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Earnings Call

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CALL PARTICIPANTS 2

PRESENTATION 3

QUESTION AND ANSWER 11

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Presentation

Operator

Ladies and gentlemen, thank you for joining us, and welcome to the Better Home & Finance Holding Company Third Quarter 2025 Results Call. [Operator Instructions] I will now hand the conference over to Tarek Afifi, Corporate Finance at Better.

Tarek, please go ahead.

Tarek Afifi
Corporate Finance & Investor Relations Manager

Hello, everyone, and welcome to Better Home & Finance Holding Company's Third Quarter Earnings Conference Call. My name is Tarek Afifi on Better's Corporate Finance team. Joining me today is Vishal Garg, Founder and Chief Executive Officer of Better.

In addition to this conference call, please direct your attention to our third 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 a replacement 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 September 30, 2025, represent a preliminary estimate as of the date of this earnings release and may be revised upon our quarterly report on Form 10-Q with the SEC. More information as of and for the end of the quarter ended September 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
Founder & CEO

Thank you, Tarek, and welcome to our third quarter 2025 earnings call. This has been a pivotal quarter with significant developments for Better as the leading AI home finance company. We have rapidly evolved from a dominant direct-to-consumer business into a platform powering the entire home finance ecosystem, both for consumers directly and increasingly through our growing list of institutional partners. These partners include both local mortgage lenders and financial institutions, and we empower them with our Tinman AI platform to serve their customer needs better.

In summary, over the last couple of months, we announced 3 new partnerships, which we see as deeply validating and believe will meaningfully expand our market reach across the home finance landscape and drive profitability as we track to breakeven adjusted EBITDA by Q3 2026.

We're already pacing to fund $500 million in monthly volume as a result of the growth through these partnerships, and that momentum is accelerating rapidly. In the next 6 months, we are comfortable that this will double to at least $1 billion a month in funded loan volume. Our progress comes mostly from our soft launch during which we have marketed the Powered by Better solution to only a small fraction of our partners' customer bases and seen great success.

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This partnership represents the most significant opportunity in Better's history. Excitingly, thanks to our strong unit economics and best-in-class experience powered by Betsy and Tinman, our pipeline of additional partners continues to expand rapidly. We expect to share further updates on these partnerships and additional ones in Q4. Our pipeline of Tinman AI platform clients and partners keeps expanding as the industry is seeing what our platform can deliver.

We are in late-stage conversations to land partners in some of the biggest, most strategic verticals in consumer finance. Examples include; 1 of the top home improvement lenders, 2 of the top servicers in the country, 1 of the top personal lenders and an additional midsized bank. These additional partnerships will add an additional 10 million American homeowners to whom we can algorithmically qualify and market mortgage and home equity products to.

All of these events validates our strategy of diversifying our distribution channels as our AI-driven platforms, Betsy and Tinman deliver the lowest unit cost in the industry while providing the best experience for both customers and partners. This gives us strong conviction that our peak volumes in this rate cycle should comfortably exceed those achieved in the last rate cycle when we originated approximately $60 billion in 1 year or almost $5 billion a month.

We have built a platform that is AI first. We are one of the few players, if not the only one in the U.S. with a single full-scale tech stack, all in one place, all in one flow and entirely API-able via our proprietary MCP server, the only one in the mortgage industry to Agentic AI, which allows us to deliver a better experience at lower cost, scale faster than anyone else and really continue to define the future of this $15 trillion industry.

Better is the network for the largest tangible asset class in the U.S., residential real estate. On one side of this network are the end consumers directly and on the other side are consumers using the Tinman AI platform, similar to that of merchants on platform networks like Stripe or Visa and Mastercard.

On the other side, our investor is seeking to buy cash flow-producing assets secured by U.S. residential real estate. We are the matching, processing and fulfillment engine in between the 2 sides of this network. Our engine is called Tinman, which uses machine learning to triangulate consumer attributes, property attributes and the unique criteria of over 40 institutional investors on the platform, including the GSEs, the FHA and the VA.

We have built a multisided matching engine, something that simply cannot exist outside of what we have built inside Tinman. To contrast, most fintechs operate on a single platform and distribute the product through securitization. With Better, the result for the consumer is a significantly higher approval rate and generally lower interest rates because Tinman matches consumer and property-specific attributes across a broad cross-section of the investors on our platform on a single loan-by-loan basis.

Further, despite Better being balance sheet light and not taking any credit or prepayment risk, the default rate of our mortgages is 1/3 that of the industry average on over $100 billion of originated volume over the past 9 years. So the proof is in the pudding. Our deep proprietary data moat has been instrumental in training our AI models and powering our platform.

Betsy, our generative AI home finance agent built on top of Tinman has learned from over 12 million recorded phone calls, 6 million approved customers, 600,000 funded loan documents and almost 5 billion pages of property and consumer data information, all in one place, all in one end-to-end platform with all of the things that were done by humans on those data all in one place and recorded through the platform.

We believe that this is something that does not exist in anywhere else in mortgage lending or even broadly in consumer finance. Today, we are at feature parity between Betsy and the bottom 80% of human loan officers. Betsy communicates across voice, chat, text and e-mail with consumers nearly instantly to compute various scenarios and learns how to better understand consumers' needs every day through every interaction.

What's more is Betsy can handle millions of consumer conversations at the same time, enabling infinite scalability without adding additional head count as consumers learn to adopt and integrate their consumer

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finances and transact with an Agentic AI. Betsy is not just a voice agent or chatbot. Betsy can perform the functions of a human loan officer, processor, underwriter and closer.

Betsy is the user interface, helping consumers step-by-step through their homeownership journey, performing hundreds of thousands of consumer interactions per month and remarkably good at detecting fraud throughout the entire platform. Additionally, Betsy has mastered finding ways to get an approval with the lowest possible interest rate across our network of investors with the lowest post-closing defect rate in manufacturing a mortgage, approximately 19x lower than the industry average.

In fact, as of September, no human underwriter is allowed to decline a loan in our system without checking with Betsy first as to the alternatives that are available to restructure the loan so that the consumer can be approved and move forward in their homeownership journey. We believe this is a first across lending in the United States.

Since we've launched Betsy, our lead-to-lock conversion rate has increased by approximately 84% from 3.3% to 6.1%. This has been transformative to our platform in driving incremental volume and revenue through our platform and it's still very early days. As we scale Betsy at near 0 marginal cost, we expect to further improve our unit economics through cost efficiencies on a per loan basis.

During the quarter, Betsy performed approximately 700,000 customer interactions and our AI underwriting approved over 61% of locked loans with a clear path to 75% in the near future and 90% after that. And our [loan officer] productivity in terms of funds per month increased to over 3x the mortgage industry median. We have been heads down over the past few years, honing our technology and optimizing the business for efficiency.

With Tinman and Betsy, we remove the traditional constraints to growth in the mortgage industry, which is typically throttled by a lack of specialized licensed labor, whether it's loan officers, processors, appraisers or underwriters. We can now grow infinitely with AI and with a single unified tech stack at the core.

There's almost no better use case for AI to disrupt a market than the massive and antiquated mortgage market. The majority of the mortgage market still operates on what was built in the 1990s where 8 different separate systems were integrated through dated middleware, old-school FTP servers and disparate databases. What's more, this dominant platform, which has over 80% market share, only allows 1 person to work in the loan file at any time, a file that costs the mortgage industry more than twice as much as Better to make.

AI was designed to disrupt industries like this and yet fails in most cases due to the lack of a singular database architecture, causing huge latencies for any LLM to intermediate data and capture context quickly between disparate systems. Further, the lack of a unified interface prevents LLMs from being able to handle every single task required to fulfill a mortgage. Those limitations do not exist in Tinman.

Tinman shines as a brand-new modern tech stack with AI in action, delivering real tangible, measurable results in a multitrillion-dollar industry at a fraction of the cost. I often think back to when we were building our AI platform, one of the point solution's CEOs said to the then CEO of Fannie Mae, that he thought Better was trying to boil the ocean. And here we are, we have gotten the ocean hot, and it's starting to drive tangible results in a way that is groundbreaking for the industry.

With some macro green shoots in our favor and momentum in winning new partnerships, we believe we are in a position to scale rapidly, profitably and with AI, infinitely. When you look back at the last time rates declined, Better grew its volume by over 100x over a 5-year period and over 10x over a 2-year period in 2020 and 2021.

We are positioned to do it again this time more efficiently and much more profitably, and we believe we can achieve significant market share as this next cycle unfolds. Betsy and Tinman is our flywheel. That flywheel is turning. The opportunity is massive, and we are ready to monetize.

I'll now turn to our third quarter results. Starting with growth, we continue to propel opportunities independent of broader economic and mortgage market conditions. In the third quarter of 2025, on a year-over-year basis, we grew funded loan volume by 17% to approximately $1.2 billion and revenue by

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51% to approximately $44 million, driven by funding more loans, both through our D2C channel and our Tinman AI platform.

By product, year-on-year funded loan volume growth during the quarter was driven by home equity volume increasing by 52% year-on-year, refinance loan volume increasing by 41% and purchase loan volume increasing by 5%. We have been rapidly growing our home equity business, taking share in a market that is coming back quickly as Americans are sitting on $35 trillion of home equity, the largest untapped asset class in the country.

We've grown to an approximately $1 billion-plus quarterly run rate of origination volume in Q3 2025 compared to approximately $100 million in Q3 2023, just 2 years ago when we launched. Our model does not require us, unlike many others, to take any credit prepayment or liquidity risk because we can sell HELOCs onto the investor marketplace we have built. We do not rely on securitization, and we are able to mimic what we have done in the mortgage space in HELOCs, allowing investors to buy and bid on loans at a loan-by-loan level, which is unique in the industry.

There are incumbents in the home equity space who have started to create their own version of our investor marketplace. But today, that marketplace only comprises a very small portion of their volume and revenue, whereas for us, the marketplace is 100% of volume and 100% of revenue in the HELOC space.

During the quarter, we broadened our already high approval rates for HELOC products by launching AI-driven HELOC underwriting for small business and self-employed borrowers, making approvals possible using bank statements only. This product opens the door for 36 million self-employed and small business owners who have traditionally been underserved by traditional underwriting methods in the mortgage and HELOC space. It's another example of how we are using AI to widen use cases and enable home finance for more American families to help them save more money.

Turning to cost efficiency. Total net revenue in Q3 grew 51% year-over-year, while expenses remained flat, demonstrating our ability to scale revenue at lower marginal costs. We continue to adjust our cost structure to be leaner in overhead while building adequate resources to support the ramp of our new partnerships, which we expect to drive transformative growth in 2026 and beyond, with the goal of reaching adjusted EBITDA profitability by the end of Q3 2026.

While our initial goal was to achieve further expense reductions this quarter, the team was focused on launching our 3 new transformational partnerships and engaging with additional partners in our pipeline. As a result, the intensity of our cost cutting was somewhat muted compared to the vigor we've had in prior quarters.

Looking ahead, as we get these partnerships up and running and to scale, we expect these anticipated cost savings to materialize in Q1 of 2026. With Tinman AI technology, we automate time and labor-intensive components of the mortgage process, consistently reducing our cost to originate to approximately half of the industry average.

I'll now turn to quarterly business developments. Unit economics in our direct-to-consumer channel continue to improve with revenue per fund increasing to $8,300, while the labor cost to fund continued to decrease to $2,500 and CAC per fund to $3,200, driven by the implementation of AI in every aspect of the sales and operations workflow, resulting in a net contribution margin of $1,772 per fund compared to $1,064 per fund last quarter, and approximately 64% increase quarter-on-quarter.

We have not seen these types of contribution margins since like 2021. We expect to continue to lower the cost to originate as we increase conversion, lower CAC and improve labor costs. And 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 through our partnerships.

We are very excited to have recently announced 3 new partnerships that we see as deeply validating the Tinman AI platform and believe will meaningfully expand our revenue and drive to profitability in the year ahead.

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First, we partnered with a top 5 U.S. personal financial services platform who currently serves over 50 million customers. Under this agreement, our partner will offer home financing products to its end customers using the Tinman platform on a fully white label solution, and we will earn revenue on a per funded unit basis. Essentially, this is mortgage broker in a box for financial institutions across the American landscape.

We are focused on financial institutions that have large banks of customers, 10 million, 20 million, 50 million customers. And we believe that these financial institutions who have traditionally been limited, especially post the global financial crisis and being in the mortgage business or offering mortgages to their customer base will dive right in with our mortgage broker in a box, Tinman AI platform.

We brought this partner from being just a fintech to a fintech plus mortgage broker. There will be no upfront tax spend required by Better as our partner will programmatically feed customer data into Tinman. From there, Tinman will manifest offers delivered through our partners' app, which has tens of millions of monthly active users, all nearly instantly and updated daily. We expect transformative volume potential from this partnership as we scale into their vast customer base.

Second, we entered into an agreement with a top 5 U.S. non-bank mortgage loan originator. By migrating from the incumbent solutions that they've traditionally had for years, if not decades, onto Tinman, our partner's loan officers will dramatically scale their ability to surface eligible customers for HELOC and HELOANs within their customer base.

They'll also be able to mine their MSR book of over $300 billion to offer HELOCs and HELOAN to those customers on a programmatic basis in a way they've never been able to do with the incumbent HELOC solutions that are available to them today. The initial focus will be on home equity products, and we believe there's great potential over time to help the partner unlock new ways to monetize its extensive customer base in a way that has not been done before.

It's important to note that we are not just processing customers who raise their hand and ask for a home finance product. Rather, we are fully integrating Tinman into both of our partners' customer data loads and CRM systems. This allows us to algorithmically mine customer data attributes and property data attributes for these customers, match them to products and investors on the Tinman platform and use our AI to recommend the most applicable offer directly to the customer. We are also completely agnostic to the user interface, be it an iPhone app or a human loan officer in a branch. We serve all of them.

Third, we partner with Finance of America, an industry-leading reverse mortgage lender with access to millions of senior customers who are typically home equity rich but cash flow disadvantaged. Together, we are launching the first HELOC and HELOAN product offerings to their customers powered by our Tinman AI. What's more, leveraging Tinman, we have developed a senior second lien HELOC product that specifically addresses the debt-to-income challenges that limit traditional HELOC products for being offered to seniors and that you typically see securitized by the incumbent players.

Together, we believe these new partnerships demonstrate our evolution in powering the home finance ecosystem as a full suite platform and software, well beyond our direct-to-consumer origins. These partners are now live, and we look forward to sharing updates on our subsequent earnings calls as these partnerships ramp.

In addition to our newest partnerships, we continue to make great progress growing our existing Tinman AI platform with Neo powered by Better, local loan officer teams across the U.S. experiencing rapid growth. The Tinman AI platform approach to local retail mortgage loan officer teams is similar to how Amazon opened its D2C model to a third-party seller marketplace.

Similarly, Better is enabling retail mortgage lenders to build their business on the Tinman platform. And in doing so, we provide the compliance and licensing engine, loan origination system and capital markets marketplace. We have near 0 customer acquisition cost on this channel. And as partners fund loans on our platform, we earn a platform fee and a share of profits. We've grown this channel from 0 just 9 months ago to now approximately 40% of our total revenue.

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The Tinman AI platform enables retail loan officer teams to originate more loans, serve more families and lower their cost of funds, dramatically increasing their profitability and throughput versus traditional platforms that these loan officer teams have been on for decades. These officers are transitioning from dated expensive tech stacks where origination of a loan could cost over twice as much as Tinman to Tinman where the cost is just a fraction of that, at approximately $3,000.

The savings goes straight to their bottom line, allowing them to reinvest in their customers, offer lower rates and close more deals within their local markets. Further, we've designed an optimization path to retain customers entering through the direct-to-consumer channel who we might otherwise lose to an outside local loan officer.

By identifying customers who would benefit from more personalized local support, we connect them early on with a partner loan officer instead of losing them to competitors later on in our direct-to-consumer flow. This approach significantly boosts conversion rates amongst these customers, and in turn, strengthens our overall unit economics.

During the third quarter, we funded approximately $483 million in funded loan volume for 1,148 families on the Tinman AI platform, an increase of 13%, respectively, compared with the prior quarter. And coming back to our multipronged distribution, we are also serving the customer by powering banks, credit unions and other large mortgage originators that are seeking to license our Tinman AI software to either enter or reenter the mortgage business.

As our Tinman AI platform approach is like Amazon's third-party marketplace model, you can think of our Tinman AI software channel as Amazon's AWS software model. A lot of banks and credit unions are taking a refreshed look at the mortgage space as the regulatory environment is becoming increasingly favorable. However, bank origination of mortgages has largely been unprofitable given their high 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. And while the broader software industry charges clients on a per seat basis, we have a disruptive pricing model of charging on a per funded loan basis or outcome-as-a-service, which is very similar to what a lot of the leading AI companies in Silicon Valley are doing.

Over time, we expect this channel to be the most profitable of our 3 channels with SaaS plus level margins since most of the costs associated with this initiative have already been spent on developing Tinman internally for our direct-to-consumer business. Our existing bank partner on the Tinman AI software platform is ramping as we power its entire mortgage origination business from click to close across multiple products and across multiple channels. And we expect revenue from this partnership starting in Q4 2025 with SaaS level margins.

Our overall partnership pipeline is robust, and we are focused on aligning with companies that are leaders in their respective verticals, those with large customer bases and where the Tinman AI platform clearly outperforms legacy systems. Our strategy is simple yet powerful, capture a leading player in each vertical, empower them to scale their mortgage business and home equity business with Tinman and then expand outward across the ecosystem as others follow suit, land and expand.

Verticals that we are interested in include fintechs, BNPL providers, traditional mortgage lenders and servicers. Each of these verticals represent hundreds of billions of dollars in annual mortgage originations. So, by first securing a partner who is a leader in their vertical, we establish credibility, create momentum and open the door to broader adoption across that vertical.

Looking ahead, the opportunity has never been more exciting. We continue to make great progress towards our goals of driving increased volume and revenue, balanced with ongoing expense management and improved efficiency. We remain focused on enhancing our go-to-market strategy with growth being our North Star alongside continued expense management and channel diversification, all with the goal of reaching breakeven on an adjusted EBITDA basis by the end of Q3 2026.

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Our path to adjusted EBITDA profitability will be multifaceted, driven by: volume growth in both our direct-to-consumer and Tinman AI platform channels, unit economics or per loan contribution margin continuing to improve as we further lean into AI efficiencies, the scaling of higher-margin partnership channels including Tinman AI platform and Tinman AI software, pricing improvements and continued corporate cost reductions.

While our unit economics are already profitable at the contribution margin level, increasing volume will allow us to offset additional corporate expense. We 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.

During the third quarter, we had an adjusted EBITDA loss of approximately $25 million, down from $27 million last quarter and $39 million 1 year ago. In particular, for the 3 large partnerships we signed, we had a significant amount of resources in sales, operations and technology dedicated to launching those partners that were not revenue generative, but will create significant growth in the years ahead. As these partnerships launch and start to generate revenue and contribution profit, we expect burn to come down more dramatically in the coming quarters ahead in 2026.

Now to touch briefly on our balance sheet and capital positioning. We ended the third quarter of 2025 with $226 million of cash, restricted cash, short-term investments and assets held for sale. In addition, we continue to maintain strong relationships with our 3 financing counterparties, which provided a total capacity of $575 million as of September 30, 2025. We expect that our recently announced partnerships will require us to increase those warehouse lines meaningfully to accommodate the expected funding demand.

On capital positioning, we rightsized the capital structure earlier this year, retiring approximately $530 million of convertible notes for $110 million cash payment and $140 million note, generating $211 million of positive equity.

As announced in our 8-K, our CFO, Kevin Ryan, will be concluding his time with us. We are so grateful for everything Kevin has done for this company; taking us public, rightsizing our capital structure and building out our finance and accounting function. We wish him the very best in his new endeavor and are excited about the strong candidates in consideration for the CFO role. We hope to share the outcome of our new CFO search with you soon.

In the U.K., we were pleased that Birmingham Bank grew its loan book by 44% in the third quarter sequentially versus the second quarter of 2025 as we have implemented our technology stack into the bank, and in doing so, enabled the bank to become the fastest-growing specialist mortgage lender in the U.K. With respect to our non-core U.K. assets, we continue to exit those positions and expect these divestitures to continue to benefit our adjusted EBITDA through the remainder of 2025.

Turning to our outlook. The Tinman AI platform loan volume continues to grow rapidly, and we expect over $600 million of AI platform originations in Q4, which would be growth of over 24% versus Q3. For the full year 2025, we expect total 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.

We expect further improvements to adjusted EBITDA losses for full year 2025 versus full year 2024 through a combination of AI-driven improvements in conversion rates, efficiency gains and continued corporate cost reductions. In the medium term, while we expect D2C to continue to grow nicely, we expect it to become a smaller part of the total revenue mix as our partnership channels scale faster. We spent the past 3 years building for this moment. Our platform is proven, the housing cycle is turning, our AI is scaling and our partnerships are just beginning to ramp.

About a year ago, we met the Neo Home Loans team, and I saw firsthand the experience they were able to deliver in a branch or over a Zoom call, and I thought to myself, how can we make this accessible to everyone? How can we take this 4 seasons experience that the Neo team delivers and deliver it at a 4

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points price to the average consumer? That got us thinking. At the same time, we had launched Betsy, the first voice-based AI loan assistance, and we've been able to do amazing things with Betsy. Today, we believe Betsy is better than 80% of the typical loan officers operating today.

I'm so excited to demo our AI mortgage adviser today, which is able to replicate the experience of being in a branch or on a Zoom call with someone with 10, 20, 30 years of experience with a deep knowledge base, someone who's done billions of dollars of loans and one who can walk you through every aspect of the process that is life's biggest financial transaction, one American families are still fundamentally insecure and unknowledgeable about. We'll be launching the AI mortgage adviser in a pre-release, and you can sign up to join us at better.com/tinman. Please take a look and let us know what you think. [Presentation]

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Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Owen Rickert with Northland.

Owen Ray Rickert
Northland Capital Markets, Research Division

I guess, quickly, can you just dive a bit deeper into the 3 recent partnership announcements and how you expect each of these to ramp as we head into 2026?

Vishal Garg
Founder & CEO

Sure. So, with respect to the large financial services platform, we expect that to ramp over time, over the next 6 months, specifically as we increase the penetration of their users in their app that see the offers from us and the number of users every day that -- they drop into Tinman to surface offers for. And those offers will be sent via stories in their app, notifications, text messages, things like that.

And so, we're just going to increase those. And we've created a specific pod for this partner because it's such a large partner, and we need to [tap] into that pod. And so while we expect the overall size of the partnership to manifest itself into multiple billions of dollars a month, it's going to take a bit of time for us to also ramp up and see what labor is going to be required, what percentage of that partner's customers are comfortable talking to an AI, what percentage of that partner's customers need to talk to a person. So, we're working all of that out.

With respect to the other partnerships, the large mortgage originator, we're going to start first with their direct-to-consumer team, then we're going to start rolling it out to the team that does MSR and MSR recapture. And then from there, we're going to start rolling it out to their loan officer teams all around the country to market HELOCs and HELOANs to. And -- so, there's going to be a ramp in that regard as well over the next 6 months or so.

And then, with Finance of America, we are launching the HELOCs and HELOANs first to their customer base, then to their partner originators and then across to their wholesale channel. And so, I think that is also going to take another 3 to 6 months to fully ramp up as well as the second -- the reverse second lien HELOC product, which we are rolling out in beta right now, which we're going to then ramp up across their entire network.

Owen Ray Rickert
Northland Capital Markets, Research Division

Got it. And then secondly, you did hit on this pretty early on in the prepared remarks, but how would you characterize the future partnership pipeline right now? And what does that look like today? And maybe how is this pipeline -- how has it evolved over the last few months?

Vishal Garg
Founder & CEO

I think as our partners are able to see how fast we're able to implement some of the earlier partners that we have now launched, the quality of the user experience, the ability to get approved for a mortgage programmatically, the ability to take something that traditionally has been very passive and sold passively by these partners and then have that be done in an active algorithmic way, the partner pipeline has really, quite frankly, exploded. And -- so, we are seeing a lot of demand.

The other thing, just from a macro perspective, the largest incumbent solution has been forcing -- has been going through an SDK change and has been forcing re-integrations with all of its partners for its clients. And so, it's been an interesting moment where a lot of people are very, very frustrated with the incumbent solutions that are out there and are looking for something new. And so, I think it's sort of like

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luck is when preparedness meets opportunity. And I think we're pretty thankful to be in the position that we're in now.

Operator

Your next question comes from the line of Brendan McCarthy with Sidoti.

Brendan Michael McCarthy
Sidoti & Company, LLC

Really appreciate the demo there with Ryan, I thought that was great. Just wanted to start off circling back to the new partnerships, particularly the one with the top 5 U.S. personal financial services platform. Can you give us detail on what the ultimate volume opportunity looks like there? 50 million customers is obviously a huge number. Just curious as to what you think the addressable market is in terms of volume.

Vishal Garg
Founder & CEO

Yes. So, I mean, if you go to ChatGPT and you type in what is the mortgage penetration rate for a financial institution in the United States with 50 million customers, it will tell you the -- it ranges from 10 basis points of that customer base to 15 basis points of that customer base. So, let's use like a low average, 12 basis points. You multiply 12 basis points by $50 million, that gives you 60,000 originations a year, 60,000 originations times an average balance of like $400,000 gives you about $24 billion.

So, I don't know exactly what the number is. I'm not committing to that number, but that's sort of -- if we were able to just do it in an average passive manner at some branch, what we think we can achieve could be multiples of that if we're able to sort of algorithmically mine and surface offers directly to consumers in their mobile app.

Brendan Michael McCarthy
Sidoti & Company, LLC

Understood. That's very helpful. And next question, just looking at the guidance, really implying strong growth there, I think, from -- I think you said the $500 million monthly loan volume run rate to about $1 billion, just really a step-up there. What's really underpinning that outlook? Is it just strictly the partnerships? Is the growth in D2C? Is there any interest rate assumptions there? Just curious as to kind of what's underpinning that.

Vishal Garg
Founder & CEO

No, we're assuming interest rates stay the same. And yes, I mean, as you can see in D2C, we have been focused on making more money per loan in D2C rather than growing volume, though volume has grown pretty substantially, especially if you take out on a quarter -- on a year-on-year basis, if you take out the Ally volume that we had last year, organic growth has been over 50%. And so, when you layer that on, if there's a rate cut, I think D2C is going to fly. But other than that, like we're just assuming that the rates stay the same. And so, the numbers I've given you and I've indicated assume the interest rate environment doesn't change.

Operator

Your next question comes from the line of Kartik Mehta with Northcoast.

Kartik Mehta
Northcoast Research Partners, LLC

In the press release, you indicated that you anticipate about $1 billion of loan volume in the next -- at the end of 6 months because of these partnerships. Does that assume that each of these partners will be fully ramped? Or are you anticipating the ramp to take longer? So really, the $1 billion could be a lot more once the partnerships get fully integrated?

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Vishal Garg
Founder & CEO

I think it could be a lot more than once they get fully integrated.

Kartik Mehta
Northcoast Research Partners, LLC

And then just the per funded contribution margins increased significantly. The one volatility is in the CAC. So, I'm just -- what's your anticipation for CAC as we move through 2025 and then 2026? I'm assuming they'll start trending lower as the partnerships become a bigger and bigger part of the loan volume. But wanted to get your perspective on that.

Vishal Garg
Founder & CEO

Yes. I mean with the partners, there's no CAC, right? There's no upfront CAC. The D2C CAC remains quite high. Purchase, which remains challenged in this market environment, you're spending money this quarter to book loans in 6 months, 12 months, 18 months when the consumer actually buys the house and books the loan. I think one thing that may be underappreciated about Better is, over the past 3 years, we've given out over 1 million preapprovals to consumers. And those consumers have not been able to find a house, or it's been too expensive for them to find a house.

And so, that CAC that you see there is elevated because for all the consumers that are not able to find a house that they want to buy, basically, we eat that CAC in that specific quarter. But then when that consumer finds a house they want to buy, then when they come through, then it shows as lower CAC. And so, the mortgage industry CAC, customer acquisition cost problem is even further compounded by the long gestation cycle of consumers on the Internet and when they get preapproved and when they actually find a house.

So, we do expect as rates -- if rates come down, that the CAC will come down materially across the board for purchase or for refi. I mean just to give you some context, in the last rate cycle, when rates were coming down, our CAC on refi was $1,000 a loan. And so, there's a lot of positive convexity in the CAC as consumers -- as the rate environment changes and consumers' propensity to get preapproved and then actually fund increases.

Operator

Your next question comes from the line of Bose George with KBW.

Francesco Raphael Labetti
Keefe, Bruyette, & Woods, Inc., Research Division

This is actually Frankie on for Bose. I want to start with, can you just walk through the ways in which AI efficiencies can increase revenue per funded loan. On Slide 16, you noted that this will be driven through enhanced sales and operational performance. So, can you just touch on that?

Vishal Garg
Founder & CEO

Yes. So, I think what you'll see is our revenue per loan is continuing to grow up, right? And I think the reason for that is Betsy is able to supplant the loan officer whenever the loan officer is not able to either pick up the phone, answer a question, turn around a new preapproval based on data that the consumer has provided. Sunday afternoon, 4:00, they want to put in an offer that they saw. Betsy is there for them in a way that traditionally, your human loan officer isn't able to be.

And so that's enabled us to, one, make our competitive pricing slightly less competitive and increase the gain on sale. Number 2, as our volumes are going up and it allows us to not have to staff up with as many people. I think as you can see, like on a year-on-year basis, volume and revenue went up substantially

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over 50% and expenses actually stayed the same, and therefore, the burn came down substantially by like about 35%, 40%.

And so, that's sort of how Betsy is allowing us. It's allowing us to be more responsive, which means lower discounts, superior service, really build a service offering for consumers. And then, on the flip side, not have to hire as many people as we scale volume and automate the processes like processing loans, underwriting loans, closing loans that traditionally have been done by people.

Francesco Raphael Labetti
Keefe, Bruyette, & Woods, Inc., Research Division

Great. That's very helpful. And then can you just help us understand what types of incumbent solutions you're replacing in your partnerships? Is it both the LOS system and POS system?

Vishal Garg
Founder & CEO

Yes. So, we have integrated with a number of POS systems that are out there where, let's say, if our client wants to keep the POS that they're using today, that's fine with us. We'll take all of the other stuff. We generally do replace the incumbent LOS. And in many cases, we replace the POS, the LOS, the pricing engine, the CRM system, the document generation engine, the notary and closing engine and the warehouse software. So, we're like, when the client signs up with us, we might replace as many as 8 to 10 different systems that the client has.

Operator

Your next question comes from the line of Mikhail Goberman with Citizens JMP.

Mikhail Goberman
Citizens JMP Securities, LLC, Research Division

If I could ask about expenses, and I appreciate the comments -- prepared remarks about the expenses and how you're planning to deal with the partnerships with regard to that going forward. I believe you mentioned a target for the first quarter of next year. Is there any sort of a number or a run rate that we can put on that?

Vishal Garg
Founder & CEO

No, I think we're hoping that within the next 6 months, we get to $1 billion a month origination run rate. I think we're hoping that we continue to have scale in our expenses. We're hoping that we continue to drive a lot of the corporate cost reductions forward. We've been really busy this last quarter. So I think I personally wasn't able to pay as much attention to some of the legacy contracts and things like that, that we need to kind of continue to still beat out, 3- or 5-year contracts that we signed back in 2020, 2021 that we're like working to sort of reset with more AI-driven type solutions. I think there's still a lot of cost savings left, which is why we're -- we continue to drive to achieving profitability while growing scale at the same time by Q3 2026.

Mikhail Goberman
Citizens JMP Securities, LLC, Research Division

Great. Appreciate that. And if I can fit in one more. Just your general thoughts on the stability and strength of the mortgage industry in general, given where we are with interest rates and sort of wobbles, I guess, you could say, with the economy a little bit. Just your general thoughts on consumer -- the borrower and the consumer and how the whole system is developing going forward.

Vishal Garg
Founder & CEO

Yes. No, I think -- look, I really believe that we're headed into a recession. I believe that that's going to result in a couple of things from a macro standpoint. I think there's -- you would think that heading into a

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recession, purchase mortgage would be disadvantaged. But there's millions of people who have wanted to buy a home over the past 4, 5 years who missed out the 2019 to 2021 rate environment.

And they are -- have been building up their savings and they're looking -- and a lot -- any of them who have owned equities in the past couple of years, they have been building up wealth to go and buy a home. So I think that you're going to see purchase mortgage originations stay sort of where they are. You might not have like the boom that you did in 2020 and 2021 if we have a real recession.

And then on the flip side, there's like 20 million people that can start to save money as rates go below 6% if we do actually enter into a recession. And I think that, that's pretty significant. And then lastly, in the current period, let's assume we just stay in this sort of muddled medium inflation, 6% plus interest rate environment, home equity origination still such a small number compared to what they were pre-global financial crisis or where they are relative to the total size of home equity that people have in their homes, which is now, I think, $22 trillion of tappable home equity according to the latest TransUnion report.

And I think, for us, we have both the secular tailwinds of a very competitive business model in D2C that we are now continuing to improve the conversion rate on. I think as you might have seen like in the earnings release, like we talk about the conversion rate going from 3.3% to over 6%, like an 81% increase, right? That's just like grinding out, like putting the AI in places where the humans are not able to do as good of a job, right, to satisfy the consumer, just keep on grinding away at that. And so that, I think, is super meaningful and will continue to drive both unit economics and growth in the D2C channel.

And then when we're taking on partners that we're taking away from incumbent platforms, they are - quite bluntly, we're stealing market share. And so -- and that's the fastest-growing part of our business. And so there, if the mortgage market stays the same, if it's -- whether it's $1.5 trillion in originations or $2.5 trillion in originations, of course, we'd love it to be $2.5 trillion in originations. But where we're moving partners from incumbent solutions that are built in the '80s, '90s, 2000s onto our tech stack, there -- we're relatively agnostic to the cycle. And if the cycle comes our way, then that's even better.

Operator

Your final question comes from the line of Doug Harter with UBS.

Douglas Michael Harter
UBS Investment Bank, Research Division

Vishal, I was hoping you could talk about, as you're guided to getting back to breakeven and to profitability, what type of volumes do you need to accomplish that?

Vishal Garg
Founder & CEO

I think depending on the mix, I think we get to $1 billion plus, and we have a good shot at it. Obviously, the margins in our partnership business are higher than that in our D2C business. But even D2C is getting to a place where the margins are pretty healthy on a contribution margin basis.

But yes, I think we get to $1 billion plus. And then, depending on the mix, we get to beyond that I think per month. I think you have a very, very, very good business that's driving towards breakeven.

Douglas Michael Harter
UBS Investment Bank, Research Division

And then, can you talk about, is there different revenue that you're generating with partners for a home equity origination versus a traditional first lien mortgage?

Vishal Garg
Founder & CEO

Yes. I think home equity originations, I mean, the loan amounts are much smaller, but the gain on sale is higher. And between the gain on sale and the fees, you're making -- on the mortgage side, you're making maybe $8,000 a loan and on the home equity side, you're making like $6,500 a loan. I think it's

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very important to remember in both of these cases, we're not retaining, in mortgage, the MSR. We're not taking credit risk. We're not taking prepayment risk. We're not taking any of those risks.

In home equity, we have yet to scratch the surface on what scale looks like, right? There are other people in the home equity market selling their loans at 107 or booking a gain on sale at 107, we're at 103.5. So, there's a long way to go in bridging that gap. But when those people are booking those loans at 107, they're taking principal -- prepayment risk, they're taking credit risk, they're booking resids, all that sort of stuff.

If you like compare on an apples-on-apples basis, on a pure marketplace basis, I think we're getting a pretty good deal, but I think we'll probably still have another point or 2 that we can squeeze out on our home equity originations.

Operator

There are no further questions at this time. This concludes today's call. Thank you for attending, and you may now disconnect.

Vishal Garg
Founder & CEO
Thank you, everyone.

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