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loanDepot, Inc. NYSE:LDI

Earnings Call

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Call Participants

EXECUTIVES

Anthony Li Hsieh
Founder, CEO, Chairman & President

David R. Hayes
Chief Financial Officer

Gerhard Erdelji
Senior Vice President of Investor Relations

ANALYSTS

Mihir Bhatia
BofA Securities, Research Division

Mikhail Goberman
Citizens JMP Securities, LLC, Research Division

Presentation

Operator

Good afternoon, and welcome to loanDepot's First Quarter 2026 Earnings Call. [Operator Instructions]

I would now like to hand the call over to Gerhard Erdelji, Senior Vice President, Investor Relations. Please go ahead.

Gerhard Erdelji
Senior Vice President of Investor Relations

Good afternoon, everyone, and thank you for joining our First Quarter 2026 Earnings Call.

Before we begin, I would like to remind everyone that this conference call may include forward-looking statements regarding the company's operating and financial performance in future periods. For more information about factors that may cause actual results to differ materially from forward-looking statements, please refer to the earnings release that we issued earlier today, which is available on our website at investors.loandepot.com.

Our presentation today contains certain non-GAAP financial measures that we believe provide additional insight into analyzing and benchmarking the performance and value of our business and facilitating company-to-company operating performance comparisons. For more details on these non-GAAP financial measures, including reconciliation to the most directly comparable GAAP measures, please refer to today's earnings release.

A webcast and transcript of this call will be posted on our website after the conclusion of this call.

On today's call, we have loanDepot's Founder and Chief Executive Officer, Anthony Hsieh; and Chief Financial Officer, David Hayes. They will provide an overview of our quarter, a review of our operating results and our outlook. We're also joined by Chief Investment Officer, Jeff DerGurahian; and Chief Digital Officer, Dominick Marchetti, to help answer your questions after our prepared remarks.

And with that, I'll turn things over to Anthony to get us started. Anthony?

Anthony Li Hsieh
Founder, CEO, Chairman & President

Thank you, Gerhard. I appreciate everyone joining us on the call today.

We are now 3 quarters into the rebuild of our company. And I believe that all of our hard work will soon be reflected in our financial performance. We spent the most recent quarter focused on a series of long-term growth initiatives that we expect will accelerate our momentum in coming months, including the addition of over 100 new loan officers, the reimagining and relaunch of our wholesale business and the completion of our game-changing partnership agreement with Figure. I'll talk about each of these initiatives in more detail in a moment, but I'm pleased to share they are delivering promising early results.

Since my return as CEO, I have been laser-focused on our digital transformation as a key enabler of our return to a market-leading position. We have focused on fully leveraging our unique assets and strategy, including one of the most differentiated customer acquisition and retention business models in the marketplace today. This included rebuilding our management team with members that have deep mortgage technology and marketing IQ.

With this team now largely in place, we have spent the past several quarters hiring and training more loan officers with the goal of growing market share and positioning ourselves for accelerated growth when demand increases. This growth is broad-based and consists of newly trained loan officers graduating from our proprietary ACES program in our direct channel and experienced loan officers with established businesses in our retail channel.

We also recently reopened our wholesale channel as part of our strategy to offer more products to our customers and leverage our existing infrastructure while limiting incremental expenses. Response from the broker community has been very positive, with many directly reaching out seeking to partner with loanDepot.

Despite a volatile market environment, these initiatives helped us increase market share during the quarter, which I consider vital to our goal of achieving consistent profitability in the current market.

Behind the scenes, we remain focused on reducing unit costs through operating leverage and automation. As demonstrated this quarter, we sharpened our marketing strategies to drive more lock volume to the top of the funnel while reducing marketing costs, increasing our return on marketing.

Looking forward, I believe the digital migration of the customer will continue to accelerate, and we plan to be there to meet the customer. Led by our digital team, we are hard at work introducing cutting-edge technology and AI capabilities to our repeatable and scalable functions across each aspect of the origination and servicing life cycle, including lead acquisition and conversion, loan officer and servicing CRM management and rote underwriting process.

Our recently announced partnership with Figure Technology Solutions is expected to meaningfully accelerate our work and is delivering promising early results. As part of this partnership, we integrated Figure's proprietary credit and loan underwriting engine into our own proprietary mello technology platform, enabling us to seamlessly offer a variety of innovative home loan products to our customers.

Importantly, our partnership also positions us to introduce new and innovative products that expand the way we serve borrowers in the future and capitalize on market improvements. The 5x5 HomeLoan, which delivers approval in as little as 5 minutes and funding in as few as 5 days brings real value to those seeking speed and convenience in their financial transaction. As we integrate this platform across our channels, we expect to lower our cost of production, improve the customer experience, close more loans quickly and advance our long-term objective of profitable market share growth.

We also believe that this product will be a consistent contributor to the earnings power of the company as customers with record levels of home equity and historically low interest rates on their First Trust Deeds should remain a reliable source of demand even as interest rates fall. As we look ahead with expectations of a larger market, our top of the funnel customer acquisition advantage uniquely positions us to outperform our competition in a rapidly evolving and consolidating marketplace.

I'm proud of the work that has been accomplished since my return to a full-time operating role. We plan to continue investing in growing our top of the funnel customer acquisition and origination capabilities, leveraging our brand and marketing muscle, along with introducing contemporary technology, including AI, which should lower our costs and increase our operating efficiency.

Ultimately, our goal are to deliver profitable market share growth, improve the borrower experience, drive customer retention and deliver long-term shareholder value. This is our mission and what we are working towards every day. Regardless of interest rate movements, we are focused on delivering consistent profitability. We believe we are well on our way towards that goal. And as rates fall, that time line will be shortened.

With that, I will now turn the call over to Dave, who will take us through our financial results in more detail. Dave?

David R. Hayes
Chief Financial Officer

Thanks, Anthony, and good afternoon, everyone.

The quarter reflected continued progress towards sustainable profitability, offset by geopolitically driven market volatility. We reported an adjusted net loss of $34 million in the first quarter compared to an adjusted net loss of $21 million in the fourth quarter of 2025 due primarily to lower pull-through weighted gain on sale margin, offset somewhat by lower expenses.

During the first quarter, pull-through weighted rate lock volume was $8.3 billion, which represented a 14% increase from the prior quarter volume of $7.3 billion. Pull-through weighted rate lock volume came in within the guidance we issued last quarter of $7.75 billion to $8.75 billion and contributed to adjusted total revenue of $299 million, which compared to $316 million in the fourth quarter of 2025.

As Anthony mentioned, the growth in rate lock volume was achieved while reducing marketing expenses by 12% during the quarter. This positive operating leverage reflected improved strategies for mid-funnel lead conversion and our sharpened marketing strategies.

Our pull-through weighted gain on sale margin for the fourth quarter came in at 271 basis points at the low end of our guidance range of 270 basis points to 300 basis points and down compared to 324 basis points to the prior quarter.

Our lower gain on sale margin primarily reflected interest rate volatility and product mix shift. The geopolitical environment created a sharp increase in interest rates during the first quarter, and we originated fewer higher-margin FHA, VA and HELOC loans and originated more conventional loans, both effects compressing our margin. Higher interest rates during the quarter also generated wider negative fair value marks on our mortgage servicing and trading securities, contributing to lower revenue.

Our loan origination volume was $7.7 billion for the quarter, a decrease of 5% from the prior quarter's volume of $8 billion. This was at the high end of our guidance we issued last quarter of between $6.75 billion and $7.75 billion. Closed loan volume also represented a market share increase, demonstrating the success in investing in increasing our loan officers.

Servicing fee income decreased from $113 million in the fourth quarter of 2025 to $109 million in the first quarter and primarily due to lower interest earnings from lower custodial balances, along with fewer days in the quarter. Despite the lower servicing revenue, we're able to increase our market-leading recapture rate to 73% from the prior quarter's 71%.

We hedge our servicing portfolio, so we do not record the full impact of the changes in fair value and the results of our operations. We believe this strategy helps protect against volatility in our earnings and liquidity. Our strategy for hedging the servicing portfolio is dynamic, and we adjust our hedge positions in reaction to the changing interest rate environment.

Our total expenses for the first quarter decreased by $565,000 from the prior quarter. We guided to higher expenses during the quarter, but ended up delivering a decrease. The primary drivers of the decrease were lower commissions due to the impact of implementing a more efficient commission strategies and lower marketing expenses, as I previously discussed.

Salary-related expenses increased due to higher headcount as we build capacity and the impact from seasonal employment tax resets. We also experienced higher direct origination expenses as vendors increased the cost of credit reporting services. We believe that process and workflow improvements underway should mitigate some of the increased credit reporting costs going forward.

Looking ahead to the second quarter. We expect pull-through weighted lock volume of between $5.75 billion and $7.75 billion, and origination volume of between $7.25 billion and $9.25 billion. These ranges reflect a shift in mix as our 5x5 HomeLoan product ramps up, which has a very fast funding profile and which volume is not reflected in the lock volume, but is reflected in the closed loan volume.

We expect our second quarter pull-through weighted gain on sale margin to be between 330 basis points and 360 basis points. When evaluating our margin guidance, keep in mind that HELOC products are originated without an interest rate lock. Therefore, our guidance reflects the expected revenue contribution of those products in the numerator, but expected volume is not included in the denominator. They also generally carry a higher gain on sale margin, but lower average loan balances and combined with leveraging the Figure underwriting platform, have a lower cost structure.

Taken together, we believe the partnership will have a positive impact on our bottom line and a meaningful contributor to growth going forward. Our total expenses are expected to increase in the second quarter, primarily driven by higher volume-related costs, reflecting higher expected originations quarter-over-quarter. We ended the quarter with $277 million in cash, decreasing by $60 million from the fourth quarter, reflecting our net loss, the investment in servicing rights and timing differences related to our MSR secured borrowings.

Anthony stated this earlier, but it bears repeating. Our goals are to continue investing in driving top line and market share growth, reducing our costs and increasing operating leverage and applying automation and technology across the origination and servicing business to achieve consistent profitability in any environment.

With that, we're ready to turn it back over to the operator for Q&A. Operator?

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Mihir Bhatia with Bank of America.

Mihir Bhatia
BofA Securities, Research Division

I wanted to start maybe with just the gain on sale margin guide. You have a reasonable step-up in the guide between -- from the first quarter's 271 bps level. Can you just talk about some of the factors that are driving that?

David R. Hayes
Chief Financial Officer

Yes. Sure. It's David Hayes. It's really reflective of a couple of things. But first and foremost, it's the introduction of our 5x5 loan product, which is a HELOC product. That carries a much stronger gain on sale margin with it. And with the recent partnership with Figure, we've really started to ramp that production. So, we're seeing a higher percentage mix of volume coming from that product, which is averaging up our gain on sale margin. Additionally, on the First Trustee side of the house, we saw a product mix shift that diluted our margin in the first quarter, and we're starting to see that shift back towards FHA, VA and overall higher home equity volumes, which is also contributing to a higher gain on sale margin.

Mihir Bhatia
BofA Securities, Research Division

Okay. Got it. And then just on the volume and pull-through dynamics. I think there's weighted locks, I think, in 1Q were $8 billion. You're obviously guiding to some funded originations here in 2Q, but the locks for 1Q is like $5.75 billion to $7.7 billion, like a little bit smaller than first quarter. Are you making changes in your pull-through fallout or assumptions, or something else happening there? Or is this just every year seasonality from 1Q to 2Q?

David R. Hayes
Chief Financial Officer

No. This is kind of a pretty significant shift I commented in the prepared remarks, where with the ramping of this new 5x5 product, it's a HELOC and there's no lock associated with it. So instead, when you look at our lock guidance, that volume is not represented there. It is represented in our funded volume. And so you'll see where our lock volume came down is because all that volume is showing up in funded volume. It's a very quick turn time on that. So the time from app to fund is very quick. But there is no lock associated with it.

Mihir Bhatia
BofA Securities, Research Division

So, there's no major change quarter-over-quarter in the base mortgage business. The changes are happening in the home equity business. Is that the right understanding?

David R. Hayes
Chief Financial Officer

Correct. We view...

Mihir Bhatia
BofA Securities, Research Division

The changes are happening...

David R. Hayes

Chief Financial Officer

To be clear, it's the product mix shift between a higher percentage of -- an expectation of higher percentage of HELOCs versus First Trustees.

Anthony Li Hsieh
Founder, CEO, Chairman & President

Yes. And this is Anthony Hsieh. I just want to chime in and add my two cents to what David described. It's not only a difference in how we measure revenue because the HELOC loan is not locked. However, the bigger difference is that a locked loan, the normal cycle is around 25 days to 33 days until you recognize the funding of that loan. Our 5x5 product is funding in 5 to 7 calendar days. So, it's a very fast process because it utilizes technology to fund loans and process loans. So ultimately, it's going to drive down our cost to produce, but it does change the pull-through as you look at it from the traditional way because we're not publishing the origination on these HELOC 5x5 loans.

Mihir Bhatia
BofA Securities, Research Division

Got it. Sorry, can I squeeze one more in just on the recapture rate and refinance volume? Obviously, a pretty volatile quarter from interest rates. Wondering what you saw happen, -- was there differences between what recapture rate and competitive intensity look like in Jan, February versus maybe March, April? Any comments just quarter-to-date also on that?

Anthony Li Hsieh
Founder, CEO, Chairman & President

I didn't understand that question. I'm sorry.

Mihir Bhatia
BofA Securities, Research Division

Sorry. I was just wondering if there was any differences? Yes, just intra-quarter dynamics between both recapture rate -- between competitive intensity and recaptures just given the movement in interest rates.

David R. Hayes
Chief Financial Officer

No, we didn't see anything really different in recapture behavior and performance.

Operator

Our next question comes from Mikhail Goberman with Citizens JMP.

Mikhail Goberman
Citizens JMP Securities, LLC, Research Division

If I could get some color on how you guys see the mix between origination income and servicing fee income going forward? And also separately, to what extent do you guys think or not that a substantial decline in mortgage interest rates is needed to get a sort of a run rate of earnings that starts to trend in the right direction?

Anthony Li Hsieh
Founder, CEO, Chairman & President

So, I'll take the second question and perhaps, David, you can take the first question, the blend between servicing income and origination income. So it's been a solid 3 quarters since we have redirected and started to rebuild the organization. And of course, if yield was at 4.0% today on the 10-year, the environment here would be substantially different. However, understanding that we're at 4.4% to 4.5%, we are still quite bullish based on all of the hard work that we have done.

We have shown tremendous progress in market share, top line revenue growth and more meaningfully is our efficiency and marketing. As we drive top of the funnel leads, our ability to convert mid-funnel and conversion to originations, that has changed in a meaningful way over the last 3 quarters. So as long as we continue and we have every reason to believe that we will continue to drive that positive momentum, and that really is the roots of this organization.

And that is producing lead flow at the top of the funnel and converting it in a best-in-class within the industry for us to scale and have profitable market share growth. That's exactly what we did from 2010 to 2022. So, we are resuming a playbook that has worked for decades. It just is going to take some time in order for us to build all the mechanics, the tools, the measuring, monitoring as well as personnel management, and we're well on our way in doing that.

David R. Hayes
Chief Financial Officer

Yes. And I'll just add from sort of the mix question around servicing revenue relative to mortgage revenue. I would say, obviously, the servicing revenue will be a function of rates and run-off. But generally speaking, I would expect that to grow quarter-over-quarter by a couple of percentage points. We really think that the opportunity lies on the mortgage revenue side. We're heavily investing in loan officer additions across both the direct and retail side of the house. And by virtue of that, we think that we should be able to grow mortgage revenue quarter-to-quarter from where we sit today, coupled with sort of the seasonality of the business for second and third quarters.

Mikhail Goberman
Citizens JMP Securities, LLC, Research Division

Great. Fantastic color. If I could just squeeze in one more as well. Just curious about the liability side of your balance sheet, your thoughts on addressing upcoming debt maturities.

David R. Hayes
Chief Financial Officer

Sure. Yes, popular question. That is something that the management team and the Board is very actively engaged in and with the discussions with bankers. So, we are looking at strategies to address that in a pretty comprehensive way. The markets are quite turbulent as you well know, right now. And so we are trying to be very thoughtful about how we approach that, but we were hoping to have a resolution on that in the coming months.

Operator

There are no further questions at this time. Anthony Hsieh, I turn the call back over to you.

Anthony Li Hsieh
Founder, CEO, Chairman & President

Thank you. On behalf of Dave, Jeff, Dom and the rest of our team, I want to thank you for joining us today.

The pieces are in place. We are executing on our strategy to compete at the highest levels by returning to our core strength. Our strategy rests on 4 objectives: one, investing in the business through growth, operational efficiency and infrastructure; two, becoming a best-in-class mortgage banker or in other words, find another loan, close it faster, produce it cheaper and maintain superior loan quality. Three, growing profitable market share by hiring and training sales professionals in each of our channels and by increasing our channel and distribution capabilities. We plan to grow our origination capacity to capture profitable market share growth across refinance, resale and new home loans.

And finally, four, returning to profitability by investing in our origination and new customer acquisition capabilities, growing our servicing portfolio, improving our recapture rates, growing our brand and marketing and increasing our operating leverage. We believe we can return to consistent profitability. This is how we win. Executing these objectives positions us to create sustainable value for our shareholders while accelerating growth in a competitive landscape.

So thanks again, everybody, and I appreciate your support. Operator?

Operator
This concludes today's conference call. You may now disconnect.