 30, 2024 and 2023 was none and a gain of $0.3 million, respectively, and was recorded in other expenses within the condensed consolidated statements of operations and comprehensive loss.

18. Stockholders' Equity

On the Closing Date, the Company consummated the Business Combination pursuant to the terms of the Merger Agreement. The Company's Class A common stock and Public Warrants currently trade on the Nasdaq Capital Market, under the ticker symbols "BETR" and "BETRW", respectively. Each outstanding share of Pre-Business Combination Better common stock was exchanged for approximately 3.06 shares of the Company's Class A or Class B common stock.

Private and Public Warrants—As of September 30, 2024 and December 31, 2023, the Company had a total of $1.2 million and $1.9 million, of Private Warrants held by a related party, and Public Warrants, respectively, which are included as warrant and equity related liabilities within the condensed consolidated balance sheets. The change in fair value of Warrants for the three and nine months ended September 30, 2024 was a gain of $0.2 million and gain of $0.7 million, respectively, and is included in other expenses within the condensed consolidated statements of operations and comprehensive loss. The change in fair value of Warrants for both the three and nine months ended September 30, 2023 was a gain of $0.2 million and is included in other expenses within the condensed consolidated statements of operations and comprehensive loss.

Sponsor Locked-up Shares—As of September 30, 2024 and December 31, 2023, the Company had a total of $0.2 million and $0.4 million, respectively, in respect of Sponsor Locked-up Share liabilities which were issued to a related party, and are included within warrant and equity liabilities in the condensed consolidated balance sheets. The change in fair value of Sponsor Locked-up Shares for the three and nine months ended September 30, 2024 was none and a gain of $0.2 million, respectively, and was included in other expenses within the condensed consolidated statements of operations and comprehensive loss. The change in fair value of Sponsor Locked-up Shares for both the three and nine months ended September 30, 2023 was a gain of $0.6 million and is included in other expenses within the condensed consolidated statements of operations and comprehensive loss.

Notes Receivable from Stockholders—The Company, previously at times, entered into promissory note agreements with certain employees for the purpose of financing the exercise of the Company's stock options. These employees may have the ability to use the promissory notes to exercise stock options that have not yet been vested by the respective employees. Interest is compounded and accrued based on any unpaid principal balance and is due upon the earliest of maturity, 120 days after an employee leaves the Company, the date the employee sells shares acquired through the promissory note agreement without prior written consent of the Company, or the day prior to the date that any change in the employee's status would cause the loan to be a prohibited extension or maintenance of credit under Section 402 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act"). The Company no longer enters into promissory note agreements for the purpose of financing the exercise of the Company's stock options and no longer allows for the early exercise of stock options.

As of September 30, 2024 and December 31, 2023, the Company had a total of $16.0 million and $18.3 million, respectively, of outstanding promissory notes.

Of the notes outstanding as of September 30, 2024 and December 31, 2023, $9.1 million and $10.1 million, respectively, were issued for the exercise of stock options vested and are recorded as a component of stockholders' equity within the condensed consolidated balance sheets. The balance as of September 30, 2024 does not include any promissory notes due from directors and officers of the Company.

Of the notes outstanding as of September 30, 2024 and December 31, 2023, $6.9 million and $8.2 million, respectively, were issued for the early exercise of stock options not yet vested. Notes issued for the early exercise of stock options not yet vested are not reflected within stockholders' equity on the condensed consolidated balance sheets as they relate to unvested share awards and therefore are considered non-substantive exercises. As the unvested share awards vest and are exercised in conjunction with the notes, they are recognized in the statement of equity within vesting of our Common Stock issued via notes receivable from stockholders. The notes range in maturity from May 2025 to January 2026 and include interest rates ranging from 0.5% to 2.5% per annum.

19. Stock-Based Compensation

Stock-Based Compensation Expense—Stock-based compensation expense is included within compensation and benefits in the condensed consolidated statements of operations and comprehensive loss. The Company recognized stock-based compensation expense as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands)	2024	2023	2024	2023
Total stock-based compensation expense	5,487	39,417	21,812	47,879

Stock-based compensation expense excludes $0.4 million and $2.7 million of stock-based compensation expense for the three months ended September 30, 2024 and 2023, which was capitalized (see Note 7). Stock-based compensation expense excludes $1.3 million and $5.1 million of stock-based compensation expense for the nine months ended September 30, 2024 and 2023, which was capitalized (see Note 7).

20. Regulatory Requirements

The Company is subject to various local, state, and federal regulations related to its loan production by the various states it operates in, as well as federal agencies such as the Consumer Financial Protection Bureau, the U.S. Department of Housing and Urban Development ("HUD"), and the Federal Housing Administration ("FHA") and is subject to the requirements of the agencies to which it sells loans, such as FNMA and FMCC. As a result, the Company may become involved in requests for information, periodic reviews, investigations, and proceedings by such various federal, state, and local regulatory bodies and agencies.

The Company is required to meet certain minimum net worth, minimum capital ratio and minimum liquidity requirements, including those established by HUD, FMCC and FNMA. As of September 30, 2024, the Company was in compliance with all necessary requirements.

Additionally, the Company is subject to other financial requirements established by government-sponsored enterprises ("GSEs"), which include a limit for a decline in net worth and quarterly profitability requirements. On March 12, 2023 and subsequently on May 19, 2023, the Company failed to meet the additional financial requirements due to the Company's decline in profitability and decline in net worth. The decline in net worth and decline in profitability permit GSEs to declare a breach of the Company's contract. The Company instituted additional financial requirements and remains in compliance with these requirements as of September 30, 2024.

21. Subsequent Events

The Company evaluated subsequent events from the date of the condensed consolidated balance sheets of September 30, 2024 through the date of the release of financial statements, and has determined that, there have been no subsequent events that require recognition or disclosure in the condensed consolidated financial statements, except as described in Note 5.

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

Unless otherwise indicated or the context otherwise requires, references in this Management's Discussion and Analysis of Financial Condition and Results of Operations section to "Better Home & Finance," the "Company," "we,""us," "our" and other similar terms refer to Better Holdco, Inc. and its subsidiaries prior to the completion ("Closing") of the transactions contemplated by the Agreement and Plan of Merger, dated as of May 10, 2021, as amended, by and among Aurora Acquisition Corp., Better Holdco, Inc., and Aurora Merger Sub I, Inc. (such transactions, the "Business Combination"), and to Better Home & Finance Holding Company and its consolidated subsidiaries after the Closing.

The following discussion and analysis of our financial condition and results of operations should be read together with our audited consolidated financial statements as of December 31, 2023 and for the years ended December 31, 2023 and 2022, in each case, together with related notes thereto, included in our 2023 Annual Report on Form 10-K, and our condensed consolidated financial statements and related notes as of and for the quarterly period ended September 30, 2024, included elsewhere in this quarterly report on Form 10-Q.

In addition to historical financial information, the following discussion and analysis may contain forward-looking statements within the meaning of federal securities laws that involve risks, uncertainties and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "Risk Factors" and elsewhere in this quarterly report on Form 10-Q. See "Cautionary Statement Regarding Forward-Looking Statements." Additionally, our historical results are not necessarily indicative of the results that may be expected for any period in the future. Certain amounts may not foot due to rounding.

Company Overview

We are building a next-generation platform that we believe can revolutionize the world's largest, oldest and most tangible asset class, the home. Our holistic solution and marketplace model, enabled by our proprietary technology, allows us to take one of our customers' largest and most complex financial journeys-the process of owning a home-and transform it into a more simple, transparent and ultimately affordable process. Our goal is to do our part in lowering the hurdles to homeownership by offering the lowest prices and the best experience to our customers.

We are a technology-driven organization. We are seeking to disrupt a business model by leveraging our proprietary platform, Tinman, to enhance the automation of the home finance process. Through this process, we aim to reduce the cost to produce a loan and in the future to create a platform with all homeownership products embedded into a highly automated, single flow, allowing us to pass along savings to our customers.

We are focused on improving our platform and plan to continue making investments to build our business and prepare for future growth. We believe that our success will depend on many factors, including our ability to drive customers to our platform, and convert them once they come to us, through both our direct-to-consumer ("D2C") channel and our partner relationship ("B2B") channel, achieve leverage on our operational expenses, execute on our strategy to fund more purchase loans and diversify our revenue by expanding and enhancing our offerings. We plan to continue to invest in technology to improve customer experience and further drive down labor costs through automation, making our platform more efficient and scalable.

Our Business Model

We generate revenue through the production and sale of loans and other product offerings through our platform. The revenue and mix of revenue as a percentage of total revenue attributable to our sale of loan production (Gain on loans, net) and Better Plus (Other revenue) and net interest income for the three and nine months ended September 30, 2024 and 2023 is as follows:

(Amounts in thousands, except percentage amounts)	Three Months Ended September 30,			
	2024		2023	
	Amounts	Percentages	Amounts	Percentages
Gain on loans, net	$ 21,503	74 %	$ 11,553	235 %
Other revenue	3,070	11 %	4,009	82 %
Net interest income/(loss)	4,421	16 %	(10,655)	(217)%
Total net revenues	$ 28,994		$ 4,907	

(Amounts in thousands, except percentage amounts)	Nine Months Ended September 30,			
	2024		2023	
	Amounts	Percentages	Amounts	Percentages
Gain on loans, net	$ 61,384	74 %	$ 50,739	93 %
Other revenue	8,768	10 %	13,664	25 %
Net interest income/ (loss)	13,355	15 %	(9,775)	(18)%
Total net revenues	$ 83,507		$ 54,628	

Home Finance Mortgage Model—Gain on loans, net

We produce a wide selection of mortgage loans and leverage our platform to quickly sell these loans and related mortgage servicing rights ("MSRs") to our loan purchaser network. We source our customers through two channels: our D2C channel and our B2B channel. Through our D2C channel, we generate gain on loans, net by selling loans and MSRs to our loan purchaser network, recognizing D2C revenue per loan. Through our B2B channel, we generate revenue from integrated relationships and advertising relationships. Through our advertising relationships, we generate gain on loans, net the same way we do in our D2C channel, by selling loans to our loan purchaser network. Through our integrated relationships, we generate a fixed fee per loan originated, which we recognize as revenue upon the funding of the loan by the partner. We may also purchase certain of the loans from our integrated relationship partner, which we may subsequently sell to our loan purchaser network at our discretion. For loans subsequently sold to our loan purchaser network, the partner receives a portion of the sale proceeds. Although we aim to expand our B2B relationships, as of September 30, 2024, this channel was primarily comprised of our integrated relationship with Ally Bank (which is our only current integrated relationship).

Better Plus Model—Other revenue

Better Plus revenue consists of revenue from non-mortgage product offerings including real estate services (Better Real Estate) and insurance services, which includes title insurance (Better Cover).

Through Better Real Estate services, we offer settlement services during the mortgage transaction, which include wire services, document preparation, and other mortgage settlement services. As part of Better Real Estate we offer real estate services through our national network of real estate agents, primarily third-party partner real estate agents. Our technology matches prospective buyers with local agents, who help them identify houses, see houses, and navigate the purchase process. In the partner agent model, we refer customers to a network of external agents that assist them with searching for a home for which we receive a cooperative brokerage fee.

Through Better Cover we offer customers access to a range of homeowners insurance policy options through our digital marketplace of third-party insurance partners. We act as an agent to insurance carriers and receive an agency fee from the insurance carriers for policies sold and renewed. We also offer title insurance primarily as an agent and work with third-party providers that fulfill and underwrite the title insurance policies.

International Lending Revenue—Other revenue

International lending revenue consists of revenue from our international lending activities, primarily in the U.K., which has expanded via acquisitions in prior years. International lending activities primarily include broker fees earned via our digital mortgage broker in the U.K.

Key Business Metrics

In addition to the measures presented in our condensed consolidated financial statements, we use the following key business metrics to help us evaluate our business, identify trends affecting our business, formulate plans and make strategic decisions. Our key business metrics enable us to monitor our ability to manage our business compared to the broader mortgage origination market, as well as monitor relative performance across key purchase and refinance verticals.

Key measures that we use in assessing our business include the following ($ in millions, except percentage data or as otherwise noted):

Key Business Metric	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Home Finance				
Funded Loan Volume	$ 1,035	$ 731	$ 2,658	$ 2,488
Refinance Loan Volume	$ 130	$ 47	$ 289	$ 178
Purchase Loan Volume	$ 739	$ 656	$ 2,062	$ 2,268
HELOC Loan Volume	$ 166	$ 28	$ 307	$ 41
D2C Loan Volume	$ 776	$ 384	$ 1,805	$ 1,392
B2B Loan Volume	$ 259	$ 346	$ 853	$ 1,095
Total Loans (number of loans, not millions)	3,443	2,067	8,429	6,936
Average Loan Amount ($ value, not millions)	$ 300,589	$ 353,547	$ 315,350	$ 358,660
Gain on Sale Margin	2.08 %	1.58 %	2.31 %	2.04 %
Total Market Share	0.2 %	0.2 %	0.2 %	0.2 %
Better Plus				
Better Real Estate Transaction Volume	$ 105	$ 92	$ 266	$ 442
Insurance Coverage Written	$ 1,068	$ 1,233	$ 3,300	$ 3,965

Home Finance

Funded Loan Volume represents the aggregate dollar amount of all loans funded in a given period based on the principal amount of the loan at funding. Our Funded Loan Volume of $1,035 million in the three months ended September 30, 2024 increased by approximately 42% from $731 million in the three months ended September 30, 2023. Our Funded Loan Volume increased by approximately 7% period-over-period to $2,658 million in the nine months ended September 30, 2024 from $2,488 in the nine months ended September 30, 2023. Beginning in the third quarter of 2023, we also include HELOC and closed-end second lien loans in our Funded Loan Volume. For the three months ended September 30, 2024, purchase and refinance loans comprised $869 million and HELOC and closed-end second lien loans comprised $166 million of Funded Loan Volume. For the nine months ended September 30, 2024 purchase and refinance loans comprised $2,351 million while HELOC and closed-end second lien loans comprised $307 million of Funded Loan Volume.

Refinance Loan Volume represents the aggregate dollar amount of refinance loans funded in a given period based on the principal amount of the loan at refinancing date. Our Refinance Loan Volume of $130 million in the three months ended September 30, 2024 increased by approximately 177% from $47 million in the three months ended September 30, 2023. Our Refinance Loan Volume increased by approximately 62% year-over-year to $289 million in the nine months ended September 30, 2024 from $178 million in the nine months ended September 30, 2023.

Purchase Loan Volume represents the aggregate dollar amount of purchase loans funded in a given period based on the principal amount of the loan at purchase date. Our Purchase Loan Volume increased by approximately 13% year-over-year to $739 million in the three months ended September 30, 2024 from $656 million in the three months ended September 30, 2023. Our Purchase Loan Volume decreased by approximately 9% year-over-year to $2,062 million in the nine months ended September 30, 2024 from $2,268 million in the nine months ended September 30, 2023.

HELOC Loan Volume represents the aggregate dollar amount of HELOC and closed-end second lien loans funded in a given period based on the principal amount of the loan at funding. The HELOC product was launched during the first half of 2023, and the closed-end second lien product was launched towards the end of 2023, with volume becoming material in the first half of 2024. Our HELOC Loan Volume increased to $166 million in the three months ended September 30, 2024 from $28 million in the three months ended September 30, 2023. Our HELOC Loan Volume increased to $307 million in the nine months ended September 30, 2024 from $41 million in the nine months ended September 30, 2023.

D2C Loan Volume represents the aggregate dollar amount of loans funded in a given period based on the principal amount of the loan at funding that have been generated from direct interactions with customers using all marketing channels other than our B2B partner relationships. Our D2C Loan Volume of $776 million in the three months ended September 30, 2024 increased by approximately 102% from $384 million in the three months ended September 30, 2023. Our D2C Loan Volume of $1,805 million in the nine months ended September 30, 2024 increased by approximately 30% year-over-year from $1,392 million in the nine months ended September 30, 2023.

B2B Loan Volume represents the aggregate dollar amount of loans funded in a given period based on the principal amount of the loan at funding that have been generated through one of our B2B partner relationships. Our B2B Loan Volume of $259 million in the three months ended September 30, 2024 decreased by approximately 25% from $346 million in the three months ended September 30, 2023. Our B2B Loan Volume of $853 million in the nine months ended September 30, 2024 decreased by approximately 22% year-over-year from $1,095 million in the nine months ended September 30, 2023.

Total Loans represents the total number of loans funded in a given period, including purchase loans, refinance loans, HELOC loans and closed-end second lien loans. Our Total Loans of 3,443 in the three months ended September 30, 2024 increased by approximately 67% from 2,067 in the three months ended September 30, 2023. Our Total Loans of 8,429 in the nine months ended September 30, 2024 increased by approximately 22% year-over-year from 6,936 in the nine months ended September 30, 2023.

Purchase and refinance loans comprised 2,196 of the Total Loans in the three months ended September 30, 2024, while HELOC and closed-end second lien loans comprised 1,247. Purchase and refinance loans comprised 5,887 of the Total Loans in the nine months ended September 30, 2024, while HELOC and closed-end second lien loans comprised 2,542.

Average days loans held for sale, excluding Company-funded LHFS and Company-funded HELOC, for the three months ended September 30, 2024 and 2023, were approximately 24 and 21, respectively. Average days loans held for sale, excluding Company-funded LHFS and Company-funded HELOC, for the nine months ended September 30, 2024 and 2023, were approximately 28 and 21, respectively. This is defined as the average days between funding and sale for loans funded during each period. As of each such reporting date, we had an immaterial amount of loans either 90 days past due or non-performing, as we generally aim to sell loans shortly after production.

Average Loan Amount represents Funded Loan Volume divided by Total Loans in a period. Our Average Loan Amount decreased by approximately 15% to $300,589 in the three months ended September 30, 2024 from $353,547 in the three months ended September 30, 2023 and decreased approximately 12% year-over-year to $315,350 during the nine months ended September 30, 2024 from $358,660 in the nine months ended September 30, 2023. In general, HELOC and closed-end second lien loans have lower average loan amounts than purchase or refinance loans, and therefore Average Loan Amount has decreased as a result of the growth of HELOC and closed-end second lien growth as a percentage of our fundings.

Gain on Sale Margin represents gain on loans, net, as presented on our condensed consolidated statements of operations and comprehensive income (loss), divided by Funded Loan Volume. Gain on Sale Margin increased by approximately 50 basis points to 2.08% during the three months ended September 30, 2024 from 1.58% for the three months ended September 30, 2023. We saw an increase in our Gain on Sale Margin for the three months ended September 30, 2024 compared to the three months ended September 30, 2023, as a result of improved pricing on loans funded. Gain on Sale Margin increased by approximately 27 basis points to 2.31% for the nine months ended September 30, 2024 from 2.04% for the nine months ended September 30, 2023 as a result of improved pricing on loans funded.

Total Market Share represents Funded Loan Volume in a period divided by total value of loans funded in the industry for the same period, as presented by FNMA. Our Total Market Share of 0.2% during the three months ended September 30, 2024 remained substantially the same as 0.2% in the three months ended September 30, 2023. Our Total

Market Share of 0.2% for the nine months ended September 30, 2024 remained substantially the same year-over-year from 0.2% for the nine months ended September 30, 2023. While we are leaning into growth and have seen an increase in our Total Loans and Funded Loan Volume for the three months ended September 30, 2024 compared to the three months ended September 30, 2023, the total value of loans funded in the industry has also increased and the mortgage market remains competitive among lenders, given the interest rate environment, resulting in relatively flat market share on a percentage basis. We continue to focus on originating the most profitable business available to us and seek to avoid growing through highly unprofitable channels.

Better Plus

Better Real Estate Transaction Volume represents the aggregate dollar amount of real estate volume transacted in a given period across both in-house agents and third-party network agents.

Insurance Coverage Written represents the aggregate dollar amount of insurance liability coverage provided to customers on behalf of insurance carrier partners across all insurance products on the Company's marketplace, specifically title and homeowners insurance offered through Better Settlement Services and Better Cover. This includes the value of the loan for lender's title insurance and dwelling coverage for homeowners insurance. Insurance Coverage Written amounts for Better Cover have been updated for all periods presented to include both new policies and policy renewals, which in prior periods included only new policies.

Description of Certain Components of Our Financial Data

Components of Revenue

Our sources of revenue include gain on loans, net, other revenue, and net interest income.

Home Finance (Gain on Loans, Net)

Gain on loans, net, includes revenue generated from our mortgage production process. The components of Gain on loans, net, are as follows:

i. Gain on sale of loans, net–This represents the premium we receive in excess of the loan principal amount and certain fees charged by loan purchasers upon sale of loans into the secondary market. Gain on sale of loans, net includes unrealized changes in the fair value of mortgage loans held for sale ("LHFS"), which are recognized on a loan-by-loan basis as part of current period earnings until the loan is sold on the secondary market. The fair value of LHFS is measured based on observable market data. This also includes activity for loans originated on behalf of the integrated partnership that are subsequently purchased by us as well the portion of the sale proceeds to be received by the integrated partner. The portion of the sale proceeds that is to be allocated to the integrated partner is accrued as a reduction of gain on sale of loans, net when the loan is initially purchased by us from the integrated relationship partner.

Gain on sale of loans, net also includes the changes in fair value of IRLCs and forward sale commitments. IRLCs include the fair value upon purchase/issuance with subsequent changes in the fair value recorded in each reporting period until the loan is sold on the secondary market. Fair value of forward commitments hedging IRLCs and LHFS are measured based on quoted prices for similar assets.

ii. Integrated Partnership Fees–Includes fees that we receive for originating loans on behalf of an integrated partner, which are recognized as revenue upon the integrated partner's funding of the loan.

iii. Provision for Loan Repurchase Reserve–In connection with our sale of loans on the secondary market, we make customary representations and warranties to the relevant loan purchasers about various characteristics of each loan, such as the origination and underwriting guidelines, including but not limited to the validity of the lien securing the loan, property eligibility, borrower credit, income and asset requirements, and compliance with applicable federal, state and local laws. In the event of a breach of its representations and warranties, we may be required to repurchase the loan with the identified defects. The provision for loan repurchase reserve, represents the charge for these potential losses.

Better Plus, International Lending Revenue, and Other (Other Revenue)

We generate other revenue through our Better Plus offerings, which includes Better Real Estate (real estate services), Better Cover (insurance), and international lending revenue.

For Better Real Estate, we generate revenues from fees related to real estate agent services, mainly cooperative brokerage fees from our network of third-party real estate agents, to assist our customers in the purchase or sale of a home. For settlement services, we generate revenues from fees on services, such as policy preparation, title search, wire, and other services, required to close a loan, which were provided by third parties through our platform. We recognize revenues from fees on settlement services upon the completion of the performance obligation, which was when the loan transaction closes.

For Better Cover, we generate revenues from agent fees on homeowners insurance policies obtained by our customers through our marketplace of third-party insurance carriers. For title insurance, we generate revenues from agent fees on title policies written by third parties and sold to our customers in loan transactions. We recognize revenues from agent fees on title policies upon the completion of the performance obligation, which is when the loan transaction closes. As an agent, we do not control the ability to direct the fulfillment of the service, are not primarily responsible for fulfilling the performance of the service, and do not assume the risk in a claim against the policy.

Our performance obligations for settlement services and title insurance are typically completed 40 to 60 days after the commencement of the loan origination process and are recognized in revenue upon the closing of the loan transaction.

For international lending revenue, we generate revenue primarily from broker fees earned via our digital mortgage broker in the U.K.

Net Interest Income

Net interest income includes interest income from LHFS, including HELOCs, calculated based on the note rate of the respective loan, interest income from short-term investments, and interest income on loans held for investment, through our U.K. operations. Interest expense includes interest expense on warehouse lines of credit, interest expense on customer deposits, through our U.K. operations, as well as interest expense on the convertible note, a senior subordinated convertible note in the aggregate principal amount of $528.6 million issued to SB Northstar LP (the “Convertible Note”).

Components of Our Expenses

Our expenses consist of compensation and benefits, general and administrative, technology expenses, marketing and advertising expenses, loan origination expenses, depreciation and amortization, and other expenses.

Compensation and Benefits Expenses

Compensation and benefits expenses includes salaries, wages, and incentive pay as well as stock compensation, employee health benefits, 401(k) plan benefits, and social security and unemployment taxes. Stock-based compensation includes expenses associated with restricted stock unit grants, performance stock unit grants, and stock option grants under our stock plans. We recognize compensation expense for the stock-based payments based on the fair value of the awards on the grant date. The expense is recorded on a straight-line basis over the requisite service period. Compensation and benefits excludes amounts capitalized for internal developed software.

General and Administrative Expenses

General and administrative expenses include rent and occupancy expenses, travel and entertainment expenses, insurance expenses, and external legal, tax and accounting services. General and administrative expenses are expensed as incurred.

Technology Expenses

Technology expenses consist of expenses related to vendors engaged in product management, design, development and testing of our websites and products. Technology and product development expenses are generally expensed as incurred.

Marketing and Advertising Expenses

Marketing and advertising expenses consist of customer acquisition expenses, brand costs, and paid marketing. For customer acquisition expenses, we primarily generate loan origination leads through third-party financial service websites for which we incur “pay-per-click” expenses. A majority of our marketing expenses are incurred from leads that we purchase from these third-party financial service websites. Marketing expenses are generally expensed as incurred.

Loan Origination Expenses

Loan origination expenses consist primarily of origination expenses, appraisal fees, processing expenses, underwriting, closing fees, and servicing costs. These expenses are expensed as incurred.

Other Expenses

Other expenses relate to other non-mortgage homeownership activities, including settlement service expenses, lead generation expenses, expenses incurred in relation to our international lending activities, and gains and losses from the warrant and equity related liabilities. Settlement service expenses consist of fees for transactional services performed by third-party providers for borrowers while lead generation expenses consist of fees for services related to real estate agents. Other expenses are expensed as incurred.

Results of Operations

The following table sets forth certain consolidated financial data for each of the periods indicated:

(Amounts in thousands, except per share amounts)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Revenues:				
Gain on loans, net	$ 21,503	$ 11,553	$ 61,384	$ 50,739
Other revenue	3,070	4,009	8,768	13,664
Net interest income				
Interest income	9,867	4,043	27,900	18,006
Interest expense	(5,446)	(14,698)	(14,545)	(27,781)
Net interest income/(loss)	4,421	(10,655)	13,355	(9,775)
Total net revenues	28,994	4,907	83,507	54,628
Expenses:				
Compensation and benefits	37,752	84,329	111,079	156,437
General and administrative	12,611	14,234	41,813	43,700
Technology	7,249	6,349	19,289	31,959
Marketing and advertising	12,101	5,064	25,186	15,925
Loan origination expense	3,774	627	7,142	9,226
Depreciation and amortization	8,259	10,491	25,323	32,791
Other expenses/(Income)	1,332	237,043	270	247,572
Total expenses	83,078	358,137	230,102	537,610
Loss before income tax expense	(54,084)	(353,230)	(146,595)	(482,982)
Income tax expense/(benefit)	126	659	472	2,539
Net loss	$ (54,210)	$ (353,889)	$ (147,067)	$ (485,521)
Earnings (loss) per share attributable to common stockholders (Basic)	$ (3.58)	$ (35.63)	$ (9.74)	$ (66.54)
Earnings (loss) per share attributable to common stockholders (Diluted)	$ (3.58)	$ (35.63)	$ (9.74)	$ (66.54)

Three and Nine Months Ended September 30, 2024 as Compared to Three and Nine Months Ended September 30, 2023

Revenues

The components of our revenues for the period were:

(Amounts in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues:				
Gain on loans, net	21,503	11,553	61,384	50,739
Other revenue	3,070	4,009	8,768	13,664
Net interest income				
Interest income	9,867	4,043	27,900	18,006
Interest expense	(5,446)	(14,698)	(14,545)	(27,781)
Net interest income	4,421	(10,655)	13,355 —	(9,775)
Total net revenues	$ 28,994	$ 4,907	$ 83,507	$ 54,628

Gain on loans, net

The components of our gain on loans, net for the period were:

(Amounts in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Gain on sale of loans, net	$ 15,836	$ 9,589	$ 44,032	$ 42,809
Integrated partnership fees	2,441	2,830	7,184	8,108
Loan repurchase recovery (reserve)	3,226	(866)	10,168	(178)
Total gain on loans, net	$ 21,503	$ 11,553	$ 61,384	$ 50,739

Gain on sale of loans, net increased $6.2 million or 65% to $15.8 million for the three months ended September 30, 2024 compared to $9.6 million for the three months ended September 30, 2023. The increase was largely driven by increased Funded Loan Volume and improved pricing on loans funded.

Gain on sale of loans, net increased $1.2 million or 3% to $44.0 million for the nine months ended September 30, 2024 compared to $42.8 million for the nine months ended September 30, 2023. The increase was largely driven by increased Funded Loan Volume and improved pricing on loans funded.

Integrated partnership fees decreased $0.4 million, or 14% to a gain of $2.4 million for the three months ended September 30, 2024, compared to gain of $2.8 million for the three months ended September 30, 2023. The decrease in integrated partnership fees was primarily driven by the reduction in B2B Loan Volume.

Integrated partnership fees decreased $0.9 million, or 11% to a gain of $7.2 million for the nine months ended September 30, 2024, compared to gain of $8.1 million for the nine months ended September 30, 2023. The decrease in integrated partnership fees was primarily driven by the reduction in B2B Loan Volume.

Loan repurchase reserve decreased $4.1 million or 473%, to a recovery of $3.2 million for the three months ended September 30, 2024, compared to a reserve of $0.9 million for the three months ended September 30, 2023. The loan repurchase reserve has decreased as our estimate for potential loss exposure has declined as we no longer have exposure to the historical periods when we had a significantly higher funded loan volume. The reduction in potential loss exposure results in a reduction in the loan repurchase reserve liability, which is recognized as a recovery within gain on loans, net.

Loan repurchase reserve decreased $10.3 million or 5812%, to a recovery of $10.2 million for the nine months ended September 30, 2024, compared to a reserve of $0.2 million for the nine months ended September 30, 2023. The loan repurchase reserve has decreased as our estimate for potential loss exposure has declined as we no longer have exposure to the historical periods when we had a significantly higher funded loan volume. The reduction in potential loss exposure results in a reduction in the loan repurchase reserve liability, which is recognized as a recovery within gain on loans, net.

Other Revenue

The components of other revenue for the period were:

(Amounts in thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
International lending revenue	$ 1,190	$ 1,072	$ 3,517	$ 2,740
Insurance Services	438	997	1,614	2,822
Real estate services	753	651	1,753	6,517
Other revenue	689	1,289	1,884	1,585
Total other revenue	$ 3,070	$ 4,009	$ 8,768	$ 13,664

International lending revenue increased $0.1 million, or 11% to $1.2 million for the three months ended September 30, 2024 compared to $1.1 million for the three months ended September 30, 2023. The increase in international lending revenue was primarily driven by increased operations in the U.K. brokerage businesses.

International lending revenue increased $0.8 million, or 28% to $3.5 million for the nine months ended September 30, 2024 compared to $2.7 million for the nine months ended September 30, 2023. The increase in international lending revenue was primarily driven by increased operations in the U.K. brokerage businesses.

Insurance services revenue decreased $0.6 million, or 56% to $0.4 million for the three months ended September 30, 2024 compared to $1.0 million for the three months ended September 30, 2023. The decrease in insurance services revenue was primarily driven by a decrease in Insurance Coverage Written due to fewer insurance transactions, as well as lower revenue generated on each insurance transaction.

Insurance services decreased $1.2 million, or 43% to $1.6 million for the nine months ended September 30, 2024 compared to $2.8 million for the nine months ended September 30, 2023. The decrease in insurance services revenue was primarily driven by a decrease in Insurance Coverage Written due to fewer insurance transactions, as well as lower revenue generated on each insurance transaction.

Real estate services increased $0.1 million, or 16% to $0.8 million for the three months ended September 30, 2024 compared to $0.7 million for the three months ended September 30, 2023. The increase in real estate services revenue was primarily driven by an increase in Better Real Estate Transaction Volume .

Real estate services decreased $4.8 million, or 73% to $1.8 million for the nine months ended September 30, 2024 compared to $6.5 million for the nine months ended September 30, 2023. The decrease in real estate services was primarily driven by a reduction in Better Real Estate Transaction Volume as well as earning lower revenue per transaction for the nine months ended September 30, 2023 as we no longer employed any in-house real estate agents and all activity was through our network of third party real estate agents, which results in lower revenue per transaction.

Other revenue decreased by $0.6 million, or 47% to $0.7 million for the three months ended September 30, 2024 compared to $1.3 million for the three months ended September 30, 2023. The change in other revenue was driven by changes in mortgage and non-mortgage loan servicing activities in the U.S. and U.K. as well as other miscellaneous income.

Other revenue increased by $0.3 million, or 19% to $1.9 million for the nine months ended September 30, 2024 compared to $1.6 million for the nine months ended September 30, 2023. The change in other revenue was driven by changes in mortgage and non-mortgage loan servicing activities in the U.S. and U.K. as well as other miscellaneous income.

Net Interest Income

The components of our net interest income for the period were:

(Amounts in thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Mortgage interest income	$ 5,400	$ 3,577	$ 12,832	$ 12,305
Interest Income from Investments	4,467	466	15,068	5,701
Warehouse interest expense	(3,815)	(2,758)	(8,582)	(9,544)
Other interest expense	(1,631)	(11,940)	(5,963)	(18,237)
Total net interest income/(loss)	$ 4,421	$ (10,655)	$ 13,355	$ (9,775)

Mortgage interest income increased $1.8 million, or 51% to $5.4 million for the three months ended September 30, 2024 compared from $3.6 million of the three months ended September 30, 2023. The increase in Mortgage interest income was driven by increased Funded Loan Volume and Total Loans originated.

Mortgage interest income increased $0.5 million, or 4% to $12.8 million for the nine months ended September 30, 2024 compared from $12.3 million of the nine months ended September 30, 2023. The increase in Mortgage interest income was driven by increased Funded Loan Volume and Total Loans originated.

Interest income from investments increased $4.0 million, or 859% to $4.5 million for the three months ended September 30, 2024 compared to $0.5 million for the three months ended September 30, 2023. The increase in interest income from investments was primarily driven by increased investments in 2024 in securities with maturities ranging from 90 days to 1 year, driven by our cash management strategies and increased available liquidity resulting from the capital raised in August 2023 through the closing of the Business Combination.

Interest income from investments increased $9.4 million, or 164% to $15.1 million for the nine months ended September 30, 2024 compared to $5.7 million for the nine months ended September 30, 2023. The increase in interest income from investment was primarily driven by increased investments in 2024 in securities with maturities ranging from 90 days to 1 year, driven by our cash management strategies and increased available liquidity resulting from the capital raised in August 2023 through the closing of the Business Combination.

Warehouse interest expense increased $1.1 million, or 38% to $3.8 million for the three months ended September 30, 2024 compared to $2.8 million for the three months ended September 30, 2023. The increase in warehouse interest expense was primarily driven by carrying a higher average warehouse balance over the three months ended September 30, 2024 compared to three months ended September 30, 2023 as a result of an increase in loans funded over the same period.

Warehouse interest expense decreased $1.0 million, or 10% to $8.6 million for the nine months ended September 30, 2024 compared to $9.5 million for the nine months ended September 30, 2023. The decrease in warehouse interest expense was primarily driven by carrying a lower average warehouse balance over the nine months ended September 30, 2024 compared to nine months ended September 30, 2023. The decrease for the nine month period was driven by lower funded loan volume in the first and second quarters of 2024 in comparison to the first and second quarters of 2023.

Other interest expense decreased $10.3 million, or 86% to $1.6 million for the three months ended September 30, 2024 compared to $11.9 million for the three months ended September 30, 2023. Other interest expense for the three months ended September 30, 2024 is related to interest expense on the Convertible Note, which is at a lower interest rate, while interest expense for the three months ended September 30, 2023 is related to interest expense on our corporate line of credit, which was at a higher interest rate and was subsequently paid off in full in August 2023.

Other interest expense decreased $12.3 million, or 67% to $6.0 million for the nine months ended September 30, 2024 compared to $18.2 million for the nine months ended September 30, 2023. Other interest expense for the nine months ended September 30, 2024 is related to interest expense on the Convertible Note, which is at a lower interest rate, while interest expense for the nine months ended September 30, 2023 is related to interest expense on our corporate line of credit, which was at a higher interest rate and was subsequently paid off in full in August 2023.

Expenses

The components of our expenses for the period were:

(Amounts in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Compensation and benefits	37,752	84,329	111,079	156,437
General and administrative	12,611	14,234	41,813	43,700
Technology	7,249	6,349	19,289	31,959
Marketing and advertising	12,101	5,064	25,186	15,925
Loan origination expense	3,774	627	7,142	9,226
Depreciation and amortization	8,259	10,491	25,323	32,791
Other expenses/(Income)	1,332	237,043	270	247,572
Total operating expenses	$ 83,078	$ 358,137	$ 230,102	$ 537,610

Compensation and benefits expenses were $37.8 million for the three months ended September 30, 2024, a decrease of $46.6 million or (55)% as compared with $84.3 million for the three months ended September 30, 2023. We reduced our headcount between the two periods, which lead to a decrease in compensation and benefits. Further, we had a significantly higher stock based compensation expense during three months ended September 30, 2023 of $39.4 million compared to $5.5 million during three months ended September 30, 2024, which was due to awards that had met the liquidity event criteria with the Closing of the Business Combination in August 2023 as well as service based conditions during that period.

Compensation and benefits expenses were $111.1 million for the nine months ended September 30, 2024, a decrease of $45.4 million or (29)% as compared with $156.4 million for the nine months ended September 30, 2023. We reduced our headcount between the two periods, which lead to a decrease in compensation and benefits. Further, we had a significantly higher stock based compensation expense during nine months ended September 30, 2023 of $47.9 million compared to $21.8 million during the nine months ended September 30, 2024, which was primarily due to awards that had met the liquidity event criteria with the Closing of the Business Combination in August 2023 as well as service based conditions during that period.

General and administrative expenses were $12.6 million for the three months ended September 30, 2024, a decrease of $1.6 million or 11% as compared with $14.2 million in the three months ended September 30, 2023. The decrease in general and administrative expenses was driven primarily by decreases in expenses which were incurred in the prior period due to the Closing of the Business Combination which drove an increase in professional services and other related fees. This decrease was offset by increased operating expenses associated with maintaining public company infrastructure for the three months ended September 30, 2024.

General and administrative expenses were $41.8 million for the nine months ended September 30, 2024, a decrease of $1.9 million or 4% as compared with $43.7 million in the nine months ended September 30, 2023. The decrease in general and administrative expenses was driven primarily by decreases in rent and occupancy expenses, as we have taken measures to reduce our real estate footprint, as well as decreases in professional services as we were incurring higher legal and professional expenses leading up to the Closing of the Business Combination for the nine months ended September 30, 2023 in comparison to the nine months ended September 30, 2024. This decrease was offset by increased operating expenses associated with maintaining public company infrastructure for the nine months ended September 30, 2024.

Technology expenses were $7.2 million for the three months ended September 30, 2024, an increase of $0.9 million or 14% as compared with $6.3 million in the three months ended September 30, 2023. The increase in technology expenses was driven primarily by an increase in costs associated with software vendors required to run our systems infrastructure compared to the prior period.

Technology expenses were $19.3 million for the nine months ended September 30, 2024, a decrease of $12.7 million or 40% as compared with $32.0 million in the nine months ended September 30, 2023. The decrease in technology expenses were driven primarily by a reduction in costs associated with software vendors. This was driven by the reduced headcount, due to which we required fewer software licenses, replacement of certain vendors with more cost-efficient alternatives, as well as the termination of non-critical vendors, which occurred in early 2023.

Marketing and advertising expenses were $12.1 million for the three months ended September 30, 2024, an increase of $7.0 million or 139% as compared with $5.1 million in the three months ended September 30, 2023. The increase is due to a focus on growth to drive volume which started at the end of the first quarter in 2024. Marketing and advertising is composed of performance advertising and pilot marketing, which performance advertising scales with volume through existing channels while pilot marketing is market spend to test new channels along with testing brand marketing, which generally costs more upfront.

Marketing and advertising expenses were $25.2 million for the nine months ended September 30, 2024, an increase of $9.3 million or 58% as compared with $15.9 million in the nine months ended September 30, 2023. The increase is due to a focus on growth to drive volume which started at the end of the first quarter in 2024. Marketing and advertising is composed of performance advertising and pilot marketing, which performance advertising scales with volume through existing channels while pilot marketing is market spend to test new channels along with testing brand marketing, which generally costs more upfront.

Loan origination expenses were $3.8 million for the three months ended September 30, 2024, an increase of $3.1 million or 502%, as compared with $0.6 million in the three months ended September 30, 2023. The increase in loan origination expenses was driven by increased Funded Loan Volume, as well as the absence of certain one-time expense reversals associated with loan origination vendors present in the three months ended September 30, 2023.

Loan origination expenses were $7.1 million for the nine months ended September 30, 2024, and decrease of $2.1 million or 23%, as compared with $9.2 million in the nine months ended September 30, 2023. The decrease in loan origination expenses was driven by a reduction in costs associated with loan origination vendors, as well as improved technology efficiency that reduced the reliance on certain loan origination vendors.

Other expenses/(income) was an expense of $1.3 million for the three months ended September 30, 2024, a decrease of $235.7 million or 99%, as compared with expenses of $237.0 million in the three months ended September 30, 2023. The decrease in other expenses was primarily driven by a loss of $237.7 million on the fair value of the embedded derivative included within the Pre-Closing Bridge Notes which converted to common stock in connection with the Closing of the Business Combination during three months ended September 30, 2023.

Other expenses/(income) was an expense of $0.3 million for the nine months ended September 30, 2024, a decrease of $247.3 million or 100%, as compared with expenses of $247.6 million in the nine months ended September 30, 2023. The decrease in other expenses was primarily driven by a loss of $236.6 million on the fair value of the embedded derivative included within the Pre-Closing Bridge Notes which converted to common stock in connection with the Closing of the Business Combination during three months ended September 30, 2023.

Non-GAAP Financial Measures

We report Adjusted Net Loss and Adjusted EBITDA, which are financial measures not prepared in accordance with generally accepted accounting principles ("non-GAAP") that we use to supplement our financial results presented in accordance with GAAP. These non-GAAP financial measures should not be considered in isolation and are not intended to be a substitute for any GAAP financial measures. These non-GAAP measures provide supplemental information that we believe helps investors better understand our business, our business model, and how we analyze our performance.

Non-GAAP financial measures have limitations in their usefulness to investors because they have no standardized meaning and are not prepared under any comprehensive set of accounting rules or principles. Accordingly, other companies, including companies in our industry, may calculate similarly titled non-GAAP financial measures differently or 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.

We include reconciliations of Adjusted Net Loss and Adjusted EBITDA to GAAP Net Income (Loss), their most closely comparable GAAP measure. We encourage investors and others to review our condensed consolidated financial statements and notes thereto in their entirety included elsewhere in this quarterly report on Form 10-Q, not to rely on any single financial measure, and to consider Adjusted Net Loss and Adjusted EBITDA only in conjunction with their respective most closely comparable GAAP financial measure.

We believe these non-GAAP financial measures are useful to investors for supplemental period-to-period comparisons of our business and understanding and evaluating our operating results for the following reasons:

- We use Adjusted Net Loss to assess our overall performance, without regard to items that are considered to be unique or non-recurring in nature or otherwise unrelated to our ongoing revenue-generating operations;
- Adjusted EBITDA is widely used by investors and securities analysts to measure a company's operating performance without regard to items such as stock-based compensation expense, depreciation and amortization expense, interest and amortization on non-funding debt, income tax expense, and costs that are unique or non-recurring in nature or otherwise unrelated to our ongoing revenue-generating operations, all of which can vary substantially from company to company depending upon their financing and capital structures;
- We use Adjusted Net Loss and Adjusted EBITDA in conjunction with financial measures prepared in accordance with GAAP for planning purposes, including the preparation of our annual operating budget, as a measure of our core operating results and the effectiveness of our business strategy, and in evaluating our financial performance; and
- Adjusted Net Loss and Adjusted EBITDA provide consistency and comparability with our past financial performance, facilitate period-to-period comparisons of our core operating results, and also facilitate comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

Further, although we use these non-GAAP measures to assess the financial performance of our business, these measures have limitations as analytical tools, and they should not be considered in isolation or as substitutes for analysis of our financial results as reported under GAAP. Some of these limitations are, or may in the future be, as follows:

- Although depreciation and amortization expense is a non-cash charge, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted Net Loss and Adjusted EBITDA exclude stock-based compensation expense, which has recently been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect (i) interest expense, or the cash requirements necessary to service interest or principal payments on our Convertible Note, which reduces cash available to us; or (ii) tax accruals or tax payments that represent a reduction in cash available to us; and
- The expenses and other items that we exclude in our calculations of Adjusted Net Loss and Adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude from similarly titled non-GAAP measures when they report their operating results, and we may, in the future, exclude other significant, unusual or non-recurring expenses or other items from these financial measures.

Because of these limitations, Adjusted Net Loss and Adjusted EBITDA should be considered along with other financial performance measures presented in accordance with GAAP, and not as an alternative or substitute for our financial results prepared and presented in accordance with GAAP.

Adjusted Net Loss and Adjusted EBITDA

We calculate Adjusted Net Loss as net income (loss) adjusted for the impact of stock-based compensation expense, change in the fair value of warrants and equity related liabilities, change in fair value of convertible preferred stock warrants, change in fair value of bifurcated derivative, and restructuring, impairment, and other expenses.

We calculate Adjusted EBITDA as net income (loss) adjusted for the impact of stock-based compensation expense, change in the fair value of warrants and equity related liabilities, change in fair value of convertible preferred stock warrants, change in the fair value of bifurcated derivative, and restructuring, impairment, and other expenses, as well as interest and amortization on non-funding debt (which includes interest on the Convertible Note), depreciation and amortization expense, and income tax expense.

The following table presents a reconciliation of net income (loss) to Adjusted Net Loss and Adjusted EBITDA for the periods indicated:

(Amounts in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Adjusted Net Loss				
Net income (loss)	$ (54,210)	$ (353,889)	$ (147,067)	$ (485,521)
Stock-based compensation expense (1)	5,487	39,417	21,812	47,879
Change in fair value of warrants and equity related liabilities (2)	(206)	(861)	(927)	(861)
Change in fair value of convertible preferred stock warrants (2)	—	—	—	(266)
Change in fair value of bifurcated derivative (3)	—	237,667	—	236,603
Restructuring, impairment, and other expenses (4)	43	679	948	11,508
Adjusted Net Loss	$ (48,886)	$ (76,987)	$ (125,234)	$ (190,658)
Adjusted EBITDA				
Net income (loss)	$ (54,210)	$ (353,889)	$ (147,067)	$ (485,521)
Income tax expense / (benefit)	126	659	472	2,539
Depreciation and amortization expense (5)	8,259	10,492	25,323	32,791
Stock-based compensation expense (1)	5,487	39,417	21,812	47,879
Interest and amortization on non-funding debt (6)	1,631	11,939	5,962	18,237
Restructuring, impairment, and other expenses (4)	43	679	948	11,508
Change in fair value of warrants and equity related liabilities (2)	(206)	(861)	(927)	(861)
Change in fair value of convertible preferred stock warrants (2)	—	—	—	(266)
Change in fair value of bifurcated derivative (3)	—	237,667	—	236,603
Adjusted EBITDA	$ (38,870) $—	$ (53,897)	$ (93,477)	$ (137,091)

(1) Stock-based compensation represents the non-cash grant date fair value of stock-based instruments utilized to incentivize employees and consultants recognized over the applicable vesting period. This expense is a non-cash expense. We exclude this expense from our internal operating plans and measurement of financial performance (although we consider the dilutive impact to our stockholders when awarding stock-based compensation and value such awards accordingly).

(2) Change in fair value of warrants and equity related liabilities which comprise the Public Warrants and Private Warrants as well as the Sponsor Locked-Up Shares, represents the change in fair value of liability-classified warrants as presented in our Consolidated Statements of Operations and Comprehensive Loss. Change in fair value of convertible preferred stock warrants represents change in fair value of liability-classified warrants as related to our convertible preferred stock before the completion of the Business Combination. These charges are non-cash charge.

(3) Change in fair value of bifurcated derivative represents the change in fair value of embedded features within the Pre-Closing Bridge Notes that require bifurcation and are a separate unit of accounting. The bifurcated derivative is marked to market at each reporting date. This expense is a non-cash expense, and we believe that it does not correlate to the performance of our business during the periods presented.

(4) Restructuring, impairment, and other expenses are primarily comprised of employee one-time termination benefits, real estate restructuring losses, and impairment of property and equipment. For further details, please refer to Note 4 to our condensed consolidated financial statements included elsewhere in this quarterly report on Form 10-Q.

(5) Depreciation and amortization represents the loss in value of fixed and intangible assets through depreciation and amortization, respectively. These expenses are non-cash expenses, and we believe that they do not correlate to the performance of our business during the periods presented.

(6) Interest and amortization on non-funding debt represents interest and amortization on a corporate line of credit as well as the Convertible Note, both of which are included within net interest income in our Consolidated Statements of Operations and Comprehensive Loss.

Liquidity and Capital Resources

In our normal course of business, excluding HELOCs, we fund substantially all of our Funded Loan Volume on a short-term basis primarily through our warehouse lines of credit. Our borrowings are repaid with the proceeds we receive from the sale of our loans to our loan purchaser network, which includes government-sponsored enterprises (“GSEs”). As of September 30, 2024, we had three warehouse lines of credit in different amounts and with various maturities, with an aggregate available amount of $425.0 million.

Warehouse Lines of Credit

As of September 30, 2024 and December 31, 2023, we had the following outstanding warehouse lines of credit:

(Amounts in thousands)	Maturity	Facility Size	Amount Outstanding September 30, 2024	Amount Outstanding December 31, 2023
Funding Facility 1 (1)	September 30, 2024	100,000	—	61,709
Funding Facility 2 (2)	December 6, 2024	150,000	72,379	40,088
Funding Facility 3 (3)	August 1, 2025	175,000	62,102	24,421
Total warehouse lines of credit		$ 425,000	$ 134,481	$ 126,218

(1) Interest charged under the facility is at the 30-day term SOFR plus 2.125%. Cash collateral deposit of $15 million is maintained and included in restricted cash. Subsequent to September 30, 2024, the Company extended the maturity to September 30, 2025.

(2) Interest charged under the facility is at the 30-day term SOFR plus 2.10% - 2.25%. Cash collateral deposit of $3.8 million is maintained and included in restricted cash.

(3) Interest charged under the facility is at the 30-day term SOFR plus 1.75% - 3.75%. There is no cash collateral deposit maintained as of September 30, 2024.

Nasdaq Compliance Requirements

On Friday, August 16, 2024, we filed a Certificate of Amendment to our Amended and Restated Certificate of Incorporation, effecting the 1-for-50 reverse stock split of the Company's common stock (the "Reverse Stock Split") for the primary purpose of increasing the per share trading price of the Company's Class A common stock to enable us to regain compliance with the minimum bid price requirement for continued listing on The Nasdaq Capital Market (the "Nasdaq"). Our Class A common stock began trading on a split-adjusted basis on the Nasdaq upon the market open on Monday, August 19, 2024.

Effective August 16, 2024, as a result of the Reverse Stock Split, every 50 shares of the our issued and outstanding common stock was converted into one issued and outstanding share of Class A common stock, Class B common stock and Class C common stock, as applicable, without any change to the par value per share, the voting rights of the common stock, any stockholder's percentage interest in the Company's equity or any other aspect of the common stock.

As previously reported, on October 12, 2023, the Company was notified by the Listing Qualifications Staff (the "Staff") of Nasdaq that the Company's common stock failed to maintain a minimum bid price of $1.00 over the previous 30 consecutive business days as required by the Listing Rules of Nasdaq. If the Class A common stock is no longer listed on Nasdaq, or another national securities exchange, such delisting would constitute a fundamental change under the indenture for the Convertible Note that would require us to redeem the Convertible Note prior to maturity for an amount in cash equal to the principal amount of the Convertible Note plus accrued and unpaid interest to the redemption date.

On September 3, 2024, the Company received a letter from Nasdaq notifying us that the Staff has determined that for the last 10 consecutive business days, from August 19, 2024, to August 30, 2024, the closing bid price of the our common stock has been at $1.00 per share or greater, and accordingly, we have regained compliance with Listing Rule 5550(a)(2) and the matter is now closed.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Nine Months Ended September 30,	
(in thousands)	2024	2023
Net cash (used in) provided by operating activities	$ (273,945)	$ (79,416)
Net cash (used in) provided by investing activities	$ (111,825)	$ (42,066)
Net cash provided by (used in) financing activities	$ 93,108	$ 330,929

Nine Months Ended September 30, 2024 as Compared to Nine Months Ended September 30, 2023

Operating Activities

Net cash used by operating activities was $274 million for the nine months ended September 30, 2024, an increase of $195 million, or 245%, compared to net cash used by operating activities of $79 million for the nine months ended September 30, 2023. The increase in net cash used by operating activities was primarily due to originations of mortgage loans held for sale in excess of proceeds from sale of mortgage loans held for sale as the Company originated more loans towards the end of the current period. Also contributing to the increase in cash used by operating activities were net losses over the period.

Investing Activities

Net cash used in investing activities was $112 million for the nine months ended September 30, 2024, an increase of $70 million, or 166%, compared to net cash used in investing activities of $42 million for the nine months ended September 30, 2023. The increase in cash used in investing activities primarily consists of purchases of short-term investments in excess of maturities of short-term investments as well as originations of loans held for investment during the second and third quarters of 2024, namely through our U.K. operations. Loans held for investment are funded from our cash on hand.

Financing Activities

Net cash provided by financing activities was $93.1 million for the nine months ended September 30, 2024, a decrease of $238 million, or 72%, compared to net cash provided by financing activities of $331 million for the nine months ended September 30, 2023. The decrease in cash provided by financing activities was primarily driven by the Closing of the Business Combination during the nine months ended September 30, 2023 which led to a cash increase of $422 million mainly from the issuance of the Convertible Note, issuance of common stock, and proceeds of the Business Combination, offset by the repayment of the Corporate Line of Credit. During the nine months ended September 30, 2024, our cash provided by financing activities was mainly driven by an increase in customer deposits, namely through our U.K. operations.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined in Item 303 of Regulation S-K that are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies and Estimates

There have been no significant changes in our critical accounting policies and estimates as of and during the three and nine months ended September 30, 2024, as compared to the critical accounting policies and estimates disclosed in the audited consolidated financial statements and related notes thereto as of and for the year ended December 31, 2023, which are included in our 2023 Annual Report on Form 10-K.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 that reflect future plans, business strategy, estimates, beliefs and expected performance. These statements constitute forward-looking statements, and are not guarantees of performance. Such statements can be identified by the fact that they do not relate strictly to historical or current facts. When used in this quarterly report on Form 10-Q, the words "could," "should," "will," "may," "believe," "anticipate," "intend," "estimate," "expect," "project," the negative of such terms and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. Such forward-looking statements are based on management's current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this quarterly report on Form 10-Q. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Forward-looking statements in this quarterly report on Form 10-Q and the associated risks, uncertainties, assumptions and other important factors may include, but are not limited to:

- Factors relating to our business, operations and financial performance, including:
    - Our ability to operate under and maintain or improve our business model;
    - The effect of interest rates on our business, results of operations, and financial condition;
    - Our ability to expand our customer base, grow market share in our existing markets and enter into new markets;
    - Our ability to respond to general economic conditions, particularly elevated interest rates and lower home sales and refinancing activity;
    - Our ability to restore our growth and our expectations regarding the development and long-term expansion of our business;
    - Our ability to comply with laws and regulations related to the operation of our business, including any changes to such laws and regulations;
    - Our ability to achieve and maintain profitability in the future;
    - Our ability and requirements to raise additional financing in the future;
    - Our estimates regarding expenses, future revenue, capital and additional financing requirements;
    - Our ability to maintain, expand and be successful in our strategic relationships with third parties;
    - Our ability to remediate existing material weaknesses and implement and maintain an effective system of internal controls over financial reporting;
    - Our ability to develop new products, features and functionality that meet market needs and achieve market acceptance;
    - Our ability to retain, identify and hire individuals for the roles we seek to fill and staff our operations appropriately;
    - The involvement of our CEO in litigation related to prior business activities, our business activities and associated negative media coverage;
    - Our ability to recruit and retain additional directors, members of senior management and other team members, including our ability in general, and our CEO's ability in particular, to maintain an experienced executive team;
    - Our ability to successfully manage our international and banking operations
    - Our ability to maintain and improve morale and workplace culture and respond effectively to the effects of negative media coverage; and
    - Our ability to maintain, protect, assert and enhance our intellectual property rights.
- Factors relating to our capital structure, governance and the market for our securities, including:
    - The existence of multiple classes of our Common Stock, which is comprised of our Class A common stock, our Class B common stock and our Class C common stock, and its impact on the liquidity and value of the Class A common stock;
    - The limited experience of our directors and management team in overseeing a public company;
    - Our ability to maintain the listing of the Class A common stock and Public Warrants on the Nasdaq Capital Market;

- Our ability to maintain certain lines of credit and obtain future financing on commercially favorable terms to fund loans and otherwise operate our business;
- The liquidity and trading of our Class A common stock and Warrants; and
- Other factors detailed under Part II, Item 1A. "*Risk Factors*".

The forward-looking statements contained in this quarterly report on Form 10-Q are based on current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those described in these forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and are not required to provide the information otherwise required under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act 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 company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2024. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of September 30, 2024, our disclosure controls and procedures were not effective because of the previously disclosed material weaknesses in our internal control over financial reporting described below.

Notwithstanding the material weaknesses in our internal control over financial reporting, we have concluded that the consolidated financial statements included in this quarterly report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States of America.

Previously Reported Material Weaknesses in Internal Control over Financial Reporting

As reported in Part II, Item 9A. "Controls and Procedures" of our 2023 Annual Report on Form 10-K, we previously identified the following material weaknesses in our internal control over financial reporting, which were not fully remediated as of December 31, 2023:

- The Company determined that certain actions taken by our CEO failed to set a tone at the top that supported a strong culture of internal controls based on the criteria established by the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework"), which requires the Company to demonstrate a commitment to integrity and ethical values, and for management to establish structures, reporting lines, and appropriate authorities and responsibilities.
- The Company did not maintain an effective control environment nor did it implement proper control activities required by the COSO Framework due to the limited number of accounting personnel with relevant experience and sufficient capacity.
- The Company previously identified a material error in a valuation provided by a third-party due to the limited number of accounting personnel with relevant experience and sufficient capacity to review the valuation.

Remediation of Previously Reported Material Weaknesses

With oversight from the audit committee of the Company's board of directors and input from the Company's board of directors, management is in the process of designing and implementing changes in processes and controls to remediate the material weaknesses described above. The measures we have taken and plan to take to remediate the identified material weakness and further evolving our accounting processes include:

- An independent management and ethics committee has been established to evaluate the control environment including review of ethical concerns, whistleblower concerns, and related party arrangements with periodic reporting to the Company's board of directors.
- Company-wide training associated with ethics and compliance has been implemented.
- Management positions have been created to monitor the company's culture and oversee operations.
- We have developed an organizational structure and specific roles within accounting designed to ensure specific and relevant expertise is in place to address pervasive concerns associated with deficiencies to the internal control over financial reporting environment and also to provide oversight and expertise for complex accounting transactions where the work of third party expertise is included in the control processes. Three experienced accounting personnel were onboarded in 2023 and the first two quarters of 2024 who have evaluated and redesigned processes and procedures designed to achieve effective internal controls.

We may modify our remediation plan and may implement additional measures as we continue to review, optimize and enhance our financial reporting controls and procedures in the ordinary course. We will consider the material weaknesses remediated after the applicable controls operate for a sufficient period of time, and management has concluded, through testing, that the controls are designed and operating effectively.

Changes in Internal Control over Financial Reporting

Other than as described above, during the most recently completed fiscal quarter, there has been no changes in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, we may become involved in legal proceedings or be subject to claims in the ordinary course of business. For more information regarding the legal proceedings in which we are involved, see Note 12 "Commitments and Contingencies" of the Notes to Unaudited Condensed Consolidated Financial Statements. Regardless of outcome, such proceeding or claims can have an adverse impact on us because of defense and settlement costs, diversion of resources and other factors and there can be no assurances that favorable outcomes will be obtained.

Item 1A. RISK FACTORS

We are subject to various risks and uncertainties in the course of our business. For a discussion of these risks, please see the section entitled “Risk Factors” in our Annual Report on Form 10-K, filed with the SEC on April 8, 2024. Other than as stated below, there have been no material changes to the risk factors disclosed therein.

Our CEO is involved in litigation that could have a material adverse effect on our revenues, financial condition, cash flows and results of operations.

Vishal Garg, our CEO, is or has been involved in litigation related to prior business activities that includes at least one allegation about Better. In one action, the plaintiff alleged, among other things, that our CEO breached his fiduciary duties to another company he co-founded prior to Better, misappropriated intellectual property and trade secrets, converted corporate funds, and failed to file corporate tax returns. Mr. Garg’s motion for partial summary judgment in that action was granted on April 13, 2023, resulting in the dismissal of certain breach of fiduciary duty claims, among others, including claims that he misappropriated intellectual property and trade secrets for use in his other companies. That dismissal is being appealed, and there is no assurance that the decision to dismiss these claims will be upheld. The remaining claims in that action went to trial in May 2024 and, on May 17, 2024, the jury found Mr. Garg liable for breach of fiduciary duty and conversion. It awarded the plaintiff, Education Investment Finance Corporation, $4.5 million in compensatory damages and $1 million in punitive damages. Mr. Garg is seeking to overturn the verdict, as well as appealing it. In another action, plaintiff-investors in a prior business venture alleged that they did not receive required accounting documentation, that our CEO misappropriated funds that should have been distributed to the plaintiff-investors, and that such funds could have been invested in Better. These litigations could divert Mr. Garg’s attention from our business regardless of the outcome of such litigations.

There has been and will likely continue to be publicity regarding the litigations discussed above, which could negatively affect our reputation. If we were to become involved in the litigations against Mr. Garg, our involvement could impose a significant cost and divert resources and the attention of Mr. Garg and other members of our executive management from our business, regardless of the outcome of such litigations. Such costs, together with the outcome of the actions if resolved unfavorably, could materially and adversely affect our business, financial condition, and results of operations. Further, depending upon the outcome of these litigations, our licenses, which are necessary to conduct our business, could be materially and adversely affected.

The ultimate effect of the Reverse Stock Split on the market price of our Common Stock cannot be predicted with any certainty and may decrease the liquidity of our Common Stock and magnify any decrease in our overall market capitalization.

The ultimate effect of the Reverse Stock Split on the market price of our Common Stock cannot be predicted with any certainty, and we cannot assure you that the Reverse Stock Split will result in any or all of the expected benefits. While the Reverse Stock Split increased the per share trading price of the Company’s Class A common stock to enable the Company to regain compliance with the minimum bid price requirement for continued listing on The Nasdaq Capital Market, we can provide no assurances that the Reverse Stock Split will result in any permanent or sustained increase in the market price of our Class A common stock. The market price of our Class A common stock depends on multiple factors, many of which are unrelated to the number of shares outstanding, including our business and financial performance, general market conditions and prospects for future success, any of which could have a counteracting effect to the Reverse Stock Split on the per share price.

In addition, the Reverse Stock Split also reduced the total number of outstanding shares of our Common Stock, which may lead to reduced trading for our Common Stock. As a result of a lower number of shares outstanding, the market for our Common Stock may also become more volatile. The Reverse Stock Split will also increase the number of stockholders who own “odd lots” of less than 100 shares of Common Stock. A purchase or sale of less than 100 shares of Common Stock (an “odd lot” transaction) may result in incrementally higher trading costs through certain brokers, particularly “full service” brokers. Therefore, those stockholders who own fewer than 100 shares of our Common Stock following the Reverse Stock Split may be required to pay higher transaction costs if they sell their shares of our Common Stock.

Finally, the decline in the per share price of our Common Stock and the decline in our overall market capitalization may be greater following the Reverse Stock Split than would have occurred in the absence of a Reverse Stock Split. Any reduction in our market capitalization may be magnified as a result of the smaller number of total shares of the Company’s Common Stock outstanding following the Reverse Stock Split.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Securities Trading Plans of Directors and Executive Officers

During the three months ended September 30, 2024, no director or executive officer entered into, modified or terminated any contract, instruction or written plan for the purchase or sale of the Company’s securities that were intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or that constituted non-Rule 10b5-1 trading arrangements (as defined in Item 408 of Regulation S-K), except as follows:

- On August 28, 2024, Nicholas Calamari, the Company’s Chief Administrative Officer and Senior Counsel, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act for the sale of up to 14,575 shares of the Company’s common stock, par value $0.0001 per share, until May 30, 2025; and

- Certain of our directors or officers have made, and may from time to time make, elections to have shares withheld to cover withholding taxes or pay the exercise price of options, which may be designed to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or may constitute non-Rule 10b5-1 trading arrangements.

Item 6. Exhibits and Financial Statements Schedules.

		Incorporated by Reference		
Exhibit	**Description**	**Form**	**Exhibit**	**Filing Date**
3.1	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Better Home & Finance Holding Company	8-K	3.1	August 19, 2024
10.1	Better Home & Finance Holding Company Director Compensation Policy			
31.1	Certification of Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
31.2	Certification of Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)			
101.SCH	Inline XBRL Taxonomy Extension Schema Document.			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained Exhibit 101)			

# Indicates management contract or compensatory arrangement

** Furnished herewith. These exhibits shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that Section. Such exhibits shall not be deemed incorporated into any filing under the Securities Act of 1933 or the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BETTER HOME & FINANCE HOLDING COMPANY

Date: November 14, 2024

By: /s/ Kevin Ryan
Name: Kevin Ryan
Title: Chief Financial Officer

Better Home & Finance Holding Company
Director Compensation Policy
Effective as of September 24, 2024

The Board of Directors (the "Board") of Better Home & Finance Holding Company (the "Company") has adopted this Director Compensation Policy (this "Policy") for purposes of compensating those directors of the Company who meet the eligibility requirements described herein. This Policy has been developed to compensate the Eligible Directors (as defined below) for their time, commitment and contributions to the Board.

On August 22, 2023, the Company consummated the business combination contemplated by the Agreement and Plan of Merger, dated as of May 10, 2021, by and among Aurora Acquisition Corp. ("Aurora"), Better Holdco, Inc. ("Better") and Aurora Merger Sub I, Inc., formerly a wholly owned subsidiary of Aurora ("Merger Sub"). On that date, Merger Sub merged with and into Better, with Better surviving the merger and Better merged with and into Aurora, with Aurora surviving the merger and changing its name to "Better Home & Finance Holding Company" (collectively, the "Business Combination").

- Eligible Directors. Each member of the Board other than a person who is an officer or an employee of the Company or any of its subsidiaries (each, an "Eligible Director") is eligible for compensation pursuant to this Policy.

- Business Combination Directors. Each of Michael Farello, Arnaud Massenet, Prabhu Narasimhan, Steven Sarracino and Riaz Valani (a) has served as a member of the Board since the Business Combination and (b) at or prior to the time of the Business Combination, directly or indirectly beneficially owned, or was employed by or otherwise affiliated with an entity that directly or indirectly beneficially owned, more than five percent (5%) of a class of common stock of the Company (referred to, together with any additional Eligible Director designated as such by Corporate Governance and Nominations Committee of the Board (the "Governance Committee") in accordance with this Policy, as "Business Combination Directors"). Following the resignation or removal of any Business Combination Director, the Governance Committee may designate any director appointed or elected to fill any vacancy created by any such resignation or removal as a Business Combination Director.

- Compensation Generally. For each Service Year (as defined below), an Eligible Director will earn the following:

  - Business Combination Directors. Business Combination Directors shall be paid an annual retainer of $275,000, payable in cash in equal quarterly installments, for each year of his or her service on the Board (each a "Service Year").

  - Other Eligible Directors. Eligible Directors other than Business Combination Directors ("Other Eligible Directors") shall be paid an annual retainer of $300,000 for each Service Year, payable $150,000 in cash in equal quarterly installments and $150,000 in an annual equity award by the Company.

  - Chairman of the Board. In lieu a regular annual retainer for serving as a Business Combination Director or Other Eligible Director, the Chairman of the Board (the "Chair") shall be paid an aggregate annual retainer in an amount, and consisting of cash, equity or a combination thereof, determined by the Board for service in such role for each Service Year. Harit Talwar, who has served as the Chair since the Business Combination, is party to an agreement with the Company that governs his compensation for serving as the Chair.

- Payments. Service Years, and quarterly periods thereof, will run from annual stockholder meeting to annual stockholder meeting, except that the first Service Year under this Policy is the period from the date of the Business Combination (August 22, 2023) until the date of the 2024 annual meeting of stockholders (June 4, 2024). Except as provided below regarding the vesting of restricted stock units, all amounts will be prorated in the case of service for less than an entire quarterly period or annual period of a Service Year, as the case may be.

  The cash portion of the annual retainer fee will be paid quarterly in arrears and the equity portion of the annual retainer fee will be granted annually following the annual meeting of stockholders (or the Eligible Director's date of election, if applicable) in the form of restricted stock units under the Better Home & Finance Holding Company 2023 Incentive Equity Plan (as amended, restated or replaced by a successor plan, the "2023 Plan") having an equivalent fair market value (as determined under the 2023 Plan) equal to the annual equity award amount on the date of grant and which restricted stock units shall vest on the business day immediately preceding the next annual meeting of stockholders and shall settle within 30 days of such date.

  If a person shall cease to be an Eligible Director due to death, disability or retirement during the one-year vesting period applicable to any restricted stock units granted hereunder, all restricted stock units shall immediately vest and shall settle within 30 days of such date. If a person shall cease to be an Eligible Director of the Company for any other reason during such one-year vesting period, any unvested restricted stock units shall be forfeited by such person and such restricted stock units shall be cancelled.

- Travel Expense Reimbursement. Upon presentation of documentation of such expenses reasonably satisfactory to the Company, each Eligible Director shall be reimbursed for his or her reasonable out-of-pocket business expenses incurred in connection with attending meetings of the Board and its committees or in connection with other business related to the Board.

- Amendments, Revision and Termination. This policy may be amended, revised or terminated by the Board at any time and from time to time.

Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Vishal Garg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Better Home & Finance Holding 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 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 14, 2024

/s/Vishal Garg

Vishal Garg
Chief Executive Officer
(Principal Executive Officer)

Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kevin Ryan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Better Home & Finance Holding 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 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 14, 2024

/s/Kevin Ryan

Kevin Ryan
Chief Financial Officer
(Principal Financial Officer)

Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Vishal Garg, Chief Executive Officer of Better Home & Finance Holding Company (the "Company"), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (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 14, 2024

/s/Vishal Garg
Vishal Garg
Chief Executive Officer
(Principal Executive Officer)

Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Kevin Ryan, Chief Financial Officer of Better Home & Finance Holding Company (the "Company"), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (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 14, 2024

/s/Kevin Ryan

Kevin Ryan
Chief Financial Officer
(Principal Financial Officer)