

Presentation

Operator

Hello, and thank you for standing by. My name is Lacy, and I will be your conference operator today. At this time, I would like to welcome everyone to the Better Home & Finance Holding Company Second Quarter 2025 Results Conference Call. [Operator Instructions] Thank you.

I would now like to turn the conference over to Tarek Afifi. You may begin.

Tarek Afifi

Welcome to Better Home & Finance Holding Company's Second Quarter Earnings Conference Call. My name is Tarek Afifi, Corporate Finance at Better. Joining me on today's call are Vishal Garg, Founder and Chief Executive Officer of Better; and Kevin Ryan, Chief Financial Officer of Better.

In addition to this conference call, please direct your attention to our second quarter earnings release, which is available on our Investor Relations website. Also available on our website is an investor presentation.

Certain statements we make today may constitute forward-looking statements within the meaning of federal securities laws that are based on current expectations and assumptions. These expectations and assumptions are subject to risks, uncertainties, and other factors as discussed further in our SEC filings that could cause our actual results to differ materially from our historical results. We assume no responsibility to update forward-looking statements other than as required by law.

During today's discussion, management will discuss certain non-GAAP financial measures, which we believe are relevant in assessing the company's financial performance. These non-GAAP financial measures should not be considered replacements for and should be read together with our GAAP results. These non-GAAP financial measures are reconciled to GAAP financial measures in today's earnings release and investor presentation, both of which are available on the Investor Relations section of Better's website and when filed in our quarterly report on Form 10-Q filed with the SEC.

Amounts described as of and for the quarter ended June 30, 2025, represent a preliminary estimate as of the date of this earnings release and may be revised upon filing our quarterly report on Form 10-Q with the SEC. More information as of and for the quarter ended June 30, 2025, will be provided upon filing our quarterly report on Form 10-Q with the SEC.

I will now turn the call over to Vishal.

Vishal Garg

Co-Founder, CEO & Director

Thank you, Tarek, and welcome to our second quarter 2025 earnings call. We appreciate everyone joining us today and for your continued support as we advance our mission to make homeownership better, faster, and easier for our customers by building an AI-native technology platform that revolutionizes the entire homeownership journey, helping consumers go through the entire mortgage and home equity process in as little as 1 day.

We continue to drive progress towards this vision in which every customer can seamlessly buy, sell, refinance, insure, and improve their home online instantly at a competitive price. These objectives are: one, leaning into growth in AI to drive increased volume and revenue; 2, continuously improving our efficiency driven by ongoing advancements in our technology; 3, diversifying our product and go-to-market strategies along with our distribution channels; and 4, reducing our corporate costs as a percentage of our revenue, all with the goal of achieving profitability.

Better is the first scaled mortgage tech platform built to empower consumers and more recently, empower local mortgage bankers and financial institutions with Tinman technology to serve their end customer needs. This sets us apart from the rest of the mortgage industry and in the face of market challenges, creates tremendous greenfield opportunity for Better. We remain focused on driving towards profitability by continuing to lean into Tinman technology and AI with Betsy executing approximately 600,000 consumer interactions in Q2, our AI underwriting growing to over 43% of locked loans with a clear path to 75% in the near future and our loan officer productivity in terms of funds per month increasing to over 3x the mortgage industry median.

We've been talking about our path to profitability in the medium term for some time. With all of the advancements in our AI platform and the progress that we are seeing in bringing on not just mortgage advisers that are local market professionals, but also other large-

scale enterprises that want to enter the mortgage business through our platform, I am pleased to share that we now have the visibility and expectation to achieve adjusted EBITDA breakeven by the third quarter of 2026, basically within the next year. Kevin will speak more on this shortly.

We have built a platform that is AI-first. While consumer adoption behavior of AI takes time, it is increasing at an exponential rate. We are one of the few mortgage companies, if not the only mortgage company in the U.S., with a full-scale tech stack in one place, all in one flow and entirely APIable to Agentic AI. Betsy has been built from scratch on our knowledge base that has been developed on 12 million-plus recorded phone calls, 500,000-plus funded loan files with the entire consumer financial graph and property graph matched to the investors' detailed line item fact-based criteria and 6 million pre-applications over the past 8 years, and it is continuing to learn every day from every customer interaction.

Since we launched Betsy AI, our lead-to-lock conversion rate has increased by over 30% from 3.3% to 4.4% which is massively meaningful to drive incremental volume and revenue and squeezing profitability out of each loan. Now as you can tell, we've still got a really long way to go to keep on improving that lead-to-lock conversion rate. But as we scale Betsy at near 0 marginal cost because it's all built on our own internal proprietary Tinman platform, we believe that we can further improve our unit economics as the mortgage market stabilizes over time with relatively de minimis increases in fixed CapEx.

Betsy has led to an even better customer experience. For customers who opt to speak with the human, Betsy will help find the most talented individual on our sales team for that customer to interact with for their specific needs. Since we've adopted Betsy, our Net Promoter Score has increased from 39 to 64, putting our score in line with companies like Google and Apple and far superior to that of traditional mortgage companies and financial institutions. Betsy is built on top of our machine learning pricing and eligibility engine, which we internally call DE, which uses the consumer's financial graph and the property graph, and each specific data element is matched to the criteria set by each individual mortgage investor directly within our platform.

It is able to run hundreds of thousands of pricing permutations across the now over 45 mortgage investors who buy the loans on our platform as they are funded on a loan-by-loan basis. These loan purchases include GSEs, banks, REITs, and increasingly private credit funds, all of whom bring different guidelines, risk-return preferences, and other criteria to our platform. They represent over \$1 trillion in demand, bidding on loans each day that match the criteria and portfolio needs, and with our platform fulfilling those criteria at an error rate that is substantially lower than the industry's.

Over the next 1 to 2 years, we expect to significantly grow our investor network, particularly as the private credit market moves further into consumer asset-based finance. Within consumer lending, mortgage and home equity is over 85% of the total addressable market and is particularly attractive to private credit as it has a robust track record in recessionary periods on a basis relative to unsecured consumer debt like personal loans, credit cards, and BNPL loans.

Our credit and underwriting quality are best-in-class. Yet aside from the short window that we hold the loans due to settlement, we do not take any credit risk as we have forward commitments to sell each loan to investors the moment they are locked and funded. This model remains unique in the fintech landscape, where a very large number of the originators that started out as marketplaces have now moved on to actually holding credit risk on their books. Better is doing exactly the same thing today as it did when it opened its doors in January of 2016. We do not hold credit risk on the assets that we originate. And we believe this will serve us well if we enter into a recessionary climate.

As we look to the second half of 2025 and beyond, our strategic priorities remain focused on what lies in our control. Our first priority is to continue to propel growth opportunities independent of broader economic and mortgage market conditions. In the second quarter of 2025, on a year-over-year basis, we grew funded loan volume by 25% to \$1.2 billion and revenue by 37% to \$44.1 million, driven by funding more loans, both through our D2C and Tinman AI platform channels at higher gain on sale compared to the period past.

During the quarter, year-on-year funded loan volume growth was driven by HELOC and home equity loans increasing by 166%, refinance loan volume increasing by 109% and purchase loan volume increasing by 1%. Our overall growth in the quarter is attributable to the strategic investments we've made in technology, product innovation, and distribution expansion, including Betsy AI, our Tinman AI platform strategy with NEO powered by Better being proven out, and the efficient expansion of D2C driven by the efficiencies we are gaining implementing AI throughout the entire platform.

These strategic initiatives have positioned us to capitalize on a broader set of market opportunities, enhance our operational efficiency, and continue to drive sustainable growth with revenue growth outstripping loan origination volume growth, both in the quarter that just passed and what we expect to be in the quarters to come. Our second priority on the path to profitability is to continue to reduce our expenses and improve our operational efficiency with the goal of reaching adjusted EBITDA breakeven by Q3 2026, essentially within the next 12 months.

With our Tinman AI platform, we have been able to automate time and labor-intensive components of the mortgage process and continuously reduce our cost to originate to approximately half of the industry average. Over the coming 12 months, we expect to drive that even further to have it reach approximately 1/3 of the industry average and then continue to keep growing as the consumer adoption of AI and interaction with AI continues to improve our ability to take costs out of the manufacturing process of mortgage.

While we expect loan origination expenses will increase as we grow volume, we believe our continued investments in AI with our product and engineering road maps well on track will significantly drive down costs further, resulting in improved operating efficiency and unit economics.

Lastly, our third priority is to continue diversifying our product and platform distribution channels. We serve the end consumer now, both through our direct-to-consumer model and through our AI platform model, which includes Tinman as a platform and Tinman as a software. In our D2C business, we serve the consumer directly on better.com. We were founded on revolutionizing the consumer experience for the home finance process. And as such, our D2C business has always been at the forefront of pushing the envelope on what technology can execute in the mortgage industry. We have funded over \$100 billion in loans on the D2C platform, which has served as a basis for training the AI and continuously creates a positive feedback loop, improving each and every day.

Our D2C business allows us the opportunity to roll out and test new AI features at a scale and with a speed that others simply cannot match. And within our D2C unit channel, our unit economics continue to improve as we continue to drive AI throughout the entire process. As you can see in the earnings deck that we've distributed along with our materials, our contribution margin or per loan profitability has continued to increase as the operating cost of fund has continued to decrease, driven by both conversion gains and the implementation of AI in the sales and operations workflows.

More specifically, in Q2 2025 for D2C, revenue per loan was \$78.86 per loan. Our cost per fund was \$68.22 for a contribution profit of \$1,064 and a contribution margin of 13%. Again, we have continued to optimize our pricing so that we remain competitive with the major players in the market. But as you can see, our total cost to originate is about half that of the mortgage industry average, which includes our customer acquisition costs. And we expect to continue to drive that down as we both increase conversion and lower CAC, and improve labor costs and thereby lower the cost to fund significantly.

Next, we serve the customer through our Tinman AI platform, powering local retail loan officers across the United States, for which we continue to see early rapid growth. In this model, we are effectively serving as a platform provider and P&L partner in the mortgage origination process with nearly 0 customer acquisition cost because the mortgage retail loan officers bring their customers, their relationships, and their transactions to bear on our Tinman AI platform. We are quickly disrupting the traditional retail mortgage origination market by onboarding loan officers and branches onto our Tinman AI platform, empowering them to do more loans than they've ever done before, remove friction from their fulfillment process, and expand their capacity to help more customers through the lead flow that we generate from. We expect over time that these loan officers will be able to compress a staggering 80% of their back-office costs by using our platform.

The market for the Tinman AI platform business is massive, and we are just getting started. For context, over \$1.2 trillion of mortgage volume in 2024 was originated by retail loan officers and mortgage brokers on antiquated technology and high operating costs. Just 1% of that market would translate to \$12 billion in new loan volume, with again, nearly 0 customer acquisition cost to better. We continue to make great progress on the Tinman AI platform with our first and now well-proven launch of NEO Powered by Better. We began production with NEO at the start of 2025 and have high aspirations for the road ahead.

In Q2, we funded 429 million loans for 1,009 families with NEO Powered by Better, an increase of 164% and 176%, respectively, compared with the prior quarter. The unit economics of our Tinman AI platform are quite strong. Specifically, in Q2 2025, for every loan funded on the Tinman AI platform on NEO Powered by Better, we generated a contribution profit of \$6,172 on a revenue per loan of \$15,538, resulting in a contribution margin of 40% for the Tinman AI platform. As we are able to increase penetration of the Tinman AI platform's processes for the retail loan officers, we expect that margin to increase even further, enabling us to either compensate these retail loan officers more handsomely or help drive more profits for them and their branches over time, which we believe, combined together, create like a holy trifacta.

Tinman AI platform enables retail loan officers to do more loans, serve more customers while working the same hours, and with a lower cost to fund, resulting in dramatic increases in profitability for their business versus being on a traditional retail platform or mortgage broker platform. It is this trifacta that is allowing us to recruit additional local loan officers from highly successful retail mortgage companies, including loanDepot, Nationwide, and Movement Mortgage, just to name a few. Just this last quarter, we onboarded loan officers from these companies that funded over \$180 million last year in loan volume. And going forward, we expect to attract even more of these talented high-volume mortgage loan officers in the retail channel due to the superior technology and model offered to them by our platform.

Furthermore, the specialized nature of these loan officers are broadening our reach into new loan types that are more nuanced or complex but come with higher margins. These loan types include nonconventional FHA, VA, and jumbo loans. As we continue to expand with NEO Powered by Better and the Tinman AI platform at large, we expect to do more of these specialized loan types with higher gain on sale margins and deeper efficiency through our tech.

As we have proven the Tinman AI platform with NEO Powered by Better with the entire mortgage industry watching, we have been inundated with other mortgage teams and companies wanting to move their business to the Tinman AI platform. We see massive opportunity in the road ahead with other traditional mortgage originators and are making solid progress executing on a robust pipeline of future clients and partners. I'm proud of the independent achievements we have made with both our D2C and Tinman AI channels. And now to take it a step further, we are working to bridge the 2 together.

I'm particularly excited by the testing we are now conducting, whereby our AI selectively matches preapproved D2C purchase customers based on a full set of parameters about them and the property that they're buying with localized NEO Powered by Better loan officers who are experts in their particular geographic areas. These loan officers also have terrific relationships established over decades with the realtor community in these markets, and so are able to easily integrate with the existing workflows that those realtors prefer. Once implemented at scale, we see the potential for a significant increase in conversion and incremental volume and revenue at very healthy margins for both the D2C business and the NEO Powered by Better business.

While we are still in beta mode, we believe this approach can further improve the unit economics of our D2C business over time by generating revenue from customers who would otherwise have not converted on our online platform. In other words, these preapproved leads would have come in through D2C self-serve, realize that they prefer a high-touch experience with a local market expert, and thus been at risk of falling out. Now the AI is selectively determining on an individual basis if that lead would have been more likely to convert with a local market expert on the Tinman AI platform. And our matching algorithm will continue to learn and improve over the next 6 to 12 months, just in time for the 2026 purchase season.

Just to give you a reminder, Better generates over 250,000 preapproved mortgage customers every year. When applied to our average dollar loan volume of nearly \$300,000, this implies a total volume potential of \$75 billion. And yet our total market share of actually funded purchase originations is currently less than 50 basis points. Our market share by home shoppers per year as a function of the amount of loans that we are preapproving is actually over 10x that, nearly 5%. This showcases the massive opportunity we have by opening a different method of conversion for the customers that come to us for a preapproval.

And coming back to our multipronged distribution, we are serving the customer by also powering banks, credit unions, and other larger mortgage originators that are seeking to license our Tinman AI software to become more efficient and customer-centric. We have built a highly fine-tuned platform for our own business and customers, and we are now seeing demand from others in the industry to directly license our software to use in their own businesses.

A lot of banks and credit unions are taking a refreshed look at the mortgage space as the regulatory environment is becoming more favorable. However, bank origination of mortgages has largely been unprofitable given their higher cost to originate. This is where our Tinman AI software comes in. Our Tinman AI software essentially provides mortgage in a box, enabling banks to not only use our software, but also gain access to underwriting resources and sales resources if they so desire. By using the Tinman AI software, banks and credit unions no longer need to invest in a variety of different systems, pay millions of dollars in system integration costs, upfront costs, implementation costs, seat licenses, or any of those sorts of things. Gone are the days of 8 different software platforms sort of speaking to each other, stitched together by middleware, by consultants that charge hundreds of thousands of dollars just to integrate these systems, and with no unified data set for any type of machine learning to operate on. We are changing the industry altogether.

What's more, our pricing model is fundamentally different. It is what is now coming to be in vogue amongst AI companies as outcome as a service. We are simply charging our customers on a funded loan basis so that their cost event for processing, fulfilling, underwriting, even selling a loan becomes directly tied to the revenue event and takes the risk out of the transaction for these partners, which is a massive differentiator to the traditional software pricing model in the mortgage industry and in financial services in general.

We are pleased that our first bank partner on the Tinman AI software platform has begun funding loans on our platform. In this partnership, we are powering their entire mortgage platform from a software perspective, from click to close with their sales and operational personnel across the full range of products that they offer, including non-QM and other niche products entirely on Tinman.

To get them up and running, not just for conforming FHA VA but also for niche non-QM products, took just under 3 months from LOI signing to loans flowing through our software. And we believe this can ramp to over \$4 million a month in monthly revenue in the near medium term, based on the pipeline that we have. We believe an even larger addressable market exists within the mortgage ecosystem for a holistic one-stop software solution powered by the industry's leading AI engine, Tinman.

To put the opportunity into context, over 5 million mortgages were built on the Encompass platform in 2024. To the extent that we can achieve even 1% penetration of the Encompass customer base based on our current pricing, we believe that could drive an incremental 50,000 new loans and \$75 million of revenue at software margins to better per year. We have an extremely strong pipeline of partners who want to execute either their entry into the mortgage business or their growth in the mortgage business by leveraging the Tinman platform, which provides them the ability to scale nearly infinitely in terms of sales and underwriting without having to scale people, which is what the entire mortgage industry hurt from the bust that came in the period of 2022 to 2024.

Most mortgage CEOs do not want to repeat what they had to go through during that time. And thankfully, Betsy enables them to have nearly infinite scale featured parity with a traditional loan officer doing refinances and the ability to flex up or flex down their marketing spend to meet the balance sheet needs that they have. That is unique to the mortgage industry. It is unique within consumer lending, and we are bringing that power across the board to some of the largest financial services companies in the United States. And again, we are excited to share with you as these partnership discussions mature and we execute and launch with these partners.

So to recap, while our D2C business has always been at the forefront of pushing the envelope of what technology can do in the mortgage industry at its core, we are making great advancements in substantially broadening the use of Tinman, which is like years ahead of the industry through diversification on both the Tinman AI as a platform for other mortgage originators and Tinman AI as a software service to solve the mortgage industry's broken tech stack.

Looking ahead to the second half of 2025 and beyond, the opportunity ahead of us has never been more exciting. We remain focused on enhancing our go-to-market with growth being our North Star, alongside with continued expense management, channel diversification, all with the goal of getting to profitability on an adjusted EBITDA basis in the next 12 months.

While we will continue to invest in building the leading AI platform in the mortgage industry, Tinman, to improve our customer experience and further drive down labor costs and make our platform more efficient and scalable, ultimately, the goal that we have is to now drive the business to profitability, and we hope to achieve that on an adjusted EBITDA basis within the next 12 months.

Let me now turn it over to Kevin Ryan, our Chief Financial Officer, who will discuss the quarterly performance and our financial strategy going forward. Kevin?

Kevin J. Ryan
Chief Financial Officer

Thank you, Vishal. As we've discussed on prior calls, even with the continued challenging market environment and heightened macro volatility weighing on our industry, we continue to make great progress towards our goals of driving increased volume and revenue, balanced with ongoing expense management and improved efficiency. Our goal has been to reach profitability in the medium term. We now have the pathway and visibility to guide to adjusted EBITDA breakeven by Q3 2026, driven by volume growth in our direct-to-consumer and Tinman's platform channels, per loan contribution margin continuing to improve, the continued expansion of higher-margin channels, including Tinman AI platform and Tinman AI software, pricing improvements, and continued corporate and vendor cost reductions.

We would like to note that these growth opportunities come with varying levels of expansion and profitability profiles and will change based on the broader macroeconomic trajectory. As a result, our path to adjusted EBITDA breakeven is unlikely to be linear on a quarterly basis, and we do not anticipate the same level of burn reduction each and every quarter.

In the second quarter of 2025, on a year-over-year basis, we grew funded loan volume by 25% to approximately \$1.2 billion and revenue by 37% to \$44 million, driven by funding more loans to both our D2C and Tinman AI platform channels. We had an adjusted EBITDA loss of approximately \$27 million. By channel, second-quarter funded loan volume was 64% generated through direct-to-consumer and 36% generated through Tinman AI platform, along with B2B. By product, funded loan volume was 67% purchase, 20% second lien, and 13% refinance.

On a sequential quarter-over-quarter basis, Q2 funded loan volume was approximately up 39% and revenue was up approximately 36%. This revenue growth was driven by increased volume from NEO Powered by Better, which is higher gain on sale margins. Our continued push towards increased pricing and a tailwind from a loan loss reserve release. We expect to continue to drive growth through Tinman AI efficiencies, distribution channel diversification, and optimized marketing while balancing these growth expenses with further corporate and fixed vendor cost reductions.

Turning to expenses. During the quarter, total expenses decreased approximately 3% in Q2 compared to Q1. We continue building our Timman AI platform and Timman AI software channels, leaning into productivity-driven savings through AI deployment across

the mortgage business and driving costs down further in our corporate functions. We are excited about using AI to drive the business towards growth and profitability, similar to the advances we experienced in 2016 to 2021, when we grew originations by over 100x.

Now to touch briefly on our balance sheet and capital positioning. As we discussed on our last call, we closed a major debt restructuring with our partners at SoftBank in April. The accounting entries are a bit complicated and are laid out in the release. Big picture, we increased our GAAP equity by over \$210 million, and we meaningfully reduced our corporate debt. We ended the second quarter of 2025 with \$241 million of cash, restricted cash, short-term investments, and assets held for sale.

In addition, we continue to maintain strong relationships with our financing counterparties with 3 warehouse facilities for a total capacity of \$575 million as of June 30, 2025. We are particularly excited that the Tinman AI platform loan volume is continuing to grow in line with forecast, and we expect over \$500 million of AI platform originations in Q3, which is growth of over 16% versus Q2. For the full year of 2025, we expect funded loan volume to increase year-over-year, driven by tailwinds from growth initiatives, including Tinman AI platform, offset by continued macro pressure and the loss of our Ally business, a roughly \$1 billion headwind.

In the U.K., we were pleased that Birmingham Bank grew its loan book by 90% in the second quarter sequentially versus the first quarter of 2025. While we continue to undergo efforts to exit our noncore U.K. assets, we expect the divestitures of 3 smaller noncore U.K. businesses to start being a benefit to our adjusted EBITDA in the second half of 2025 as a result of the dispositions. We expect further improvements to our adjusted EBITDA losses in 2025 as compared to 2024 through a combination of AI-driven improvements in conversion rates, efficiency gains, and continued corporate cost reductions.

With that, I'll now turn it back to the operator for Q&A.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Bose George with KBW.

Bose Thomas George

Keefe, Bruyette, & Woods, Inc., Research Division

Actually, when you talk about partners trying to enter the space using your technology, can you help characterize who they are? Are they financial companies who haven't figured out a way to offer the product effectively? Or just any color there would be great.

Vishal Garg

Co-Founder, CEO & Director

Sure. I think there's -- like within the space, let me define a couple of different partners that are entering. You have the next-gen wealth management companies who want to continue to scale the ladder to compete with the UBS, Charles Schwabs of the world, right, and become full-scale wealth management platforms. The one wealth product -- the one lending product every wealth management firm really needs is mortgage. And so we have partnered with one of the top 3 sort of robo-advisers investment firms and are beta testing a product. And we're seeing more and more incoming calls from folks like that who are -- have customer bases of anywhere between 1 million to 20 million customers who want to offer a mortgage or home equity product as an additional product to their wealth management offerings.

The second is your traditional fintech lenders. All the big fintech 1.0 lenders that have dominated personal installment loans, have dominated BNPL, now significant customer bases, again, between 1 million to 10 million customers on these platforms. Those folks are now trying to figure out how to get into home equity. And the traditional home equity software product or software platforms are really nonexistent because the home equity market pretty much died after the global financial crisis and has only come back to life in the past couple of years. And there are really very few white labelable third-party origination platforms that are seamless across the full stack from click to close on home equity, and particularly those that don't require you to deliver the loans specifically to one takeout, one securitization takeout.

So there are 2 or 3 other platforms that are licensing their software, but they require you to deliver the loans to a particular takeout. They don't necessarily let you hold the loans on your own books, all these sorts of things, or the fees charged are pretty exorbitant. So we're getting a lot of influx on that on the home equity side from those fintechs. And then the third is just the mega fintechs, the ones with the 20 million-plus customers, right, who basically missed the mortgage boom in 2020 and 2021, now see rates coming down and are starting to see customers have demand. And a lot of those need a very scalable solution. A lot of them have implemented AI on their own side for their businesses and are looking for solutions that can kind of provide infinite scale should the rate environment change. And so we're talking to those as well.

And we're in beta with some of them. We've launched partnerships with some of them. And as those scale, we're really excited to talk to you more about them as they become a material source of our revenues.

Bose Thomas George

Keefe, Bruyette, & Woods, Inc., Research Division

And then when you talk about, Kevin, the cost to originate at the industry average and declining, how much volume do you need broadly on the overhead side just to have that benefit really kind of drop to the bottom line more meaningfully?

Kevin J. Ryan

Chief Financial Officer

I think it already is. I mean if you look at Page 18 on our deck with respect to unit economics, where we are on D2C, right? I think D2C suffers from a high CAC and the way that CAC gets accounted for, particularly in terms of purchase loans, right, because CAC is sort of in period, but the loans take 6 to 9 months to make. But you can look at the labor cost per fund in Q2 2025 on D2C is under \$2,500, and that compares pretty favorably to the industry's \$6,500 to \$7,000 of labor cost to fund. And our data cost per fund continue to come down as the conversion rate keeps going up.

A lot of the time, we are pulling data on consumers, giving them a preapproval, getting credit income asset data that we're paying for, but they're not converting. So as we improve the conversion rate, we talked about in the call that we improved the conversion rate by

almost 30% because of Betsy from the quarter. And you can see just right there, data cost per fund have gone down from \$1,200 to \$800. And we see room for that to continue to come down, both via economies of scale and continued improvement in when and how we pull the requisite data for the consumer.

And then lastly, the gain on sale revenue has improved by almost 10% just quarter-on-quarter, again, being more responsive to customers, meeting them where they are, when they want to communicate with us has enabled us to have a less of a discount in terms of our product offering and improve our gain on sale on average. And so that's been beneficial.

I think we -- just on the D2C, if we were just the D2C business alone, I think we'd have to double or triple the business to get to sort of breakeven based on where we are on contribution margin and where the burn is coming down to on a monthly basis. But with the B2B platform business, the Tinman AI platform business, the margins are a lot bigger, almost double or triple those of the D2C business. And there, we just need to kind of grow those and the volume to grow to similar amounts as what we're getting in D2C to achieve that breakeven, which is why I think for the first time in 4 years, we have transparency and dramatic line of sight into how to get to breakeven.

Operator

Your next question comes from the line of Brendan McCarthy.

Brendan Michael McCarthy
Sidoti & Company, LLC

Just wanted to start off on the lead-to-lock conversion rate with Betsy. You mentioned that increased meaningfully. I guess what's really driven that? And what are some of the dynamics behind customer interaction to really lead that improvement?

Vishal Garg
Co-Founder, CEO & Director

The biggest thing is expanded functionality by Betsy was going previously answering questions, getting missing data. Betsy is now able to take you all the way through lock and then even go and ask questions around processing, ask you about missing documentation. On the back end, Betsy is re-underwriting all the loans that the underwriters are doing, where they might have to suspend a loan or deny a loan post-lock. And so it's substantially improving the choices that consumers are getting and the intelligent workarounds with the variety of investors on our marketplace. So that's all driving greater efficiency. We're getting -- we're approving a larger percentage of our customers.

We're finding solutions for them instantly, like, for instance, a consumer -- just as an example, a consumer is coming in and their debt-to-income ratio doesn't qualify them to get preapproved for a mortgage or for a refinance. But there's 2 debts there that they came in for a rate term refi, but there's 2 debts that if they also took out a little bit of cash, they could pay off, and then their DTI would qualify. Traditionally, for a human loan officer to make all those calculations is quite difficult. They're trained on sales, not on math. But Betsy is able to effectively instantly do that in our flow, and that's saving a pretty significant number of people and qualifying these people in a way that other loan officers and certainly other loan platforms simply don't do.

A lot of this that we're doing actually is really interesting because we're learning from our retail loan officers, what are the things that make them more successful and able to both command a premium pricing in the market and effectively help more customers. And those same things that our retail loan officers are teaching us, we're now embedding into both our D2C workforce, but more importantly, into Betsy to help Betsy learn that functionality and do it for the consumer instantly.

Brendan Michael McCarthy
Sidoti & Company, LLC

I appreciate the insight there, Vishal. And turning to the B2B side, specifically Tinman AI as a software. Can you talk about that pipeline there? I know we had -- I know you had mentioned there was a small to medium-sized bank in the pipeline that may have been more near-term for a potential partnership. Any updates on that front?

Vishal Garg
Co-Founder, CEO & Director

Yes. We're pumping loans through that. It's really awesome. They're about \$1 billion-sized bank in the mortgage business, and they're fully adopted. And we've been able to get them up and running in a way on a new software platform in mortgages, which typically takes 9 months and millions of dollars of consultants and integration costs, and they're up and running in less than 90 days. And as the volume that they pump through their pipes grows, we think that, that can be a pretty significant revenue stream for us.

We have a couple of other big partners in the pipeline, one of the top 10 mortgage companies in America. We -- many of the big fintechs that I mentioned earlier on a question on the call. And so we're super pumped about that software business and about empowering other mortgage companies or those in the fintech landscape to effectively use the software to originate loans in a way that's superior to the traditional sort of 8 different systems stack that most people have today.

Operator

Your next question comes from the line of Rayna Kumar with Oppenheimer.

Abigail Rudder

This is Abigail Rudder on for Rayna. It sounds like the testing you guys mentioned is working pretty well. Could you guys provide any additional color here to expand on this opportunity? And then how do you expect it to work through the cycle?

Vishal Garg

Co-Founder, CEO & Director

Well, we expect it to be the software business to be a much higher margin business than even the platform business, which is a 40% margin business. I mean we've spent \$1 billion developing the software.

The biggest players in the market have pretty significant or effectively monopolistic and have very significant chunky market share and started their lives out as FICO disk-based software. The biggest player in the market today still allows only one person to be in the loan file at a time. I mean, not pre-judgmentally, but what is the AI agent going to do? She's going to ask the loan processor to check out of the file, like it's a library book, and so that it can go in and make an entry or change of fact. It just -- I think it's just open hunting season on that front. We've hired -- made some recent hires to build that business out. And you'll hear from us in the very near future about some major contracts getting signed, implemented. And once they're up and running, we'll be able to talk about them.

With respect to the potential size because of the fundamental difference in our model, where we're providing one full-stack solution, people will adopt it, and then they'll adopt it for 100% of their production. Initially, they'll use it parallel path with the existing incumbent solutions that are out there. They'll start with home equity, HELOCs, then they'll migrate more of the products over. And we're going through that entire process and defining the full value chain and the extractions.

And yes, like I think if you look for us on social media, if you look for us on like LinkedIn, you'll see some of the advances that are coming out regularly in the software and with the partners that we're implementing the software for.

Abigail Rudder

And then can you just talk a little bit more about the home equity business and that volume? And just any more color on kind of what drove or is driving that growth?

Vishal Garg

Co-Founder, CEO & Director

Sure. I mean we've had about -- from year-to-year, from Q2 '24, we did \$90 million of home equity volume in Q2 '25, we did \$240 million. That's 260% growth. I think we are the fastest-growing home equity lender in America today. And home equity has a lot of the same features that made us great in refi, like helped us grow from \$500 million in refi volume in 2016 to \$58 billion in 2021 in 5 years, 100x growth and which is that it's us and the consumer, we're able to provide the things that we do better than anyone else, make the process cheaper, faster, easier and do it in a marketplace fashion rather than in a delivering into a securitization shelf fashion, which means that we are able to deliver to multiple different investors and provide consumers the highest chance of getting approved, and that's allowed us to maximize our D2C margins and D2C dollars.

So if you have originator X and they've got a pretty narrow criteria, they're delivering to a securitization shelf, they're constrained by the rating agencies. That's harder for them to change. And so then they buy a click online, they've got a chance of converting that click X percent. Similarly, if a mortgage broker refers a customer to originator X, then they've got a low chance of getting approved. Now if that same click online can convert at a better rate -- at a better approval rate, with better because we've got a marketplace at the back end, that makes our ability to grow on the D2C channel pretty substantial. Again, like we're at a \$1 billion run rate on HELOC and home equity origination, and we started this product less than 2 years ago. And we're scaling that so fast, right? Last quarter, we were 148. So we've grown 35% plus on quarter-on-quarter on that product.

So we're just -- we think that the market is massive, and it's got a lot of the features of the product are the things that we're really good at better here.

Kevin J. Ryan
Chief Financial Officer

Yes. And I'll add that the consumer acceptance of the product is way up. It slowed down after the crisis, as Vishal mentioned before. But mortgage rates have stayed high, home appreciation since COVID has been very high. So that \$1 billion can get to \$2 billion quite easily. We're just going to keep pushing in that product because we think the consumer -- it can really help the consumer out this part of the cycle.

Vishal Garg
Co-Founder, CEO & Director

And also every HELOC, every home equity customer that we're booking today is a refi tomorrow when rates come down eventually. It's a 0 customer acquisition cost refi. And as you can see, on D2C customer acquisition cost is 45% to 50% of revenue for us. So when we take that out, as rates come back down, each one of these HELOC customers, we're going to be putting them into a cash-out refi or rate to refi, and that's going to cost us \$0 in customer acquisition cost. So again, just onboarding consumers onto the better platform, warming them up for the refis that come.

Operator

Your final question comes from the line of Eric Hagen with BTIG.

Eric J. Hagen
BTIG, LLC, Research Division

Can you talk about how the software maybe adjusts for or tailors around fluctuations in interest rates? Can the AI get smart about capital markets conditions to get ahead of the market, if you will? Like we all know that mortgage banks can be slow to respond to shifts in interest rates, but does the AI help augment the speed at which consumers are shown a rate based on what's going on in the market?

Vishal Garg
Co-Founder, CEO & Director

Yes, it makes it instant. It's now starting to write the alerts that go out to the consumers. It's enabling us to enter into features that will make trading interest rates or trading mortgages very similar to trading equities. And it's able to just manifest the best execution and reprice our products in a singularly faster fashion. So your traditional bank might take a while to update the rates on their site or through their distribution channels. Usually, mortgage bankers get daily rate sheets or best X. The AI doesn't need to do a rate sheet; the AI can go across all the permutations across all 45 investors across thousands of products instantly and find the best one that matches the consumer, fits their needs, and provide that range of options to them.

It's a true game-changer. I think it's extremely underappreciated in this market where the price of credit continuously changes. And it's going to -- you're going to see sort of a Robinhood moment in this business in the same way that you saw it in equities.

Eric J. Hagen
BTIG, LLC, Research Division

Yes, that's really interesting. A follow-up on the conversion rate. I mean, can you share more specifics on how the Tinman platform helps retain the borrowers' attention and get it from the point of lead generation to the next phase? Like we know the platform is really good at lead gen, but how does it kind of systematically support a that stronger conversion rate, especially with the different entities that are using the platform?

Vishal Garg
Co-Founder, CEO & Director

Sure. So the Tinman platform has traditionally been really great at serving consumers that are -- have great credit, have good income, are comfortable with doing major financial decisions online, right? So like while the TAM in mortgage is huge, the TAM of consumers who are comfortable doing these things entirely online self-driven has always been smaller. And so what we've been continuously trying to do over this period of time is wherever that human assistance is needed instantly, to staff up for that with people is extremely expensive. right? Like someone would, for instance, say, abandon their application somewhere during the flow, right?

Now we could build -- we've built triggers that enable us to know that this person abandon the application. But because all the labor in the industry, like the loan officers, all the salespeople, they all have to be licensed and then those licenses are on a state-by-state basis,

unless you've got tens of thousands of people sitting around waiting for these triggers to happen, like and paying them on payroll, it's really hard with our low-cost D2C model to reach the consumer at the point of decision or reach the consumer at the point of indecision or fatigue or confusion. And now we're able to do that instantly and have an outbound call done by Betsy. As you can see, the interactions with Betsy have scaled up massively over the past 3 or 4 months, as it's just gotten better and better and better and gotten plugged more and more and more. It's almost organic now between Betsy and Tinman.

And so it sort of is becoming one system with Tinman being sort of the calculation engine and matching engine, and Betsy being the support to the human, but in a lot of places, like the supplanting of the human, where the human is simply unavailable. And I think that that's really enabled us to continue to grow. I mean, like we grew unit volume 35% in the last quarter, and we subtracted people on the sales team.

Operator

That concludes today's question-and-answer session. I will now turn the conference back over to Vishal Garg, CEO and Founder of Better Home & Finance Holding Company, for closing remarks.

Vishal Garg

Co-Founder, CEO & Director

Thank you all for continuing to support us as we build America's leading AI mortgage platform and in doing so, help consumers get a better mortgage, a better rate, and a better process, leading to both improving their financial stability and living a better life for them and their families. The past 5 years have been extremely challenging for us given the state of the market, interest rates, but now we're playing offense hard again, aggressively pursuing growth, monetizing the platform that we've built and the AI we've developed on top of it, and doing so independent of the broader economic and mortgage market conditions. We now have clear line of sight in how we win in the current environment with our advances in our Tinman AI platform and our Tinman AI software business and the improvement in unit economics, all together contributing to allowing us to clearly tell you today that we're going to be able to be breakeven as a business on an adjusted EBITDA basis in the next 12 months.

I think that's the focus that you all should take away from this call. We now have a path out of a really terrible environment, and we have nearly infinite scale if the interest rate environment changes. Thank you for all your support. Thank you for staying with us, and we look forward to sharing a lot more good news with you over the coming year ahead.

Operator

This concludes today's conference. You may disconnect.