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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

OR

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

For the transition period from ______________ to ______________

Commission File Number: 001-39964

Home Point Capital Inc.
(Exact name of registrant as specified in its charter)

Delaware	**90-1116426**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2211 Old Earhart Road, Suite 250 Ann Arbor, Michigan	**48105**
(Address of Principal Executive Offices)	**(Zip Code)**

(888) 616-6866
Registrant's telephone number, including area code

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.0000000072 per share	HMPT	The Nasdaq Stock Market LLC (The Nasdaq Global Select Market)

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

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

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

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

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

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

As of November 3, 2021, the registrant had 139,527,512 shares of common stock, par value $0.0000000072 per share, outstanding.

TABLE OF CONTENTS

Cautionary Note on Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Report") contains certain "forward-looking statements," as that term is defined in the U.S. federal securities laws, including the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements other than statements of historical facts contained in this Report, including among others, statements relating to our future financial performance, our business prospects and strategy, anticipated financial position, liquidity and capital needs, the industry in which we operate and other similar matters. Words such as "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "could," "would," "will," "may," "can," "continue," "potential," "should" and the negative of these terms or other comparable terminology often identify forward-looking statements. These forward-looking statements, which are based on currently available information, operating plans, and projections about future events and trends, are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements, including the risks discussed in Part I, Item 1A. of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, which was filed on March 12, 2021 (our "2020 Annual Report"). Factors, risks, and uncertainties that could cause actual outcomes and results to be materially different from those contemplated by forward-looking statements include, among others:

- our reliance on our financing arrangements to fund mortgage loans and otherwise operate our business;
- the dependence of our loan origination and servicing revenues on macroeconomic and U.S. residential real estate market conditions;
- the requirement to repurchase mortgage loans or indemnify investors if we breach representations and warranties;
- counterparty risk;
- the requirement to make servicing advances that can be subject to delays in recovery or may not be recoverable in certain circumstances;
- competition for mortgage assets that may limit the availability of desirable originations, acquisitions and result in reduced risk-adjusted returns;
- our ability to continue to grow our loan origination business or effectively manage significant increases in our loan production volume;
- competition in the industry in which we operate;
- our success and growth of our production and servicing activities and the dependence upon our ability to adapt to and implement technological changes;
- the effectiveness of our risk management efforts;
- our ability to detect misconduct and fraud;
- any failure to attract and retain a highly skilled workforce, including our senior executives;
- our ability to obtain, maintain, protect and enforce our intellectual property;
- any cybersecurity risks, cyber incidents and technology failures;
- material changes to the laws, regulations or practices applicable to reverse mortgage programs operated by the Federal Housing Administration ("FHA") and the U.S. Department of Housing and Urban Development;
- our vendor relationships;
- our failure to deal appropriately with various issues that may give rise to reputational risk, including legal and regulatory requirements;
- risks and uncertainties associated with litigation, including any employment, intellectual property, consumer protection, class action and other litigation matters, and related unfavorable publicity;
- exposure to new risks and increased costs as a result of initiating new business activities or strategies or significantly expanding existing business activities or strategies;
- any failure to comply with the significant amount of regulation applicable to our investment management subsidiary;

- the impact of changes in political or economic stability or in government policies on our material vendors with operations in India;
- our ability to fully utilize our net operating loss (“NOL”) and other tax carryforwards;
- any challenge by the Internal Revenue Service of the amount, timing and/or use of our NOL carryforwards;
- possible changes in legislation and the effect on our ability to use the tax benefits associated with our NOL carryforwards;
- the impact of other changes in tax laws;
- the impact of interest rate fluctuations;
- risks associated with hedging against interest rate exposure;
- the impact of any prolonged economic slowdown, recession or declining real estate values;
- risks associated with financing our assets with borrowings;
- risks associated with a decrease in value of our collateral;
- the dependence of our operations on access to our financing arrangements, which are mostly uncommitted;
- risks associated with the financial and restrictive covenants included in our financing agreements;
- our exposure to volatility in the London Inter-Bank Offered Rate;
- our ability to raise the debt or equity capital required to finance our assets and grow our business;
- risks associated with higher risk loans that we service;
- risks associated with derivative financial instruments;
- our ability to foreclose on our mortgage assets in a timely manner or at all;
- our ability to obtain and/or maintain licenses and other approvals in those jurisdictions where required to conduct our business;
- the impact of revised rules and regulations and enforcement of existing rules and regulations by the Consumer Financial Protection Bureau (the “CFPB”);
- legislative and regulatory changes that impact the mortgage loan industry or housing market;
- changes in regulations or the occurrence of other events that impact the business, operations or prospects of government agencies such as the Government National Mortgage Association, the Federal Housing Administration or the U.S. Department of Veterans Affairs, the U.S. Department of Agriculture, or Government-Sponsored Enterprises such as the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, or such changes that increase the cost of doing business with such entities;
- the Dodd-Frank Wall Street Reform and Consumer Protection Act and its implementing regulations and regulatory agencies, and any other legislative and regulatory changes that impact the business, operations or governance of mortgage lenders;
- the CFPB, and its issued and future rules and the enforcement thereof;
- changes in government support of homeownership;
- changes in government or government sponsored home affordability programs;
- changes in governmental regulations, accounting treatment, tax rates and similar matters;
- risks associated with our acquisition of mortgage servicing rights;
- the impact of our counterparties terminating our servicing rights under which we conduct servicing activities;
- our failure to deal appropriately with issues that may give rise to reputational risk; and

- the spread of the COVID-19 outbreak and severe disruptions in the U.S. and global economy and financial markets it has caused.

Many of the important factors that will determine these results are beyond our ability to control or predict. You are cautioned not to put undue reliance on any forward-looking statements, which speak only as of the date of this Report. Except as otherwise required by law, we do not assume any obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Report or to reflect the occurrence of unanticipated events. You should refer to the risks and uncertainties listed under the heading "Risk Factors" in our 2020 Annual Report, as such risk factors may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission ("SEC"), for a discussion of other important factors that may cause actual results to differ materially from those expressed or implied by the forward-looking statements.

Unless the context otherwise indicates, any reference in this Report to "Home Point," "our Company," "the Company," "us," "we" and "our" refers to Home Point Capital Inc. and its subsidiaries.

Website and Social Media Disclosure

We use our website (www.investors.homepoint.com) and our corporate Facebook, LinkedIn, and Twitter accounts as channels of distribution of Company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. The contents of our website and social media channels are not, however, a part of this Report.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

HOME POINT CAPITAL INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	September 30, 2021 (unaudited)	December 31, 2020
Assets:		
Cash and cash equivalents	$ 160,636	$ 165,230
Restricted cash	42,491	31,663
Cash and cash equivalents and Restricted cash	203,127	196,893
Mortgage loans held for sale (at fair value)	6,680,196	3,301,694
Mortgage servicing rights (at fair value)	1,402,140	748,457
Property and equipment, net	22,945	21,710
Accounts receivable, net	117,538	152,845
Derivative assets	164,602	334,323
Goodwill and intangibles	10,789	10,789
GNMA loans eligible for repurchase	265,132	2,524,240
Other assets	111,640	87,622
Total assets	$ 8,978,109	$ 7,378,573
Liabilities and Shareholders' Equity:		
Liabilities:		
Warehouse lines of credit	$ 6,308,477	$ 3,005,415
Term debt and other borrowings, net	1,065,762	454,022
Accounts payable and accrued expenses	127,793	167,532
GNMA loans eligible for repurchase	265,132	2,524,240
Deferred tax liabilities	224,303	174,002
Other liabilities	225,440	125,888
Total liabilities	8,216,907	6,451,099
Commitments and Contingencies (Note 9)		
Shareholders' Equity:		
Preferred stock (Authorized shares: 250,000,000; none issued and outstanding, par value $0.0000000072 per share)	—	—
Common stock (Authorized shares: 1,000,000,000; 139,527,024 shares issued and outstanding, par value $0.0000000072 per share)	—	—
Additional paid-in capital	522,080	519,510
Retained earnings	239,122	407,964
Total shareholders' equity	761,202	927,474
Total liabilities and shareholders' equity	$ 8,978,109	$ 7,378,573

See accompanying notes to the unaudited condensed consolidated financial statements.

HOME POINT CAPITAL INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue:				
Gain on loans, net	$ 145,471	$ 503,344	$ 521,727	$ 962,778
Loan fee income	34,484	28,205	118,099	60,630
Interest income	36,719	14,709	96,944	42,370
Interest expense	(45,532)	(17,559)	(122,603)	(47,845)
Interest expense, net	(8,813)	(2,850)	(25,659)	(5,475)
Loan servicing fees	91,831	48,350	247,753	133,904
Change in fair value of mortgage servicing rights, net	3,544	(66,749)	(90,513)	(230,524)
Other income	8,084	498	9,537	2,138
Total revenue, net	274,601	510,798	780,944	923,451
Expenses:				
Compensation and benefits	114,612	117,177	395,550	251,462
Loan expense	16,618	8,733	51,796	21,686
Loan servicing expense	6,681	6,481	22,282	22,742
Production technology	7,583	6,378	25,038	14,540
General and administrative	21,741	16,213	74,527	38,981
Depreciation and amortization	2,440	1,236	7,551	4,162
Other expenses	5,649	7,094	23,620	12,087
Total expenses	175,324	163,312	600,364	365,660
Income before income tax	99,277	347,486	180,580	557,791
Income tax expense	27,341	93,294	50,250	149,306
(Loss) income from equity method investments	(713)	9,870	16,649	14,050
Total net income	$ 71,223	$ 264,062	$ 146,979	$ 422,535
Earnings per share:				
Basic	$ 0.51	$ 1.90	$ 1.06	$ 3.13
Diluted	$ 0.51	$ 1.90	$ 1.05	$ 3.12

See accompanying notes to the unaudited condensed consolidated financial statements.

HOME POINT CAPITAL INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share amounts)
(unaudited)

	Common Stock				
	Shares	Amount	Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Total Shareholders' Equity
Beginning balance, June 30, 2020	138,860,103	—	$ 519,033	$ 113,924	$ 632,957
Distributions to parent	—	—	—	(154,492)	(154,492)
Stock based compensation	—	—	144	—	144
Net income	—	—	—	264,062	264,062
Ending balance, September 30, 2020	138,860,103	—	$ 519,177	$ 223,494	$ 742,671

	Common Stock				
	Shares	Amount	Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Total Shareholders' Equity
Beginning balance, June 30, 2021	139,487,097	—	$ 520,505	$ 188,823	$ 709,328
Contributed capital	—	—	—	—	—
Dividend to shareholders	—	—	—	(20,924)	(20,924)
EE stock purchase (option exercise)	39,927	—	(105)	—	(105)
Stock based compensation	—	—	1,680	—	1,680
Net income	—	—	—	71,223	71,223
Ending balance, September 30, 2021	139,527,024	—	$ 522,080	$ 239,122	$ 761,202

	Common Stock				
	Shares	Amount	Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Total Shareholders' Equity
Beginning balance, December 31, 2019	138,860,103	—	$ 454,861	$ (44,549)	$ 410,312
Contributed capital	—	—	63,774	—	63,774
Distributions to parent	—	—	—	(154,492)	(154,492)
Stock based compensation	—	—	542	—	542
Net income	—	—	—	422,535	422,535
Ending balance, September 30, 2020	138,860,103	—	$ 519,177	$ 223,494	$ 742,671

	Common Stock				
	Shares	Amount	Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Total Shareholders' Equity
Beginning balance, December 31, 2020	138,860,103	—	$ 519,510	$ 407,964	$ 927,474
Contributed capital	—	—	—	192	192
Dividend to shareholders	—	—	—	(20,924)	(20,924)
Distribution to parent	—	—	—	(295,089)	(295,089)
EE stock purchase (option exercise)	666,921	—	(2,636)	—	(2,636)
Stock based compensation	—	—	5,206	—	$ 5,206
Net income	—	—	—	146,979	146,979
Ending balance, September 30, 2021	139,527,024	—	$ 522,080	$ 239,122	$ 761,202

See accompanying notes to the unaudited condensed consolidated financial statements.

HOME POINT CAPITAL INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2021	2020
Operating activities:		
Net income	$ 146,979	$ 422,535
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation	7,551	3,370
Amortization of intangible assets	—	792
Amortization of debt issuance costs	2,444	531
Gain on sale of mortgage servicing rights	(7,426)	—
Gain on loans, net	(521,727)	(962,778)
Provision for representation and warranty reserve	9,358	10,025
Stock based compensation expense	5,206	542
Deferred income tax	50,301	133,645
Income from equity method investment	(16,649)	(14,050)
Origination of mortgage loans held for sale	(79,464,436)	(38,534,747)
Proceeds on sale and payments from mortgage loans held for sale	75,786,570	38,585,878
Change in fair value of mortgage servicing rights, net	90,512	230,524
Change in fair value of mortgage loans held for sale	6,906	(54,709)
Non-cash lease expense	—	108
Change in fair value of derivative assets	169,721	(274,250)
Changes in operating assets and liabilities:		
Accounts receivable, net	35,360	(21,448)
Other assets	(7,369)	3,671
Accounts payable and accrued expenses	(40,959)	74,787
Other liabilities	90,194	10,479
Net cash used in operating activities	(3,657,464)	(385,095)

See accompanying notes to the unaudited condensed consolidated financial statements.

HOME POINT CAPITAL INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

Investing activities:		
Purchases of property and equipment, net of disposals	(8,786)	(9,914)
Purchases of mortgage servicing rights	(33,027)	—
Proceeds from sale of mortgage servicing rights	111,609	—
Net cash provided (used) in investing activities	69,796	(9,914)
Financing activities:		
Proceeds from warehouse borrowings	81,365,921	38,381,219
Payments on warehouse borrowings	(78,062,859)	(37,766,925)
Proceeds from term debt borrowings	1,213,400	47,600
Payments on term debt borrowings	(550,000)	(60,000)
Proceeds from other borrowings	75,000	64,500
Payments on other borrowings	(115,000)	(103,500)
Payments of debt issuance costs	(14,103)	—
Employee stock purchases (option expense)	(2,636)	—
Capital contributions from parent	192	63,774
Dividends to shareholders	(20,924)	—
Distribution to parent	(295,089)	—
Net cash provided by financing activities	3,593,902	626,668
Net increase in cash, cash equivalents and restricted cash	6,234	231,659
Cash, cash equivalents and restricted cash at beginning of period	196,893	81,731
Cash, cash equivalents and restricted cash at end of period	$ 203,127	$ 313,390
Supplemental disclosure:		
Cash paid for interest	$ 104,119	$ 46,715
Cash (refunded) paid for taxes	$ (33,740)	$ 22,034

See accompanying notes to the unaudited condensed consolidated financial statements.

HOME POINT CAPITAL INC. & SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Shares and Per Share Amounts)
(unaudited)

Note 1 – Organization and Operations

Nature of Business

Home Point Capital Inc., a Delaware corporation ("HPC" or the "Company"), through its subsidiaries, is a residential mortgage originator and servicer with a business model focused on growing originations by leveraging a network of partner relationships. The Company manages the customer experience through its in-house servicing operation and proprietary Home Ownership Platform. The Company's business operations are organized into the following two segments: (1) Origination and (2) Servicing. Home Point Financial Corporation, a New Jersey corporation ("HPF"), a wholly owned subsidiary of the Company, originates, sells, and services residential real estate mortgage loans throughout the United States. Home Point Asset Management LLC, a Delaware limited liability company ("HPAM"), is a wholly owned subsidiary of the Company and manages certain servicing assets. HPAM's wholly owned subsidiary, Home Point Mortgage Acceptance Corporation, an Alabama Corporation ("HPMAC"), services residential real estate mortgage loans. Home Point Corporation Insurance Agency LLC, a Michigan limited liability company ("HPCIA" and together with HPF, HPAM, and HPMAC, the "wholly owned subsidiaries"), is a wholly owned subsidiary of the Company that brokers home owner insurance policies.

HPF and HPMAC are each an approved seller and servicer of one-to-four family first mortgages by the Federal National Mortgage Association ("FNMA" or "Fannie Mae") and the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") and are each an approved issuer by the Government National Mortgage Association ("GNMA" or "Ginnie Mae") (collectively, the "Agencies"), and as such, HPF and HPMAC must meet certain Agency eligibility requirements.

Note 2 – Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. The condensed consolidated financial statements include the financial statements of HPC and its wholly owned subsidiaries. The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with Article 10 of Regulation S-X promulgated under the Securities Act of 1933, as amended (the "Securities Act"). The consolidated balance sheet as of December 31, 2020 and related notes were derived from the audited consolidated financial statements but do not include all disclosures required by U.S. GAAP for complete financial statements. Certain information and footnote disclosures normally included in complete financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). These unaudited condensed consolidated financial statements reflect, in the opinion of management, all material adjustments (which include normal recurring adjustments) necessary to fairly state, in all material respects, the Company's financial position as of September 30, 2021 and its results of operations for the three and nine months ended September 30, 2021 and 2020 and its cash flows for the nine months ended September 30, 2021 and 2020. The unaudited condensed consolidated financial information should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020.

All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the Company's unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires HPC to make estimates and assumptions about future events that affect the amounts reported and disclosed in the condensed consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable.

Examples of reported amounts that rely on significant estimates include mortgage loans held for sale, mortgage servicing rights ("MSRs"), servicing advances reserve, derivative assets, derivative liabilities, assets acquired and liabilities assumed in business combinations, reserves for mortgage repurchases and indemnifications, and deferred tax valuation allowance considerations. Significant estimates are also used in determining the recoverability and fair value of property and equipment, goodwill, and intangible assets.

Stock Split

On January 21, 2021, the Company effected a stock split of its outstanding common stock pursuant to which the 100 outstanding shares were split into 1,380,601.11 shares each, for a total of 138,860,103 shares of outstanding common stock. As a result, all amounts relating to share and per share amounts have been retroactively adjusted to reflect this stock split.

Initial Public Offering

On February 2, 2021, the Company completed its initial public offering (“IPO”) in which the Company’s stockholders sold 7,250,000 shares of its common stock at a public offering price of $13 per share. In conjunction with the IPO, the Company’s board of directors also approved a reorganization of the Company through merging Home Point Capital LP (“HPLP”) with and into the Company, with the Company as the surviving entity. As a secondary offering, there were no proceeds to the Company from the sale of the shares being sold by the selling stockholders and all related expenses for the IPO were recorded in General and administrative expenses. Upon the completion of the IPO, investment entities directly or indirectly managed by Stone Point Capital LLC, which are referred to as the Trident Stockholders, beneficially owned approximately 92% of the voting power of the Company’s common stock.

Summary of Significant Accounting Policies

Mortgage loans held for sale are accounted for using the fair value option. Therefore, mortgage loans originated and intended for sale in the secondary market are reflected at fair value. Changes in the fair value are recognized in current period earnings in Gain on loans, net, within the unaudited condensed consolidated statements of operations. Refer to *Note 3 – Mortgage Loans Held for Sale*.

Mortgage servicing rights are recognized as assets on the condensed consolidated balance sheets when loans are sold and the associated servicing rights are retained. The Company maintains one class of MSR asset and has elected the fair value option. The Company determines the fair value of mortgage servicing rights by estimating the fair value of the future cash flows associated with the mortgage loans being serviced. Key economic assumptions used in measuring the fair value of mortgage servicing rights include, but are not limited to, prepayment speeds, discount rates, delinquencies, and cost to service. The assumptions used in the valuation model are validated on a periodic basis. The Company obtains valuations from an independent third party on a quarterly basis and records an adjustment based on this third-party valuation. Changes in the fair value are recognized in Change in fair value of mortgage servicing rights, net on the Company's unaudited condensed consolidated statements of operations. Purchased mortgage servicing rights are recorded at the fair value which often is the purchase price at the date of purchase. Refer to *Note 4 – Mortgage Servicing Rights*.

Derivative financial instruments, including economic hedging activities, are recorded at fair value as either Derivative assets or in Other liabilities on the condensed consolidated balance sheets on a gross basis. The Company has accounted for its derivative instruments as non-designated hedge instruments and uses the derivative instruments to manage risk. The Company’s derivative instruments include, but are not limited to, forward mortgage-backed securities sales commitments, interest rate lock commitments, and other derivative instruments entered into to economically hedge fluctuations in MSRs’ fair value. The impact of the Company’s Derivative assets is reported in Change in fair value of derivative assets on the unaudited condensed consolidated statements of cash flows and the impact of the Company’s derivative liabilities is reported in Increase in other liabilities on the unaudited condensed consolidated statements of cash flows. The Company records derivative assets and liabilities and related cash margin on a gross basis, even when a legally enforceable master netting arrangement exists between the Company and the derivative counterparty. Refer to *Note 5 – Derivative Financial Instruments*.

Forward mortgage-backed securities (“MBS”) sale commitments that have not settled are considered derivative financial instruments and are recognized at fair value. These forward commitments will be fulfilled with loans not yet sold or securitized, new originations, and purchases. The forward commitments allow the Company to reduce the risk related to market price volatility. These derivatives are not designated as hedging instruments. Gain or loss on derivatives is recorded in Gain on loans, net in the unaudited condensed consolidated statements of operations.

Interest rate lock commitments (“IRLCs”) represent an agreement to extend credit to a mortgage loan applicant, or an agreement to purchase a loan from a third-party originator, whereby the interest rate on the loan is set prior to funding. The loan commitment binds the Company (subject to the loan approval process) to fund the loan at the specified rate, regardless of whether interest rates have changed between the commitment date and the loan funding date. As such, outstanding IRLCs are subject to interest rate risk and related price risk during the period from the date of the commitment through the loan funding date or expiration date. The loan commitments generally range between 30 and 90 days; however, the borrower is not obligated to obtain the loan. The Company is subject to fallout risk related to IRLCs, which is realized if approved borrowers choose not to close on the loans within the terms of the IRLCs. Forward MBS sale commitments or whole loans and options on forward contracts are used to manage the interest rate and price risk. These derivatives are not designated as hedging instruments. Historical commitment-to-closing ratios are considered to estimate the quantity of mortgage loans that will fund within the terms of the IRLCs. Change in fair value of IRLC derivatives is recorded in Gain on loans, net in the unaudited condensed consolidated statements of operations.

Mortgage servicing rights hedges are accounted for at fair value. MSRs are subject to substantial interest rate risk as the mortgage notes underlying the servicing rights permit the borrowers to prepay the loans. Therefore, the value of MSRs generally tend to diminish in periods of declining interest rates as prepayments increase and increase in periods of rising interest rates as prepayments decrease. Although the level of interest rates is a key driver of prepayment activity, there are other factors that influence prepayments, including home prices, underwriting standards, and product characteristics.

The Company manages the impact that the volatility associated with changes in fair value of its MSRs has on its earnings with a variety of derivative instruments. The amount and composition of derivatives used to economically hedge the value of MSRs will depend on the Company's exposure to loss of value on the MSRs, the expected cost of the derivatives, expected liquidity needs, and the expected increase to earnings generated by the origination of new loans resulting from the decline in interest rates. This serves as a business hedge of the MSRs, providing a benefit when increased borrower refinancing activity results in higher loan origination volumes, which would partially offset declines in the value of the MSRs thereby reducing the need to use derivatives. The benefit of this business hedge depends on the decline in interest rates required to create an incentive for borrowers to refinance their mortgage loans and lower their interest rates; however, this benefit may not be realized under certain circumstances regardless of the change in interest rates. The change in fair value of MSR hedges is recorded in Change in fair value of mortgage servicing rights, net in the unaudited condensed consolidated statements of operations.

Equity Method Investments are business entities, which the Company does not have control of, but has the ability to exercise significant influence over operating and financial policies and are accounted for using the equity method. The Company evaluates its equity method investments for impairment whenever an event or change in circumstances occurs that may have a significant adverse impact on the carrying value of the investment. If a loss in value has occurred that is deemed to be other-than-temporary, an impairment loss is recorded. The Company recognizes investments in equity method investments initially at cost and are adjusted for HPC's share of earnings or losses, contributions or distributions. Equity method investments are reported on the consolidated balance sheets in Other assets. As of September 30, 2021, Longbridge Financial, LLC ("Longbridge") was the Company's only significant equity method investment, of which the Company owned 49.7 percent of the outstanding equity securities. The following presents condensed financial information of Longbridge (*in thousands*):

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2021	**2020**	**2021**	**2020**
Total revenue	$ 20,134	$ 114,064	$ 210,752	$ 240,739
Net (loss) income	(1,435)	15,962	33,499	28,901
Net (loss) income attributable to the Company	(713)	7,933	16,649	14,364

Earnings per share ("EPS") is calculated and presented in the unaudited condensed consolidated financial statements for both basic and diluted earnings per share. Basic EPS excludes all dilutive common stock equivalents and is based on the weighted average number of common shares outstanding during the period. There were 139.1 million and 138.8 million weighted average shares outstanding for the three months ended September 30, 2021 and 2020, respectively, and 139.2 million and 135.1 million weighted average shares outstanding for the nine months ended September 30, 2021 and 2020, respectively. Diluted EPS, as calculated using the treasury stock method, reflects the potential dilution that would occur if the Company's dilutive outstanding stock options and stock awards were issued. For the three months ended September 30, 2021 and 2020, 140.0 million and 139.2 million weighted average shares were outstanding on a fully diluted basis. For the nine months ended September 30, 2021 and 2020, 139.7 million and 135.5 million shares were outstanding on a fully-diluted basis.

Accounting Standards Issued but Not Yet Adopted

ASU 2019-12, *Income Taxes (Topic 740), Simplifying the Accounting for Income Taxe*s, eliminates particular exceptions related to the method for intra period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects on the accounting for income taxes. This amendment is effective for annual periods beginning after December 15, 2021. This will be effective for the Company beginning January 1, 2022. The Company does not anticipate a material impact as a result of the adoption of this standard on its condensed consolidated financial statements.

ASU 2021-01, *Reference Rate Reform (Topic 848) Scope*, clarifies some of the guidance of the Financial Accounting Standards Board ("FASB" or "the Board") as part of the Board's monitoring of global reference rate reform activities. The ASU permits entities to elect certain optional expedients and exceptions when accounting for derivative contracts and certain hedging relationships affected by changes in the interest rates used for discounting cash flows, for computing variation margin settlements, and for calculating price alignment interest in connection with reference rate reform activities under way in global financial markets. The Company is in the process of reviewing its derivative and hedging instruments that utilize LIBOR (as defined below) as the reference rate and is currently evaluating the potential impact that the adoption of this ASU will have on its consolidated financial statements.

ASU 2020-04, *Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. Subject to meeting certain criteria, the new guidance provides optional expedients and exceptions to applying contract modification accounting under existing U.S. GAAP, to address the expected phase out of the London Inter-bank Offered Rate (“LIBOR”) by the end of 2021. This guidance is effective upon issuance and allows application to contract changes as early as January 1, 2020. The Company is in the process of reviewing its funding facilities and financing facilities that utilize LIBOR as the reference rate and is currently evaluating the potential impact that the adoption of this ASU will have on its condensed consolidated financial statements.

Note 3 – Mortgage Loans Held for Sale

The Company sells its originated mortgage loans into the secondary market. The Company may retain the right to service some of these loans upon sale through ownership of servicing rights. The following presents mortgage loans held for sale at fair value, by type, as of September 30, 2021 (*in thousands*):

	September 30, 2021		
	Unpaid Principal	Fair Value Adjustment	Total Fair Value
Conventional[1]	$ 5,646,674	$ 111,266	$ 5,757,940
Government[2]	897,033	24,942	921,975
Other[3]	364	(83)	281
Total	$ 6,544,071	$ 136,125	$ 6,680,196

(1) Conventional is comprised of FNMA and FHLMC mortgage loans.

(2) Government is comprised of GNMA mortgage loans (including Federal Housing Administration, Department of Veterans Affairs, and United States Department of Agriculture).

(3) Other is comprised of home equity lines of credit (“HELOCs”) and Reverse loans.

The Company had $26.8 million of unpaid principal balances, which had a fair value of $22.9 million, of mortgage loans held for sale on nonaccrual status at September 30, 2021.

The following presents mortgage loans held for sale at fair value, by type, as of December 31, 2020 (*in thousands*):

	December 31, 2020		
	Unpaid Principal	Fair Value Adjustment	Total Fair Value
Conventional[1]	$ 2,183,480	$ 91,939	$ 2,275,419
Government[2]	974,908	51,175	1,026,083
Other[3]	275	(83)	192
Total	$ 3,158,663	$ 143,031	$ 3,301,694

(1) Conventional is comprised of FNMA and FHLMC mortgage loans.

(2) Government is comprised of GNMA mortgage loans (including Federal Housing Administration, Department of Veterans Affairs and United States Department of Agriculture).

(3) Other is comprised of HELOCs and Reverse loans.

The Company had $26.3 million of unpaid principal balances, which had a fair value of $23.5 million, of mortgage loans held for sale on nonaccrual status at December 31, 2020.

The following presents a reconciliation of the changes in mortgage loans held for sale to the amounts presented on the unaudited condensed consolidated statements of cash flows as of September 30, 2021 and 2020 (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Fair value at beginning of period	$ 5,412,452	$ 1,904,174	$ 3,301,694	$ 1,554,230
Mortgage loans originated and purchased	21,546,957	18,289,697	79,464,436	38,534,747
Proceeds on sales and payments received	(20,208,378)	(17,565,561)	(75,786,570)	(37,869,214)
Change in fair value	3,727	17,074	(6,906)	54,709
(Loss) gain on loans[1]	(74,562)	(363,549)	(292,458)	7,363
Fair value at end of period	$ 6,680,196	$ 2,281,835	$ 6,680,196	$ 2,281,835

(1) This line as presented on the condensed consolidated statements of cash flows excludes originated mortgage servicing rights and MSR hedging.

Note 4 – Mortgage Servicing Rights

The Company sells residential mortgage loans in the secondary market and typically retains the right to service the loans sold.

The MSRs give the Company the contractual right to receive service fees and other remuneration in exchange for performing loan servicing functions on behalf of investors in mortgage loans and securities. Upon sale, an MSR asset is capitalized, which represents the current fair value of the future net cash flows that are expected to be realized for performing servicing activities.

The following presents an analysis of the changes in capitalized mortgage servicing rights for the three and nine months ended September 30, 2021 and 2020 (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Balance at beginning of period	$ 1,267,253	$ 499,782	$ 748,457	$ 575,035
MSRs originated	212,368	155,623	776,174	352,118
MSRs purchased	14,326	—	33,027	—
MSRs sold	(103,017)	—	(103,017)	—
Changes in valuation model inputs	85,150	(17,210)	188,334	(211,668)
Change due to cash payoffs and principal amortization	(73,940)	(54,932)	(240,835)	(132,222)
Balance at end of period	$ 1,402,140	$ 583,263	$ 1,402,140	$ 583,263

The following presents the Company's total capitalized mortgage servicing portfolio (based on the UPB of the underlying mortgage loans) as of September 30, 2021 and December 31, 2020 (*in thousands*):

	September 30, 2021	December 31, 2020
Ginnie Mae	$ 17,019,501	$ 26,206,612
Fannie Mae	63,688,774	36,395,373
Freddie Mac	45,085,793	25,621,697
Other	38,218	53,567
Total mortgage servicing portfolio	$ 125,832,286	$ 88,277,249
MSR balance	$ 1,402,140	$ 748,457
MSR balance as % of unpaid mortgage principal balance	1.11 %	0.85 %

The following presents the key weighted average assumptions used in determining the fair value of the Company's MSRs as of September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Discount rate	8.89 %	9.47 %
Prepayment speeds	9.54 %	14.43 %

The key assumptions used to estimate the fair value of the MSRs are discount rate and the Conditional Prepayment Rate ("CPR"). Increases in prepayment speeds generally have an adverse effect on the value of MSRs as the underlying loans prepay faster. In a declining interest rate environment, the fair value of MSRs generally decreases as prepayments increase. Decreases in prepayment speeds generally have a positive effect on the value of the MSRs as the underlying loans prepay less frequently. In a rising interest rate environment, the fair value of MSRs generally increases as prepayments decrease. Increases in the discount rate result in a lower MSR value and decreases in the discount rate result in a higher MSR value.

The following table illustrates the hypothetical effect on the fair value of the Company's MSR portfolio when applying unfavorable discount rate and prepayment speeds at two different data points as of September 30, 2021 and December 31, 2020 (*in thousands):*

	Discount Rate		Prepayment Speeds	
	100 BPS Adverse Change	200 BPS Adverse Change	10% Adverse Change	20% Adverse Change
September 30, 2021	$ (59,159)	$ (113,493)	$ (56,936)	$ (109,450)
December 31, 2020	$ (26,354)	$ (50,754)	$ (45,014)	$ (85,484)

MSR uncertainties are hypothetical and do not always have a direct correlation with each assumption. Changes in one assumption may result in changes to another assumption, which might magnify or counteract the uncertainties. Refer to *Note 12 – Fair Value Measurements*, for further discussions on the key assumptions used to estimate the fair value of the MSRs.

The following presents information related to loans serviced as of September 30, 2021 and December 31, 2020 (*in thousands*):

	September 30, 2021	December 31, 2020
Total unpaid principal balance	$ 131,405,675	$ 91,590,114
Loans 30-89 days delinquent	816,670	1,353,029
Loans delinquent 90 or more days or in foreclosure	1,084,419	3,641,183

The following presents components of Loan servicing fees as reported in the Company's unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2021 and 2020 (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Contractual servicing fees	$ 84,271	$ 49,387	$ 229,369	$ 135,813
Late fees	1,458	1,313	3,923	4,564
Other	6,102	(2,350)	14,461	(6,473)
Loan servicing fees	$ 91,831	$ 48,350	$ 247,753	$ 133,904

The Company held $25.5 million and $20.6 million of escrow funds within Other liabilities in the condensed consolidated balance sheets for its customers for which it services mortgage loans as of September 30, 2021 and December 31, 2020, respectively.

On September 2, 2021, HPF completed the sale of MSRs relating to certain single family mortgage loans serviced for Ginnie Mae with an aggregate unpaid principal balance of approximately $10.7 billion. The total net proceed for the sale of MSRs was approximately $121.6 million with certain customary holdbacks and adjustments and resulted in a gain of $7.4 million. The sale represented approximately 8.6% of HPF's total mortgage servicing portfolio as of June 30, 2021 and approximately 40.6% percent of HPF's total Ginnie Mae mortgage servicing portfolio as of June 30, 2021. Ginnie Mae consented to the transfer of the MSRs.

Note 5 – Derivative Financial Instruments

The following presents the outstanding notional balances for derivative instruments not designated as hedging instruments as of September 30, 2021 and 2020 (*in thousands*):

	September 30, 2021			
	Notional Value	Derivative Asset	Derivative Liability	Recorded Gain/(Loss)
Mortgage-backed securities forward trades	$ 11,113,975	$ 54,504	$ 3,304	$ 51,725
Interest rate lock commitments	10,002,894	38,315	17,748	(36,404)
Hedging mortgage servicing rights	7,497,000	254	42,145	(49,323)
Margin		71,529	79,220	
Total		$ 164,602	$ 142,417	
Cash placed with counterparties, net			$ 7,691	

	September 30, 2020			
	Notional Value	Derivative Asset	Derivative Liability	Recorded Gain/(Loss)
Mortgage-backed securities forward trades	$ 9,637,702	$ 2,793	$ 23,586	$ (8,444)
Interest rate lock commitments	15,103,027	272,837	—	26,082
Hedging mortgage servicing rights	4,306,000	8,730	—	2,161
Margin		30,642	208	
Total		$ 315,002	$ 23,794	
Cash held from counterparties, net		$ 30,434		

The following presents a summary of derivative assets and liabilities and related netting amounts as of September 30, 2021 (*in thousands*):

	September 30, 2021		
	Gross Amount of Recognized Assets (liabilities)	Gross Offset	Net Assets (Liabilities)
Balance at September 30, 2021			
Derivatives subject to master netting agreements:			
Assets:			
Mortgage-backed securities forward trades	$ 54,504	$ (53,680)	$ 824
Hedging mortgage servicing rights	254	—	254
Margin (cash placed with counterparties)	71,529	(34,776)	36,753
Liabilities:			
Mortgage-backed securities forward trades	(3,304)	3,665	361
Hedging mortgage servicing rights	(42,145)	34,776	(7,369)
Margin (cash held from counterparties)	(79,220)	50,015	(29,205)
Derivatives not subject to master netting agreements:			
Assets:			
Interest rate lock commitments	38,315	—	38,315
Liabilities:			
Interest rate lock commitments	(17,748)	—	(17,748)
Total derivatives			
Assets	$ 164,602	$ (88,456)	$ 76,146
Liabilities	$ (142,417)	$ 88,456	$ (53,961)

The following presents a summary of derivative assets and liabilities and related netting amounts as of December 31, 2020 (*in thousands*):

	December 31, 2020		
	Gross Amount of Recognized Assets (liabilities)	Gross Offset	Net Assets (Liabilities)
Balance at December 31, 2020			
Derivatives subject to master netting agreements:			
Assets:			
Mortgage-backed securities forward trades	$ 1,320	$ —	$ 1,320
Hedging mortgage servicing rights	4,419	—	4,419
Margin (cash placed with counterparties)	58,290	(45,427)	12,863
Liabilities:			
Mortgage-backed securities forward trades	(61,124)	45,595	(15,529)
Margin (cash held from counterparties)	—	(168)	(168)
Derivatives not subject to master netting agreements:			
Assets:			
Interest rate lock commitments	257,785	—	257,785
Hedging mortgage servicing rights	12,509	—	12,509
Total derivatives			
Assets	$ 334,323	$ (45,427)	$ 288,896
Liabilities	$ (61,124)	$ 45,427	$ (15,697)

For information on the determination of fair value, refer to *Note 12 – Fair Value Measurements*.

Note 6 – Accounts Receivable, net

The following presents principal categories of Accounts receivable, net as of September 30, 2021 and December 31, 2020 (*in thousands*):

	As of September 30, 2021	As of December 31, 2020
Servicing advance receivable	$ 50,367	$ 97,893
Servicing advance reserves	(6,729)	(8,380)
Servicing receivable-general	2,780	2,660
Current income tax receivable	20,784	54,347
Interest on servicing deposits	482	165
Pair off receivable	22,319	—
Agency receivables, net	10,414	—
Warehouse receivable	9,855	—
Other	7,266	6,160
Accounts receivable, net	$ 117,538	$ 152,845

As part of managing the Company’s servicing advances, servicing advance reserves is recognized with management’s estimate of current expected losses and maintained at a level that management considers adequate based upon continuing assessments of collectability, historical loss experience, current trends, and reasonable and supportable forecasts.

The following presents changes to the servicing advance reserve for the three months and nine months ended September 30, 2021 and 2020 *(in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Servicing advance reserve, at beginning of period	$ (9,098)	$ (6,549)	$ (8,380)	$ (4,308)
Additions, net of adjustments	1,500	(1,487)	(724)	(6,419)
Charge-offs	869	773	2,375	3,464
Servicing advance reserve, at end of period	$ (6,729)	$ (7,263)	$ (6,729)	$ (7,263)

Note 7 – Warehouse Lines of Credit

The Company maintains mortgage warehouse lines of credit arrangements with various financial institutions, primarily to fund the origination of mortgage loans. The Company held mortgage funding arrangements with 11 separate financial institutions with a total maximum borrowing capacity of $7.5 billion at September 30, 2021 and $4.2 billion at December 31, 2020. As of September 30, 2021, the Company had $1.9 billion of unused capacity under its warehouse lines of credit.

The following presents the amounts outstanding as of September 30, 2021 and December 31, 2020 and maturity dates under the Company's various mortgage funding arrangements:

	Maturity Date	Balance at September 30, 2021	Balance at December 31, 2020
$450M Warehouse Facility	September 2022	$ 324.1 million	$ 223.9 million
$500M Warehouse Facility	September 2022	418.6 million	401.2 million
$500M Warehouse Facility	September 2022	441.2 million	437.8 million
$500M Warehouse Facility	January 2022	366.2 million	232.1 million
$500M Warehouse Facility	January 2022	449.3 million	— million
$1.2B Warehouse Facility	February 2022	706.4 million	459.9 million
$1.0B Warehouse Facility	August 2022	596.8 million	421.9 million
$500M Warehouse Facility	March 2023	433.3 million	— million
$1.5B Warehouse Facility[(1)]	May 2023	1,190.7 million	466.0 million
$550M Warehouse Facility	Evergreen	400.2 million	171.0 million
$88.5M Warehouse Facility	Evergreen	12.3 million	40.6 million
Gestation	Evergreen	245.8 million	151.0 million
Early Funding[(2)]		723.7 million	— million
Total warehouse lines of credit		$ 6,308.5 million	$ 3,005.4 million

(1) On July 21, 2021, borrowing capacity on this facility temporarily increased to $1.5 billion through September 15, 2021, and such temporary increase was then subsequently extended through January 15, 2022.

(2) In addition to warehouse facilities, the Company is an approved lender for early funding facilities with Fannie Mae through its As Soon As Pooled ("ASAP") program and Freddie Mac through its Early Funding ("EF") program. From time to time, the Company enter into agreements to deliver certified pools consisting of mortgage loans securitized by Fannie Mae or Freddie Mac, as applicable, and receive funding in exchange for such pools. All mortgage loans delivered under these programs must adhere to a set of eligibility criteria. Early funding programs with Fannie Mae and Freddie Mac do not have stated expiration dates or maximum capacities.

The Company's warehouse facilities' variable interest rates are calculated using a base rate generally tied to 1-month LIBOR plus applicable interest rate margins, with varying interest rate floors. The Company's borrowings are 100% secured by the fair value of the mortgage loans held for sale at fair value.

The Company's warehouse facilities generally require the maintenance of certain financial covenants relating to net worth, profitability, liquidity, and ratio of indebtedness to net worth, among others. As of September 30, 2021, the Company was in compliance with all warehouse facility covenants.

The Company continually evaluates its warehouse capacity in relation to expected financing needs.

Note 8 – Term Debt and Other Borrowings, net

The Company maintains term debt and other borrowings as follows:

	Maturity Date	Collateral	Balance at September 30, 2021	Balance at December 31, 2020
$1.0B MSR Facility	May 2025	Mortgage Servicing Rights	$ 525.0 million	$ 411.6 million
$550M Senior Notes	February 2026	Unsecured	550.0 million	— million
$115M Servicing Advance Facility(1)	May 2022	Servicing Advances	1.0 million	43.2 million
$10M Operating Line of Credit(2)	May 2022	Mortgage Loans	3.3 million	1.0 million
Total			1,079.3 million	455.8 million
Debt issuance costs			(13.5) million	(1.8) million
Term debt and other borrowings, net			$ 1,065.8 million	$ 454.0 million

(1) Subsequent to September 30, 2021, the Servicing Advance Facility's capacity was reduced to $90.0 million.
(2) Subsequent to September 30, 2021, the Operating Line of Credit's capacity was increased to $35.0 million.

The Company maintains a $1.0 billion MSR financing facility (the "MSR Facility"), which is comprised of $650.0 million of committed capacity and $350.0 million of uncommitted capacity and is collateralized by the Company's FNMA, FHLMC, and GNMA mortgage servicing rights. In May 2021, the MSR Facility was increased from $500.0 million to $1.0 billion. Interest on the MSR Facility is based on 3-Month LIBOR plus the applicable margin with advance rates generally ranging from 62.5% to 72.5% of the value of the underlying mortgage servicing rights. The MSR Facility has a three-year revolving period ending on May 4, 2024 followed by a one-year period during which the balance drawn must be repaid and no further amounts may be drawn down, which ends on May 20, 2025. The MSR Facility requires the maintenance of certain financial covenants relating to net worth, liquidity, and indebtedness of the Company. As of September 30, 2021, the Company was in compliance with all covenants under the MSR Facility.

In January of 2021, the Company issued $550.0 million aggregate principal amount of its 5.0% Senior Notes due 2026 (the "Senior Notes") in a private placement transaction. The Senior Notes are guaranteed on a senior unsecured basis by each of the Company's wholly owned subsidiaries existing on the date of issuance, other than HPAM and HPMAC. The Senior Notes bear interest at a rate of 5.0% per annum, payable semi-annually in arrears. The Senior Notes will mature on February 1, 2026.

The Indenture governing the Senior Notes contains covenants and restrictions that, among other things and subject to certain exceptions, limit the ability of the Company and its restricted subsidiaries to (i) incur certain additional debt or issue certain preferred shares; (ii) incur liens; (iii) make certain distributions, investments, and other restricted payments; (iv) engage in certain transactions with affiliates; and (v) merge or consolidate or sell, transfer, lease, or otherwise dispose of all or substantially all of their assets. The Indenture governing the Senior Notes does not include any financial maintenance covenants.

The Company has an $115.0 million servicing advance facility which is collateralized by all of the Company's servicing advances. The servicing advance facility's capacity was increased from $85.0 million to $115.0 million in May 2021. The facility carries an interest rate of 1-month LIBOR plus a margin and an advance rate ranging from 85-95%. The servicing advance facility requires the maintenance of certain financial covenants relating to net worth, liquidity, and indebtedness of the Company. As of September 30, 2021, the Company was in compliance with all covenants under the servicing advance facility.

The Company also has a $10.0 million operating line with an interest rate based on the Wall Street Journal prime rate.

As of September 30, 2021, the Company had total unused capacity for its servicing advance facility and operating line of credit of $37.9 million and $9.0 million, respectively.

Note 9 – Commitments and Contingencies

Commitments to Extend Credit

The Company’s IRLCs expose the Company to market risk if interest rates change and the applicable loan is not economically hedged or committed to an investor. The Company is also exposed to credit loss if the applicable loan is originated and not sold to an investor and the customer does not perform. The collateral upon extension of credit typically consists of a first deed of trust in the mortgagor’s residential property. Commitments to originate loans do not necessarily reflect future cash requirements as some commitments are expected to expire without being drawn upon. Total commitments to originate loans were $10.0 billion as of September 30, 2021 and $16.0 billion as of December 31, 2020.

Litigation

The Company is subject to various legal proceedings arising out of the ordinary course of business. There were no current or pending claims against the Company which are expected to have a material impact on the Company's condensed consolidated balance sheets, statements of operations, or cash flows.

Regulatory Contingencies

The Company is subject to periodic audits and examinations, both formal and informal in nature, from various federal and state agencies, including those conducted as part of regulatory oversight of our mortgage origination, servicing, and financing activities. Such audits and examinations could result in additional actions, penalties, or fines by state or federal governmental bodies, regulators, or the courts with respect to our mortgage origination, servicing, and financing activities, which may be applicable generally to the mortgage industry or to the Company in particular. The Company did not pay any material penalties or fines during the nine months ended September 30, 2021 or 2020 and is not currently required to pay any such penalties or fines.

Note 10 – Regulatory Net Worth Requirements

The Company is subject to various regulatory capital requirements administered by the Department of Housing and Urban Development (“HUD”), which govern non-supervised, direct endorsement mortgagees. The Company is also subject to regulatory capital requirements administered by Ginnie Mae, Fannie Mae, and Freddie Mac, which govern issuers of Ginnie Mae, Fannie Mae, and Freddie Mac securities. Additionally, the Company is required to maintain minimum net worth requirements for many of the states in which it sells and services loans. Each state has its own minimum net worth requirement; these range from $0 to $1.0 million, depending on the state.

Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary remedial actions by regulators that, if undertaken, could (i) remove the Company’s ability to sell and service loans to, or on behalf of, the Agencies and (ii) have a direct material effect on the Company’s condensed consolidated financial statements. In accordance with the regulatory capital guidelines, the Company must meet specific quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Further, changes in regulatory and accounting standards, as well as the impact of future events on the Company’s results, may significantly affect the Company’s net worth adequacy.

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

Minimum Net Worth

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

- Base Adjusted/Tangible Net Worth (as defined by HUD) of $2.5 million plus 25 basis points of outstanding UPB for total loans serviced.
- Adjusted/Tangible Net Worth consists of total equity less goodwill, intangible assets, affiliate receivables, deferred tax assets and certain pledged assets.

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

- Base Adjusted/Tangible Net Worth (as defined by HUD) of $2.5 million plus 35 basis points of the issuer’s total single-family effective outstanding obligations.
- Adjusted/Tangible Net Worth consists of total equity less goodwill, intangible assets, affiliate receivables, deferred tax assets and certain pledged assets.

Minimum Capital Ratio

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

Minimum Liquidity

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

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

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

- Maintain liquid assets equal to the greater of $1.0 million or 10 basis points of our outstanding single-family MBS.

The most restrictive of the minimum net worth and capital requirements require the Company to maintain a minimum adjusted net worth balance of $322.2 million as of September 30, 2021. As of September 30, 2021, the Company was in compliance with this requirement.

The Company met all minimum net worth requirements to which it was subject as of September 30, 2021.

The following presents the Company's required and actual net worth amounts as of September 30, 2021 (*in thousands*):

Home Point Financial Corporation

	Adjusted Net Worth	Net Worth Required
HUD	$ 1,185,943	$ 2,500
Ginnie Mae	$ 1,185,943	$ 65,448
Fannie Mae	$ 1,185,943	$ 322,231
Freddie Mac	$ 1,185,943	$ 322,231
Various States	$ 1,185,943	$0 - 1,000

Home Point Mortgage Acceptance Corporation

	Adjusted Net Worth	Net Worth Required
HUD	$ 44,066	$ 2,500
Ginnie Mae	$ 44,066	$ 2,761
Fannie Mae	$ 44,066	$ 11,284
Freddie Mac	$ 44,066	$ 11,284
Various States	$ 44,066	$0 - 1,000

Note 11 – Representation and Warranty Reserve

Certain loan sale contracts include provisions requiring the Company to repurchase a loan if a borrower fails to make certain initial loan payments due to the acquirer or if the accompanying mortgage loan fails to meet customary representations and warranties. Additionally, the Company may receive relief of certain representations and warranty obligations on loans sold to FNMA or FHLMC on or after January 1, 2013 if FNMA or FHLMC satisfactorily concludes a quality control loan file review or if the borrower meets certain acceptable payment history requirements within 12 or 36 months after the loan is sold to FNMA or FHLMC. The current UPB of loans sold by the Company represents the maximum potential exposure to repurchases related to representations and warranties. Reserve levels are a function of expected losses based on historical experience, current conditions, loan volume and reasonable and supportable forecasts. While the amount of repurchases is uncertain, the Company considers the liability to be appropriate.

The following presents the activity of the outstanding reserves for the three and nine months ended September 30, 2021 and 2020 (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Reserve at beginning of period	$ 27,901	$ 14,704	$ 18,080	$ 3,964
Additions	1,258	2,770	12,262	17,017
Charge-offs	(1,721)	(3,485)	(2,904)	(6,992)
Reserve at end of period	$ 27,438	$ 13,989	$ 27,438	$ 13,989

Note 12 – Fair Value Measurements

The Company uses fair value measurements to record certain assets and liabilities at fair value on a recurring basis, such as MSRs, derivatives, and mortgage loans held for sale. The Company has elected fair value accounting for loans held for sale and MSRs to more closely align the Company's accounting with its interest rate risk strategies without having to apply the operational complexities of hedge accounting.

The Company groups its assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level Input:	Input Definition:
Level 1	Unadjusted, quoted prices in active markets for identical assets or liabilities.
Level 2	Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants would use in pricing an asset or liability and are developed based on market data obtained from sources independent of the Company. These may include quoted prices for similar assets and liabilities, interest rates, prepayment speeds, credit risk and others.
Level 3	Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity), unobservable inputs may be used. Unobservable inputs reflect the Company's own assumptions about the factors that market participants would use in pricing the asset or liability and are based on the best information available in the circumstances.

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

While the Company believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methods or assumptions to estimate the fair value of certain financial statement items could result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such items existed, or had such items been liquidated, and those differences could be material to the condensed consolidated financial statements.

The following describes the methods used in estimating the fair values of certain condensed consolidated financial statements items:

Mortgage Loans Held for Sale: The majority of the Company's mortgage loans held for sale at fair value are saleable into the secondary mortgage markets and their fair values are estimated using observable quoted market or contracted prices or market price equivalents, which would be used by other market participants. These saleable loans are considered Level 2. A smaller portion of the Company's mortgage loans held for sale consist of loans repurchased from the GSEs that have subsequently been deemed to be non-saleable. These loans are considered Level 3.

Derivative Financial Instruments: The Company estimates the fair value of an IRLC based on the value of the underlying mortgage loan, quoted MBS prices and estimates of the fair value of the MSRs and the probability that the mortgage loan will fund within the terms of the IRLC. The Company estimates the fair value of forward sales commitments based on quoted MBS prices. The average pull-through rate for IRLCs was 87% for the nine months ended September 30, 2021 and 73% for the year ended December 31, 2020. Given the significant and unobservable nature of the pull-through factor, IRLCs are classified as Level 3. The Company treats forward mortgage-backed securities sale commitments that have not settled as derivatives and recognizes them at fair value. These forward commitments will be fulfilled with loans not yet sold or securitized and new originations and purchases. The forward commitments allow the Company to reduce the risk related to market price volatility. These derivatives are not designated as hedging instruments; therefore, the Company reports the loss in fair value in Gain on loans, net in the unaudited condensed consolidated statements of operations. These derivatives are classified as Level 2.

MSR-related derivatives represent a combination of derivatives used to offset possible adverse changes in the fair value of MSRs, which include options on swap contracts, interest rate swap contracts, and other instruments. These derivatives are not designated as hedging instruments, and the Company reports the loss in fair value in Change in fair value of mortgage servicing rights, net in the condensed consolidated statements of operations. The fair value of MSR-related derivatives is determined using quoted prices for similar instruments. These derivatives are classified as Level 2.

Mortgage Servicing Rights: The Company uses a discounted cash flow approach to estimate the fair value of MSRs. This approach consists of projecting servicing cash flows discounted at a rate that management believes market participants would use in their determinations of value. The Company obtains valuations from an independent third party on a monthly basis to support the reasonableness of the fair value estimate. The key assumptions used in the estimation of the fair value of MSRs include prepayment speeds, discount rates, default rates, cost to service, contractual servicing fees, and escrow earnings, resulting in a Level 3 classification.

The following presents the major categories of assets and liabilities measured at fair value on a recurring basis (*in thousands*):

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Mortgage loans held for sale	$ —	$ 6,660,384	$ 8,840	$ 6,669,224
Mortgage loans held for sale – EBO	—	—	10,972	10,972
Derivative assets (IRLCs)	—	—	38,315	38,315
Derivative assets (MBS forward trades)	—	54,504	—	54,504
Derivative assets (MSRs)	—	254	—	254
Mortgage servicing rights	—	—	1,402,140	1,402,140
Total assets	$ —	$ 6,715,142	$ 1,460,267	$ 8,175,409
Liabilities:				
Derivative liabilities (MBS forward trades)	$ —	$ 6,068	$ —	$ 6,068
Derivative liabilities (MSR)	—	39,381	—	39,381
Total liabilities	$ —	$ 45,449	$ —	$ 45,449

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Mortgage loans held for sale	$ —	$ 3,257,320	$ 3,800	$ 3,261,120
Mortgage loans held for sale – EBO	—	—	40,574	40,574
Derivative assets (IRLCs)	—	—	257,785	257,785
Derivative assets (MBS forward trades)	—	2,994	—	2,994
Derivative assets (MSRs)	—	15,254	—	15,254
Mortgage servicing rights	—	—	748,457	748,457
Total assets	$ —	$ 3,275,568	$ 1,050,616	$ 4,326,184
Liabilities:				
Derivative liabilities (MBS forward trades)	$ —	$ 61,124	$ —	$ 61,124
Total liabilities	$ —	$ 61,124	$ —	$ 61,124

The following presents a reconciliation of Level 3 assets measured at fair value on a recurring basis (*in thousands*):

	Three Months Ended September 30, 2021			
	MSRs	IRLC	MLHS	EBO
Balance at beginning of period	$ 1,267,253	$ 56,464	$ 9,344	$ 36,132
Purchases, sales, issuances, contributions and settlements	123,678	—	(588)	(24,261)
Change in fair value	11,209	(18,149)	84	(899)
Balance at end of period	$ 1,402,140	$ 38,315	$ 8,840	$ 10,972

	Nine Months Ended September 30, 2021			
	MSRs	IRLC	MLHS	EBO
Balance at beginning of period	$ 748,457	$ 257,785	$ 3,800	$ 40,573
Purchases, sales, issuances, contributions and settlements	706,185	—	5,480	(28,308)
Change in fair value	(52,502)	(219,470)	(440)	(1,293)
Balance at end of period	$ 1,402,140	$ 38,315	$ 8,840	$ 10,972

	Three Months Ended September 30, 2020			
	MSRs	IRLC	MLHS	EBO
Balance at beginning of period	$ 499,782	$ 201,873	$ 2,096	$ —
Purchases, Sales, Issuances, Contributions and Settlements	155,623	—	1,633	—
Change in fair value	(72,142)	70,964	(516)	—
Balance at end of period	$ 583,263	$ 272,837	$ 3,213	$ —

	Nine Months Ended September 30, 2020			
	MSRs	IRLC	MLHS	EBO
Balance at beginning of period	$ 575,035	$ 25,618	$ 1,159	$ 3,094
Purchases, Sales, Issuances, Contributions and Settlements	352,118	—	2,614	(3,094)
Change in fair value	(343,890)	247,219	(560)	
Balance at end of period	$ 583,263	$ 272,837	$ 3,213	$ —

The following presents an estimated fair value and UPB of mortgage loans held for sale that have contractual principal amounts and for which the Company has elected the fair value option. The fair value option was elected for mortgage loans held for sale as the Company believes fair value best reflects its expected future economic performance (*in thousands*):

	Fair Value	Principal Amount Due Upon Maturity	Difference[(1)]
Balance at September 30, 2021	$ 6,669,224	$ 6,529,999	$ 139,225
Balance at December 31, 2020	$ 3,261,121	$ 3,117,552	$ 143,569

(1) Represents the amount of gains related to changes in fair value of items accounted for using the fair value option included in Gain on loans, net within the condensed consolidated statements of operations.

The Company transferred in $5.2 million of assets to Level 3 during the nine months ended September 30, 2021 which consists of loans for which an active market currently does not exist. The Company had no significant assets or liabilities measured at fair value on a nonrecurring basis at September 30, 2021 and December 31, 2020.

The following is a summary of the key unobservable inputs used in the valuation of the Level 3 assets as of September 30, 2021 and December 31, 2020:

	September 30, 2021		
Asset	Key Input	Range	Weighted Average
Mortgage servicing rights	Discount rate	8.6% - 12.2%	8.9%
	Prepayment speeds	7.7% - 12.7%	12.7%
Interest rate lock commitments	Pull-through rate	51% - 100%	87%

Asset	Key Input	December 31, 2020 Range	Weighted Average
Mortgage servicing rights	Discount rate	9.0% - 12.2%	9.5%
	Prepayment speeds	13.8% - 16.4%	14.4%
Interest rate lock commitments	Pull-through rate	16% - 100%	73%

Fair Value of Other Financial Instruments: As of September 30, 2021 and December 31, 2020, all financial instruments were either recorded at fair value or the carrying value approximated fair value. For financial instruments that were not recorded at fair value, such as cash and cash equivalents, restricted cash, servicing advances, warehouse and operating lines of credit, and accounts payable, and accrued expenses, their carrying values approximated fair value due to the short-term nature of such instruments. For our long-term secured borrowings not recorded at fair value, the carrying value approximated fair value due to the collateralization of such borrowings.

Note 13 – Stock Options

The Company maintains its 2021 Incentive Plan ("2021 Plan") with a designated 6.9 million shares of the Company's authorized common stock that may be granted as stock options and restricted stock awards thereunder.

The Company recognized $1.7 million and $0.1 million of compensation expense related to stock options for the three months ended September 30, 2021 and 2020, respectively, and $5.2 million and $0.5 million of compensation expense related to stock options for the nine months ended September 30, 2021 and 2020, respectively, within Compensation and benefits expense on the unaudited condensed consolidated statements of operations. The unrecognized compensation expense related to outstanding and unvested stock options was $10.3 million for the three and nine months ended September 30, 2021, which is expected to vest and be recognized over a weighted-average period of 2.5 years.

The following presents the activity of the Company's stock options:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2020	—	$ —
Granted	13,381,516	8.55
Exercised	(1,039,594)	9.79
Forfeited	(179,033)	9.82
Expired	(37,475)	$ 9.79
Outstanding at September 30, 2021	12,125,414	$ 8.43

The following presents a summary of the Company's non-vested activity:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2020	—	$ —
Granted	13,381,516	8.55
Vested	(1,917,325)	9.19
Exercised	(1,039,594)	9.79
Forfeited	(179,033)	9.82
Expired	(37,475)	$ 9.79
Non-vested at September 30, 2021	10,208,089	$ 8.28

Note 14 – Income Taxes

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Income before income taxes	$ 99,277	$ 347,486	$ 180,580	$ 557,791
Total provision from income taxes	27,341	93,294	50,250	149,306
Effective tax provision rate	27.5%	26.8%	27.8%	26.8%

The Company's effective income tax rate was 27.5% and 26.8% for the three months ended September 30, 2021 and 2020, respectively, and 27.8% and 26.8% for the nine months ended September 30, 2021 and 2020, respectively, compared to the statutory rate of 21%. The Company calculated the provision for income taxes by applying the estimated annual effective tax rate to year-to-date pre-tax income and adjusted for discrete items that occurred during the period. Several factors influence the effective tax rate, including the impact of equity investments, state taxes and permanent disallowed deductions for tax such as officer's compensation limitations applicable to a public entity and non-deductible transaction costs.

Note 15 – Segments

Management has organized the Company into two reportable segments based primarily on its services as follows: (1) Origination and (2) Servicing. The key factors used to identify these reportable segments is how the chief operating decision maker ("CODM") monitors performance, allocates capital, and makes strategic and operational decisions that aligns with the Company and Company's internal operations. The Origination segment consists of a combination of retail and third-party loan production options. The Servicing segment performs loan servicing for both newly originated loans the Company is holding for sale and loans the Company services for others.

Origination

In the Origination segment, the Company originates and sells residential real estate mortgage loans in the United States through its consumer direct third party originations, and correspondent channels that offer a variety of loan programs that support the financial needs of the borrowers. In each of the channels, the Company's primary source of revenue is the difference between the cost of originating or purchasing the loan and the price which the loan is sold to investors as well as the fair value of originated MSRs and hedging gains and losses. Loan origination fees and interest income earned on loans held pending sale or securitization are also included in the revenues for this segment.

Servicing

In the Servicing segment, the Company generates revenue through contractual fees earned by performing daily administrative and management activities for mortgage loans. These activities include collecting loan payments, remitting payments to investors, sending monthly statements, managing escrow accounts, servicing delinquent loan work-outs, and managing and disposing of foreclosed properties. Servicing of the Company's customers is primarily conducted in-house.

Other Information About the Company's Segments

The Company's CODM evaluates performance, makes operating decisions, and allocates resources based on the Company's contribution margin. Contribution margin is the Company's measure of profitability for its two reportable segments. Contribution margin is defined as revenue from Gain on loans, net, Loan fee income, Loan servicing fees, Change in fair value of MSRs, Interest income, and Other income (which includes Income from equity method investment) less directly attributable expenses. The accounting policies applied by the Company's segments are the same as those described in *Note 2 – Basis of Presentation and Significant Accounting Policies*, and the decrease in MSRs due to valuation assumptions is consistent with the changes described in *Note 4 - Mortgage Servicing Rights*. Directly attributable expenses include salaries, commissions and associate benefits, general and administrative expenses, and other expenses, such as servicing costs and origination costs. Direct operating expenses incurred in connection with the activities of the segments are included in the respective segments.

The Company does not allocate assets to its reportable segments as they are not included in the review performed by the CODM for purposes of assessing segment performance and allocating resources. The balance sheet is managed on a consolidated basis and is not used in the context of segment reporting. In addition, the Company does not enter into transactions between its reportable segments.

The Company also reports an "All Other" category that includes unallocated corporate expenses, such as IT, finance, and human resources. These operations are neither significant individually or in aggregate and therefore do not constitute a reportable segment.

The following tables present the key operating data for our business segments for the three and nine months ended September 30, 2021 and 2020 (*in thousands*). Starting with the three months ended March 31, 2021, the Company changed how contribution margin is calculated. Contribution margin is calculated as Total U.S. GAAP Revenue less directly attributable expenses. The Company previously calculated the contribution margin by excluding the Change in MSRs due to valuation assumptions, net of hedge. The updated calculation of the contribution margin presented herein aligns with how management and the CODM view the contribution margin for the Servicing segment. The Company commenced using such presentation for the three months ended March 31, 2021 and intends to use such presentation on a go-forward basis; previous periods have been revised to conform with this new calculation.

	Three Months Ended September 30, 2021						
	Origination	Servicing	Segments Total	All Other	Total	Reconciliation Item(1)	Total Consolidated
Revenue							
Gain on loans, net	$ 145,302	$ 173	$ 145,475	$ (4)	$ 145,471	$ —	$ 145,471
Loan fee income	34,484	—	34,484	—	34,484	—	34,484
Loan servicing fees	28	91,803	91,831	—	91,831	—	91,831
Change in FV of MSRs, net	—	3,544	3,544	—	3,544	—	3,544
Interest income (expense), net	4,035	623	4,658	(13,471)	(8,813)	—	(8,813)
Other income (loss)	—	7,476	7,476	(105)	7,371	713	8,084
Total U.S. GAAP Revenue	183,849	103,619	287,468	(13,580)	273,888	713	274,601
Contribution margin	$ 67,325	$ 86,179	$ 153,504	$ (54,940)	$ 98,564	$ —	$ —

	Three Months Ended September 30, 2020						
	Origination	Servicing	Segments Total	All Other	Total	Reconciliation Item(1)	Total Consolidated
Revenue							
Gain on loans, net	$ 503,344	$ —	$ 503,344	$ —	$ 503,344	$ —	$ 503,344
Loan fee income	28,205	—	28,205	—	28,205	—	28,205
Loan servicing fees	236	48,114	48,350	—	48,350	—	48,350
Change in FV of MSRs, net	—	(66,749)	(66,749)	—	(66,749)	—	(66,749)
Interest income (expense), net	318	598	916	(3,766)	(2,850)	—	(2,850)
Other income	—	89	89	10,279	10,368	(9,870)	498
Total U.S. GAAP Revenue	532,103	(17,948)	514,155	6,513	520,668	(9,870)	510,798
Contribution margin	$ 424,026	$ (31,885)	$ 392,141	$ (34,785)	$ 357,356	$ —	$ —

	Nine Months Ended September 30, 2021						
	Origination	Servicing	Segments Total	All Other	Total	Reconciliation Item(1)	Total Consolidated
Revenue							
Gain on loans, net	$ 521,534	$ 190	$ 521,724	$ 3	$ 521,727	$ —	$ 521,727
Loan fee income	118,099	—	118,099	—	118,099	—	118,099
Loan servicing fees	20	247,733	247,753	—	247,753	—	247,753
Change in FV of MSRs, net	—	(90,513)	(90,513)	—	(90,513)	—	(90,513)
Interest income (expense), net	8,021	1,291	9,312	(34,971)	(25,659)	—	(25,659)
Other income	—	7,653	7,653	18,533	26,186	(16,649)	9,537
Total U.S. GAAP Revenue	647,674	166,354	814,028	(16,435)	797,593	$ (16,649)	$ 780,944
Contribution margin	$ 233,811	$ 111,424	$ 345,388	$ (148,006)	$ 197,229	$ —	$ —

(1) The Company includes the income from its equity method investments in the All Other category. In order to reconcile to Total net revenue on the condensed consolidated statements of operations, it must be removed as is presented above.

	Nine Months Ended September 30, 2020						
	Origination	Servicing	Segments Total	All Other	Total	Reconciliation Item[1]	Total Consolidated
Revenue							
Gain on loans, net	$ 962,778	$ —	$ 962,778	$ —	$ 962,778	$ —	$ 962,778
Loan fee income	60,630	—	60,630	—	60,630	—	60,630
Loan servicing fees	(1,982)	135,886	133,904	—	133,904	—	133,904
Change in FV of MSRs, net	—	(230,524)	(230,524)	—	(230,524)	—	(230,524)
Interest income (expense), net	1,804	7,132	8,936	(14,411)	(5,475)	—	(5,475)
Other income	—	205	205	15,983	16,188	(14,050)	2,138
Total U.S. GAAP Revenue	1,023,230	(87,301)	935,929	1,572	937,501	(14,050)	923,451
Contribution margin	$ 790,538	$ (129,965)	$ 660,573	$ (88,732)	$ 571,841	$ —	$ —

(1) The Company includes the income from its equity method investments in the All Other segment. In order to reconcile to Total net revenue on the condensed consolidated statements of operations, it must be removed as is presented above.

The following table presents a reconciliation of contribution margin to consolidated U.S. GAAP Income (loss) before income tax (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Income before income tax	$ 99,277	$ 347,486	$ 180,580	$ 557,791
(Loss) income from equity method investment	(713)	9,870	16,649	14,050
Contribution margin	$ 98,564	$ 357,356	$ 197,229	$ 571,841

Note 16 – Related Parties

The Company has entered into transactions and agreements to purchase various services and products from certain affiliates of our sponsor, Stone Point Capital LLC. The services range from valuation services of mortgage servicing rights, mortgage related services, insurance brokerage services, and loan review services for certain loan originations. The Company incurred expenses of $6.0 million and $0.3 million, in the three months ended September 30, 2021 and 2020, respectively, and $16.1 million and $0.7 million for the nine months ended September 30, 2021 and 2020, respectively, for products, services, and other transactions, which are included in Production technology, General and administrative and Other expenses in the unaudited condensed consolidated statements of operations.

Note 17 – Subsequent Events

The Company has evaluated all subsequent events through the date these condensed consolidated financial statements were issued.

Dividend Payment

On November 4, 2021, the Company announced that its board of directors declared a dividend of $0.04 per share for the third quarter of 2021 to stockholders of record at the close of business on November 15, 2021, payable on or about November 30, 2021.

Gestation Agreement

On November 2, 2021, HPF entered into a Mortgage Loan Participation Sale Agreement (the “Gestation Agreement”) with JPMorgan Chase Bank, National Association, as purchaser (“Purchaser”). Subject to compliance with the terms and conditions of the Gestation Agreement, including the affirmative and negative covenants contained therein, the Gestation Agreement permits Purchaser to purchase from HPF from time to time during the term of the Gestation Agreement participation certificates evidencing a 100% undivided beneficial ownership interest in designated pools of fully amortizing first lien residential mortgage loans that are intended to ultimately be included in residential mortgage-backed securities (the “Agency MBS”) issued or guaranteed, as applicable, by Fannie Mae, Freddie Mac, and Ginnie Mae.

The aggregate purchase price of participation certificates owned by Purchaser at any given time for which Purchaser has not been paid the purchase price for the related Agency MBS by the applicable takeout investor as specified in the applicable takeout commitment cannot exceed $1.5 billion. Unless terminated earlier in accordance with its terms, the Gestation Agreement expires on November 2, 2022.

The Gestation Agreement and certain ancillary agreements thereto contain various financial and non-financial covenants, including, among other covenants, financial covenants relating to the maintenance of tangible net worth, liquidity, and a ratio of total indebtedness to tangible net worth. HPF is also generally required to maintain its status as an approved issuer by Ginnie Mae, an approved lender by Fannie Mae, and an approved seller/servicer by Freddie Mac.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis supplements our management’s discussion and analysis for the year ended December 31, 2020 as contained in our 2020 Annual Report, and presumes that readers have read or have access to such discussion and analysis. The following discussion and analysis should also be read together with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Report. This discussion contains forward-looking statements that reflect our plans and strategy for our business, and involve risks and uncertainties. You should review the “Risk Factors” section of our 2020 Annual Report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. You should carefully read “Cautionary Note on Forward-Looking Statements” in this Report.

Data as of and for the three and nine months ended September 30, 2021 and September 30, 2020, have been derived from our unaudited condensed consolidated financial statements included elsewhere in this Report.

Overview

We are a leading residential mortgage originator and servicer with a mission to create financially healthy, happy homeowners. Our business model is focused on growing originations through highly leverageable partner networks supported by at-scale operations, and managing the customer experience through our in-house servicing operation and proprietary Home Ownership Platform. We partner with a nationwide network of more than 7,400 independent mortgage brokerages, or our Broker Partners and provide in market sales coverage and an efficient and scaled loan fulfillment process through our fully integrated technology platform. We also source customers through nearly 650 correspondent sellers, or our Correspondent Partners.

We maintain ongoing connectivity with approximately 430,000 customers through our servicing platform. Servicing is a strategic cornerstone of our business and central to our strategy. Retaining our servicing and managing the servicing platform in-house gives us the opportunity to establish a deeper relationship with our customers that personalizes the experience for borrowers through the use of our Home Ownership Platform’s customized dashboards that deliver critical information about borrowers’ accounts such as payment deadlines, forbearance status and escrow distributions and customized offerings through other third-party financial products such as insurance policies and home equity loans.

Segments

Our operations are organized into two separate reportable segments: Origination and Servicing.

In our Origination segment, we source loans through three distinct production channels: Direct, Wholesale and Correspondent. The Direct channel provides the Company’s existing servicing customers with various financing options. At the same time, it supports the servicing assets in the ecosystem by retaining existing servicing customers who may otherwise refinance their existing mortgage loans with a competitor. The Wholesale channel consists of mortgages originated through our Broker Partners. The Correspondent channel consists of closed and funded mortgages that we purchase from a trusted network of Correspondent Partners. Once a loan is locked, it becomes channel agnostic. The channels in our Origination segment function in unison through the following activities: hedging, funding, and production.

Our Servicing segment consists primarily of servicing loans that were produced in our Originations segment where the Company retained the servicing rights. Servicing consists of collecting loan payments, remitting principal and interest payments to investors, managing escrow funds for the payment of mortgage-related expenses, such as taxes and insurance, performing loss mitigation activities on behalf of investors and otherwise administering our mortgage loan servicing portfolio in compliance with state and federal regulations. We also strategically buy and sell servicing rights.

Three Months Ended September 30, 2021 Compared to Three Months Ended September 30, 2020 Summary

For the three months ended September 30, 2021, we originated $20.8 billion of mortgage loans compared to $18.1 billion for the three months ended September 30, 2020, representing an increase of $2.7 billion or 15%. We generated $274.6 million of revenue for the three months ended September 30, 2021 compared to $510.8 million for the three months ended September 30, 2020. We generated $71.2 million of net income for the three months ended September 30, 2021 compared to a net income of $264.1 million for the three months ended September 30, 2020. We generated $196.4 million of Adjusted revenue for the three months ended September 30, 2021 compared to $532.5 million for the three months ended September 30, 2020. We generated $15.1 million of Adjusted net income for the three months ended September 30, 2021 compared to $272.7 million of Adjusted net income for the three months ended September 30, 2020. Refer to “*Non-GAAP Financial Measures*” for further information regarding our use of Adjusted revenue and Adjusted net income, including limitations related to such non-GAAP measures and a reconciliation of such measures to net income, the nearest comparable financial measure calculated and presented in accordance with U.S. GAAP.

The above-described decreases in revenue, net income, Adjusted revenue and Adjusted net income were primarily due to the decrease in Gain on loans, net of $357.9 million which was driven by a decrease in margins as a result of the competitive environment for the three months ended September 30, 2021. Gain on sale margins decreased by 202 basis points or 71% for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. The decline in margins was partially offset by an increase in fallout adjusted locks of $3.3 billion for the three months ended September 30, 2021 compared to the three months ended September 30, 2020, primarily due to an increase in our overall share of the origination market between the two periods. The decrease in Gain on loans, net was partially offset by an increase in loan servicing fees of $43.5 million due to a larger average servicing portfolio and a favorable Change in fair value of MSR of $70.3 million for the three months ended September 30, 2021 compared to three months ended September 30, 2020.

Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020 Summary

For the nine months ended September 30, 2021, we originated $75.7 billion of mortgage loans compared to $38.0 billion for the nine months ended September 30, 2020, representing an increase of $37.6 billion or 99%. We generated $780.9 million of revenue for the nine months ended September 30, 2021 compared to $923.5 million for the nine months ended September 30, 2020. We generated $147.0 million of net income for the nine months ended September 30, 2021 compared to a net income of $422.5 million for the nine months ended September 30, 2020. We generated $647.3 million of Adjusted revenue for the nine months ended September 30, 2021 compared to $1.0 billion for the nine months ended September 30, 2020. We generated $38.5 million of Adjusted net income for the nine months ended September 30, 2021 compared to $494.5 million for the nine months ended September 30, 2020. Refer to "*Non-GAAP Financial Measures*" for further information regarding our use of Adjusted Revenue and Adjusted net income, including limitations related to such non-GAAP measures and a reconciliation of such measures to net income (loss), the nearest comparable financial measure calculated and presented in accordance with U.S. GAAP.

The above-described decreases in net income, Adjusted revenue and Adjusted net income were primarily due to the decrease in Gain on loans, net of $441.1 million for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. Gain on sale margins decreased by 142 basis points or 59% for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The decrease in Gain on loans, net was driven by decreases in our margins as a result of the competitive environment for the nine months ended September 30, 2021. The decline in margins was partially offset by an increase in fallout adjusted locks of $23.2 billion for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020, primarily due to an increase in our overall share of the origination market between the two periods. The decrease in Gain on loans, net was partially offset by an increase in loan servicing fees of $113.8 million due to a larger servicing portfolio and a favorable Change in fair value of MSR of $140.0 million for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.

Key Factors Affecting Results of Operations for Periods Presented

Residential Real Estate Market Conditions

Our Origination volume is impacted by broader residential real estate market conditions and the general economy. Housing affordability, availability and general economic conditions influence the demand for our products. Housing affordability and availability are impacted by mortgage interest rates, availability of funds to finance purchases, availability of alternative investment products and the relative relationship of supply and demand. General economic conditions are impacted by unemployment rates, changes in real wages, inflation, consumer confidence, seasonality and the overall economic environment. Recent market conditions, such as low interest rates and limited supply of housing, have led to home price appreciation and a decrease in the affordability index.

Changes in Interest Rates

Origination volume is impacted by changes in interest rates. Decreasing interest rates tend to increase the volume of purchase loan origination and refinancing whereas increasing interest rates tend to decrease the volume of purchase loan origination and refinancing.

Changes in interest rates also impact the value of IRLCs and loans held for sale. IRLCs represent an agreement to extend credit to a customer whereby the interest rate is set prior to the loan funding. These commitments bind us to fund the loan at a specified rate. When loans are funded, they are classified as held for sale until they are sold. During the origination and sale process, the value of IRLCs and loans held for sale inventory rises and falls with changes in interest rates; for example, if we enter into IRLCs at low interest rates followed by an increase in interest rates in the market, the values of our IRLCs will decrease.

The fair value of MSRs is also driven primarily by interest rates, which impact the likelihood of loan prepayments. In periods of rising interest rates, the fair value of the MSRs generally increases as prepayments decrease, and therefore the estimated life of the MSRs and related expected cash flows increase. In a declining interest rate environment, the fair value of MSRs generally decreases as prepayments increase and therefore the estimated life of the MSRs, and related cash flows, decrease.

We believe that our two principal sources of revenue, mortgage origination and mortgage loan servicing, contribute to a stable business profile by creating a natural hedge against changes in the interest rate environment. Additionally, to mitigate the interest rate risk impact, we employ economic hedging strategies. Our economic hedging strategies allow us to protect our investment and help us manage our liquidity through forward delivery commitments on mortgage-backed securities or whole loans and options on forward contracts.

Key Performance Indicators

We review several operating metrics, including the following key performance indicators to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections, and make strategic decisions. We believe these key metrics are useful to investors both because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making, and they may be used by investors to help analyze the health of our business.

Our origination metrics enable us to monitor our ability to generate revenue and expand our market share across different channels. In addition, they help us track origination quality and compare our performance against the nationwide originations market and our competitors. We monitor both Origination volume, which represents funded volume, and Fallout Adjusted (“FOA”) lock volume which represents pull through adjusted volume expected from locks taken during the period at the inception of the lock. We also view gain on sale margins by channel which helps us to view the margin drivers that are attributable to the specific channels and those that are attributable to capital markets activities. Other key performance indicators include the number of Broker Partners and number of Correspondent Partners, which enable us to monitor key inputs of our business model. Our servicing metrics enable us to monitor the size of our customer base, the characteristics and value of our MSR Servicing Portfolio, and help drive retention efforts.

Origination Segment KPIs

The following summarizes key performance indicators for our business for the three and nine months ended September 30, 2021 and 2020:

($ in thousands)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Origination Volume by Channel				
Wholesale	$ 16,355,449	$ 10,981,395	$ 54,405,648	$ 23,772,112
Correspondent	3,434,186	6,280,039	17,375,985	12,696,815
Direct	1,005,985	852,433	3,910,769	1,576,959
Origination volume	$ 20,795,621	$ 18,113,867	$ 75,692,402	$ 38,045,886
FOA Lock Volume by Channel				
Wholesale	$ 16,709,845	$ 11,242,589	$ 48,415,960	$ 26,375,827
Correspondent	4,149,963	6,547,672	14,785,605	14,469,776
Direct	1,034,634	799,514	2,610,410	1,725,915
FOA Lock Volume	$ 21,894,442	$ 18,589,775	$ 65,811,975	$ 42,571,518

	Three Months Ended September 30,			
	2021		2020	
Gain on Sale Margin by Channel	Amount	bps	Amount	bps
Wholesale	$ 121,999	73	$ 359,512	320
Correspondent	8,351	20	40,431	62
Direct	30,252	292	33,564	420
Gain on sale margin attributable to channels	160,602	73	433,507	233
Other gain on sale[(a)]	23,247	11	98,596	53
Gain on sale margin [(b)]	$ 183,849	84	$ 532,103	286

	Nine Months Ended September 30,			
	2021		2020	
Gain on Sale Margin by Channel	Amount	bps	Amount	bps
Wholesale	$ 481,535	99	$ 742,217	281
Correspondent	39,784	27	112,006	77
Direct	83,332	319	74,086	429
Gain on sale margin attributable to channels	604,651	91	928,309	218
Other gain on sale[(a)]	43,023	7	94,921	22
Gain on sale margin [(b)]	$ 647,674	98	$ 1,023,230	240

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Market Share				
Overall share of origination market[(c)]	2.2 %	1.4 %	2.2 %	1.4 %
Share of wholesale channel[(d)]	10.2 %	6.4 %	10.2 %	6.4 %
Origination Volume by Purpose				
Purchase	34.6 %	29.0 %	29.3 %	31.7 %
Refinance	65.4 %	71.0 %	70.7 %	68.3 %
Third Party Partners				
Number of Broker Partners[(e)]	7,452	4,921	7,452	4,921
Number of Correspondent Partners[(f)]	652	587	652	587

(a) Includes loan fee income, interest income (expense), net, realized and unrealized gains (losses) on locks and mortgage loans held for sale, net hedging results, the provision for the representation and warranty reserve and differences between modeled and actual pull-through.

(b) Gain on sale margin calculated as gain on sale divided by Fallout Adjusted Lock volume. Gain on sale includes gain on loans, net, loan fee income, interest income (expense), net, and loan servicing fees (expense) for the Origination segment.

(c) Overall share of origination market share data is as of June 30, 2021 obtained from *Inside Mortgage Finance*, a third party provider of residential mortgage industry news and statistics. The data as of September 30, 2021 is not yet available from *Inside Mortgage Finance* as of the date of this filing.

(d) Share of wholesale channel as of June 30, 2021 obtained from *Inside Mortgage Finance*, a third party provider of residential mortgage industry news and statistics. The data as of September 30, 2021 is not yet available from *Inside Mortgage Finance* as of the date of this filing.

(e) Number of Broker Partners with whom the Company sources loans.

(f) Number of Correspondent Partners from whom the Company purchases loans.

Servicing Segment KPIs

The following summarizes key performance indicators for our business as of September 30, 2021 and 2020:

	As of September 30,	
($ in thousands)	**2021**	**2020**
Mortgage Servicing		
MSR Servicing Portfolio - UPB[(a)]	$ 125,832,286	$ 73,951,042
MSR Servicing Portfolio - Units[(b)]	428,622	307,236
60 days or more delinquent[(c)]	0.9 %	6.6 %
MSR Portfolio		
MSR multiple[(d)]	4.20	2.57
Weighted Average Note Rate [(e)]	2.98 %	3.63 %

(a) The unpaid principal balance of loans we service on behalf of Ginnie Mae, Fannie Mae, Freddie Mae and others, at period end.

(b) Number of loans in our servicing portfolio at period end.

(c) Total balances of outstanding loan principals for which installment payments are at least 60 days past due as a percentage of the outstanding loan principal as of a specified date. Includes delinquent loans in COVID-19 pandemic-related forbearance plans provided in the CARES Act.

(d) Calculated as the MSR fair market value as of a specified date divided by the related UPB divided by the weighted average service fee.

(e) Weighted average interest rate of our MSR portfolio at period end.

Non-GAAP Financial Measures

We believe that certain non-GAAP financial measures presented herein, including Adjusted revenue and Adjusted net income can provide useful information to investors and others in understanding and evaluating our operating results. These measures are not financial measures calculated in accordance with U.S. GAAP and should not be considered as a substitute for net income, or any other operating performance measure calculated in accordance with U.S. GAAP and may not be comparable to a similarly titled measure reported by other companies.

We believe that the presentation of Adjusted revenue and Adjusted net income provides useful information to investors regarding our results of operations because each measure assists both investors and management in analyzing and benchmarking the performance and value of our business. Adjusted revenue and Adjusted net income provide indicators of performance that are not affected by fluctuations in certain costs or other items. Accordingly, management believes that these measurements are useful for comparing general operating performance from period to period, and management relies on these measures for planning and forecasting of future periods. The Company measures the performance of the segments primarily on a contribution margin basis. Additionally, these measures allow management to compare our results with those of other companies that have different financing and capital structures. However, other companies may define Adjusted revenue and Adjusted net income differently, and as a result, our measures of Adjusted revenue and Adjusted net income may not be directly comparable to those of other companies.

Adjusted revenue. We define Adjusted revenue as Total revenue, net exclusive of the impact of the change in fair value of MSRs related to changes in valuation inputs and assumptions, net of MSRs hedge and adjusted for Income from equity method investment.

Adjusted net income. We define Adjusted net income as Net income exclusive of the impact of the change in fair value of MSRs related to changes in valuation inputs and assumptions, net of MSRs economic hedging results.

The non-GAAP information presented below should be read in conjunction with the Company's unaudited condensed consolidated financial statements and the related notes.

The following is a reconciliation of Adjusted revenue and Adjusted net income to the nearest U.S. GAAP financial measures of Total revenue, net and Net income, as applicable:

Reconciliation of Adjusted Revenue to Total Revenue, Net

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Total revenue, net	**$ 274,601**	**$ 510,798**	**$ 780,944**	**$ 923,451**
(Loss) income from equity method investment	(713)	9,870	16,649	14,050
Change in fair value of MSR (due to inputs and assumptions), net of hedge[(a)]	(77,486)	11,816	(150,323)	98,302
Adjusted revenue	**$ 196,402**	**$ 532,484**	**$ 647,270**	**$ 1,035,803**

Reconciliation of Adjusted Net Income to Total Net Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Total net income	**$ 71,223**	**$ 264,062**	**$ 146,979**	**$ 422,535**
Change in fair value of MSR (due to inputs and assumptions), net of hedge[(a)]	(77,486)	11,816	(150,323)	98,302
Income tax effect of change in fair value of MSR (due to inputs and assumptions), net of hedge[(b)]	21,340	(3,172)	41,830	(26,313)
Adjusted net income	**$ 15,077**	**$ 272,706**	**$ 38,486**	**$ 494,524**

(a) MSR fair value changes due to valuation inputs and assumptions are measured using a stochastic discounted cash flow model that includes assumptions such as prepayment speeds, delinquencies, discount rates, and effects of changes in market interest rates. Refer to *Note 2 – Basis of Presentation and Significant Accounting Policies* and *Note 4 – Mortgage Servicing Rights* to our unaudited condensed consolidated financial statements included elsewhere in this Report. We exclude changes in fair value of MSRs (due to inputs and assumptions), net of hedge from Adjusted revenue as they add volatility and we believe that they are not indicative of the Company's operating performance or results of operations. This adjustment does not include changes in fair value of MSRs due to realization of cash flows. Realization of cash flows occurs when cash is collected as customers make scheduled payments, partial prepayments of principal, or pay their mortgage in full.

(b) The income tax effect of change in fair value of MSR (due to inputs and assumptions), net of hedge is calculated as the MSR valuation change, net of hedge multiplied by the quotient of Income tax expense (benefit) divided by Income (loss) before income tax.

Results of Operations —Three and Nine Months Ended September 30, 2021 and 2020

Consolidated Results of Operations

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

($ in thousands)	Three Months Ended September 30, 2021	2020	$ Change	% Change
Gain on loans, net	$ 145,471	$ 503,344	$ (357,873)	(71.1 %)
Loan fee income	34,484	28,205	6,279	22.3 %
Interest income	36,719	14,709	22,010	149.6 %
Interest expense	(45,532)	(17,559)	(27,973)	159.3 %
Interest expense, net	(8,813)	(2,850)	(5,963)	209.2 %
Loan servicing fees	91,831	48,350	43,481	89.9 %
Change in fair value of mortgage servicing rights, net	3,544	(66,749)	70,293	(105.3 %)
Other income	8,084	498	7,586	1523.3 %
Total revenue, net	274,601	510,798	(236,197)	(46.2 %)
Compensation and benefits	114,612	117,177	(2,565)	(2.2 %)
Loan expense	16,618	8,733	7,885	90.3 %
Loan servicing expense	6,681	6,481	200	3.1 %
Production Technology	7,583	6,378	1,205	18.9 %
General and administrative	21,741	16,213	5,528	34.1 %
Depreciation and amortization	2,440	1,236	1,204	97.4 %
Other expenses	5,649	7,094	(1,445)	(20.4 %)
Total expenses	175,324	163,312	12,012	7.4 %
Income before income tax	99,277	347,486	(248,209)	(71.4 %)
Income tax expense	27,341	93,294	(65,953)	(70.7 %)
(Loss) income from equity method investment	(713)	9,870	(10,583)	(107.2 %)
Total net income	$ 71,223	$ 264,062	(192,839)	(73.0 %)

($ in thousands)	Nine Months Ended September 30, 2021	2020	$ Change	% Change
Gain on loans, net	$ 521,727	$ 962,778	$ (441,051)	(45.8 %)
Loan fee income	118,099	60,630	57,469	94.8 %
Interest income	96,944	42,370	54,574	128.8 %
Interest expense	(122,603)	(47,845)	(74,758)	156.3 %
Interest expense, net	(25,659)	(5,475)	(20,184)	(368.7 %)
Loan servicing fees	247,753	133,904	113,849	85.0 %
Change in fair value of mortgage servicing rights, net	(90,513)	(230,524)	140,011	(60.7 %)
Other income	9,537	2,138	7,399	346.1 %
Total revenue, net	780,944	923,451	(142,507)	(15.4 %)
Compensation and benefits	395,550	251,462	144,088	57.3 %
Loan expense	51,796	21,686	30,110	138.8 %
Loan servicing expense	22,282	22,742	(460)	(2.0 %)
Production Technology	25,038	14,540	10,498	72.2 %
General and administrative	74,527	38,981	35,546	91.2 %
Depreciation and amortization	7,551	4,162	3,389	81.4 %
Other expenses	23,620	12,087	11,533	95.4 %
Total expenses	600,364	365,660	234,704	64.2 %
Income before income tax	180,580	557,791	(377,211)	67.6 %
Income tax expense	50,250	149,306	(99,056)	66.3 %
Income from equity method investment	16,649	14,050	2,599	18.5 %
Total net income	$ 146,979	$ 422,535	(275,556)	65.2 %

The decrease in Net income for the three and nine months ended September 30, 2021 was primarily the result of a decrease in Gain on loans, net due to decreased margins as a result of the competitive environment during the three and nine months ended September 30, 2021. The decrease in Total net income was partially offset by a favorable Change in fair value of mortgage servicing rights due to the increase in mortgage interest rates. The decrease in Total net income was also partially offset by an increase in Loan servicing fees due to an increase in our mortgage servicing portfolio. Total expenses increased slightly for the three months ended September 30, 2021 compared to the three months ended September 30, 2020 due to an increase in Loan expense as a result of increased loan origination volume and a slight increase in General and administrative expense due to an increase in marketing expenses for advertising and professional services expense.

Total Revenue, net

Gain on loans, net

Gain on loans, net is driven by volume (FOA locks), our gain on sale margin within each channel of our Origination segment, and other for each of the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
FOA Lock Volume by Channel				
Wholesale	$ 16,709,845	$ 11,242,589	$ 48,415,960	$ 26,375,827
Correspondent	4,149,963	6,547,672	14,785,605	14,469,776
Direct	1,034,634	799,514	2,610,410	1,725,915
FOA Lock Volume	$ 21,894,442	$ 18,589,775	$ 65,811,975	$ 42,571,518

	Three Months Ended September 30,			
	2021		2020	
Gain on Sale Margin by Channel	**Amount**	**bps**	**Amount**	**bps**
Wholesale	$ 121,999	73	$ 359,512	320
Correspondent	8,351	20	40,431	62
Direct	30,252	292	33,564	420
Gain on sale margin attributable to channels	160,602	73	433,507	233
Other gain on sale[a]	23,247	11	98,596	53
Gain on sale margin [b]	$ 183,849	84	$ 532,103	286

	Nine Months Ended September 30,			
	2021		2020	
Gain on Sale Margin by Channel	**Amount**	**bps**	**Amount**	**bps**
Wholesale	$ 481,535	99	$ 742,217	281
Correspondent	39,784	27	112,006	77
Direct	83,332	319	74,086	429
Gain on sale margin attributable to channels	604,651	91	928,309	218
Other gain on sale[a]	43,023	7	94,921	22
Gain on sale margin [b]	$ 647,674	98	$ 1,023,230	240

(a) Includes loan fee income, interest income (expense), net, realized and unrealized gains (losses) on FOA locks and mortgage loans held for sale, net hedging results, the provision for the representation and warranty reserve and differences between modeled and actual pull-through.

(b) Gain on sale margin calculated as gain on sale divided by Fallout Adjusted Lock volume. Gain on sale includes gain on loans, net, loan fee income, interest income (expense), net, and loan servicing fees (expense) for the Origination segment.

In addition, the table below provides details of the characteristics of our mortgage loan production for each of the periods presented:

(in thousands)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Origination volume	$ 20,795,621	$ 18,113,867	$ 75,692,401	$ 38,045,886
Originated MSR - UPB	$ 27,946,562	$ 17,749,342	$ 82,252,911	$ 37,066,235
Retained servicing (UPB)[a]	95.1%	100.0%	96.7%	99.4%

(a) Represents the percentage of our loan sales UPBs for which we retained the underlying servicing UPB during the period.

For the three months ended September 30, 2021 compared to the three months ended September 30, 2020, the decrease in Gain on loans, net was primarily due to a decrease of $348.3 million, or 65% in gain on sale margin.

For the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020, the decrease in Gain on loans, net was primarily due to a decrease of $375.6 million, or 37% in gain on sale margin.

Although we experienced increases in FOA lock volume and Origination volume across all of our origination channels primarily due to an increase in our overall share of the origination market, which increased to 2.2% from 1.4% and our share of the wholesale channel which increased to 10.2% from 6.4%, we saw a significant decrease in gain on sale margins due to competitive environment during the three months ended September 30, 2021 compared to the prior year, which also negatively impacted our results for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.

Loan fee income

The increase in Loan fee income was primarily driven by an increase in Origination volume discussed above.

Loan servicing fees

($ in thousands)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Retained servicing fees, net of guarantee fees	$ 84,271	$ 49,387	$ 229,369	$ 135,813
Late fees and other	7,560	(1,037)	18,384	(1,909)
Loan servicing fees	$ 91,831	$ 48,350	$ 247,753	$ 133,904

The table below provides details of the characteristics of our mortgage loan servicing portfolio for each of the periods presented:

($ in thousands)	As of September 30, 2021	As of September 30, 2020
MSR Servicing Portfolio - UPB	$ 125,832,286	$ 73,951,042
Average MSR Servicing Portfolio - UPB for the three months ended	$ 125,045,611	$ 70,426,343
Average MSR Servicing Portfolio - UPB for the nine months ended	$ 107,054,768	$ 63,275,794
MSR Servicing Portfolio – units	428,622	307,236
MSRs Fair Value Multiple (x)	4.2x	2.6x
Delinquency Rates (%)	0.9%	6.6%
Weighted average credit score	742	734
Weighted average servicing fee, net (bps)	26.5	30.7

The increase in loan servicing fees for the three and nine months ended September 30, 2021 compared to three and nine months ended September 30, 2020 was primarily driven by an increase in the Average MSR Servicing Portfolio of $54.6 billion, or a 78% increase for the three months ended September 30, 2021 compared to the three months ended September 30, 2020, and $43.8 billion, or a 69.2% increase for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increases in the Average MSR Servicing Portfolio during the three and nine months ended September 30, 2021 was due to an increase in Origination volume which increased Retained Servicing fees, net of guarantee fees.

Change in fair value of MSRs

($ in thousands)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Realization of cash flows	$ (73,942)	$ (54,933)	$ (240,836)	$ (132,222)
Valuation inputs and assumptions	85,150	(17,210)	188,334	(211,667)
Economic hedging activities	(7,665)	5,394	(38,011)	113,365
Change in fair value of MSRs	$ 3,544	$ (66,749)	$ (90,513)	$ (230,524)

The increase in Change in fair value of MSRs for the three months ended September 30, 2021 compared to the three months ended September 30, 2020 was primarily driven by the Valuation inputs and assumptions gain recorded for the three months ended September 30, 2021 that was primarily due to an increase in interest rates during the period as well as the favorable impact resulting from the MSR sale executed during the three months ended September 30, 2021. The favorable change from Valuation inputs and assumptions was partially offset by an increase in loss from realization of cash flows due to an increase in actual prepayments, combined with higher scheduled payments collected on loans in our MSR portfolio as a result of a 78% increase in our average servicing portfolio, compared to the three months ended September 30, 2020. Valuation inputs and assumptions gains are partially offset by our economic hedging activities designed to offset the effects of changes in interest rates on valuation input and assumptions.

The increase in Change in fair value of MSRs for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was primarily driven by the Valuation inputs and assumptions gain recorded for the nine months ended September 30, 2021 that was driven by an increase in interest rates during the period as well as the favorable impact resulting from the MSR sale executed during the nine months ended September 30, 2021. The favorable change from Valuation inputs and assumptions was partially offset by an increase in loss from realization of cash flows due to an increase in actual prepayments, combined with higher scheduled payments collected on loans in our MSR portfolio as a result of a 69.2% increase in our average servicing portfolio, compared to the nine months ended September 30, 2020. Valuation inputs and assumptions gains are offset by our economic hedging activities designed to offset the effects of changes in interest rates on valuation input and assumptions.

Interest expense, net

The components for Interest expense, net for the periods presented were as follows:

($ in thousands)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Interest income	$ 36,719	$ 14,709	$ 96,944	$ 42,370
Interest expense	$ (45,532)	(17,559)	$ (122,603)	(47,845)
Interest expense, net	$ (8,813)	$ (2,850)	$ (25,659)	$ (5,475)

The increase in interest expense, net for the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020 was due to an increase in average warehouse borrowings outstanding as a result of our increased origination volume combined with an increase in our term debt interest expense as a result of the Senior Notes (as defined below) issued during the first quarter of 2021. The increase in interest expense was partially offset by an increase in interest income from higher interest earned on mortgage loans held for sale due to an increase in average mortgage loans held for sale which was driven by the increase in Origination volume.

Expenses

The increase in total expenses for the three months ended September 30, 2021 compared to the three months ended September 30, 2020 was primarily driven by increases in Loan expense and General and administrative expense.

Loan expense

The Loan expense increase for the three months ended September 30, 2021 was primarily due to the increase in Origination volume compared to the respective periods in 2020. Additionally, we experienced increases in various loan processing fees in the current year periods compared to prior periods as third party costs increased.

General and administrative expense

General and administrative expense increased by $5.5 million for the three months ended September 30, 2021 compared to the three months ended September 30, 2020 primarily driven by an increase in Professional services fees of $3.9 million to meet additional compliance and corporate requirements, an increase in Occupancy and equipment expense of $1.1 million due to increased headcount for the three months ended September 30, 2021 compared to the three months ended September 30, 2020, and an increase in Advertising and marketing expense of $0.6 million to support our market share increase.

The increase in total expenses for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was primarily driven by an increase in Compensation and benefits expense, Loan expense, Production technology expense, General and administrative expense and Other expenses.

Compensation and benefits expense

Compensation and benefits expense increased by $144.1 million for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 driven by an increase of $8.4 million in commissions and bonuses resulting from an increase in Origination volume, as well as an increase of $135.7 million in salary and benefits expense largely driven by an 33% increase in employee headcount to support our increased Origination volume for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. As a percentage of volume, Compensation and benefits expense was 0.5% and 0.7% of Origination volume for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.

Loan expense

The Loan expense increase for the nine months ended September 30, 2021 was primarily due to the increase in Origination volume compared to the respective periods in 2020. Additionally, we experienced increases in various loan processing fees in the current year periods compared to prior periods as third party costs increased.

Production technology expense

Production technology expense increased by $10.5 million for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020, primarily driven by an increase in equipment and information technology associated expense driven by our increased headcount, higher Origination volume and the increased size of our servicing portfolio.

General and administrative expense

General and administrative expense increased by $35.5 million for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 primarily driven by an increase in professional services fees of $27.4 million for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 to meet additional compliance and corporate requirements and an increase in Occupancy and equipment expense of $8.4 million related to the increase in Origination volume and an increase in headcount.

Other expense

Other expense increased by $11.5 million for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 primarily driven by an increase in other employee benefit expenses of $6.1 million provided during the year to recognize employee contributions and for work from home expenses as well as an increase in insurance expense of $5.3 million related to D&O insurance expense the Company incurred in light of its status as a publicly traded entity.

Income tax expense

Income tax expense on continuing operations decreased for the three and nine months ended September 30, 2021 compared to three and nine months ended September 30, 2020 primarily due to a decrease in pre-tax income. Our overall effective tax rate of 27.5% and 26.8% for the three months ended September 30, 2021 and 2020, respectively, and 27.8% and 26.8% for the nine months ended September 30, 2021 and 2020, respectively, differed from the U.S. statutory rate of 21.0% primarily due the impact of income from equity method investment and state incomes taxes in both years. In addition, in 2021, the difference from the statutory rate was also attributable to non-deductible transaction costs related to our initial public offering (the “IPO”) and limitations on the tax deductibility of officers’ compensation applicable to a public entity.

Summary Results by Segment for the Three and Nine Months Ended September 30, 2021 and 2020

We have two segments:

- Our Origination segment consists of a combination of retail and third-party loan production operations. The increase in revenues for the Origination segment was primarily driven by an increase in loan Origination volume.
- Our Servicing segment consists of servicing loans the Company had initially originated and subsequently sold, for which the Company retained servicing rights as well as MSRs the Company occasionally purchases from others. The increase in revenues for the Servicing segment was primarily driven by an increase in servicing fees due to increase in our servicing portfolio and a gain we recorded in the Change in fair value of mortgage servicing rights, net due to an increase in interest rates that resulted in lower modeled prepayment speeds.

Origination

The table below presents details of Revenue and Contribution margin for the Origination segment for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Gain on loans, net	$ 145,302	$ 503,344	$ 521,534	$ 962,778
Loan fee income	34,484	28,205	118,099	60,630
Loan servicing fees	28	236	20	(1,982)
Change in fair value of mortgage servicing rights, net	—	—	—	—
Interest income	4,035	318	8,021	1,804
Total Origination segment revenue	183,849	532,103	647,674	1,023,230
Directly attributable expense	116,524	108,077	413,863	232,692
Contribution margin	$ 67,325	$ 424,026	$ 233,811	$ 790,538

Servicing

The table below presents details of Revenue and Contribution margin for the Servicing segment for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Gain on loans, net	$ 173	$ —	$ 190	$ —
Loan servicing fees	91,803	48,114	247,733	135,886
Interest income	623	598	1,291	7,132
Other income	7,476	89	7,653	205
Total Servicing segment revenue	100,075	48,801	256,867	143,223
Directly attributable expense	17,440	13,937	54,930	42,664
Primary margin	82,635	34,864	201,937	100,559
Change in MSR fair value: amortization	(73,942)	(54,933)	(240,836)	(132,222)
Adjusted contribution margin	8,693	(20,069)	(38,899)	(31,663)
Change in MSR fair value: mark-to-market, net of hedge	77,486	(11,816)	150,323	(98,302)
Contribution margin	$ 86,179	$ (31,885)	$ 111,424	$ (129,965)

Liquidity and Capital Resources

Sources and Uses of Cash

Historically, our primary sources of liquidity have included:

- Borrowings, including under our warehouse funding facilities and other secured and unsecured financing facilities
- Cash flow from our operations, including:
  - Sale of mortgage loans held for sale
  - Loan origination fees
  - Servicing fee income
  - Interest income on loans held for sale, and
- Cash and marketable securities on hand

Historically, our primary uses of funds have included:

- Origination of loans
- Payment of interest expense

- Repayment of debt
- Payment of operating expenses, and
- Changes in margin requirements for derivative contracts

We are also subject to contingencies which may have a significant impact on the use of our cash.

Summary of Certain Indebtedness

To originate and aggregate loans for sale into the secondary market, we use our own working capital and borrow on a short-term basis primarily through committed and uncommitted mortgage warehouse lines of credit that we have established with different large global and regional banks and financial institutions. Our loan funding facilities are primarily in the form of master repurchase agreements and participation agreements. New loan originations that are financed under these facilities are generally financed at approximately 95% to 100% of the principal balance of the loan (although certain types of loans are financed at lower percentages of the principal balance of the loan).

At the time of either the funding or purchase, mortgage loans are pledged as collateral for borrowings on mortgage warehouse lines of credit. In most cases, loans will remain on one of the warehouse lines of credit facilities for only a short time, generally less than one month, until the loans are pooled and sold. During the time the loans are held for sale, we earn Interest income from the borrower on the underlying mortgage loan. This income is partially offset by the interest and fees we have to pay under the mortgage warehouse lines of credit.

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

As of September 30, 2021, we held mortgage warehouse lines of credit with 11 separate financial institutions with a total maximum borrowing capacity of $7.5 billion and an unused borrowing capacity of $1.9 billion. Refer to *Note 7 – Warehouse Lines of Credit* of our unaudited condensed consolidated financial statements.

As of September 30, 2021, we maintained a servicing advance financing facility, MSR financing facility and an operating line of credit with total combined maximum borrowing capacity of $918.5 million and unused borrowing capacity of $389.2 million. Refer to *Note 8 – Term Debt and Other Borrowings, net* of our unaudited condensed consolidated financial statements.

The amount owed and outstanding on our loan funding facilities fluctuates significantly based on our origination volume, the amount of time it takes us to sell the loans we originate, and the amount of loans being self-funded with cash.

Our debt financing agreements also contain margin call provisions that, upon notice from the applicable lender at its option, require us to transfer cash or, in some instances, additional assets in an amount sufficient to eliminate any margin deficit. A margin deficit generally will result from any decline in the market value (as determined by the applicable lender) of the assets subject to the related financing agreement relative to the available financing and offsetting hedges. Upon notice from the applicable lender, we generally will be required to satisfy the margin call on the day of such notice or the following business day.

The warehouse facilities and other lines of credit require maintenance of certain operating and financial covenants, and the availability of funds under these facilities is subject to, among other conditions, our continued compliance with these covenants. These financial covenants include, but are not limited to, maintaining a certain minimum tangible net worth, minimum liquidity, minimum profitability levels, and ratio of indebtedness to tangible net worth, among others. A breach of these covenants can result in an event of default under these facilities following which the lenders would be able to pursue certain remedies against us. In addition, each of these facilities includes cross-default or cross- acceleration provisions that could result in all facilities terminating if an event of default or acceleration of maturity occurs under any facility.

In January of 2021, we issued $550.0 million aggregate principal amount of our 5.0% Senior Notes due 2026 (the “Senior Notes”) in a private placement transaction. Interest on the Senior Notes is payable at a rate of 5.0% per annum, semi-annually on February 1 and August 1 of each year, beginning August 1, 2021. The Senior Notes will mature on February 1, 2026. The Indenture governing the Senior Notes contains customary covenants and events of default.

As of September 30, 2021, the Company was in compliance with all warehouse facility covenants and with all covenants under the Indenture governing the Senior Notes.

Cash Flows

Our cash flows for the nine months ended September 30, 2021 and September 30, 2020 are summarized below.

($ in thousands)	Nine Months Ended September 30, 2021		Nine Months Ended September 30, 2020	
Net cash used in operating activities	$	(3,657,464)	$	(385,095)
Net cash provided (used) in investing activities		69,796		(9,914)
Net cash provided by financing activities		3,593,902		626,668
Net increase in Cash and cash equivalents and restricted cash		6,234		231,659
Cash and cash equivalents and restricted cash at end of period	$	203,127	$	313,390

Net cash used by operating activities increased by $3.3 billion for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increase is primarily driven by increase in the level of our inventory of loans held for sale as a result of an increase in origination volume at lower margins for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.

Cash provided by investing activities increased by $79.7 million primarily due to proceeds from sale of mortgage servicing rights of $111.6 million, offset by purchase of mortgage servicing rights of $33.0 million during the nine months ended September 30, 2021.

Cash provided by financing activities increased by $3.0 billion primarily due to an increase in proceeds from warehouse borrowings net of payments on warehouse borrowings to be utilized for funding our increased loan origination volume for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. Additionally, we issued $550 million of Senior Notes during the nine months ended September 30, 2021. Increases in cash provided by the financing activities were offset by approximately $295 million of distributions paid to Home Point Capital LP (“HPLP”), our direct parent prior to the consummation of the merger consummated in connection with the IPO, during the nine months ended September 30, 2021 compared to $63.8 million of contribution from HPLP recorded during the nine months ended September 30, 2020 as well as $20.9 million of dividends paid to shareholders during the nine months ended September 30, 2021.

Contractual Obligations and Other Commitments

For a discussion of our contractual obligations, refer to “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations and Other Commitments” in our 2020 Annual Report. There have not been any material changes to our contractual obligations since December 31, 2020.

Repurchase and Indemnification Obligations

In the ordinary course of business, we are exposed to liability with respect to certain representations and warranties that we make to the investors who purchase the loans that we originate. Under certain circumstances, we may be required to repurchase mortgage loans, or indemnify the purchaser of such loans for losses incurred, if there has been a breach of these representations and warranties, or in the case of early payment defaults. In addition, in the event of an early payment default, we are contractually obligated to refund certain premiums paid to us by the investors who purchased the related loan. Refer to *Note 11 – Representation and Warranty Reserve* to our unaudited condensed consolidated financial statements for additional information.

Off Balance Sheet Arrangements

Refer to *Note 9 – Commitments and Contingencies* to our unaudited condensed consolidated financial statements included elsewhere in this form.

New Accounting Pronouncements Not Yet Effective

Refer to *Note 2 – Basis of Presentation and Significant Accounting Policies* to our unaudited condensed consolidated financial statements for a discussion of recent accounting developments and the expected effect on the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, as a mortgage lender, we are subject to a variety of risks which can affect our operations and profitability. We broadly define these areas of risk as interest rate risk, credit risk, and risk related to the COVID-19 pandemic.

Our 2020 Annual Report provides a detailed discussion of the market risks affecting our operations. No material change has occurred in our market risks since the disclosure contained in our 2020 Annual Report.

Item 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934, as amended (the “Exchange Act”) Rules 13a-15(e) and 15d-15(e)) are designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the appropriate time periods, and that such information is accumulated and communicated to the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely discussions regarding required disclosure. We, under the supervision of and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures were effective as of September 30, 2021.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of our "Legal Proceedings," refer to *Note 9 – Commitments and Contingencies* of our unaudited condensed consolidated financial statements included elsewhere in this Report.

Item 1A. Risk Factors

We have disclosed the risk factors affecting our business, financial condition and operating results in the section entitled "Risk Factors" in our 2020 Annual Report. There have been no material changes from the risk factors previously disclosed.

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

Recent Sales of Unregistered Equity Securities

None.

Issuer Repurchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Stockholder Proposal Deadline

The Company expects to hold its 2022 Annual Meeting of Stockholders (the "2022 Annual Meeting") at a date, time, and location to be announced, which will be the Company's first annual meeting of stockholders after the IPO.

In accordance with Section 2.03 of the Company's Amended and Restated Bylaws (the "Bylaws"), the Company has set the time period for receipt of stockholder proposals for inclusion in the Company's proxy materials for the 2022 Annual Meeting as no earlier than the close of business on January 31, 2022 and no later than the close of business on March 2, 2022. Any stockholder proposal requested to be included in the proxy materials must (i) be received by the Company at 2211 Old Earhart Road, Suite 250, Ann Arbor, Michigan 48105, Attn: Corporate Secretary and (ii) satisfy all of the requirements of the Bylaws and not otherwise be permitted to be excluded under Rule 14a-8 of the Exchange Act.

Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Home Point Capital Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K on February 3, 2021 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of Home Point Capital Inc. (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K on February 3, 2021 and incorporated herein by reference).
10.1*+	Amendment No. 1 to the Amended and Restated Master Repurchase Agreement, dated as of July 22, 2021, by and among Goldman Sachs Bank USA, as buyer, HPFC Sub 1 LLC, as seller, and Home Point Financial Corporation, as guarantor.
10.2*	Confirmation and Amendment of Participation Agreement, dated as of July 21, 2021, by and between Home Point Financial Corporation, as seller, and Merchants Bank of Indiana, as participant.
10.3+	Mortgage Warehouse Agreement, dated as of September 1, 2021, by and between Home Point Financial Corporation, as seller, and Texas Capital Bank, National Association (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on September 7, 2021 and incorporated herein by reference).
10.4*	Confirmation and Amendment of Participation Agreement, dated as of September 13, 2021, by and between Home Point Financial Corporation, as seller, and Merchants Bank of Indiana, as participant.
10.5	Amendment No. 17 to Master Repurchase Agreement, dated as of September 17, 2021, by and between UBS AG, as buyer, and Home Point Financial Corporation, as seller (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on September 21, 2021 and incorporated herein by reference).
10.6+	Amendment No. 5 to Amended and Restated Master Repurchase Agreement and Amended and Restated Pricing Letter, dated as of September 17, 2021, by and among Home Point Financial Corporation, as seller, TIAA, FSB, as administrative agent and a buyer, and Capital One, National Association, as a buyer (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K on September 21, 2021 and incorporated herein by reference).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

\+ Certain portions of this exhibit have been redacted pursuant to Item 601(b)(10)(iv) of Regulation S-K. The Company agrees to furnish supplementally an unredacted copy of the exhibit to the Securities and Exchange Commission upon its request.

The agreements and other documents filed as exhibits to this Report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SIGNATURES

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

HOME POINT CAPITAL INC.

Dated: November 5, 2021	By:	/s/ William A. Newman
	Name:	William A. Newman
	Title:	President and Chief Executive Officer (Principal Executive Officer)
Dated: November 5, 2021	By:	/s/ Mark E. Elbaum
	Name:	Mark E. Elbaum
	Title:	Chief Financial Officer (Principal Financial Officer)

Exhibit 10.1

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED. [***] INDICATES THAT INFORMATION HAS BEEN REDACTED.

AMENDMENT NO. 1
to

MASTER REPRUCHASE AGREEMENT

This **AMENDMENT No. 1** (this "Amendment"), dated effective as of July 22, 2021 (the "First Amendment Effective Date"), is made by and among GOLDMAN SACHS BANK USA, as buyer (in such capacity, "Buyer"), HPFC SUB 1 LLC, as seller (in such capacity, the "Seller") and HOME POINT FINANCIAL CORPORATION, as guarantor (in such capacity, "Guarantor").

WITNESSETH:

WHEREAS, Seller, Guarantor and Buyer are parties to that certain Amended and Restated Master Repurchase Agreement, dated as of June 30, 2021 (the "Existing Master Repurchase Agreement", and as amended by this Amendment and as may be further amended, supplemented or otherwise modified from time to time in accordance with its terms, the "Master Repurchase Agreement"), whereby Buyer has agreed to finance, from time to time, certain Mortgage Loans, as provided in and subject to the terms and conditions of the Master Repurchase Agreement, and the other agreements entered into in connection with the Master Repurchase Agreement (the "Principal Agreements");

WHEREAS, in connection with the Existing Master Repurchase Agreement, Seller, Guarantor and Buyer executed that certain Amended and Restated Transactions Terms Letter, dated as of June 30, 2021 (the "Existing Transactions Terms Letter", and as amended by Amendment No. 1 to the Transactions Terms Letter, dated as of the date hereof, and as may be further amended, supplemented or otherwise modified from time to time in accordance with its terms, the "Transactions Terms Letter"); and

WHEREAS, in furtherance of the foregoing, the parties desire to amend certain provisions of the Existing Master Repurchase Agreement, effective as of the First Amendment Effective Date, as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Definitions**. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Existing Master Repurchase Agreement, including by way of reference to any other documents or agreements.

2. **Amendments to Existing Master Repurchase Agreement**. Effective as of the First Amendment Effective Date, the Existing Master Repurchase Agreement is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages attached as Exhibit A-1 hereto. A conformed copy of the Existing Master Repurchase Agreement is attached as Exhibit A-2 hereto.

3. **Fees and Expenses**. Each of Seller and Guarantor hereby agrees to pay to Buyer, on demand, any and all reasonable fees, costs and expenses (including reasonable fees and expenses of counsel) incurred by Buyer in connection with the development, preparation and execution of this Amendment.

4. **Confirmation of Master Repurchase Agreement and Guaranty; Representations of Seller and Guarantor**. Each of Seller and Guarantor represents and warrants as follows:

(a) Upon effectiveness of this Amendment, the Existing Master Repurchase Agreement shall be, and be deemed to be, modified and amended in accordance herewith and the respective rights, limitations, obligations, duties, liabilities and immunities of the parties to the Master Repurchase Agreement and the other Principal Agreements shall hereafter be determined, exercised and enforced subject in all respects to such modifications and amendments, and all the terms and conditions of this Amendment shall be and be deemed to be part of the terms and conditions of the Master Repurchase Agreement and the other Principal Agreements for any and all purposes. Except as expressly amended or released and discharged hereby, all of the terms of the Master Repurchase Agreement and the other Principal Agreements including, without limitation, security interests and liens granted thereunder, shall remain in full force and effect and are hereby ratified and confirmed in all respects. Each of Seller and Guarantor hereby acknowledges and agrees that any and all obligations of each such party arising out of or relating to Transactions, or otherwise, shall remain in full force and effect until their payment in full and termination in accordance with the terms of the Master Repurchase Agreement. The Guarantor ratifies and reaffirms its guarantee under the Guaranty and Security Agreement, dated as of June 30, 2021, for the benefit of the Buyer and confirms and agrees that such guarantee hereafter secure all of the obligations thereunder. This Amendment shall not constitute a novation.

(b) Each of Seller and Guarantor hereby represents and warrants that (i) it has the requisite power and authority, and legal right, to execute and deliver this Amendment and to perform its obligations under this Amendment, the Master Repurchase Agreement and the other Principal Agreements, (ii) it has taken all necessary corporate and legal action to duly authorize the execution and delivery of this Amendment and the performance of its obligations under this Amendment, Master Repurchase Agreement and the other Principal Agreements, (iii) this Amendment has been duly executed and delivered by each of Seller and Guarantor, (iv) each of this Amendment, the Master Repurchase Agreement and the other Principal Agreements constitutes a legal, valid and binding obligation of each of Seller and Guarantor enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law), and (v) after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing.

(c) Each representation and warranty of each of Seller and Guarantor contained in the Master Repurchase Agreement and the other Principal Agreements is true and correct and is hereby restated and affirmed.

(d) Each covenant and each other agreement of each of Seller and Guarantor contained in the Master Repurchase Agreement and the other Principal Agreements (as modified by this Amendment, if applicable) is hereby restated and affirmed.

5. **Further Assurances**. Each of Seller and Guarantor hereby agrees to execute and deliver such additional documents, opinions, instruments or agreements as may be reasonably necessary and appropriate to effectuate the purposes of this Amendment, the Master Repurchase Agreement and the other Principal Agreements.

6. **Conflicts**. In the event of a conflict of any provision hereof with any provision or definition set forth in the Existing Master Repurchase Agreement, the Existing Transactions Terms Letter or any other Principal Agreement, the provisions and definitions of this Amendment shall control.

7. **Governing Law.** This Amendment and the Master Repurchase Agreement shall be construed and enforced in accordance with, and governed by, the law of the State of New York, without giving effect to the conflict of laws principles thereof (other than sections 5-1401 and 5-1402 of the New York General Obligations law).

8. **Severability**. Any provision of this Amendment, the Master Repurchase Agreement or the other Principal Agreements shall be treated as separate and independent from any other provision or agreement herein or therein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

9. **Entire Agreement**. This Amendment, the Master Repurchase Agreement and the other Principal Agreements embody the entire agreement and understanding of the parties hereto and shall supersede any existing agreements between the parties containing general terms and conditions for repurchase transactions.

10. **Binding Effect**. This Amendment, the Master Repurchase Agreement and the other Principal Agreements, as applicable, shall be binding upon and shall be enforceable by the parties to the Master Repurchase Agreement and the other Principal Agreements, as applicable, and their respective successors and permitted assigns.

11. **Counterparts**. This Amendment may be executed simultaneously in any number of counterparts. Each counterpart shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument. Delivery of such signature may be transmitted by any one or more of the parties hereto by facsimile transmission or as an attachment to an electronic

mail message in “pdf” or similar format, any such signature transmitted by facsimile transmission or transmitted by electronic mail message in “pdf” or similar format to be treated for all purposes as an original. The use of electronic signatures and electronic records (including, without limitation, any contract or other record created, generated, sent, communicated, received, or stored by electronic means) shall be of the same legal effect, validity and enforceability as a manually executed signature or use of a paper-based record-keeping system to the fullest extent permitted by applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act and any other applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act or the Uniform Commercial Code.

[Signature pages follow]

IN WITNESS WHEREOF, the undersigned parties have caused this Amendment to be duly executed and delivered by their respective authorized officers as of the date first above written.

GOLDMAN SACHS BANK USA, as Buyer

By: /s/ Bryan Holt

Name: Bryan Holt

Title: Authorized Person

[Signatures Continue on Following Page]

HPFC SUB 1 LLC,
as Seller

By: /s/ Joseph Ruhlin
Name: Joseph Ruhlin
Title: Treasurer

HOME POINT FINANCIAL CORPORATION, as Guarantor

By: /s/ Joseph Ruhlin
Name: Joseph Ruhlin
Title: Senior Managing Director - Treasurer

Exhibit A-1

MASTER REPURCHASE AGREEMENT

(Changed Pages Reflecting Amendment)

(Attached)

CONFORMED COPY THROUGH AMENDMENT NO. 1, dated as of July 22, 2021
~~**EXECUTION VERSION**~~

AMENDED AND RESTATED MASTER REPURCHASE AGREEMENT

among

HPFC SUB 1 LLC
(“Seller”)

HOME POINT FINANCIAL CORPORATION
(“Guarantor”)

and

GOLDMAN SACHS BANK USA
(“Buyer”)

dated as of

June 30, 2021

TABLE OF CONTENTS

Page

EXHIBITS

Exhibit A: Glossary of Defined Terms

Exhibit B: [Reserved]

Exhibit C: [Reserved]

Exhibit D: Assignment of Closing Protection Letter

Exhibit E: Form of Power of Attorney

Exhibit F: Wiring Instructions

Exhibit G: Form of Servicer Notice

Exhibit H: Representations and Warranties

Exhibit I: [Reserved]

Exhibit J: [Reserved]

Exhibit K: Form of Escrow Instruction Letter

Exhibit L Form of Monthly Servicing Report

Exhibit M: Non-Owner Occupied Loans (Agency Securitization-Designated)

Exhibit N Non-Owner Occupied Loans (Goldman Purchase Commitment-Designated)

SCHEDULES

Schedule 1: Filing Jurisdictions and Offices

Schedule 2: Ownership Structure of Guarantor and its Affiliates and Subsidiaries

<u>MASTER REPURCHASE AGREEMENT</u>

THIS AMENDED AND RESTATED MASTER REPURCHASE AGREEMENT (the **"Agreement"**) is made and entered into as of June 30, 2021 (the "**Effective Date**"), by and among Goldman Sachs Bank USA, a New York State-chartered bank, as buyer (**"Buyer"**), HPFC Sub 1 LLC ("**HPFC Sub**"), a Delaware limited liability company, as seller (**"Seller"**), and Home Point Financial Corporation ("**HPFC**"), a New Jersey corporation, as guarantor (**"Guarantor"**).

<u>RECITALS</u>

A. Buyer, Home Point Financial Corporation, as seller (the "**Original Seller**") and Guarantor are parties to that certain Master Repurchase Agreement (as further amended, supplemented and otherwise modified from time to time before the date hereof, the "**Existing Repurchase Agreement**"), dated as of March 24, 2021 (the "**Initial Closing Date**").

B. Buyer, Original Seller and Guarantor wish to amend and restate the Existing Repurchase Agreement, effective as of the Effective Date, as provided herein.

C. Subject to the terms and conditions set forth in the Existing Repurchase Agreement, from and after the Initial Closing Date until the Effective Date, Original Seller requested Buyer to enter into transactions with Original Seller whereby Original Seller could, from time to time, sell to Buyer certain Eligible Mortgage Loans (including in each case and without limitation all of Original Seller's right, title and interest in and to the related Servicing Rights), against the transfer of funds by Buyer, with a simultaneous agreement by Buyer to sell to Original Seller such Eligible Mortgage Loans at a date certain or on demand after the Purchase Date, against the transfer of funds by Original Seller. From and after the Effective Date, Seller has requested Buyer to enter into transactions with Seller whereby Seller may, from time to time, sell to Buyer a Participation Interest representing one hundred percent (100%) beneficial ownership in certain Eligible Mortgage Loans (including in each case and without limitation all of Seller's right, title and interest in and to the related Servicing Rights and/or other mortgage related assets and interests), against the transfer of funds by Buyer, with a simultaneous agreement by Buyer to sell to Seller such purchased assets at a date certain or on demand after the Purchase Date, against the transfer of funds by Seller (each such transaction, a **"Transaction"**). On the Effective Date, the Participation Interest in Purchased Mortgage Loans subject to a Transaction under the Existing Repurchase Agreement immediately before the execution of the Agreement will be transferred and sold by the Seller to Buyer hereunder.

D. Buyer has agreed to enter into such Transactions, subject to the terms and conditions set forth in this Agreement.

E. Guarantor has agreed to guarantee the obligations of the Seller hereunder.

NOW, THEREFORE, in consideration of the mutual rights and obligations provided herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, Seller, Guarantor and Buyer agree as follows:

being understood that this clause (ii) does not expand Buyer's rights to sell such Purchased Assets beyond the rights otherwise afforded to Buyer pursuant to this Agreement and (iii) the date as of which Buyer determines that such Transactions are unlawful to maintain. Buyer shall not be liable to Seller for any costs, losses or damages arising from or relating to any actions taken by Buyer pursuant to this Section 4.4 and (c) Seller's obligation to pay any Non-Usage Fee, Exit Fee or Minimum Utilization Fee shall terminate upon such determination and Buyer shall reimburse Seller a pro-rated portion of the Upfront Fee based on the number of days remaining prior to the Expiration Date.

4.5 Increased Costs.

(a) Notwithstanding anything to the contrary in this Agreement, if Buyer determines in good faith that any change in any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority or any change in the interpretation or application thereof or compliance by Buyer with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof (i) subjects Buyer to any tax of any kind whatsoever with respect to this Agreement or any Purchased Assets or changes the basis of taxation of payments to Buyer in respect thereof, in each case excluding any Indemnified Taxes (which shall be governed by Section 12.3), Taxes described in clauses (b) through (d) of the definition of Excluded Taxes, and Connection Income Taxes, (ii) imposes, modifies or holds applicable any reserve, special deposit, compulsory advance or similar requirement against assets held by deposits or other liabilities in or for the account of Transactions or extensions of credit by, or any other acquisition of funds by any office of Buyer which is not otherwise included in the determination of the Applicable Pricing Rate hereunder, or (iii) imposes on Buyer any other condition, the result of which is to increase the cost to Buyer, by an amount which Buyer reasonably deems to be material, of effecting or maintaining purchases hereunder, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, Seller shall, at its option and in its sole and absolute discretion, either (1) terminate all of the Transactions and repurchase all of the Purchased Assets or (2) promptly pay Buyer such additional amount or amounts as will compensate Buyer for such increased cost or reduced amount receivable thereafter incurred.

(b) If Buyer has determined in good faith that the adoption of or any change in any law, treaty, rule or regulation or determination of an arbitrator or a court or other

Governmental Authority regarding capital adequacy or in the interpretation or application thereof or compliance by Buyer or any corporation controlling Buyer with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof has the effect of reducing the rate of return on Buyer's or such corporation's capital as a consequence of its obligations hereunder to a level below that which Buyer or such corporation but for such adoption, change or compliance (taking into consideration Buyer's or such corporation's policies with respect to capital adequacy) by an amount deemed by Buyer to be material, then from time to time, Seller shall, at its option and in its sole and absolute discretion, either (1) terminate all of the Transactions and repurchase all of the Purchased Assets or (2) promptly pay Buyer such additional amount or amounts as will thereafter compensate Buyer for such reduction.

If Buyer becomes entitled to claim any additional amounts pursuant to this Section 4.5, it shall promptly notify Seller of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to this subsection submitted by Buyer to Seller shall be conclusive in the absence of manifest error, provided that if Buyer fails to give notice to Seller of the imposition of any Indemnified Taxes within 120 days following its receipt of actual written notice of the imposition of such Taxes, there will be no obligation for Seller to pay interest or penalties attributable to the period beginning after such 120th day and ending seven (7) days after Seller receives notice from Buyer.

4.6 Effect of Benchmark Transition Event.

(a) Benchmark Replacement. Notwithstanding anything to the contrary herein or in any other Principal Agreements, if a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then (x) if a Benchmark Replacement is determined in accordance with clause (1) or (2) of the definition of "Benchmark Replacement" for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Principal Agreement in respect of such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, this Agreement or any other Principal Agreement and (y) if a Benchmark Replacement is determined in accordance with clause (3) of the definition of "Benchmark Replacement" for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Principal Agreement in respect of any Benchmark setting at or after 5:00 p.m. on the fifth (5th) Business Day after the date notice of such Benchmark Replacement is provided to a Responsible Officer of Seller without any amendment to this Agreement or further action or consent of Seller.

(b) Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, the Buyer will have the right to make Benchmark

Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Principal Agreement, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of Seller.

(c) Notices; Standards for Decisions and Determinations. The Buyer will promptly notify the Seller of (i) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes, (iv) the removal or reinstatement of any tenor of a Benchmark pursuant to clause (d) below and (v) the commencement or conclusion of any Benchmark Unavailability Period. Upon its receipt of such notice, Seller shall, at its option and in its sole and absolute discretion, either (1) terminate all of the Transactions and repurchase all of the Purchased Assets without being required to pay any Non-Use Fees, Exit Fees or (2) agree to such Benchmark Replacement. Any determination, decision or election that may be made by Buyer pursuant to this Section 4.6, including any determination with respect to a tenor, rate or adjustment or of the occurrence or nonoccurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding and may be made in Buyer's sole and absolute discretion.

(d) Unavailability of Tenor of Benchmark. Notwithstanding anything to the contrary herein or in any other Principal Agreement, at any time (including in connection with the

(e) solely with respect to Dry Mortgage Loans, an executed Trust Receipt from the Custodian relating to such Dry Mortgage Loans in form and substance as set forth in the Custodial and Disbursement Agreement;

(f) [Reserved];

(g) [Reserved];

(h) Seller shall have paid all fees (including Non-Usage Fees, Exit Fees, Minimum Utilization Fees, Margin Deficits and Upfront Fees), expenses, indemnity payments and other amounts that are then due and owing under the Principal Agreements;

(i) no rescission notice and/or notice of right to cancel shall have been improperly delivered to the Mortgagor in respect of any Eligible Mortgage Loan, and the rescission period related to such Eligible Mortgage Loan shall have expired, except in all cases for Mortgage Loans that no longer constitute Related Mortgage Loans;

(j) Seller shall have designated an Approved Payee, if applicable, to whom such funds shall be delivered;

(k) the representations and warranties of Guarantor and Seller set forth in Article 8 hereof shall be true and correct in all material respects as if made on and as of the date of each Transaction;

(l) Seller and Guarantor shall have performed all agreements to be performed by them hereunder and under the Principal Agreements, respectively;

(m) no Default, Event of Default or Material Adverse Effect with respect to Seller or Guarantor shall have occurred and be continuing or would result from such Transaction;

(n) no Servicer Termination Event shall have occurred and be continuing and, at any time at which Seller or Guarantor is not the Servicer, to the extent not already provided, a Servicing Agreement duly executed by the applicable Servicer and Seller or Guarantor, as applicable, or a Servicer Notice, if applicable, shall have been delivered to Buyer and the current Servicer has been approved by Buyer;

(o) [Reserved];

(p) Guarantor or Seller shall have deposited (or have caused the Servicer to deposit) all amounts required under Section 6.2(h) into the Custodial Account;

(q) [Reserved];

(r) the Purchase Price for each proposed Transaction shall not cause (i) the Aggregate Outstanding Purchase Price to exceed the Aggregate Transaction Limit, and (ii) the Aggregate Outstanding Purchase Price for all relevant Purchased Assets to exceed the product of the applicable Type Sublimit (expressed as a decimal and as determined by the Type of Purchased Asset) and the Aggregate Outstanding Purchase Price;

(s) [Reserved];

101(47)(A)(i) of the Bankruptcy Code and/or (b) a security agreement or other arrangement or other credit enhancement related to the Principal Agreements.

10.8 Change in Organizational Documents. None of Seller or Guarantor shall amend modify or otherwise change any of its Governing Documents in any material respect, except any such amendments, modifications or changes or any such new agreements or arrangements that could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

10.9 [Reserved].

10.10 Fiscal Year. Each of Seller and Guarantor shall not change its fiscal year-end from December 31 or change its method of determining fiscal quarters, without providing notice to the Buyer.

10.11 Pooled Mortgage Loans. Notwithstanding anything to the contrary in this Agreement or any other Principal Agreement, each of Seller and Guarantor shall not, directly or indirectly, replace any Related Mortgage Loan with a Mortgage-Backed Security pursuant to Section 3.7 that includes any mortgage loans in the related Pool that do not include such Related Mortgage Loans that such Mortgage-Backed Security replaced.

10.12 [***]. With respect to any repurchase agreement or credit facility secured by mortgage loan-related collateral in which Seller or Guarantor or their respective Subsidiaries, are parties to as seller, borrower or any other type of obligor, [***].

ARTICLE 11
DEFAULTS AND REMEDIES

11.1 Events of Default. The occurrence of any of the following conditions or events shall be an Event of Default:

(a) any failure of Seller to transfer the Purchased Assets to Buyer on the applicable Purchase Date (provided that Buyer has tendered the related Purchase Price) that (i) is not otherwise remedied (a) pursuant to Section 6.3 by Seller's payment thereunder of the resulting Margin Call caused by such delivery failure or (b) the return of the related Purchase Price to the Wire-Out Account pursuant to the Custodial and Disbursement Agreement or (ii) or is caused by the willful misconduct, recklessness, fraud or gross negligence of Seller or Guarantor; or

(b) failure of Guarantor to perform its obligations under Section 6.2(h)(i); or

(c) failure of Seller to (i) repurchase the Purchased Assets on the applicable Repurchase Date, (ii) perform its obligations under Section 6.3(b), (iii) make any required payment of Non-Usage Fees, Exit Fees or Minimum Utilization Fees when due hereunder and such failure and such failure remains unremedied for a period of [***] Business Days after the earlier of (x) written notice of such failure shall have been given to Seller by Buyer or (y) the date upon which a Responsible Officer of Seller or Guarantor obtained actual

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

BUYER: GOLDMAN SACHS BANK USA

By: __

Name:

Title:

SELLER: HPFC SUB 1 LLC, LLC

By: __

Name:

Title:

GUARANTOR: HOME POINT FINANCIAL CORPORATION

By: __

Name:

Title:

ACKNOWLEDGED AND AGREED:

ORIGINAL SELLER: HOME POINT FINANCIAL CORPORATION

By: __

Name:

EXHIBIT A

GLOSSARY OF DEFINED TERMS

"Ability to Repay Rule": 12 C.F.R. 1026.43(c), including all applicable official staff commentary.

"Acceptable Title Insurance Company": A nationally recognized title insurance company that is acceptable to the Agencies and has not been disapproved by Buyer in a writing provided to Seller or Guarantor.

"Accepted Servicing Practices": With respect to any related Mortgage Loan, those procedures (including collection procedures) that Seller customarily employs and exercises in servicing and administering similar mortgage loans for its own account and which are in accordance with (i) accepted mortgage servicing practices of prudent lending institutions for comparable mortgage loans in the jurisdiction where the related Mortgaged Property is located, (ii) Applicable Law and (iii) applicable Agency Guides, FHA Regulations, VA Regulations and RD Regulations.

"Account Bank": (a) U.S. Bank, National Association, in its capacity as depository bank with respect to the Disbursement Account, as applicable, (b) Merchants Bank of Indiana, with respect to the Custodial Account or (c) such other party upon whom Buyer and Seller may mutually agree.

"Administrative Agent": As defined in the Credit Agreement.

"Affiliate": With respect to a Person, any other Person that (i) directly or indirectly through one or more intermediaries, controls, is controlled by, or is under direct or indirect common control with such Person or (ii) is an officer or director of such Person; provided that each Agency shall be specifically excluded as an Affiliate of Buyer. Solely for purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 25% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise; provided that other than Seller, Guarantor and their respective Subsidiaries (as applicable), no other portfolio company of Stone Point Capital LLC or its Affiliates shall be deemed to be an "Affiliate" of Seller or Guarantor.

"Agency": Fannie Mae, Freddie Mac or Ginnie Mae, as applicable.

"Agency Audit": Any Agency, HUD, FHA, VA and RD audits, examinations, evaluations, monitoring reviews and reports of its origination and servicing operations (including those prepared on a contract basis for any such Agency, HUD, FHA, VA or RD).

"<u>Agency Eligible Mortgage Loan</u>": A Mortgage Loan that is originated in, and at all times remains in, Strict Compliance with the Agency Guides and the eligibility requirements specified for the applicable Agency Program, and is eligible for sale to or securitization by such Agency.

"<u>Agency Guides</u>": The Ginnie Mae Guide, the Fannie Mae Guide, the Freddie Mac Guide, the FHA Regulations, the VA Regulations or the RD Regulations, as the context may require, in each case as such guidelines have been or may be amended, supplemented or otherwise modified from time to time (i) by Ginnie Mae, Fannie Mae, Freddie Mac, the FHA, the VA or the RD, as applicable, in the ordinary course of business and not at the request of Seller, Guarantor or any of their respective Affiliates and provided that any such amendment, supplement or other modification is applicable to at least one other Person that is not an Affiliate of Seller or Guarantor in addition to Seller and Guarantor or (ii) at the request of Guarantor to Ginnie Mae, Fannie Mae, Freddie Mac, the FHA, the VA or the RD, as applicable, and as to

Plan; or (j) the taking of any action by, or the threatening of the taking of any action by, the IRS, the Department of Labor or the Pension Benefit Guaranty Corporation with respect to any of the foregoing.

"<u>Escrow Instruction Letter</u>": The Escrow Instruction Letter from Seller or Guarantor to the Closing Agent, in the form provided by Seller or Guarantor, which shall include the wire instructions to the Closing Agent substantially in the form of <u>Exhibit K</u> hereto, as the same may be modified, supplemented and in effect from time to time.

"<u>Event of Default</u>": Any of the conditions or events set forth in <u>Section 11.1</u> of this Agreement.

"<u>Excluded Taxes</u>": Any of the following Taxes imposed on or with respect to Buyer or required to be withheld or deducted from a payment to Buyer, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, imposed as a result of Buyer being organized under the laws of, having its principal office or applicable lending office located in, or having another present or former connection (other than any connection arising from executing, delivering, being party to, engaging in any transaction pursuant to, performing its obligations under or enforcing this Agreement or being the legal owner of the Purchased Assets) to, the jurisdiction imposing such Tax (or any political subdivision thereof), (b) U.S. federal withholding Taxes imposed on amounts payable to or for the account of Buyer under this Agreement pursuant to a law in effect on the date on which (i) such Buyer becomes a party hereto or (ii) such Buyer (other than at the request of Seller) changes its lending office, except, in each case, to the extent that, pursuant to <u>Section 12.3</u>, amounts with respect to such Taxes were payable either to Buyer's assignor immediately before Buyer became a party hereto or to Buyer immediately before it changed its lending office, (c)

Taxes attributable to Buyer's failure to comply with Sections 12.3(c), (d) or (f) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"Executive Order": As defined in Section 8.1(z)(i) of this Agreement.

"Exit Fee": The fee set forth in the Transactions Terms Letter payable by Seller in connection with the repurchase of a Non-Owner Occupied Loan (Agency Securitization-Designated) where such Non-Owner Occupied Loan (Agency Securitization-Designated) is subject to a securitization or whole loan sale involving third-parties other than Fannie Mae or Freddie Mac, as set forth in the Transactions Terms Letter.

"Expiration Date": As set forth in the Transactions Terms Letter.

"Facility Termination Date": The earliest of (a) the Expiration Date set forth in the Transactions Terms Letter, (b) at Buyer's option, upon the occurrence of an Event of Default that has not been waived by Buyer or, (c) the date that is twenty four (24) calendar months following the Initial Closing Date.

"Fannie Mae": The Federal National Mortgage Association and any successor thereto.

"Fannie Mae Guide": The Fannie Mae MBS Selling and Servicing Guide, as such guide may hereafter from time to time be amended.

"Fannie Mae HomeStyle Loan": A Mortgage Loan that fully conforms to Fannie Mae's HomeStyle Renovation mortgage loan program and is referred to as a "HomeStyle® Renovation Mortgage" by Fannie Mae.

"Freddie Mac Guide": The Freddie Mac Seller's and Servicers' Guide, as such guide may hereafter from time to time be amended.

"Freddie Mac Program": The Freddie Mac Home Mortgage Guarantor Program or the Freddie Mac FHA/VA Home Mortgage Guarantor Program, as described in the Freddie Mac Guide.

"Funding Deposit Account": The non-interest bearing funding deposit account established and maintained by the Funding Deposit Account Bank, which includes any distinct subaccounts thereof, if applicable, bearing ABA Number: [***]; Acct. Name: [***]; Account Number: [***]; FFC: [***].

"Funding Deposit Account Bank": U.S. Bank National Association, or such other party appointed by Buyer in its sole and absolute discretion.

"GAAP": Generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified

Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession and that are applicable to the circumstances as of the date of determination.

"**Ginnie Mae**": Government National Mortgage Association and any successor thereto.

"**Ginnie Mae Guide**": The Ginnie Mae Mortgage-Backed Securities Guide I or II, as such guide may hereafter from time to time be amended.

"**Ginnie Mae Program**": The Ginnie Mae Mortgage-Backed Securities Programs, as described in the Ginnie Mae Guide.

"**Goldman Purchase Commitment**": With respect to any Related Mortgage Loan, a binding, written commitment by Buyer or Affiliate thereof to purchase from Guarantor, and Guarantor to sell to Buyer or such Affiliate, such Related Mortgage Loan in a whole loan acquisition. For the avoidance of doubt, if a Related Mortgage Loan is removed, for any reason, from whole loan acquisition by Guarantor, Buyer or an Affiliate of Buyer, such Related Mortgage Loan shall be deemed to be no longer subject to such Goldman Purchase Commitment.

"**Governing Documents**": With respect to any Person, its articles or certificate of incorporation or formation, by-laws, partnership agreement, limited liability company agreement, memorandum and articles of association, operating agreement or trust agreement and/or other organizational, charter or governing documents.

"**Government Mortgage Loan**": Unless defined otherwise in the Transactions Terms Letter, a first lien mortgage loan that is:

(a) subject to FHA Mortgage Insurance under a FHA Mortgage Insurance Contract and is so insured, or is subject to a current binding and enforceable commitment for such insurance pursuant to the provisions of the National Housing Act, as amended, was originated in Strict Compliance, is eligible for inclusion in the Ginnie Mae Program, and unless otherwise agreed to by Buyer in its sole and absolute discretion, does not exceed the applicable maximum mortgage limits as set forth in the FHA Regulations;

"**Mortgage Loan Documents**": With respect to each Related Mortgage Loan, each document listed in Section 2 of the Custodial and Disbursement Agreement.

"**Mortgage Loan File**": With respect to each Mortgage Loan, that file that contains the Mortgage Loan Documents and is delivered to Custodian pursuant to the Custodial and Disbursement Agreement.

"**Mortgage Note**": A promissory note secured by a Mortgage and evidencing a Mortgage Loan.

"**Mortgaged Property**": The real property (or other collateral relating to cooperative loans) securing repayment of the debt evidenced by a Mortgage Note.

"**Mortgagor**": The obligor of a Mortgage Loan.

"**Multiemployer Plan**": A "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which Guarantor or any of its ERISA Affiliates has contributed, or has been obligated to contribute.

"**Nationally Recognized Accounting Firm**": (a) Any of BDO USA, LLP. and any successors to any such firm and (b) any other public accounting firm designated by Guarantor and approved by Buyer, such approval not to be unreasonably withheld or delayed.

"**Non-Owner Occupied Loan**": A Mortgage Loan for which the related Mortgaged Property is non-owner occupied that is originated in compliance with the Fannie Mae Guide or Freddie Mac Guide.

"**Non-Owner Occupied Loan (Agency Securitization-Designated)**": A Non-Owner Occupied Loan, set forth on Exhibit M (as may be amended, supplemented or revised, from time to time, by agreement of Seller and Buyer (which such amendment, supplement or revision may be set forth in an e-mail between Seller and Buyer) a copy of which amendment, supplement or revision shall be provided to Calculation Agent) that has been identified for potential inclusion in a securitization of Agency Eligible Mortgage Loans.

"**Non-Owner Occupied Loan (Goldman Purchase Commitment-Designated)**": A Non-Owner Occupied Loan, set forth on Exhibit N (as may be amended, supplemented or revised, from time to time, by agreement of Seller and Buyer (which such amendment, supplement or revision may be set forth in an e-mail between Seller and Buyer) a copy of which amendment, supplement or revision shall be provided to Calculation Agent) that is subject to a Goldman Purchase Commitment.

"**Non-Usage Fee**": The fee set forth in the Transactions Terms Letter payable by Seller monthly in arrears on each Price Differential Date, based upon the unused portion of the Committed Amount.

"**OFAC**": The U.S. Department of Treasury's Office of Foreign Assets Control. "**Other Taxes**": As defined in Section 12.3(a) of this Agreement.

"**Participant Register**": As defined in Section 14.7 of this Agreement.

"**Participation Agreement**": That certain Master Participation Agreement, dated as of the Effective Date, by and between Guarantor and Seller, as the initial participant, as amended, restated, supplemented or otherwise modified from time to time.

“**Participation Certificate**”: The certificates evidencing 100% of the Participation Interests.

EXHIBIT B

[RESERVED]

EXHIBIT C

[Reserved]

EXHIBIT D

ASSIGNMENT OF CLOSING PROTECTION LETTER

[HOME POINT FINANCIAL CORPORATION] ("**Assignor**") declares that for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it does hereby convey, transfer, assign, deliver and give to Assignee, and hereby expressly subrogates GOLDMAN SACHS BANK USA ("**Assignee**") unto, all of Assignor's claims, demands, rights and causes of action, past, present or future, that Assignor has for loss or damage covered by the closing protection letter issued by [Title Company] attached hereto ("**Closing Protection Letter**"). Such rights being assigned by Assignor hereunder include, without limitation, the right to demand, sue, collect, receive, protect, preserve and enforce performance under the Closing Protection Letter. Assignee shall succeed to all rights of recovery of Assignor under the Closing Protection Letter and Assignor shall execute such instruments and documents necessary and proper to further secure such rights to Assignee and shall not act in any manner hereafter to prejudice or impair the rights of Assignee. Assignor hereby grants Assignee an irrevocable mandate and power of attorney coupled with an interest with full power of substitution to transact this act of assignment and subrogation. All capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Master Repurchase Agreement (as amended, restated, supplemented or modified from time to time) between Assignor and Assignee.

IN WITNESS WHEREOF, the Assignor has caused this assignment to be duly executed as of [__],

202__.

[HOME POINT FINANCIAL CORPORATION] [HPFC SUB 1 LLC]

By: __

Name:

Title:

EXHIBIT E

FORM OF POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, Goldman Sachs Bank USA (“Buyer”), HPFC SUB 1 LLC (“Seller”) and Home Point Financial Corporation (“Guarantor”) have entered into the Amended and Restated Master Repurchase Agreement, dated as of June 30, 2021 (the “Agreement”), pursuant to which Buyer has agreed to purchase from Seller certain mortgage loans from time to time, subject to the terms and conditions set forth therein; and

WHEREAS, each of Seller and Guarantor has agreed to give to Buyer a power of attorney on the terms and conditions contained herein in order for Buyer to take any action set forth below that Buyer may deem necessary or advisable to accomplish the purposes of the Agreement.

NOW, THEREFORE, [Seller] [Guarantor] hereby irrevocably constitutes and appoints Buyer as its true and lawful Attorney-in-Fact, with full power and authority hereby conferred in its name, place and stead and for its use and benefit, to do and perform any of the following actions in connection with assets purchased by Buyer from Seller under the Agreement (the “**Purchased Assets**”) or as otherwise provided below:

(a) (1) to receive, endorse and collect all checks made payable to the order of Seller representing any payment on account of the Purchased Assets;

(b) (2) to assign or endorse any mortgage, deed of trust, promissory note or other instrument relating to the Purchased Assets;

(c) (3) to correct any assignment, mortgage, deed of trust or promissory note or other instrument relating to the Purchased Assets, including, without limitation, unendorsing and re-endorsing a promissory note to another investor;

(d) (4) to complete and execute lost note affidavits or other lost document affidavits relating to the Purchased Assets;

(e) (5) to issue title requests and instructions relating to the Purchased Assets; and

(f) (6) to give notice to any individual or entity of its interest in the Purchased Assets under the Agreement.

[Seller] [Guarantor] hereby ratifies and confirms all that said Attorney-in-Fact shall lawfully do or cause to be done by authority hereof.

Third parties without actual notice may rely upon the power granted under this Power of Attorney upon the exercise of such power by the Attorney-in-Fact.

EXHIBIT F

WIRING INSTRUCTIONS

[***]

EXHIBIT G

FORM OF SERVICER NOTICE

[_______], 20__

[__], as Servicer
[ADDRESS]
Attention:

Re: Amended and Restated Master Repurchase Agreement dated as of **June 30, 2021** (the "**Agreement**") among HPFC Sub 1 LLC, ("Seller"), Home Point Financial Corporation ("**Guarantor**") and Goldman Sachs Bank USA ("**Buyer**")

Ladies and Gentlemen:

[__] ("**Servicer**") is servicing certain mortgage loans for Guarantor pursuant to that certain Servicing Agreement dated as of [__] (the "**Servicing Agreement**") between Servicer and Guarantor. Pursuant to the Agreement between Buyer, Guarantor and Seller, Servicer is hereby notified that Seller may from time to time sell to Buyer a one hundred percent (100%) beneficial interest (the "**Participation Interests**") in certain mortgage loans which are then currently being serviced by Servicer pursuant to the terms of the Servicing Agreement (such mortgage loans that are serviced by Servicer, the "**Mortgage Loans**").

Section 1. Direction Notice.

(a) [Upon receipt of notice from Buyer (a "**Direction Notice**") in which Buyer shall identify the Mortgage Loans, Servicer shall segregate all amounts collected on account of such Mortgage Loans, hold them in trust for the sole and exclusive benefit of Buyer, and remit such collections in accordance with Buyer's written instructions. Further, Servicer shall follow the instructions of Buyer with respect to the Mortgage Loans, and shall deliver to Buyer any information with respect to the Mortgage Loans as reasonably requested by Buyer.]

(b) Notwithstanding any contrary information which may be delivered to the Servicer by Guarantor or Seller, Servicer may conclusively rely on any information delivered by Buyer, and Guarantor and Seller, jointly and severally, shall indemnify and hold the Servicer harmless for any and all claims asserted against it for any actions taken in good faith by the Servicer in connection with the delivery of such information.

Section 2. No Modification of the Servicing Agreement. Without the prior written consent of Buyer exercised in Buyer's sole and absolute discretion, Servicer shall not agree to (a) any modification, amendment or waiver of the Servicing Agreement; (b) any termination of the

Servicing Agreement or (c) the assignment, transfer, or material delegation of any of its rights or obligations under the Servicing Agreement.

Section 3. Right of Termination. Upon receipt of a Direction Notice, Buyer shall have the right to terminate the Servicer's rights and obligations to service the Mortgage Loans under the Servicing Agreement in accordance with the terms thereof. Any fees due to the Servicer (a) in connection with any termination shall be paid by Guarantor and Seller, jointly and severally, and (b) incurred following receipt of a Direction Notice shall be paid by Buyer to the extent that such fees relate to the Mortgage Loans that are subject to the Servicing Agreement; provided that any fees incurred after the receipt of a Direction Notice related to transfer of servicing of the Mortgage Loans from Servicer to Buyer's servicer shall by

IN WITNESS WHEREOF, the parties have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

GOLDMAN SACHS BANK USA, as Buyer

By: __
Name:
Title:

HOME POINT FINANCIAL CORPORATION, as Guarantor

By: __
Name:
Title:

HPFC SUB 1 LLC, as Seller

By: __
Name:
Title:

[   ], as Servicer

By: __
Name:
Title:

EXHIBIT H

REPRESENTATIONS AND WARRANTIES

Representations and Warranties Concerning Purchased Assets. Seller represents and warrants to and covenants with Buyer that the following are true and correct with respect to each Purchased Asset as of the related Purchase Date through and until the date on which such Purchased Asset is repurchased by Seller. With respect to those representations and warranties which are made to Seller's knowledge, if it is discovered by Seller or Buyer that the substance of such representation and warranty is inaccurate, notwithstanding Seller's lack of knowledge with respect to the substance of such representation and warranty, such inaccuracy shall be deemed a breach of the applicable representation and warranty for purposes of determining (i) Asset Value, (ii) whether a Mortgage Loan is an Eligible Mortgage Loan or (iii) or for any other purpose hereunder if Seller or Guarantor shall have made any such representation and warranty with knowledge that they were materially false or misleading at the time made. The References in the following representations and warranties to a "Mortgage Loan" or "Asset" refer to Related Mortgage Loan in which the Seller has acquired a Participation Interest represented by the related Purchased Assets.

(a) Eligible Asset. The Mortgage Loan is an Eligible Mortgage Loan. The Mortgage Loan is a legal, valid and binding obligation of the Mortgagor thereunder, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principals of equity (regardless of whether enforcement is sought in a proceeding in equity or at law), and subject to no offset, defense or counterclaim, obligating Mortgagor to make the payments specified therein.

(b) Purchase Commitment. Unless otherwise stated in the Transactions Terms Letter, each Mortgage Loan related to the Asset which is the subject of a Purchase Commitment is covered by a Purchase Commitment that (i) does not exceed the availability under such Purchase Commitment (taking into consideration mortgage loans which have been purchased by the respective Approved Investor under the Purchase Commitment and mortgage loans which Seller has identified to Buyer as covered by such Purchase Commitment), (ii) conforms to the requirements and the specifications set forth in such Purchase Commitment and the related regulations, rules, requirements and/or handbooks of the applicable Approved Investor and (iii) is eligible for sale to and insurance or guaranty by, respectively, the applicable Approved Investor and any applicable insurer. Each Purchase Commitment is a legal valid and binding obligation of Guarantor enforceable against it in accordance with its terms, subject to applicable bankruptcy insolvency and similar laws affecting creditors' rights generally and subject as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(c) Transaction Request. Except with respect to de minimis data transcription errors, the information contained in the Transaction Request is true, correct and complete and the Mortgage Loan conforms to the description thereof on the related Transaction Request.

(d) Origination and Servicing. The Mortgage Loan was originated by or in conjunction with a mortgagee approved by the Secretary of Housing and Urban Development pursuant to Sections 203 and 211 of the National Housing Act, a savings and loan association, a savings bank, a commercial bank, credit union, insurance company or similar banking institution which is supervised and examined by a federal or state authority. The Mortgage Loan has been originated and serviced in compliance with Accepted Servicing Practices, applicable Agency Guides, the applicable Underwriting Guidelines and Insurer requirements and all applicable federal, state and

EXHIBIT I

[RESERVED]

EXHIBIT J

[RESERVED]

EXHIBIT K

The escrow instruction letter (the "Escrow Instruction Letter") shall also include the following instruction to the Settlement Agent (the "Escrow Agent"):

Goldman Sachs Bank USA (the "Buyer"), has agreed to provide funds ("Escrow Funds") to HPFC Sub 1 LLC (the "Seller") to finance certain mortgage loans (the "Mortgage Loans") for which you are acting as Escrow Agent. U.S. Bank National Association, in its capacity as funds disbursement agent (the "Disbursement Agent"), will disburse such funds on behalf of Buyer.

You hereby agree that (a) you shall receive such Escrow Funds from the Buyer to be disbursed by the Disbursement Agent in connection with this Escrow Instruction Letter, (b) you will hold such Escrow Funds in trust, without deduction, set-off or counterclaim for the sole and exclusive benefit of Buyer until such Escrow Funds are fully disbursed on behalf of Buyer in accordance with the instructions set forth herein, and (c) you will disburse such Escrow Funds on the date specified for closing (the "Closing Date") only after you have followed this Escrow Instruction Letter's requirements with respect to the Mortgage Loans. In the event that the Escrow Funds cannot be disbursed on the Closing Date in accordance with the Escrow Instruction Letter, you agree to promptly remit the Escrow Funds to the Disbursement Agent by re-routing via wire transfer the Escrow Funds in immediately available funds, without deduction, set-off or counterclaim, returned back to the account specified in Disbursement Agent's incoming wire transfer.

You further agree that, upon disbursement of the Escrow Funds, you will hold the Mortgage Loan File as specified in the Escrow Instruction Letter in escrow as agent and bailee for Buyer, and will forward the Mortgage Loan File and original Escrow Instruction Letter in connection with such Mortgage Loans by overnight courier (y) to the Disbursement Agent within three (3) Business Days following the date of origination.

You agree that all fees, charges and expenses regarding your services to be performed pursuant to this Escrow Instruction Letter are to be paid by Seller or its borrowers, and Buyer shall have no liability with respect thereto.

The provisions of this Escrow Instruction Letter may not be modified, amended or altered, except by written instrument, executed by the parties hereto and Buyer. You understand that Buyer shall act in reliance upon the provisions set forth in this Escrow Instruction Letter and that the Buyer is an intended third party beneficiary hereof.

Whether or not an Escrow Instruction Letter executed by you is received by the Disbursement Agent, your acceptance of the Escrow Funds shall be deemed to constitute your acceptance of this Escrow Instruction Letter.

EXHIBIT L

FORM OF MONTHLY SERVICING REPORT

[***]

EXHIBIT M

NON-OWNER OCCUPIED LOANS (AGENCY SECURITIZATION-DESIGNATED)

Loan Number

[***]

EXHIBIT N

NON-OWNER OCCUPIED LOANS
(GOLDMAN PURCHASE COMMITMENT--DESIGNATED)

Loan Number

[***]

SCHEDULE 1

Filing Jurisdictions and Offices

Entity Name	Role	Filing Office
Home Point Financial Corporation	**Guarantor**	**New Jersey**
HPFC Sub 1 LLC	**Seller**	**Delaware**

SCHEDULE 2

Ownership Structure of Guarantor and its Affiliates and Subsidiaries

Exhibit A-2

MASTER REPURCHASE AGREEMENT

(Conformed Copy)

(Attached)

Exhibit 10.2

CONFIRMATION AND AMENDMENT OF MASTER PARTICIPATION AGREEMENT

THIS CONFIRMATION AND AMENDMENT OF MASTER PARTICIPATION AGREEMENT ("Confirmation and Amendment"), is executed to be effective as of the 21st day of July, 2021, by and between HOME POINT FINANCIAL CORPORATION, a New Jersey corporation (hereinafter referred to as "**Seller**"), and MERCHANTS BANK OF INDIANA (hereinafter referred to as "**Participant**");

W I T N E S S E S T H A T:

WHEREAS, Seller and Participant entered into that certain Master Participation Agreement dated May 31, 2017 for a participation facility in the amount Six Hundred Million and 00/100 Dollars ($600,000,000.00), as subsequently increased to One Billion Two Hundred Million and 00/100 Dollars ($1,200,000,000.00) (as heretofore amended, modified or restated, referred to as the "**Participation Agreement**");

WHEREAS, among other terms specifically identified herein, Seller and Participant have agreed to modify certain terms of the Participation Agreement as more particularly described herein;

WHEREAS, Participant is willing to modify the Participation Agreement subject to, inter alia, the terms and conditions hereinafter specified and upon the condition that Seller makes the acknowledgements, agreements and confirmations set forth herein and executes all documents reasonably required by Participant to effectuate such modification.

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Participant agree as follows:

1. Seller and Participant hereby agree that the maximum aggregate outstanding balance of Ownership Interests as set forth in Section 1.1 of the Participation Agreement (the "Maximum Participation Amount") shall be, and as of the date hereof is, temporarily increased to the amount of One Billion Five Hundred Million and 00/100 Dollars ($1,500,000,000.00) through September 15, 2021, and on September 16, 2021, the maximum aggregate outstanding balance of Ownership Interests shall automatically be reduced to One Billion Two Hundred Million and 00/100 Dollars ($1,200,000,000.00), all on the terms and conditions subject to the limitations set forth in the Participation Agreement.

2. Seller acknowledges and confirms that the Participation Agreement continues in full force and effect. Seller reaffirms and ratifies all warranties, representations, provisions, conditions, terms, covenants and agreements set forth in the Participation Agreement.

3. Seller represents and warrants to Participant that (a) as of the effective date hereof, there exists no event of default under the Participation Agreement, or any condition that, with the giving of notice, lapse of time, or both, would constitute an event of default under the Participation Agreement, and (b) Seller has no defenses, offsets, claims or counterclaims against Participant under the Participation Agreement, or any other agreement, instrument, document or event executed or occurring in connection therewith.

4. Seller hereby agrees to reimburse Participant upon demand for all costs and expenses incurred by Participant in connection with the amendment and modification of the terms and conditions of the Participation Agreement pursuant to this Confirmation and Amendment, including but not limited to all premiums and fees of any title insurance company in connection with issuing any endorsement required by Participant to any policy of title insurance, all recording fees and all reasonable attorneys' fees and expenses.

5. This Confirmation and Amendment shall be binding upon and inure to the benefit of Seller and Participant and their respective successors, assigns and legal representatives.

6. The undersigned, executing this Confirmation and Amendment for and on behalf of Seller, certifies and represents to Participant that s/he is duly authorized by all action necessary on the part of Seller to execute and deliver this document and that this document constitutes a legal, valid and binding obligation of Seller in accordance with its terms. This agreement may be executed and delivered in multiple counterparts, including by electronic signature and transmission, each of which when so executed and delivered shall be an original, and all of which together shall constitute one and the same instrument.

7. This Confirmation and Amendment shall be governed by and construed in accordance with the laws of the State of Indiana.

[*Remainder of page intentionally blank; signatures on following page(s)*]

IN WITNESS WHEREOF, the undersigned have caused this Confirmation and Amendment of Master Participation Agreement to be executed effective as of the date first above written.

Seller:

HOME POINT FINANCIAL CORPORATION

By: /s/ Joseph Ruhlin
Name: Joseph Ruhlin
Title: Treasurer

Participant:

MERCHANTS BANK OF INDIANA

By: /s/ Kelly Horvath
Name: Kelly Horvath
Title: Vice President

<u>CONFIRMATION AND AMENDMENT OF MASTER PARTICIPATION AGREEMENT</u>

THIS CONFIRMATION AND AMENDMENT OF MASTER PARTICIPATION AGREEMENT ("Confirmation and Amendment"), is executed to be effective as of the 13th day of September, 2021, by and between HOME POINT FINANCIAL CORPORATION, a New Jersey corporation (hereinafter referred to as "**Seller**"), and MERCHANTS BANK OF INDIANA (hereinafter referred to as "**Participant**");

W I T N E S S E S T H A T:

WHEREAS, Seller and Participant entered into that certain Master Participation Agreement dated May 31, 2017 for a participation facility in the amount Six Hundred Million and 00/100 Dollars ($600,000,000.00), as subsequently increased to One Billion Two Hundred Million and 00/100 Dollars ($1,200,000,000.00) (as heretofore amended, modified or restated, referred to as the "**Participation Agreement**");

WHEREAS, among other terms specifically identified herein, Seller and Participant have agreed to modify certain terms of the Participation Agreement as more particularly described herein;

WHEREAS, Participant is willing to modify the Participation Agreement subject to, inter alia, the terms and conditions hereinafter specified and upon the condition that Seller makes the acknowledgements, agreements and confirmations set forth herein and executes all documents reasonably required by Participant to effectuate such modification.

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Participant agree as follows:

1. Seller and Participant hereby agree that the maximum aggregate outstanding balance of Ownership Interests as set forth in Section 1.1 of the Participation Agreement (the "Maximum Participation Amount") shall be, and as of the date hereof is, temporarily increased to the amount of One Billion Five Hundred Million and 00/100 Dollars ($1,500,000,000.00) through October 15, 2021, and on October 16, 2021, the maximum aggregate outstanding balance of Ownership Interests shall automatically be reduced to One Billion Two Hundred Million and 00/100 Dollars ($1,200,000,000.00), all on the terms and conditions subject to the limitations set forth in the Participation Agreement.

2. Seller acknowledges and confirms that the Participation Agreement continues in full force and effect. Seller reaffirms and ratifies all warranties, representations, provisions, conditions, terms, covenants and agreements set forth in the Participation Agreement.

3. Seller represents and warrants to Participant that (a) as of the effective date hereof, there exists no event of default under the Participation Agreement, or any condition that, with the giving of notice, lapse of time, or both, would constitute an event of default under the Participation Agreement, and (b) Seller has no defenses, offsets, claims or counterclaims against Participant under the Participation Agreement, or any other agreement, instrument, document or event executed or occurring in connection therewith.

4. Seller hereby agrees to reimburse Participant upon demand for all costs and expenses incurred by Participant in connection with the amendment and modification of the terms and conditions of the Participation Agreement pursuant to this Confirmation and Amendment, including but not limited to all premiums and fees of any title insurance company in connection with issuing any endorsement required by Participant to any policy of title insurance, all recording fees and all reasonable attorneys' fees and expenses.

5. This Confirmation and Amendment shall be binding upon and inure to the benefit of Seller and Participant and their respective successors, assigns and legal representatives.

6. The undersigned, executing this Confirmation and Amendment for and on behalf of Seller, certifies and represents to Participant that s/he is duly authorized by all action necessary on the part of Seller to execute and deliver this document and that this document constitutes a legal, valid and binding obligation of Seller in accordance with its terms. This agreement may be executed and delivered in multiple counterparts, including by electronic signature and transmission, each of which when so executed and delivered shall be an original, and all of which together shall constitute one and the same instrument.

7. This Confirmation and Amendment shall be governed by and construed in accordance with the laws of the State of Indiana.

[*Remainder of page intentionally blank; signatures on following page(s)*]

IN WITNESS WHEREOF, the undersigned have caused this Confirmation and Amendment of Master Participation Agreement to be executed effective as of the date first above written.

Seller:

HOME POINT FINANCIAL CORPORATION

By: /s/ Joseph Ruhlin
Name: Joseph Ruhlin
Title: Treasurer

Participant:

MERCHANTS BANK OF INDIANA

By: /s/ Kelly Horvath
Name: Kelly Horvath
Title: Vice President

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William A. Newman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Home Point Capital Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 5, 2021

/s/ William A. Newman

William A. Newman
Director, President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark E. Elbaum, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Home Point Capital Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 5, 2021

/s/ Mark E. Elbaum

Mark E. Elbaum

Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Home Point Capital Inc. (the "Company") for the quarter ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: November 5, 2021

/s/ William A. Newman
William A. Newman
Director, President and Chief Executive Officer
(Principal Executive Officer)

/s/ Mark E. Elbaum
Mark E. Elbaum
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.