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

FORM 8-K

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

Date of report (Date of earliest event reported): October 1, 2025

CHIMERA INVESTMENT CORPORATION

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation)

001-33796
(Commission
File Number)

26-0630461
(I.R.S. Employer
Identification Number)

**630 Fifth Avenue,
Suite 2400 New York, New York**
(Address of principal executive offices)

10111
(Zip code)

Registrant's telephone number, including area code: (888) 895-6557

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	CIM	New York Stock Exchange
8.00% Series A Cumulative Redeemable Preferred Stock	CIM PRA	New York Stock Exchange
8.00% Series B Cumulative Fixed-to-Floating Rate Redeemable Preferred Stock	CIM PRB	New York Stock Exchange
7.75% Series C Cumulative Fixed-to-Floating Rate Redeemable Preferred Stock	CIM PRC	New York Stock Exchange
8.00% Series D Cumulative Fixed-to-Floating Rate Redeemable Preferred Stock	CIM PRD	New York Stock Exchange
9.000% Senior Notes due 2029	CIMN	New York Stock Exchange
9.250% Senior Notes due 2029	CIMO	New York Stock Exchange
8.875% Senior Notes due 2030	CIMP	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 2.01. Completion of Acquisition or Disposition of Assets.

On October 1, 2025, Chimera Investment Corporation, a Maryland corporation (“Chimera”), through its wholly-owned subsidiary Chimera Funding TRS, LLC, a Delaware limited liability company (“Funding TRS”), completed the previously announced acquisition (the “Acquisition”) of HomeXpress Mortgage Corp., a Delaware corporation (“HomeXpress”), pursuant to that certain Stock Purchase Agreement (the “Stock Purchase Agreement”), dated June 11, 2025 and amended as of August 5, 2025, by and among Funding TRS (as assignee of the rights and obligations of Chimera) and the Sellers referred to therein.

Upon the terms and subject to the conditions of the Stock Purchase Agreement, at the closing of the transactions contemplated by the Stock Purchase Agreement (the “Closing”), Funding TRS acquired (i) all of the outstanding equity interests in HX Holdco Corp., a Delaware corporation and parent of HomeXpress (“HX Holdco”), from the Holdco Sellers (as defined in the Stock Purchase Agreement), and (ii) the remaining outstanding equity interests in HomeXpress held by the Management Sellers (as defined in the Stock Purchase Agreement). Immediately following the Closing, Funding TRS will assign the equity interests in HomeXpress acquired from the Management Sellers to HX Holdco so that HomeXpress will be a wholly-owned subsidiary of HX Holdco.

The total consideration for the Acquisition consisted of (i) \$119.5 million, representing the estimated Adjusted Book Value (as defined in the Stock Purchase Agreement) as of August 31, 2025, subject to certain post-closing adjustments to true-up for the actual Adjusted Book Value as of the Closing Date as set forth in the Stock Purchase Agreement, (ii) the cash premium of \$120 million, and (iii) the issuance of 2,077,151 shares of Chimera’s common stock, par value \$0.01 per share (“Common Stock”). Following the Closing of the Acquisition, HomeXpress became an indirect wholly-owned subsidiary of Chimera operating under Funding TRS. The cash portion of the consideration was funded with cash on hand.

As previously announced, Kyle Walker, HomeXpress’ President and Chief Executive Officer prior to the Acquisition, executed an employment agreement to continue serving in such capacity with HomeXpress following the Closing.

In connection with the Acquisition, the compensation committee (the “Compensation Committee”) of Chimera’s board of directors (the “Board”) adopted the Chimera Investment Corporation Inducement Award Plan (the “Plan”), pursuant to which Chimera reserved 540,000 shares of Chimera’s common stock, \$0.01 par value per share (the “Common Stock”) for issuance under the Plan solely to individuals who were not previously employees of Chimera or any subsidiary of Chimera (or who are returning to employment following a bona fide period of interruption of employment with Chimera), in accordance with NYSE Listed Company Manual Rule 303A.08. The Plan was approved by the Compensation Committee without shareholder approval pursuant to NYSE Listed Company Manual Rule 303A.08. The Compensation Committee also adopted a form of restricted stock unit award agreement (the “RSU Award Agreement”) for use with the Plan. Chimera issued restricted stock units to certain employees of HomeXpress as a material inducement for such employees to continue their employment with HomeXpress following the Acquisition by Funding TRS.

The foregoing description of the Stock Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Stock Purchase Agreement and the First Amendment thereto, a copy of which was filed as Exhibit 2.1 to Chimera’s Current Report on Form 8-K/A filed with the Securities and Exchange Commission (the “SEC”) on June 13, 2025 and Exhibit 2.2 to Chimera’s Quarterly Report on Form 10-Q filed with the SEC on August 6, 2025, respectively, and incorporated herein by reference.

The foregoing description of the Plan and RSU Award Agreement do not purport to be complete and are qualified in their entirety by reference to the full text of the Plan and RSU Award Agreement, a copy of which was filed as Exhibit 99.1 to Chimera’s Registration Statement on Form S-8 filed with the SEC on October 1, 2025 and Exhibit 99.2 to Chimera’s Registration Statement on Form S-8 filed with the SEC on October 1, 2025, respectively, and incorporated herein by reference.

Item 3.02. Unregistered Sales of Equity Securities.

The information regarding the issuance of the Common Stock received by the Sellers as part of the consideration for the Acquisition, described in Item 2.01 above, is hereby incorporated into this Item 3.02. The issuance of such shares of Common Stock was made in reliance upon the exemption from registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended, and Regulation D promulgated thereunder.

Item 7.01. Regulation FD Disclosure.

On October 1, 2025, Chimera issued a press release announcing that it completed its previously announced acquisition of HomeXpress. On the same day, Chimera issued a separate press release announcing that Chimera issued restricted stock units to certain employees of HomeXpress as a material inducement for such employees to continue their employment with HomeXpress. A copy of each of the press releases is furnished as Exhibit 99.5 and Exhibit 99.6, respectively, to this Current Report on Form 8-K and each is incorporated herein by reference.

The press releases are each being furnished pursuant to Item 7.01, and the information contained therein shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 8.01. Other Events.

Chimera is supplementing the risk factors previously disclosed in Item 1A of its Annual Report on Form 10-K for the year ended December 31, 2024, filed with the SEC on February 19, 2025 and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2025, filed with the SEC on August 6, 2025, to add certain new risk factors as included in Exhibit 99.4 hereto and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.**(a) Financial Statements of Businesses Acquired.**

- (i) The historical audited consolidated financial statements of HomeXpress, as of and for the year ended December 31, 2024, together with the notes thereto and the independent auditors’ report thereon, are filed as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference herein.
- (ii) The historical interim unaudited consolidated financial statements of HomeXpress, as of and for the six months ended June 30, 2025, together with the notes thereto, are filed as Exhibit 99.2 to this Current Report on Form 8-K and incorporated by reference herein.

(b) Pro Forma Financial Information.

The following unaudited pro forma consolidated financial information related to the Acquisition is attached as Exhibit 99.3 and incorporated by reference herein:

- (i) Unaudited Pro Forma Consolidated Statement of Financial Condition as of June 30, 2025, and Unaudited Pro Forma Consolidated Statements of Operations for the six-month period ended June 30, 2025, and the fiscal year ended December 31, 2024.

Cautionary Statement Concerning Forward-Looking Statements

This Current Report on Form 8-K includes “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995, including as related to the expected impact (including as related to Chimera’s future earnings) of Chimera’s acquisition of HomeXpress. Actual results may differ from expectations, estimates and projections and, consequently, readers should not rely on

these forward-looking statements as predictions of future events. Words such as “goal,” “expect,” “target,” “assume,” “estimate,” “project,” “budget,” “forecast,” “anticipate,” “intend,” “plan,” “may,” “would,” “will,” “could,” “should,” “believe,” “predict,” “potential,” “continue,” or similar expressions are intended to identify such forward-looking statements. These forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from expected results, including, among other things, those described in our most recent Annual Report on Form 10-K, and any subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, under the caption “Risk Factors.” Factors that could cause actual results to differ include, but are not limited to: events that could cause the potential that Chimera may not fully realize the expected benefits of the acquisition of HomeXpress, including the potential financial impact; our ability to obtain funding on favorable terms and access the capital markets; our ability to achieve optimal levels of leverage and effectively manage our liquidity; changes in inflation, the yield curve, interest rates and mortgage prepayment rates; our ability to manage credit risk related to our investments and comply with the Dodd-Frank Act and related laws and regulations relating to credit risk retention for securitizations; rates of default, delinquencies, forbearance, deferred payments or decreased recovery rates on our investments; the concentration of properties securing our securities and residential loans in a small number of geographic areas; our ability to execute on our business and investment strategy; our ability to determine accurately the fair market value of our assets; changes in our industry, the general economy or geopolitical conditions; our ability to successfully integrate and realize the anticipated benefits of any acquisitions, including the acquisition of The Palisades Group in 2024 and the acquisition of HomeXpress; our ability to originate or acquire quality and profitable loans at an appropriate and consistent cost; our ability to sell the loans that we originate or acquire; our ability to refinance or obtain additional liquidity for borrowing; our ability to operate our investment management and advisory services and manage any regulatory rules and conflicts of interest; the degree to which our hedging strategies may or may not be effective; our ability to effect our strategy to securitize residential mortgage loans; our ability to compete with competitors and source target assets at attractive prices; our ability to find and retain qualified executive officers and key personnel; the ability of servicers and other third parties to perform their services at a high level and comply with applicable law and expanding regulations; our dependence on information technology and its susceptibility to cyber-attacks; our ability to comply with extensive government regulation, including, but not limited to, federal and state consumer lending regulations; the impact of and changes in governmental regulations, tax law and rates, accounting guidance, refinancing or borrowing guidelines and similar matters; our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended; our ability to maintain our classification as a real estate investment trust for U.S. federal income tax purposes; the volatility of the market price and trading volume of our shares; and our ability to make distributions to our stockholders in the future.

Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Chimera does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based. Additional information concerning these, and other risk factors, is contained in Chimera’s most recent filings with the SEC. All subsequent written and oral forward-looking statements concerning Chimera or matters attributable to Chimera or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above. Readers are advised that any financial information in this Current Report on Form 8-K is based on company data available at the time of this Current Report on Form 8-K and, in certain circumstances, may not have been audited by Chimera’s independent auditors.

Item 9.01. Financial Statements and Exhibits**(d) Exhibits**

<u>Exhibit No.</u>	<u>Description</u>
2.1	<u>Stock Purchase Agreement, dated June 11, 2025, by and among Chimera Investment Corporation and, and the Sellers and their Representatives, each as defined therein (filed as Exhibit 2.1 to Chimera's Current Report on Form 8-K/A filed with the SEC on June 13, 2025 and incorporated herein by reference).</u>
2.2	<u>First Amendment to Stock Purchase Agreement, dated August 5, 2025, by and among Chimera Investment Corporation and the Sellers and their Representatives, each as defined therein (filed as Exhibit 2.2 to Chimera's Quarterly Report on Form 10-Q filed with the SEC on August 6, 2025 and incorporated herein by reference).</u>
10.1	<u>Chimera Investment Corporation Inducement Award Plan (filed as Exhibit 99.1 to Chimera's Registration Statement on Form S-8 filed with the SEC on October 1, 2025 and incorporated herein by reference).</u>
10.2	<u>Form of Restricted Stock Unit pursuant to the Chimera Investment Corporation Inducement Award Plan (filed as Exhibit 99.2 to Chimera's Registration Statement on Form S-8 filed with the SEC on October 1, 2025 and incorporated herein by reference).</u>
23.1	<u>Consent of Baker Tilly US, LLP.</u>
99.1	<u>Historical audited consolidated financial statements of HomeXpress, as of and for the year ended December 31, 2024 and the report of Baker Tilly US, LLP, independent auditors.</u>
99.2	<u>Historical interim unaudited financial statements of HomeXpress, as of and for the six months ended June 30, 2025.</u>
99.3	<u>Unaudited Pro Forma Consolidated Statement of Financial Condition as of June 30, 2025, and Unaudited Pro Forma Consolidated Statements of Operations for the six-month period ended June 30, 2025, and the fiscal year ended December 31, 2024.</u>
99.4	<u>Additional Risk Factors.</u>
99.5	<u>Press Release, dated October 1, 2025.</u>
99.6	<u>Press Release, dated October 1, 2025.</u>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

CHIMERA INVESTMENT CORPORATION

Date: October 3, 2025

By: /s/ Subramaniam Viswanathan

Name: Subramaniam Viswanathan

Title: Chief Financial Officer

CONSENT OF INDEPENDENT AUDITORS

We consent to the inclusion in this Current Report on Form 8-K of Chimera Investment Corporation of our report dated March 25, 2025, relating to the consolidated financial statements and supplementary information of HomeXpress Mortgage Corp. (the “Report”), and to the incorporation by reference of the Report in the Registration Statements on Form S-3 (File Nos. 333-290654, 333-283045 and 333-261463) and Form S-8 (File Nos. 333-290664, 333-209248 and 333-273679) of Chimera Investment Corporation.

/s/ Baker Tilly US, LLP

Irvine, California
October 3, 2025



HomeXpress Mortgage Corp.
Audited Consolidated Financial Statements
December 31, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
HomeXpress Mortgage Corp.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of HomeXpress Mortgage Corp. (the Company) which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in stockholder's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and the standards applicable to the financial audits contained in *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information shown on page 28 is presented for the purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of consolidated the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information on page 28 is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2025 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The script is cursive and fluid, with the letters "B", "T", and "U" being particularly prominent.

BAKER TILLY US, LLP

Irvine, California
March 25, 2025

HOMEXPRESS MORTGAGE CORP.
CONSOLIDATED BALANCE SHEETS
December 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 42,707,343	\$ 26,839,052
Restricted cash	4,675,823	5,129,463
Mortgage loans held-for-sale, at fair value	576,859,380	432,874,205
Amounts due from servicer and other receivables	5,131,806	4,076,786
Other real estate owned	3,220,900	743,667
Income taxes receivable	–	275,000
Deferred tax assets, net	2,113,962	2,138,233
Property and equipment, net	744,830	57,730
Hedging assets	131,328	–
Other assets	5,786,706	4,712,407
Total Assets	<u>\$ 641,372,078</u>	<u>\$ 476,846,543</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities		
Warehouse lines of credit	\$ 512,519,746	\$ 379,266,559
Line of credit due to Parent Company	–	3,166,667
Accrued interest payable to Parent Company	–	97,111
Hedging liabilities	–	1,054,783
Due to affiliates	206,250	562,500
Accounts payable, accrued expenses and other liabilities	16,669,908	10,925,152
Income taxes payable	88,530	1,648,465
Repurchase reserves	3,449,799	5,234,879
Total Liabilities	<u>532,934,233</u>	<u>401,956,116</u>
Commitments and Contingencies (Note 13)		
Stockholder's Equity		
Common stock, \$0.0001 par, 15,000 shares authorized, 10,000 shares issued and outstanding as of December 31, 2024 and December 31, 2023	1	1
Series A preferred stock, \$0.0001 par, 3,000,000 shares authorized, 1,723,333 shares issued and outstanding	172	172
Additional paid-in capital	2,081,335	2,081,335
Retained earnings	106,356,337	72,808,919
Total Stockholder's Equity	<u>108,437,845</u>	<u>74,890,427</u>
Total Liabilities and Stockholder's Equity	<u>\$ 641,372,078</u>	<u>\$ 476,846,543</u>

HOMEXPRESS MORTGAGE CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
REVENUES		
Gain on origination and sale of loans, net	\$ 79,353,215	\$ 34,091,459
Interest income	34,627,624	23,843,311
Other	274,227	137,507
Total revenues	<u>114,255,066</u>	<u>58,072,277</u>
EXPENSES		
Compensation and benefits	32,121,373	25,798,851
Interest expense	28,037,615	18,696,731
General and administrative	4,460,609	3,827,667
OREO expenses	2,074,169	—
Professional fees	1,535,324	1,370,737
Total expenses	<u>68,229,090</u>	<u>49,693,986</u>
EARNINGS BEFORE INCOME TAXES	46,025,976	8,378,291
INCOME TAX EXPENSE	<u>12,478,558</u>	<u>2,345,512</u>
NET INCOME	<u>\$ 33,547,418</u>	<u>\$ 6,032,779</u>

HOMEXPRESS MORTGAGE CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
For the Years Ended December 31, 2024 and 2023

	Common Stock	Series A Preferred Stock	Additional Paid-In Capital	Retained Earnings	Total Stockholder's Equity
BALANCE – December 31, 2022	\$ 1	\$ 172	\$ 2,081,335	\$ 66,776,140	\$ 68,857,648
Net income	—	—	—	6,032,779	6,032,779
BALANCE – December 31, 2023	1	172	2,081,335	72,808,919	74,890,427
Net income	—	—	—	33,547,418	33,547,418
BALANCE – December 31, 2024	<u>\$ 1</u>	<u>\$ 172</u>	<u>\$ 2,081,335</u>	<u>\$ 106,356,337</u>	<u>\$ 108,437,845</u>

HOMEXPRESS MORTGAGE CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 33,547,418	\$ 6,032,779
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	97,481	41,973
(Benefit) provision for repurchase reserves	(1,138,942)	838,777
Change in repurchase reserves, net of provision	(646,137)	(183,786)
Fair value adjustment on mortgage loans held-for-sale	(5,874,080)	(6,301,156)
Fair value adjustment on derivative assets	(1,186,111)	1,092,035
Origination of mortgage loans held-for-sale	(2,451,317,646)	(1,744,098,144)
Principal repayment, settlements and proceeds from sale of mortgage loans held-for-sale	2,318,499,149	1,533,544,997
Repurchases of mortgage loans	(11,454,366)	(7,558,163)
Loans transferred to other real estate owned	1,897,190	40,004
Changes in operating assets and liabilities:		
Amounts due from servicer and other receivables	(1,055,020)	(1,709,454)
Other assets	(1,074,299)	(2,522,126)
Accounts payable, accrued expenses and other liabilities	5,744,756	3,671,655
Deferred tax assets, net	24,271	(33,869)
Due to affiliates	(356,250)	375,000
Income tax receivable and payable	(1,284,935)	2,353,831
Accrued interest payable to Parent Company	(97,111)	(3,077,264)
Net cash used in operating activities	(115,674,632)	(217,492,911)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(418,849)	(37,055)
Capitalized expenditures for internally developed software	(365,732)	—
OREO improvements	(177,580)	—
Proceeds from sales of OREO	1,964,924	—
Net cash provided by (used in) investing activities	1,002,763	(37,055)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings (repayments of) from warehouse lines of credit, net	133,253,187	197,262,261
Repayments on subordinated debt	(3,166,667)	—
Net cash provided by financing activities	130,086,520	197,262,261
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	15,414,651	(20,267,705)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH —beginning of year	31,968,515	52,236,220
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH —end of year	\$ 47,383,166	\$ 31,968,515
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ 28,648,598	\$ 20,564,834
Taxes, net	\$ 13,775,525	\$ 30,736
NONCASH INVESTING AND FINANCING ACTIVITIES		
Loans transferred to other real estate owned	\$ 6,161,768	\$ 783,671

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

1. ORGANIZATION AND BUSINESS

HomeXpress Mortgage Corp. (the "Company") was formed as a Delaware corporation on October 16, 2015, and is a wholly owned subsidiary of HX Holdco Corp. ("Parent Company").

The Company originates and sells mortgage loans secured by residential real estate with up to eight units and principal balances of up to approximately \$4.0 million. Substantially all the mortgage loans originated through December 31, 2024 were non-qualified mortgage ("Non-QM") loans. Non-QM loans are generally loans that do not meet the qualified mortgage guidelines set out by the Consumer Financial Protection Bureau. The Company's loans are substantially all sourced on a wholesale basis through mortgage brokers. The Company currently sells all the loans it originates on a servicing released basis in which the Company does not retain the related mortgage servicing rights. As of December 31, 2024, the Company conducted consumer-purpose and business-purpose real estate lending in 47 states (including the District of Columbia).

In 2020, the Company began originating Prime Jumbo loans as a delegated correspondent. Additionally, in 2021, the Company became a Federal Housing Administration ("FHA") approved Title II lender and a Federal Home Loan Mortgage Corporation ("Freddie Mac") approved seller. In 2022, the Company became an approved lender for loans offered through the U.S. Department of Veterans Affairs program ("VA"). The Company began originating FHA, VA, and Freddie Mac-insured loans in 2022.

In 2024, the Company established two wholly-owned limited liability companies ("LLCs") to facilitate the establishment of two warehouse lines of credit (see Note 8).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Certain amounts reported in prior periods have been reclassified to conform to the current period presentation.

The accompanying consolidated financial statements include the accounts of the Company and its consolidated subsidiaries (see Note 1). All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates and Assumptions

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include all short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities generally of three months or less. Cash consists of cash balances that have no restrictions as to the Company's ability to withdraw funds. Cash balances that have restrictions as to the Company's ability to withdraw funds are considered restricted cash. The restricted cash balances are due to the terms of the Company's warehouse lines of credit and escrow funds to be returned from recent loan originations to individual borrowers.

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Option

The fair value option provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value. The Company elected the fair value option on its mortgage loans held-for-sale ("LHFS"). This election was made to mitigate income statement volatility caused by differences in the measurement basis of elected instruments.

Fair Value Measurements

The Company follows the Fair Value Measurements guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820-10, which requires, among other things, a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the most advantageous market at the measurement date. Fair value is based on quoted market prices, where available. If listed prices or quotes are not available, fair value is based on internally developed models that primarily use, as inputs, market-based or independently sourced parameters, including but not limited to yield curves, interest rates, volatilities, and credit spreads. In addition to market information, models also incorporate transaction details, such as the maturity of the instrument(s). Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality, constraints on liquidity and unobservable parameters. Valuation adjustments are applied consistently by the Company over time.

Loans Held for Sale

LHFS are measured and reported at fair value. The Company's fair value election for its LHFS is intended to more accurately reflect the underlying economics of the Company's operations. With the election of the fair value option for LHFS, loan origination fees, and the related direct loan origination costs associated with the origination of LHFS, are earned and expensed as incurred, respectively.

Revenue derived from the Company's mortgage lending activities includes certain fees collected at the time of origination and gain or loss from the sale of LHFS. Loan origination income reflects the fees earned, net of lender credits from originating the loans. These consist of fees related to loan origination, discount points, underwriting, processing and other fees. Lender credits typically are related to rebates or concessions for certain loan origination costs.

Gain or loss from the sale and mark-to-market of LHFS includes both realized and unrealized gains and losses and are included in the gain on origination and sale of loans, net in the accompanying consolidated statements of operations. The valuation of LHFS approximates a whole-loan sales value, which includes the value of the related mortgage servicing rights. LHFS are sold servicing released.

The Company principally sells its LHFS to private investors. The Company evaluates its loan sales for sales treatment. To the extent the transfer of loans qualifies as a sale, the Company derecognizes the loans and records the gain or loss on the sale date. In the event the Company determines that the transfer of loans does not qualify as a sale, the transfer would be treated as a secured borrowing. Interest income from loans is recorded on the accrual basis. LHFS are placed on non-accrual status when any portion of the principal or interest is 90 days past due or earlier if factors indicate that the ultimate collectability of the principal or interest is not probable. Interest received from loans on non-accrual status is recorded as income when collected. Loans return to accrual status when the principal and interest become current, and it is probable that the amounts are fully collectible.

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amounts due from servicer and other receivables

Receivables from loans and other are primarily related to unpaid principal and interest due from borrower payments made to an interim third-party sub-servicer. These receivables are short-term in nature and are generally collected within one month. All such receivables are stated at their carrying value net of a reserve for doubtful accounts, if necessary. As of December 31, 2024, and 2023, there was no reserve for doubtful accounts required for the receivables. All such receivables were collected after December 31, 2024.

On January 1, 2023, the Company adopted FASB Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326). This ASU replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and certain off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost are to be presented at the net amount expected to be collected by using an allowance for expected credit losses. The adoption of this ASU did not have a material impact to the Company's consolidated financial statements.

Derivative Instruments

In accordance with FASB ASC 815, *Derivatives and Hedging*, the Company records derivative instruments at fair value as either assets or liabilities in the consolidated balance sheets. The Company has accounted for all its derivative instruments as non-designated hedge instruments or free-standing derivatives.

The Company enters into interest rate lock commitments ("IRLCs") with prospective borrowers to originate mortgage loans at a specified interest rate. These IRLCs are accounted for as derivative instruments. The fair values of IRLCs utilize current secondary market prices for the underlying loans and estimated servicing value with similar coupons, maturity and credit quality, estimated remaining direct expense and market-adjusted investor discounts, subject to the anticipated loan funding probability ("Pull-through Rate"). The fair value of IRLCs is subject to change primarily due to changes in interest rates, credit spreads and the estimated Pull-through Rate. The Company reports IRLCs within other assets in the accompanying consolidated balance sheets with changes in fair value being recorded in the accompanying consolidated statements of operations within gain on origination and sale of loans, net.

The Company hedges the changes in fair value associated with changes in interest rates related to IRLCs and uncommitted LHFS by utilizing a combination of derivatives related to two-year and five-year U.S. Treasury futures for its Non-QM loans, and 30-year uniform mortgage-backed securities ("UMBS") futures contracts for its FHA, VA, and Freddie Mac-insured loans (collectively the "Hedging Instruments") until committed to an investor. The Hedging Instruments are typically entered into at the time the IRLC is made. The fair value of Hedging Instruments is subject to change primarily due to changes in interest rates. The Company reports Hedging Instruments at fair value within either hedging assets or hedging liabilities in the accompanying consolidated balance sheets with changes in fair value recorded in the accompanying consolidated statements of operations within gain on origination and sale of loans, net.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. In general, computer equipment is depreciated over three years, furniture and office equipment is depreciated over the lesser of five years or the remaining life of the corresponding lease agreement, and tenant improvements are amortized over the lesser of the respective estimated useful lives or the remaining life of the corresponding lease agreement.

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment, Net (continued)

Substantially all of the Company's software platforms are utilized on a subscription basis and the license fees are included in general and administrative expense over the duration of each license.

Internally Developed Software, Net

The Company capitalizes certain costs related to the development of internal-use software in accordance with FASB ASC 350-40, *Internal-Use Software*. Costs incurred during the application development stage, including direct labor, third-party development fees, and certain overhead costs, are capitalized. Costs related to preliminary project planning, training, maintenance, and post-implementation activities are expensed as incurred.

Internally developed software is amortized on a straight-line basis over its respective estimated useful lives, generally ranging from three to five years. Amortization expense for internally developed software was \$14,580 for the year ended December 31, 2024. There was no amortization expense for internally developed software for the year ended December 31, 2023. The Company reviews internally developed software for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an impairment exists, the asset is written down to its estimated fair value. Internally developed software, net, is included in property and equipment, net on the accompanying consolidated balance sheets.

Repurchase Reserves

When the Company sells mortgage loans it makes customary representations and warranties to the purchasers about various characteristics of each loan such as the origination and underwriting guidelines, including, but not limited to the validity of the lien securing the loan, property eligibility, borrower credit, income and asset requirements, and compliance with applicable federal, state, and local law. In the event of a breach of its representations and warranties, the Company may be required to either repurchase the mortgage loans with the identified defects or indemnify the investor or insurer for any loss. The Company's loss may be reduced by proceeds from the sale or liquidation of the repurchased loan. In such event, the Company may have the right to seek a recovery of related repurchase losses from the referring mortgage broker.

In the case of early loan payoffs and early defaults on certain loans, the Company may be required to repay all, or a portion, of the premium initially paid by the investor. The estimated obligation associated with early loan payoffs and early defaults is calculated based on current market conditions and historical loss experience by type of loan.

The Company records a provision for losses relating to such representations and warranties as part of its loan sale transactions. The method used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a combination of factors, including, but not limited to, estimated future default and loan repurchase rates, the potential severity of loss in the event of default including any loss on sale or liquidation of the repurchased loan, and the probability of reimbursement by the referring mortgage broker. The Company establishes a liability at the time loans are sold and updates its estimated repurchase liability based on actual and industry performance characteristics, and loan decrement (amortization and prepayment) estimates. The level of the repurchase liability is difficult to estimate and requires considerable management judgment. Given that the level of mortgage loan repurchase losses is dependent on economic factors, investor demands for loan repurchases and other external conditions that may change over the lives of the underlying loans, market expectations around losses related to the Company's obligations could vary significantly from the obligation recorded as of the balance sheet dates.

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Marketing and Advertising Costs

The Company originates substantially all its mortgages on a wholesale basis through mortgage brokers and advertises primarily through digital marketing campaigns. The Company expenses advertising costs as incurred. Advertising costs totaled \$296,165 and \$286,039 for the years ended December 31, 2024 and 2023, respectively, which are included in general and administrative expense in the accompanying consolidated statements of operations.

Deferred Income Taxes

The Company accounts for income taxes under the provisions of FASB ASC 740, which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates for the year in which the differences are expected to reverse (see Note 12).

The Company files a consolidated tax return with the Parent Company. The Company operates, for tax purposes, pursuant to a tax-sharing arrangement by which certain tax attributes are limited or otherwise modified by virtue of being a group member. To the extent the tax sharing agreement differs from the tax method of allocation pursuant to FASB ASC 740-10-30-27 and 28, such difference between the amount paid or received (tax sharing agreement) and the settlement (method of allocation) will be treated as a dividend or capital contribution. As a member of the Parent Company, the Company is severally liable for certain federal and state income liabilities. Under the arrangement, the Parent Company makes all the decisions with respect to all matters relating to taxes of the consolidated tax group. The provisions of the arrangement take into account both the Company separately and the Company as a member of the consolidated tax group.

Leases

The Company is a lessee in leases of office space and the lease terms range from approximately two years to five years. In accordance with FASB ASC 842, *Leases*, the Company recognizes a lease liability equal to the present value of future lease payments discounted using its incremental borrowing rate and recognizes a lease asset equal to the lease liability, adjusted for any prepaid or accrued lease payments, lease incentives and initial direct costs. As most of the Company's leases do not provide an implicit discount rate, the Company applies its incremental borrowing rate, which is based on the information available as of the lease commencement date, in determining the present value of its lease payments.

Other Real Estate Owned

OREO represents assets acquired through foreclosure or other proceedings. The Company is deemed to have received physical possession of real estate property collateralizing a mortgage loan when it obtains legal title to the property upon completion of a foreclosure or when the borrower conveys all interest in the property to it through a deed in lieu of foreclosure or similar legal agreement. Foreclosed assets acquired are initially recorded at fair value at the date of foreclosure less estimated costs to sell, which establishes a new cost basis. Any write-down to fair value at the time of transfer to OREO is charged to expense. After foreclosure, valuations are periodically performed by management to ensure that properties recorded in OREO are carried at the lower of cost or fair value less estimated costs of disposal. The fair value of such OREO is typically based on management's estimates which generally use information including general economic data, broker price opinions, recent sales, property appraisals, and bids, less estimated disposal costs.

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

3. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

The application of fair value measurements may be on a recurring or nonrecurring basis depending on the accounting principles applicable to the specific asset or liability or whether management has elected to carry the item at its estimated fair value. FASB ASC 820-10-35 specifies a hierarchy of valuation techniques based on whether the inputs to those techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions.

These two types of inputs create the following fair value hierarchy:

- *Level 1*: Observable inputs such as quoted prices in active markets;
- *Level 2*: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- *Level 3*: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when estimating fair value.

The following tables present the estimated fair value of financial instruments included in the consolidated financial statements as of the dates indicated:

		At December 31, 2024	
		Carrying Amount	Estimated Fair Value
Assets	Level		
Cash and cash equivalents	1	\$ 42,707,343	\$ 42,707,343
Restricted cash	1	4,675,823	4,675,823
Hedging assets	2	131,328	131,328
LHFS	2	576,859,380	576,859,380
Derivative instruments – IRLCs	3	597,307	597,307
Liabilities			
Warehouse lines of credit	2	512,519,746	512,519,746

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

3. FAIR VALUE MEASUREMENTS (continued)

Fair Value Hierarchy (continued)

		At December 31, 2023	
	Level	Carrying Amount	Estimated Fair Value
Assets			
Cash and cash equivalents	1	\$ 26,839,052	\$ 26,839,052
Restricted cash	1	5,129,463	5,129,463
LHFS	2	432,874,205	432,874,205
Derivative instruments – IRLCs	3	465,908	465,908
Liabilities			
Hedging liabilities	2	1,054,783	1,054,783
Warehouse lines of credit	2	379,266,559	379,266,559

The carrying amount of cash and cash equivalents and restricted cash approximates fair value. The carrying amount of warehouse lines of credit approximates fair value due to the short-term nature of the liabilities.

Amounts due to affiliates and the Parent Company are excluded from the fair value tables. Management has concluded that it is not practical to determine the estimated fair value of amounts due to affiliates and the Parent Company, as reported in the accompanying consolidated balance sheets. Disclosure rules for fair value measurements require that for financial instruments for which it is not practicable to estimate fair value, information pertinent to those instruments be disclosed (see Note 11).

Recurring Fair Value Measurements

The Company assesses its recurring fair value measurements as defined by FASB ASC 820. Assets measured at estimated fair value on a recurring basis are LHFS and derivative instruments. Transfers between fair value classifications occur when there are changes in pricing observability levels. Transfers of financial instruments among the levels are assumed to occur at the beginning of the reporting period.

The following tables present the Company's assets and liabilities that are measured at estimated fair value on a recurring basis, including financial instruments for which the Company has elected the fair value option as of the dates indicated:

	Recurring Fair Value Measurements			
	At December 31, 2024			
	Carrying Value	Level 1	Level 2	Level 3
Assets				
LHFS	\$ 576,859,380	\$ –	\$ 576,859,380	\$ –
Hedging Assets	131,328		131,328	–
IRLCs	597,307	–	–	597,307
Total assets at fair value	<u>\$ 577,588,015</u>	<u>\$ –</u>	<u>\$ 576,990,708</u>	<u>\$ 597,307</u>

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

3. FAIR VALUE MEASUREMENTS (continued)

Recurring Fair Value Measurements (continued)

	Recurring Fair Value Measurements At December 31, 2023			
	Carrying Value	Level 1	Level 2	Level 3
Assets				
LHFS	\$ 432,874,205	\$ –	\$ 432,874,205	\$ –
IRLCs	465,908	–	–	465,908
Total assets at fair value	\$ 433,340,113	\$ –	\$ 432,874,205	\$ 465,908
Liabilities				
Hedging liabilities at fair value	\$ 1,054,783	\$ –	\$ 1,054,783	\$ –

The following tables present the activity of Level 3 fair value measurements (derivative instruments – IRLCs) for the years ended December 31, 2024 and 2023:

	2024	2023
Fair value - Beginning Balance	\$ 465,908	\$ 50,074
Change in fair value	131,399	415,834
Purchases, issuances, settlements:		
Purchases and additions, net	–	–
Issuances, net	–	–
Settlements, net	–	–
Fair value - Ending Balance	\$ 597,307	\$ 465,908

As of December 31, 2024, and 2023, approximately 90% and 91% of the Company's total assets, respectively, are measured at fair value on a recurring basis. The fair value amounts have been estimated by management using available market information and appropriate valuation methodologies. Considerable judgment is required to interpret market data to develop the estimates of fair value in both inactive and orderly markets. Accordingly, the estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The following is a description of the measurement techniques for financial instruments measured at estimated fair value on a recurring basis.

LHFS – LHFS are measured at fair value and sold to investors on a best efforts and mandatory basis. The fair value for these loans is based on a variety of factors including, but not limited to, the estimated value for similar loans in the secondary market, which is primarily based on loan program, credit score, loan-to-value data, note rate and expected sale date of the loan, as well as expected credit spreads on securitization transactions. The valuations for all loans held for sale are adjusted at the loan level to consider the servicing release premium specific to each loan.

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

3. FAIR VALUE MEASUREMENTS (continued)

Derivative Instruments – The Company's derivative instruments are carried at fair value as freestanding derivatives. The derivatives include IRLCs with prospective residential mortgage borrowers whereby the interest rate on the loan is determined prior to funding and the borrowers have locked in a set interest rate. The concept of fair value relating to IRLCs is no different than fair value for any other financial asset or liability: fair value is the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Because IRLCs do not trade in the market, the Company determines the estimated fair value based on expectations of what an investor would pay to acquire the Company's IRLCs, which utilizes current secondary market pricing information for underlying loans with similar characteristics. The data inputs used in this valuation include, but are not limited to, loan type, underlying loan amount, credit score, loan-to-value data, note rate, loan program, expected sale date of the loan and current market conditions. These valuations are adjusted at the loan level to consider the servicing release premium, investor loan pricing adjustments specific to each loan, and the direct costs to transform the IRLC to a funded loan. For all IRLCs, the base value is then adjusted for the anticipated Pull-through Rate. The anticipated Pull-through Rate is an unobservable input based on historical experience, which results in classification of IRLCs as a Level 3 measurement as of December 31, 2024 and 2023.

The Company's Hedging Instruments are used to hedge fair value changes driven by changes in interest rates on the Company's mortgage loan origination pipeline. The Company hedges the period from the interest rate lock, inclusive of the Pull-through Rate, to the date of the loan sale. The estimated fair value is based on current market prices for similar instruments. There is significant secondary market activity for hedge contracts and pricing is readily available for similar assets, and accordingly the Company classifies its Hedging Instruments as a Level 2 measurement. The Company is generally required to maintain a margin requirement based on the notional positions hedged.

Valuation Techniques and Unobservable Inputs

The following tables presents quantitative information about the valuation techniques and unobservable inputs applied to Level 3 fair value measurements for financial instruments measured at fair value on a recurring basis at December 31, 2024 and 2023:

December 31, 2024					
Financial Instrument	Estimated Fair Value	Valuation Technique	Unobservable Input	Range of Inputs	Weighted Average
Derivative instruments – IRLCs	\$ 597,307	Market pricing	Pull-through Rate	15.0%-95.0%	64.8%
December 31, 2023					
Financial Instrument	Estimated Fair Value	Valuation Technique	Unobservable Input	Range of Inputs	Weighted Average
Derivative instruments – IRLCs	\$ 465,908	Market pricing	Pull-through Rate	15.0%-95.0%	44.9%

Nonrecurring Fair Value Measurements

The Company is required to measure certain assets and liabilities at estimated fair value from time to time. These fair value measurements typically result from the application of specific accounting pronouncements under GAAP. The fair value measurements are considered nonrecurring fair value measurements under FASB ASC 820-10.

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

3. FAIR VALUE MEASUREMENTS (continued)

Nonrecurring Fair Value Measurements (continued)

OREO Assets – OREO consists of residential real estate acquired in satisfaction of loans. Upon foreclosure, the property value is adjusted to the estimated fair value of the residential real estate less estimated selling and holding costs, or net realizable value, establishing a new cost basis.

Subsequent to the initial recognition, the fair value of OREO assets is re-evaluated when indicators of impairment exist, and any declines in value are recognized as a charge to non-interest expense. Fair value is determined primarily using third-party appraisals, broker price opinions, and other market-based valuation techniques, adjusted for estimated selling costs.

The following table presents changes in OREO for the year ended December 31, 2024:

	2024	2023
Beginning Balance	\$ 743,667	\$ –
Impairments	(1,265,068)	–
Purchases, issuances, settlements:		
Purchases and additions, net	6,339,348	743,667
Issuances, net	–	–
Settlements, net	(2,597,047)	–
Ending Balance	<u>\$ 3,220,900</u>	<u>\$ 743,667</u>

The Company measured its OREO assets at net realizable value at the time of foreclosure during the year ended December 31, 2024. The OREO assets were not subsequently remeasured at fair value as of December 31, 2024.

4. LOANS HELD-FOR-SALE

A summary of the unpaid principal balances of LHFS by type, the fair value adjustments, and the ending balances at fair value as of December 31, 2024 and 2023 is presented below:

	2024	2023
Non-QM	\$ 560,398,292	\$ 422,770,265
Freddie Mac	412,000	–
FHA	2,270,804	1,915,061
VA	–	284,675
Fair value adjustment	13,778,284	7,904,204
Total LHFS, at fair value	<u>\$ 576,859,380</u>	<u>\$ 432,874,205</u>

As of December 31, 2024 and 2023, \$4,596,910 and \$4,111,173 of unpaid principal balance of LHFS were 90 days or more delinquent and were on non-accrual status, with fair values of \$3,907,004 and \$3,494,497, respectively.

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

5. DERIVATIVE INSTRUMENTS

Gain on origination and sale of loans, net, is comprised of the following components for the years ended December 31, 2024, and 2023:

	2024	2023
Premium from loan sales	\$ 77,809,339	\$ 29,661,790
Mark to market change on LHFS	5,874,080	6,261,152
Unrealized gains from derivative instruments	131,399	415,834
Benefit (provision) for loan repurchase reserves	1,138,942	(838,777)
Realized gains from Hedging Instruments, net	807,585	95,922
Loan origination income, net	10,672,856	10,554,391
Direct loan origination costs, net	(17,080,986)	(12,058,853)
Total gain on origination and sale of loans, net	<u>\$ 79,353,215</u>	<u>\$ 34,091,459</u>

The Company enters into IRLCs with prospective borrowers to originate mortgage loans at a specified interest rate. The estimated fair value of the Company's IRLCs was \$597,307 and \$465,908 as of December 31, 2024, and 2023, respectively, and are included in other assets in the accompanying consolidated balance sheets.

The Company uses Hedging Instruments to hedge exposures to fluctuations in interest rates for the mortgages within the Company's loan origination pipeline. The use of such hedging activities may not be effective to offset any, or more than a portion, of the adverse financial effects of unfavorable movements in interest rates over the limited time the hedges are in place. The fair value of these Hedging Instruments was \$131,328 and (\$1,054,783) as of December 31, 2024, and 2023, respectively.

The following tables includes information for the derivative instruments for the dates and periods presented:

	Notional Balance As of December 31, 2024	Total Gains For the Year Ended December 31, 2024
Derivative instruments – Hedging	\$50,200,000	\$807,585
Derivative instruments – IRLCs	\$184,780,118	\$131,399

	Notional Balance As of December 31, 2023	Total Gains For the Year Ended December 31, 2023
Derivative instruments – Hedging	\$104,200,000	\$95,922
Derivative instruments – IRLCs	\$225,916,998	\$415,834

Total gains, inclusive of both realized and unrealized amounts, is included in the Company's gain on origination and sale of loans, net, within the accompanying consolidated statements of operations.

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

6. PROPERTY AND EQUIPMENT, NET

As of December 31, 2024, and 2023, property and equipment, net consisted of the following:

	2024	2023
Computer equipment and software	\$ 685,281	\$ 378,524
Furniture and fixtures	122,022	108,700
Leasehold improvements	145,728	46,958
Internally developed software	365,732	—
Total property and equipment	1,318,763	534,182
Less: accumulated depreciation	(573,933)	(476,452)
Total property and equipment, net	<u>\$ 744,830</u>	<u>\$ 57,730</u>

Depreciation and amortization expense for property and equipment was \$97,481 and \$41,973 for the years ended December 31, 2024, and 2023, respectively, which is included in general and administrative expense in the accompanying consolidated statements of operations.

7. OTHER ASSETS

As of December 31, 2024, and 2023, other assets consisted of the following:

	2024	2023
Loan originations in process	\$ 2,033,089	\$ 2,831,007
Right-of-use lease assets	1,242,126	761,636
Deferred debt issuance costs (net of amortization)	342,310	295,975
Derivative instruments – IRLCs	597,307	465,908
Prepaid expenses	445,195	239,414
Warehouse settlements in process	961,508	—
Other	165,171	118,467
Total other assets	<u>\$ 5,786,706</u>	<u>\$ 4,712,407</u>

Loan originations in process are assets for loans where the origination process is not fully completed, but loan funds have been advanced to the escrow or settlement agents to fund the loans at a future date. Loans are typically originated within two days after such funds are advanced. Warehouse settlements in process are assets for loans where loan sale funds have been sent to the warehouse bank, but the warehouse bank has not applied the funds.

8. WAREHOUSE LINES OF CREDIT

As of December 31, 2024, the Company had seven warehouse financing facilities under Master Repurchase Agreements (“MRA”) with various lenders. These warehouse facilities are used to fund, and are secured by, the residential mortgage loans originated by the Company which are classified as loans held-for-sale. Two of the MRAs required the establishment of the LLCs to facilitate the warehouse fundings. These LLCs are consolidated as part of the Company’s consolidated financial statements.

The Master Repurchase Agreements contain certain various affirmative, negative, and financial covenants. The covenants include leverage restrictions, minimum levels of liquidity and net worth, and profitability. The Company was in compliance with these covenants as of December 31, 2024.

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

8. WAREHOUSE LINES OF CREDIT (continued)

The following table presents certain information on the Company's warehouse facilities as of December 31, 2024:

	Maximum Borrowing Capacity	Maximum Allowable Advance Rates (%)	Balance Outstanding	Maturity Date
Short-term borrowings:				
Repurchase agreement 1 ⁽¹⁾	\$ 100,000,000	95%	\$ 80,222,262	June 1, 2025
Repurchase agreement 2 ⁽²⁾	100,000,000	99%	70,236,724	March 31, 2025
Repurchase agreement 3 ⁽³⁾	250,000,000	90%	188,832,259	October 17, 2025
Repurchase agreement 4 ⁽⁴⁾	150,000,000	98%	80,165,598	July 9, 2025
Repurchase agreement 5 ⁽⁵⁾	50,000,000	97%	32,470,923	December 17, 2025
Repurchase agreement 6 ⁽⁶⁾	200,000,000	90%	—	December 17, 2025
Repurchase agreement 7 ⁽⁷⁾	150,000,000	92.5%	60,591,980	November 11, 2025
Total amounts	<u>\$1,000,000,000</u>		<u>\$ 512,519,746</u>	

- (1) The interest rate range under this facility is the Term Secured Overnight Financing Rate ("SOFR") plus 2.75% with a floor of 4.00% for all products.
- (2) The interest rate range under this facility is 30 Day SOFR plus 2.90% to 3.10% with a floor of 4.50%. The warehouse facility has an automatic renewal feature.
- (3) The interest rate range under this facility is the 30 Day SOFR plus 2.00% margin.
- (4) The interest rate range under this facility for performing loans is the Term SOFR plus 2.0%.
- (5) The interest rate range under this facility is the Daily SOFR plus 2.00% to 2.25% depending on the product.
- (6) The interest rate range under this facility for performing loans is Daily Simple SOFR plus 1.75%. (7) The interest rate range under this facility for performing loans is the Term SOFR plus 1.75% to 1.85% depending on the product.

9. OTHER BORROWINGS

In April 2020, the Company obtained a Paycheck Protection Program ("PPP") loan in the amount of \$3,190,200. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses under the Small Business Administration ("SBA"). The Company then obtained a second loan in the amount of \$2,000,000 under the PPP in February 2021. The loans and accrued interest thereon are generally forgivable if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness is to be reduced if the borrower terminates employees or reduces salaries during the applicable measurement period. Each of the PPP loans were forgiven by the SBA in their entirety in 2022. The forgiveness was accounted for as debt extinguishment which resulted in a gain of \$5,190,200. The Employee Retention Credit ("ERC") was a refundable tax credit designed to encourage employers to retain employees during the COVID-19 pandemic and was part of the CARES Act. The Company did not claim or receive any ERC funds.

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

9. OTHER BORROWINGS (continued)

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

10. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

As of December 31, 2024, and 2023, accounts payable, accrued expenses and other liabilities consisted of the following:

	<u>2024</u>	<u>2023</u>
Accounts payable and accrued expenses	\$ 5,368,558	\$ 1,699,896
Accrued compensation and incentive plans	6,314,901	4,891,827
Warehouse lines of credit interest and fees payable	2,676,660	1,965,646
Escrow balances payable	506,009	951,913
Lease liabilities	1,526,753	843,593
Other	277,027	572,277
Total accounts payable, accrued expenses and other liabilities	<u>\$ 16,669,908</u>	<u>\$ 10,925,152</u>

11. RELATED PARTY TRANSACTIONS

The Company has a line of credit borrowing arrangement with its Parent Company whereby the Company may borrow up to \$5,333,333 at an annual borrowing rate of interest of 12.0% calculated on a non-compounding basis. Before it was amended, the Company held an option to defer interest payments. During 2023, the Company amended this line of credit agreement, requiring interest be paid on a quarterly basis in arrears. Additionally, the amendment required the Company to pay all unpaid and deferred interest due as of June 30, 2023, totaling \$3,413,195, to the Parent Company no later than July 31, 2023. The Company paid this amount to the Parent Company in July 2023. In November 2024, the Company paid \$3,199,389 representing the total principal and interest balance on the line at that time. The line of credit expires in December 2025.

As of December 31, 2024 and 2023, the balance outstanding under the line of credit was \$0 and \$3,166,667, respectively, and the interest payable was \$0 and \$97,111, respectively.

Interest expense of \$321,944 and \$433,042 was recognized by the Company during the years ended December 31, 2024 and 2023, respectively. Borrowings under the line of credit were expressly subordinated to the amounts borrowed under the seven financing facilities described in Note 8.

There were no loan sales to affiliates of the Parent Company during the years ended December 31, 2024 or 2023.

The Company files a consolidated federal income tax return with its Parent Company (see Note 12).

During 2021, the Company entered into consulting agreements with several individuals who were also employees of an affiliate of the Parent Company. During the years ended December 31, 2024 and 2023, the total amount of fees incurred under these agreements were \$712,500 and \$675,000, respectively, which are included within professional fees in the accompanying consolidated statements of operations. As of December 31, 2024 and 2023, \$206,250 and \$562,500, respectively, of such fees were due to affiliates.

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

12. INCOME TAXES

Income tax expense for the years ended December 31, 2024 and 2023 was as follows:

	2024	2023
Current income tax expense:		
Federal	\$ 9,091,453	\$ 1,573,599
State	3,362,834	801,270
	12,454,287	2,374,869
Deferred income tax expense (benefit)	24,271	(29,357)
Total income tax expense	<u>\$ 12,478,558</u>	<u>\$ 2,345,512</u>

The following is a reconciliation of income taxes to the expected statutory federal corporate income tax rates for the years ended December 31, 2024 and 2023:

	2024	2023
Tax computed at the federal statutory rate	\$ 9,669,065	\$ 1,759,442
State tax, net of federal tax benefit	2,754,986	542,404
Change in tax rate	406	9,348
Nondeductible expenses	48,085	35,060
Other	6,016	(742)
Total income tax expense	<u>\$ 12,478,558</u>	<u>\$ 2,345,512</u>

Deferred tax assets and liabilities were comprised of the following temporary differences between the financial statement carrying amount and the tax basis of assets and liabilities as of December 31, 2024 and 2023 as follows:

	2024	2023
Deferred tax assets:		
Accrued expenses	\$ 505,285	\$ 256,681
Repurchase reserves	928,187	1,408,763
Net operating losses - State	5,294	3,845
Unrealized (loss) gain on hedging	—	283,854
State income taxes	715,316	169,262
Property and equipment	—	1,006
Intangibles	14,506	18,012
Lease liabilities	410,781	227,020
Total deferred tax assets	<u>2,579,369</u>	<u>2,368,443</u>
Deferred tax liabilities:		
Right-of-use assets	(334,201)	(204,964)
Unrealized (loss) gain on hedging	(35,334)	—
Property and equipment	(70,236)	—
Prepaid expenses	(25,636)	(25,246)
Total deferred tax liabilities	<u>(465,407)</u>	<u>(230,210)</u>
Less: valuation allowance	—	—
Deferred tax assets, net	<u>\$ 2,113,962</u>	<u>\$ 2,138,233</u>

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

12. INCOME TAXES (continued)

A valuation allowance is recorded based on the assessment that it is more likely than not that certain deferred tax assets will be realized in the foreseeable future. This assessment of the realization of a deferred tax asset is performed under ASC 740-10-30-17 which states that all available evidence, both positive and negative, is to be considered to determine the necessity of a valuation allowance. Based on this evaluation, management has concluded that as of December 31, 2024, a valuation allowance was not necessary. The Company will recognize any interest and penalties related to unrecognized tax benefits and penalties as income tax expense. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in the period of such change. As of December 31, 2024, the Company has reviewed its open tax years and believes that it has no material tax liability resulting from unrecognized federal or state tax benefits relating to uncertain tax positions.

The Company files a consolidated federal income tax return with its Parent Company. The tax provision is calculated using the separate standalone entity approach which requires the tax provision to be calculated as if the entity has filed on a standalone basis. The Parent Company's income tax returns may be subject to examination by federal, and state taxing authorities. Because application of tax laws and regulations for many types of transactions are susceptible to varying interpretations, amounts reported in the accompanying consolidated financial statements could be changed at a later date upon final determination by taxing authorities. The income taxes payable outstanding under this arrangement by the Company to its Parent Company was \$277,027 and \$271,141 as of December 31, 2024 and 2023, respectively, and are included in accounts payable, accrued liabilities and other liabilities in the accompanying consolidated balance sheets.

At December 31, 2024, the Company has no federal net operating loss carryforward amounts. Federal net operating loss carryforwards originated after 2017 have an indefinite life and may be used to offset up to 80% of a future tax period's taxable income. At December 31, 2024, the Company had \$89,350 of state net operating loss carryforward amounts.

13. COMMITMENTS AND CONTINGENCIES

Repurchase Reserves

When the Company sells loans, it is required to make normal and customary representations and warranties about the loans. The whole loan sale agreements generally require the Company to repurchase loans if a representation or warranty is breached. In addition, the Company also could be required to repurchase loans as a result of borrower fraud or if a payment default occurs on a mortgage loan shortly after its sale. The Company may also be required to repay some or all of the premium initially paid by the purchaser in the case of early loan payoffs and early payment defaults. The Company has established a repurchase reserve for its estimate of losses from expected loan repurchases and premium recapture. The provision for estimated repurchase losses and premium recaptures is included in the gain on origination and sale of loans, net on the accompanying consolidated statements of operations. The settlements, net, for the years ended December 31, 2024 and 2023, were primarily related to the repayment of premiums on early loan payoffs.

The activity related to the Company's loan repurchase reserves for previously sold loans for the years ended December 31, 2024 and 2023, is as follows:

	2024	2023
Beginning balance	\$ 5,234,879	\$ 4,579,888
(Benefit) provision for loan repurchases	(1,138,942)	838,777
Recoveries of repurchase reserves	200,000	—
Settlements, net	(846,138)	(183,786)
Ending balance	<u>\$ 3,449,799</u>	<u>\$ 5,234,879</u>

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

13. COMMITMENTS AND CONTINGENCIES (continued)

Lease Commitments

As of December 31, 2024, the Company had office leases for its two primary facilities located in Santa Ana, California, and Tampa, Florida. The Company's corporate office is in Santa Ana, California. In 2024, the Company renewed its Santa Ana, California lease and extended it to September 2027. The Company's lease for Tampa, Florida is active through July 2026. Lease expense for the years ended December 31, 2024 and 2023, was \$713,590 and \$827,276, respectively, and is included in general and administrative in the accompanying consolidated statements of operations.

As of December 31, 2024, the Company's future minimum annual lease commitments under the leases were as follows:

Year Ended December 31:	
2025	\$ 458,173
2026	768,952
2027	<u>475,788</u>
Total lease commitments	1,702,913
Less: imputed interest	<u>(176,160)</u>
Total lease liabilities	<u>\$ 1,526,753</u>

As of December 31, 2024, the Company's right-of-use assets of \$1,242,126 are included in other assets and lease liabilities of \$1,526,753 are included in accounts payable, accrued expenses and other liabilities in the accompanying consolidated balance sheets.

The weighted average lease term and weighted average discount rate as of December 31, 2024 were 2.5 years and 6.8%, respectively.

Risks and Uncertainties

In the normal course of business, companies in the mortgage banking industry encounter certain economic and regulatory risks. Economic risks include inflation, interest rate risk, credit risk, market risk and regulatory risk. The Company is subject to interest rate risk to the extent that in a rising interest rate environment, the Company may experience a decrease in loan production, which will negatively impact the Company's operations. Credit risk is the risk of default that results from borrowers' inability or unwillingness to make contractually required payments.

Market risk reflects changes in the liquidity and credit spreads within the secondary loan markets which impacts the value of LHFS and in commitments to originate loans. Regulatory risks include administrative enforcement actions and/or civil or criminal liability resulting from the Company's failure to comply with the laws and regulations applicable to the Company's business.

Legal

The Company may be subject to various claims and actions, which arise in the ordinary course of business. In accordance with FASB ASC 450, the Company establishes an accrued liability for litigation when those matters present loss contingencies that are both probable and estimable. In such matters, there may be an exposure to losses in excess of any such amounts whether accrued or not. Any estimated loss is subject to significant judgment and is based upon currently available information, a variety of assumptions, and known and unknown uncertainties.

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

13. COMMITMENTS AND CONTINGENCIES (continued)

Legal (continued)

The matters underlying the estimated loss could change from time to time, and actual results may vary significantly from the current estimate. Therefore, any estimate of possible loss represents what the Company would believe to be an estimate of possible loss only for certain matters meeting these criteria. It would not represent the Company's maximum loss exposure.

Based on the Company's current understanding of its legal matters, management does not believe that it has any material active or pending litigation, claims, or assessments as of December 31, 2024.

As of December 31, 2024, the Company carried fidelity and specified errors and omissions insurance coverage, each with an aggregate liability limit of \$4,000,000. The Company also had \$5,625,000 in surety bond coverage in place as of December 31, 2024, for state licensing purposes.

Employment Agreement

On November 15, 2015, the Company entered into an employment agreement with its Chief Executive Officer ("CEO") which renews automatically on an annual basis unless written notice by the Company or CEO is given 60 days prior to the renewal date. No such notice was given by either the Company or the CEO and the agreement is effective until at least November 15, 2025. The agreement describes the duties and responsibilities of the CEO which include all executive, administrative, financial, and supervisory services required in connection with the CEO position. The CEO has a base salary which is to be reviewed annually by the Board of Directors of the Company and provides for an annual bonus plan which is based on a percentage of the Company's goals achieved for the year. There are provisions in the agreement to cover termination for cause, termination without cause, death, and termination by the CEO.

Cash and Cash Equivalents and Restricted Cash

The Company maintains all its cash with major financial institutions. Typically, the Company's cash balances are in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC").

Certain balances on deposit for daily loan funding with financial institutions providing the Company with warehouse funding may exceed the FDIC insurance coverage limits. The Company's cash equivalents are primarily comprised of money market securities and are held at a registered broker-dealer.

If the financial institutions where the Company maintains non-interest bearing and interest-bearing cash accounts were to fail, the Company could lose all or a portion of those amounts held in excess of such insurance limitations.

Actual events involving limited liquidity, including access to warehouse lines of credit, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services or mortgage and real estate industries or those industries generally, or concerns about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity constraints. The Company did not experience any such liquidity issues during 2024 or 2023.

As of December 31, 2024, and 2023, the Company's restricted cash balance consisted of the following:

	2024	2023
Amount on deposit for escrows	\$ 506,009	\$ 951,913
Amount on deposit for warehouse banks	3,825,214	3,500,000
Amount on deposit for Hedging Instruments	344,600	677,550
Total restricted cash	<u>\$ 4,675,823</u>	<u>\$ 5,129,463</u>

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

14. CONCENTRATIONS

The Company originates residential mortgage loans and generates revenues from the origination and sale of these loans. Although management closely monitors market conditions, such activity is sensitive to fluctuations in prevailing interest rates and the real estate markets. Most of the properties securing the LHFS are located in California, Florida, and Texas, and a downturn in economic conditions in these regions' real estate markets could have a material adverse impact on the Company's financial condition and results of its operations.

For the year ended December 31, 2024, the Company's loan originations, as a percentage of loan principal funded, were secured by real estate in the following states:

State	% of Originations
California	26%
Florida	17%
Texas	11%
Arizona	3%
All other states	43%

The Company sells loans to various third-party investors. The five largest investors represented approximately 90% of the Company's loan sales for the year ended December 31, 2024.

15. STOCKHOLDER'S EQUITY

Common Stock

In December 2015, the Board of Directors of the Company authorized the Company to issue 15,000 shares of common stock with a par value of \$0.0001 per share. As of December 31, 2024, the number of shares of common stock issued and outstanding and held by the Parent Company was 10,000. The CEO was issued 2,500 shares of restricted common stock effective November 2019 under a Restricted Stock Agreement.

The restricted common stock shares allocated to the CEO have a vesting expiration date of November 15, 2025. The shares are not transferrable until they vest, and the CEO must be an employee at the time they vest to acquire the shares free of restriction. If the shares are not vested by the vesting expiration date, they expire. The holder of the restricted common stock shares is not deemed to be a shareholder by virtue of the grant of the restricted common stock shares and does not have any shareholder voting rights until the shares vest. Vesting for the restricted common stock shares is conditioned upon repayment in full by the Company to the Parent Company of both a) its outstanding line of credit balance with all accrued interest, and b) redemption of all the outstanding Series A Preferred Stock at the issue price per share.

In December 2020, the Company's Board of Directors authorized the issuance of an additional 488 shares of restricted common stock to be granted to additional members of Company management. These shares vest with the occurrence of a change of control of the ownership of the Company. All 488 shares of restricted common stock were issued in January 2021. There were no issuances of restricted common stock during 2024 or 2023.

The holder of the common stock is entitled to one vote for each share held at all meetings of stockholders. The number of authorized shares of common stock may be increased or decreased, subject to the terms and restrictions of the Certificate of Incorporation, by the affirmative vote of a majority of the outstanding shares of capital stock of the Company that are entitled to vote.

HOMEXPRESS MORTGAGE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

15. STOCKHOLDER'S EQUITY (continued)

Series A Preferred Stock

In December 2015, the Board of Directors of the Company authorized the Company to issue 3,000,000 shares of Series A Preferred Stock with a par value of \$0.0001 per share. As of December 31, 2024, the number of shares of Series A Preferred Stock issued and outstanding was 1,723,333 and all the Series A Preferred Stock shares were held by the Parent Company.

The Series A Preferred Stock has certain preferential and protective privileges with respect to dividend payments and proceeds from the sale, merger, liquidation, dissolution or wind up of the Company. The holders of record of the shares of Series A Preferred Stock, exclusively and as a separate class, shall be entitled to elect one director of the Company.

The shares of the Series A Preferred Stock are not convertible into common stock and the holders of the Series A Preferred Stock have no redemption rights. The Company, at its option, on or after December 1, 2018, may redeem in whole or in part, on a pro rata basis the Series A Preferred Stock by paying in cash a sum equal to the original Series A Preferred Stock issue price per share plus all declared and unpaid dividends on each such share. There were no declared and unpaid dividends on the Series A Preferred Stock for the years ending December 31, 2024 and 2023.

The holder of the Series A Preferred Stock is entitled to one vote for each share held at all meetings of stockholders. The explicit rights and privileges of the Series A Preferred Stock are detailed in the Certificate of Incorporation.

16. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 25, 2025. Subsequent events are events or transactions that occur after the balance sheet date but before consolidated financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements.

The Company's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before consolidated financial statements are available to be issued.

The Company has evaluated subsequent events through the evaluation date and determined that there have been no events that have occurred that would require any disclosure.

SUPPLEMENTARY INFORMATION

HOMEXPRESS MORTGAGE CORP.
COMPUTATION OF ADJUSTED NET WORTH FOR FHA LENDERS WITH TITLE II
AUTHORITY
December 31, 2024

FHA servicing portfolio at December 31, 2024	\$ —	(a)
FHA originations - FHA-insured Title II loan originations during 2024	13,057,328	(b)
FHA purchases - FHA insured Title II third-party originator purchases during 2024	<u>—</u>	(c)
Total FHA loan activity [(d) = (a) + (b) + (c)]	13,057,328	(d)
FHA-insured Title II loan originations retained at December 31, 2024	2,270,804	(e)
FHA-insured Title II third-party originations retained at December 31, 2024	<u>—</u>	(f)
Adjustments [(g) = (e) + (f)]	<u>2,270,804</u>	(g)
Total adjusted FHA loan activity [(h) = (d) – (g)]	<u>\$ 10,786,524</u>	(h)
Net Worth Required	\$ 1,000,000	(i)
If (h) ≤ \$25 million, skip lines (j) and (k) and insert (i) on line (o)		
Additional net worth required		
If (h) > \$25 million, then (j) = (h) – (25,000,000) * (1%)	N/A	(j)
Total net worth [(k) = (i) + (j)]	1,000,000	(k)
If line (k) < \$2,500,000, insert line (k) on line (o)		
If line (k) > \$2,500,000, insert \$2,500,000 on line (o)		
Stockholder's equity (net worth) per balance sheet	108,437,845	(l)
Less unacceptable assets	<u>2,559,156</u>	(m)
Adjusted net worth [(n) = (l) – (m)]	105,878,689	(n)
Minimum net worth required	<u>1,000,000</u>	(o)
Adjusted net worth above/(below) required minimum amount [(p) = (n) – (o)]	<u>\$104,878,689</u>	(p)

ADDITIONAL REPORTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors of
HomeXpress Mortgage Corp.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of HomeXpress Mortgage Corp. (the Company), which comprise the consolidated statements of financial condition as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in members' interests, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 25, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the consolidated financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The script is cursive and fluid, with the letters "B", "T", and "U" being particularly prominent.

BAKER TILLY US, LLP

Irvine, California
March 25, 2025

Independent Auditors' Report on Compliance for Each Major HUD Program and Report on Internal Control Over Compliance Required by the *Consolidated Audit Guide for Audits of HUD Programs*

To the Board of Directors of
HomeXpress Mortgage Corp.

Report on Compliance for Each Major HUD Program

Opinion on Each Major HUD Program

We have audited HomeXpress Mortgage Corp.'s (the Company) compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Audit Guide) that could have a direct and material effect on each of the Company's major U.S. Department of Housing and Urban Development (HUD) programs for the year ended December 31, 2024. The Company's major HUD program and the related direct and material compliance requirements are as follows:

Name of Major Program	Direct and Material Compliance Requirements
HUD Approved Title II Non-supervised Mortgages	<ul style="list-style-type: none">• Quality control plan• Branch office operations• Loan origination• Federal financial and activity reports• Lender annual recertification, adjusted net worth, liquidity and licensing• Loan settlement• Kickbacks

In our opinion, HomeXpress Mortgage Corp. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended December 31, 2024.

Basis for Opinion on Each Major HUD Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Audit Guide. Our responsibilities under those standards and the Audit Guide are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that our audit evidence provides a reasonable basis for our opinion on compliance for each major HUD program. Our audit does not provide a legal determination of the Company's compliance with the compliance requirements referred to above.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, regulations, rules and provisions of contracts or grant agreements applicable to the Company's HUD program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Company's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Audit Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of each major HUD program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Company's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

BAKER TILLY US, LLP

Irvine, California
March 25, 2025

HomeXpress Mortgage Corp.

Schedule of Findings, Questioned Costs, and Recommendations
December 31, 2024

Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.

HomeXpress Mortgage Corp.
Interim Unaudited Consolidated Financial Statements
As of and for the six months ended June 30, 2025

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HOMEXPRESS MORTGAGE CORP.
UNAUDITED CONSOLIDATED BALANCE SHEETS
June 30, 2025 and December 31, 2024

	As of	
	June 30, 2025	December 31, 2024
Cash and cash equivalents	\$ 33,885,116	\$ 42,707,343
Restricted cash	5,399,631	4,675,823
Mortgage loans held-for-sale, at fair value	709,270,977	576,859,380
Amounts due from servicer and other receivables	5,218,471	5,131,806
Other real estate owned	2,205,996	3,220,900
Deferred tax assets, net	2,493,538	2,113,962
Property and equipment, net	982,350	744,830
Hedging assets	—	131,328
Other assets	13,812,725	5,786,706
Total assets	\$ 773,268,804	\$ 641,372,078
Liabilities		
Warehouse lines of credit	\$ 628,294,587	\$ 512,519,746
Hedging liabilities	607,577	-
Due to affiliates	-	206,250
Accounts payable, accrued expenses and other liabilities	16,462,534	16,669,908
Income taxes payable	-	88,530
Repurchase reserves	3,338,784	3,449,799
Total liabilities	\$ 648,703,482	\$ 532,934,233
Members' Equity		
Common stock, \$0.0001 par, 15,000 shares authorized, 10,000 shares issued and outstanding as of June 30, 2025 and June 30, 2024	1	1
Series A preferred stock, \$0.0001 par, 3,000,000 shares authorized, 1,723,333 shares issued and outstanding	172	172
Additional paid-in capital	2,081,335	2,081,335
Retained earnings	122,483,814	106,356,337
Total Stockholder's Equity	124,565,322	108,437,845
Total liabilities and Stockholder's Equity	\$ 773,268,804	\$ 641,372,078

HOMEXPRESS MORTGAGE CORP.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Six Months Ended June 30, 2025 and 2024

	January 1, 2025 – June 30, 2025	January 1, 2024 – June 30, 2024
REVENUES		
Gain on origination and sale of loans, net	\$ 38,525,344	\$ 36,260,525
Interest income	22,835,359	15,069,558
Other	138,024	140,511
Total revenue	<u>61,498,727</u>	<u>51,470,594</u>
EXPENSES		
Compensation and benefits	18,880,652	15,379,053
Interest expense	17,158,057	11,780,076
General and administrative	2,552,410	1,837,557
OREO expenses	67,004	869,738
Professional fees	824,824	822,649
Total expenses	<u>39,482,947</u>	<u>30,787,348</u>
EARNINGS BEFORE INCOME TAXES	<u>22,015,780</u>	<u>20,683,246</u>
INCOME TAX EXPENSE	<u>5,888,303</u>	<u>5,799,513</u>
NET INCOME	<u><u>\$ 16,127,477</u></u>	<u><u>\$ 14,883,733</u></u>

HOMEXPRESS MORTGAGE CORP.
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
For the Six Months Ended June 30, 2025 and 2024

	Common Stock	Series A Preferred Stock	Additional Paid-In Capital	Retained Earnings	Total Stockholder's Equity
BALANCE – DECEMBER 31, 2024	\$ 1	\$ 172	\$ 2,081,335	\$ 106,356,337	\$ 108,437,845
Net income	-	-	-	16,127,477	16,127,477
BALANCE – June 30, 2025	\$ 1	\$ 172	\$ 2,081,335	\$ 122,483,814	\$ 124,565,322

	Common Stock	Series A Preferred Stock	Additional Paid-In Capital	Retained Earnings	Total Stockholder's Equity
BALANCE – DECEMBER 31, 2023	\$ 1	\$ 172	\$ 2,081,335	\$ 72,808,919	\$ 74,890,427
Net income	-	-	-	14,883,733	14,883,733
BALANCE – June 30, 2024	\$ 1	\$ 172	\$ 2,081,335	\$ 87,692,652	\$ 89,774,160

HOMEXPRESS MORTGAGE CORP.
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Six Months Ended June 30, 2025 and 2024

	January 1, 2025 – June 30, 2025	January 1, 2024 – June 30, 2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 16,127,477	\$ 14,883,733
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	142,019	26,744
(Benefit) provision for repurchase reserves	55,166	587,615
Change in repurchase reserves, net of provision	(166,181)	(863,550)
Fair value adjustment on mortgage loans held-for-sale	(6,106,544)	(3,046,943)
Fair value adjustment on derivative assets	738,905	(477,300)
Origination of mortgage loans held-for-sale	(1,474,555,038)	(1,104,500,312)
Principal repayment, settlements and proceeds from sale of mortgage loans held-for-sale	1,351,345,476	1,091,738,726
Repurchases of mortgage loans	(3,095,490)	(6,293,310)
Write-down and valuation loss on loan transferred to other real estate owned	(426,950)	830,000
Changes in operating assets and liabilities:		
Amounts due from servicer and other receivables	(8,776)	-
Other assets	(8,603,636)	1,191,922
Accounts payable, accrued expenses and other liabilities	(2,885,667)	(190,318)
Deferred tax assets, net	(379,577)	(395,998)
Due to affiliates	(206,250)	(393,750)
Income tax receivable and payable	2,984,608	(300,959)
Accrued interest payable to Parent Company	-	(1,056)
Net cash provided by (used in) operating activities	(125,040,458)	(7,204,756)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(98,288)	(68,007)
Capitalized expenditures for internally developed software	(176,368)	(29,660)
OREO improvements	(58,261)	(149,730)
Proceeds from sales of OREO	1,500,115	-
Net cash used in investing activities	1,167,198	(247,397)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings (repayments of) from warehouse lines of credit, net	115,774,841	10,497,328

HOMEXPRESS MORTGAGE CORP.
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
For the 6 Months Ended June 30, 2025 and 2024

	January 1, 2025 – June 30, 2025	January 1, 2024 – June 30, 2024
Net cash provided by (used in) financing activities	115,774,841	10,497,328
Net increase / (decrease) in cash	(8,098,419)	3,045,175
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH – beginning of period	47,383,166	31,968,516
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH – end of period	\$ 39,284,747	\$ 35,013,691

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Interest	\$ 17,716,436	\$ 11,963,925
Taxes, net	\$ 3,283,272	\$ 6,521,470

**Noncash Investing and Financing Activities During the
Period:**

Purchases of property and equipment not yet paid	\$ 14,606	\$ -
Capitalized expenditures for internally developed software not yet paid	\$ 90,278	\$ -

HOMEXPRESS MORTGAGE CORP.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

1. ORGANIZATION AND BUSINESS

HomeXpress Mortgage Corp. (the "Company") was formed as a Delaware corporation on October 16, 2015, and is a wholly owned subsidiary of HX Holdco Corp. ("Parent Company").

The Company originates and sells mortgage loans secured by residential real estate with up to eight units and principal balances of up to approximately \$4.0 million. Substantially all the mortgage loans originated through June 30, 2025 were non-qualified mortgage ("Non-QM") loans. Non-QM loans are generally loans that do not meet the qualified mortgage guidelines set out by the Consumer Financial Protection Bureau. The Company's loans are substantially all sourced on a wholesale basis through mortgage brokers. The Company currently sells all the loans it originates on a servicing released basis in which the Company does not retain the related mortgage servicing rights. As of June 30, 2025, the Company conducted consumer-purpose and business-purpose real estate lending in 47 states (including the District of Columbia).

In 2020, the Company began originating Prime Jumbo loans as a delegated correspondent. Additionally, in 2021, the Company became a Federal Housing Administration ("FHA") approved Title II lender and a Federal Home Loan Mortgage Corporation ("Freddie Mac") approved seller. In 2022, the Company became an approved lender for loans offered through the U.S. Department of Veterans Affairs program ("VA"). The Company began originating FHA, VA, and Freddie Mac-insured loans in 2022.

In 2024, the Company established two wholly-owned limited liability companies ("LLCs") to facilitate the establishment of two warehouse lines of credit (see Note 8).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Certain amounts reported in prior periods have been reclassified to conform to the current period presentation.

The accompanying consolidated financial statements include the accounts of the Company and its consolidated subsidiaries (see Note 1). All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates and Assumptions

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include all short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of generally three months or less. Cash consists of cash balances that have no restrictions as to the Company's ability to withdraw funds. Cash balances that have restrictions as to the Company's ability to withdraw funds are considered restricted cash. The restricted cash balances are due to the terms of the Company's warehouse lines of credit and escrow funds to be returned from recent loan originations to individual borrowers.

HOMEXPRESS MORTGAGE CORP.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

Fair Value Option

The fair value option provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value. The Company elected the fair value option on its mortgage loans held-for sale ("LHFS"). This election was made to mitigate income statement volatility caused by differences in the measurement basis of elected instruments.

Fair Value Measurements

The Company follows the Fair Value Measurements guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820-10, which requires, among other things, a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the most advantageous market at the measurement date. Fair value is based on quoted market prices, where available. If listed prices or quotes are not available, fair value is based on internally developed models that primarily use, as inputs, market-based or independently sourced parameters, including but not limited to yield curves, interest rates, volatilities, and credit spreads. In addition to market information, models also incorporate transaction details, such as the maturity of the instrument(s). Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality, constraints on liquidity and unobservable parameters. Valuation adjustments are applied consistently by the Company over time.

Loans Held for Sale

LHFS are measured and reported at fair value. The Company's fair value election for its LHFS is intended to more accurately reflect the underlying economics of the Company's operations. With the election of the fair value option for LHFS, loan origination fees, and the related direct loan origination costs associated with the origination of LHFS, are earned and expensed as incurred, respectively.

Revenue derived from the Company's mortgage lending activities includes certain fees collected at the time of origination and gain or loss from the sale of LHFS. Loan origination income reflects the fees earned, net of lender credits from originating the loans. These consist of fees related to loan origination, discount points, underwriting, processing and other fees. Lender credits typically are related to rebates or concessions for certain loan origination costs.

Gain or loss from the sale and mark-to-market of LHFS includes both realized and unrealized gains and losses and are included in the gain on origination and sale of loans, net in the accompanying consolidated statements of operations. The valuation of LHFS approximates a whole-loan sales value, which includes the value of the related mortgage servicing rights. LHFS are sold servicing released.

The Company principally sells its LHFS to private investors. The Company evaluates its loan sales for sales treatment. To the extent the transfer of loans qualifies as a sale, the Company derecognizes the loans and records the gain or loss on the sale date. In the event the Company determines that the transfer of loans does not qualify as a sale, the transfer would be treated as a secured borrowing. Interest income from loans is recorded on the accrual basis. LHFS are placed on non-accrual status when any portion of the principal or interest is 90 days past due or earlier if factors indicate that the ultimate collectability of the principal or interest is not probable. Interest received from loans on non-accrual status is recorded as income when collected. Loans return to accrual status when the principal and interest become current, and it is probable that the amounts are fully collectible.

HOMEXPRESS MORTGAGE CORP.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

Amounts due from servicer and other receivables

Receivables from loans and other are primarily related to unpaid principal and interest due from borrower payments made to an interim third-party sub-servicer. These receivables are short-term in nature and are generally collected within one month. All such receivables are stated at their carrying value net of a reserve for doubtful accounts, if necessary. As of June 30, 2025, and 2024, there was no reserve for doubtful accounts required for the receivables. All such receivables were collected after June 30, 2025.

On January 1, 2023, the Company adopted FASB Accounting Standards Update ("ASU") 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This ASU replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and certain off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost are to be presented at the net amount expected to be collected by using an allowance for expected credit losses. The adoption of this ASU did not have a material impact to the Company's consolidated financial statements.

Derivative Instruments

In accordance with FASB ASC 815, Derivatives and Hedging, the Company records derivative instruments at fair value as either assets or liabilities in the consolidated balance sheets. The Company has accounted for all its derivative instruments as non-designated hedge instruments or free-standing derivatives.

The Company enters into interest rate lock commitments ("IRLCs") with prospective borrowers to originate mortgage loans at a specified interest rate. These IRLCs are accounted for as derivative instruments. The fair values of IRLCs utilize current secondary market prices for the underlying loans and estimated servicing value with similar coupons, maturity and credit quality, estimated remaining direct expense and market adjusted investor discounts, subject to the anticipated loan funding probability ("Pull-through Rate"). The fair value of IRLCs is subject to change primarily due to changes in interest rates, credit spreads and the estimated Pull-through Rate. The Company reports IRLCs within other assets in the accompanying consolidated balance sheets with changes in fair value being recorded in the accompanying consolidated statements of operations within gain on origination and sale of loans, net.

The Company hedges the changes in fair value associated with changes in interest rates related to IRLCs and uncommitted LHFS by utilizing a combination of derivatives related to two-year and five-year U.S. Treasury futures for its Non-QM loans, and 30-year uniform mortgage-backed securities ("UMBS") futures contracts for its FHA, VA, and Freddie Mac-insured loans (collectively the "Hedging Instruments") until committed to an investor. The Hedging Instruments are typically entered into at the time the IRLC is made. The fair value of Hedging Instruments is subject to change primarily due to changes in interest rates. The Company reports Hedging Instruments at fair value within either hedging assets or hedging liabilities in the accompanying consolidated balance sheets with changes in fair value recorded in the accompanying consolidated statements of operations within gain on origination and sale of loans, net.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. In general, computer equipment is depreciated over three years, furniture and office equipment is depreciated over the lesser of five years or the remaining life of the asset, and tenant improvements are amortized over the lesser of the respective estimated useful lives or the remaining life of the corresponding lease agreement.

HOMEXPRESS MORTGAGE CORP.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

Substantially all of the Company's software platforms are utilized on a subscription basis and the license fees are included in general and administrative expense over the duration of each license.

Internally Developed Software, Net

The Company capitalizes certain costs related to the development of internal-use software in accordance with FASB ASC 350-40, Internal-Use Software. Costs incurred during the application development stage, including direct labor, third-party development fees, and certain overhead costs, are capitalized. Costs related to preliminary project planning, training, maintenance, and post-implementation activities are expensed as incurred.

Internally developed software is amortized on a straight-line basis over its respective estimated useful life, generally ranging from three to five years. Amortization expense for internally developed software was \$52,462 and \$0 for the six months ended June 30, 2025 and June 30, 2024, respectively. The Company reviews internally developed software for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an impairment exists, the asset is written down to its estimated fair value. Internally developed software, net, is included in property and equipment, net on the accompanying consolidated balance sheets.

Repurchase Reserves

When the Company sells mortgage loans it makes customary representations and warranties to the purchasers about various characteristics of each loan such as the origination and underwriting guidelines, including, but not limited to the validity of the lien securing the loan, property eligibility, borrower credit, income and asset requirements, and compliance with applicable federal, state, and local law. In the event of a breach of its representations and warranties, the Company may be required to either repurchase the mortgage loans with the identified defects or indemnify the investor or insurer for any loss. The Company's loss may be reduced by proceeds from the sale or liquidation of the repurchased loan. In such event, the Company may have the right to seek a recovery of related repurchase losses from the referring mortgage broker.

In the case of early loan payoffs and early defaults on certain loans, the Company may be required to repay all, or a portion, of the premium initially paid by the investor. The estimated obligation associated with early loan payoffs and early defaults is calculated based on current market conditions and historical loss experience by type of loan.

The Company records a provision for losses relating to such representations and warranties as part of its loan sale transactions. The method used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a combination of factors, including, but not limited to, estimated future default and loan repurchase rates, the potential severity of loss in the event of default including any loss on sale or liquidation of the repurchased loan, and the probability of reimbursement by the referring mortgage broker. The Company establishes a liability at the time loans are sold and updates its estimated repurchase liability based on actual and industry performance characteristics, and loan decrement (amortization and prepayment) estimates. The level of the repurchase liability is difficult to estimate and requires considerable management judgment. Given that the level of mortgage loan repurchase losses is dependent on economic factors, investor demands for loan repurchases and other external conditions that may change over the lives of the underlying loans, market expectations around losses related to the Company's obligations could vary significantly from the obligation recorded as of the balance sheet dates.

Marketing and Advertising Costs

The Company originates substantially all its mortgages on a wholesale basis through mortgage brokers and advertises primarily through digital marketing campaigns. The Company expenses advertising costs as incurred. Advertising costs totaled \$264,780 and \$286,039 for the six months ended June 30, 2025 and

HOMEXPRESS MORTGAGE CORP.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

June 30, 2024, respectively, which are included in general and administrative expenses in the accompanying consolidated statements of operations.

Deferred Income Taxes

The Company accounts for income taxes under the provisions of FASB ASC 740, which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates for the year in which the differences are expected to reverse (see Note 12).

The Company files a consolidated tax return with the Parent Company. The Company operates, for tax purposes, pursuant to a tax-sharing arrangement by which certain tax attributes are limited or otherwise modified by virtue of being a group member. To the extent the tax sharing agreement differs from the tax method of allocation pursuant to FASB ASC 740-10-30-27 and 28, such difference between the amount paid or received (tax sharing agreement) and the settlement (method of allocation) will be treated as a dividend or capital contribution. As a member of the Parent Company, the Company is severally liable for certain federal and state income liabilities. Under the arrangement, the Parent Company makes all the decisions with respect to all matters relating to taxes of the consolidated tax group. The provisions of the arrangement take into account both the Company separately and the Company as a member of the consolidated tax group.

Leases

The Company is a lessee in leases of office space and the lease terms range from approximately two years to five years. In accordance with FASB ASC 842, Leases, the Company recognizes a lease liability equal to the present value of future lease payments discounted using its incremental borrowing rate and recognizes a lease asset equal to the lease liability, adjusted for any prepaid or accrued lease payments, lease incentives and initial direct costs. As most of the Company's leases do not provide an implicit discount rate, the Company applies its incremental borrowing rate, which is based on the information available as of the lease commencement date, in determining the present value of its lease payments.

Other Real Estate Owned

Other Real Estate Owned ("OREO") represents assets acquired through foreclosure or other proceedings. The Company is deemed to have received physical possession of real estate property collateralizing a mortgage loan when it obtains legal title to the property upon completion of a foreclosure or when the borrower conveys all interest in the property to it through a deed in lieu of foreclosure or similar legal agreement. Foreclosed assets acquired are initially recorded at fair value at the date of foreclosure less estimated costs to sell, which establishes a new cost basis. Any write-down to fair value at the time of transfer to OREO is charged to expense. After foreclosure, valuations are periodically performed by management to ensure that properties recorded in OREO are carried at the lower of cost or fair value less estimated costs of disposal. The fair value of such OREO is typically based on management's estimates which generally use information including general economic data, broker price opinions, recent sales, property appraisals, and bids, less estimated disposal costs.

3. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

The application of fair value measurements may be on a recurring or nonrecurring basis depending on the accounting principles applicable to the specific asset or liability or whether management has elected to carry the item at its estimated fair value. FASB ASC 820-10-35 specifies a hierarchy of valuation techniques based on whether the inputs to those techniques are observable or unobservable.

HOMEXPRESS MORTGAGE CORP.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions.

These two types of inputs create the following fair value hierarchy:

- *Level 1:* Observable inputs such as quoted prices in active markets;
- *Level 2:* Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- *Level 3:* Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when estimating fair value.

The following tables present the estimated fair value of financial instruments included in the consolidated financial statements as of the dates indicated:

As of June 30, 2025			
	Level	Carrying Amount	Estimated Fair Value
Assets			
Cash and cash equivalents	1	\$ 33,885,116	\$ 33,885,116
Restricted Cash	1	5,399,631	5,399,631
LHFS	2	709,270,977	709,270,977
Derivative instruments - IRLCs	3	1,841,559	1,841,559
Liabilities			
Hedging liabilities	2	607,577	607,577
Warehouse lines of credit	2	628,294,587	628,294,587

As of December 31, 2024			
	Level	Carrying Amount	Estimated Fair Value
Assets			
Cash and cash equivalents	1	\$ 42,707,343	\$ 42,707,343
Restricted cash	1	4,675,823	4,675,823
Hedging assets	2	131,328	131,328
LHFS	2	576,859,380	576,859,380
Derivative instruments - IRLCs	3	597,307	597,307
Liabilities			
Warehouse lines of credit	2	512,519,746	512,519,746

The carrying amount of cash and cash equivalents and restricted cash approximates fair value. The carrying amount of warehouse lines of credit approximates fair value due to the short-term nature of the liabilities.

Amounts due to affiliates and the Parent Company are excluded from the fair value tables. Management has concluded that it is not practical to determine the estimated fair value of amounts due to affiliates and the Parent Company, as reported in the accompanying consolidated balance sheets. Disclosure rules for fair value measurements require that for financial instruments for which it is not practicable to estimate fair value, information pertinent to those instruments be disclosed (see Note 11).

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Recurring Fair Value Measurements

The Company assesses its recurring fair value measurements as defined by FASB ASC 820, Fair Value Measurement. Assets measured at estimated fair value on a recurring basis are LHFS and derivative instruments. Transfers between fair value classifications occur when there are changes in pricing observability levels. Transfer of financial instruments among the levels is assumed to occur at the beginning of the reporting period.

The following table presents the Company's assets and liabilities that are measured at estimated fair value on a recurring basis, including financial instruments for which the Company has elected the fair value option, as of the dates indicated:

Recurring Fair Value Measurements				
As of June 30, 2025				
	Carrying Value	Level 1	Level 2	Level 3
Assets:				
LHFS	\$ 709,270,977	\$ -	\$ 709,270,977	\$ -
IRLCs	1,841,559	-	-	1,841,559
Total assets at fair value	<u>\$ 711,112,536</u>	<u>\$ -</u>	<u>\$ 709,270,977</u>	<u>\$ 1,841,559</u>
Liabilities:				
Hedging liabilities at fair value	\$ 607,577	\$ -	\$ 607,577	\$ -
Recurring Fair Value Measurements				
As of December 31, 2024				
	Carrying Value	Level 1	Level 2	Level 3
Assets:				
LHFS	\$ 576,859,380	\$ -	\$ 576,859,380	\$ -
Hedging assets	131,328	-	131,328	-
IRLCs	597,307	-	-	597,307
Total assets at fair value	<u>\$ 577,588,015</u>	<u>\$ -</u>	<u>\$ 576,990,708</u>	<u>\$ 597,307</u>

The following tables present the activity of Level 3 fair value measurements (derivative instruments – IRLCs) for the six months ended June 30, 2025, and for the year ended December 31, 2024:

	As of June 30, 2025	As of December 31, 2024
Beginning Balance	\$ 597,307	\$ 465,908
Valuation gains / (impairments)	1,244,252	131,399
Purchases, issuances, settlements:		
Purchases and additions, net	-	-
Issuances, net	-	-
Settlements, net	-	-
Ending Balance	<u>\$ 1,841,559</u>	<u>\$ 597,307</u>

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As of June 30, 2025, and December 31, 2024, approximately 92% and 90% of the Company's total assets, respectively, are measured at fair value on a recurring basis. The fair value amounts have been estimated by management using available market information and appropriate valuation methodologies. Considerable judgment is required to interpret market data to develop the estimates of fair value in both inactive and orderly markets. Accordingly, the estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The following is a description of the measurement techniques for financial instruments measured at estimated fair value on a recurring basis.

LHFS – LHFS are measured at fair value and sold to investors on a best efforts and mandatory basis. The fair value for these loans is based on a variety of factors including, but not limited to, the estimated value for similar loans in the secondary market, which is primarily based on loan program, credit score, loan-to-value data, note rate and expected sale date of the loan, as well as expected credit spreads on securitization transactions. The valuations for all loans held for sale are adjusted at the loan level to consider the servicing release premium specific to each loan.

Derivative Instruments – The Company's derivative instruments are carried at fair value as freestanding derivatives. The derivatives include IRLCs with prospective residential mortgage borrowers whereby the interest rate on the loan is determined prior to funding and the borrowers have locked in a set interest rate. The concept of fair value relating to IRLCs is no different than fair value for any other financial asset or liability: fair value is the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Because IRLCs do not trade in the market, the Company determines the estimated fair value based on expectations of what an investor would pay to acquire the Company's IRLCs, which utilizes current secondary market pricing information for underlying loans with similar characteristics. The data inputs used in this valuation include, but are not limited to, loan type, underlying loan amount, credit score, loan-to-value data, note rate, loan program, expected sale date of the loan and current market conditions. These valuations are adjusted at the loan level to consider the servicing release premium, investor loan pricing adjustments specific to each loan, and the direct costs to transform the IRLC to a funded loan. For all IRLCs, the base value is then adjusted for the anticipated Pull-through Rate. The anticipated Pull-through Rate is an unobservable input based on historical experience, which results in classification of IRLCs as a Level 3 measurement as of June 30, 2025, and December 31, 2024.

The Company's Hedging Instruments are used to hedge fair value changes driven by changes in interest rates on the Company's mortgage loan origination pipeline. The Company hedges the period from the interest rate lock, inclusive of the Pull-through Rate, to the date of the loan sale. The estimated fair value is based on current market prices for similar instruments. There is significant secondary market activity for hedge contracts and pricing is readily available for similar assets, and accordingly the Company classifies its Hedging Instruments as a Level 2 measurement. The Company is generally required to maintain a margin requirement based on the notional positions hedged.

Valuation Techniques and Unobservable Inputs

The following tables presents quantitative information about the valuation techniques and unobservable inputs applied to Level 3 fair value measurements for financial instruments measured at fair value on a recurring basis at June 30, 2025, and December 31, 2024:

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As of June 30, 2025					
Financial Instrument	Estimated Fair Value	Valuation Technique	Unobservable Input	Range of Inputs	Weighted Average
Derivative instruments – IRLCS	\$1,841,559	Market pricing	Pull-through Rate	15.0%-95.0%	64.4%

As of December 31, 2024					
Financial Instrument	Estimated Fair Value	Valuation Technique	Unobservable Input	Range of Inputs	Weighted Average
Derivative instruments – IRLCS	\$597,307	Market pricing	Pull-through Rate	15.0%-95.0%	64.9%

Nonrecurring Fair Value Measurements

The Company is required to measure certain assets and liabilities at estimated fair value from time to time. These fair value measurements typically result from the application of specific accounting pronouncements under GAAP. The fair value measurements are considered nonrecurring fair value measurements under FASB ASC 820-10.

OREO Assets – OREO consists of residential real estate acquired in satisfaction of loans. Upon foreclosure, the property value is adjusted to the estimated fair value of the residential real estate less estimated selling and holding costs, or net realizable value establishing a new cost basis.

Subsequent to the initial recognition, the fair value of OREO assets is re-evaluated when indicators of impairment exist, and any declines in value are recognized as a charge to non-interest expense. Fair value is determined primarily using third-party appraisals, broker price opinions, and other market-based valuation techniques, adjusted for estimated selling costs.

The following table presents changes in OREO as of June 30, 2025, and December 31, 2024, respectively:

	As of June 30, 2025	As of December 31, 2024
Beginning Balance	\$ 3,220,900	\$ 743,667
Valuation gains / (impairment)	426,950	(1,265,068)
Purchases, issuances, settlements:		
Purchases and additions, net	58,261	6,339,348
Settlements, net	(1,500,115)	(2,597,047)
Ending Balance	<u>\$ 2,205,996</u>	<u>\$ 3,220,900</u>

4. LOANS HELD-FOR-SALE

A summary of the unpaid principal balances of LHFS by type, the fair value adjustments, and the ending balances at fair value as of June 30, 2025 and December 31, 2024 is presented below:

	As of June 30, 2025	As of December 31, 2024
Non-QM	\$ 683,121,056	\$ 560,398,292
Freddie Mac	2,123,250	412,000

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FHA	1,906,458	2,270,804
VA	2,235,385	-
Fair value adjustment	19,884,828	13,778,284
Total LHFS, at fair value	<u>\$ 709,270,977</u>	<u>\$ 576,859,380</u>

As of June 30, 2025 and December 31, 2024, \$3,150,655 and \$4,596,910 of unpaid principal balance of LHFS were 90 days or more delinquent and were on non-accrual status, with fair values of \$2,657,819 and \$3,907,004, respectively.

5. DERIVATIVE INSTRUMENTS

Gain on origination and sale of loans, net, is comprised of the following components for the six months ended June 30, 2025, and June 30, 2024:

	For the Six Months Ended June 30, 2025	For the Six Months Ended June 30, 2024
Premium from loan sales	\$ 40,225,007	\$ 33,759,268
Mark to market changes on LHFS	6,106,544	3,046,943
Unrealized gains from derivative instruments	1,244,252	(283,957)
Benefit (provision) for loan repurchase reserves	(55,166)	4,985
Realized gains from Hedging Instruments, net	(742,222)	1,284,570
Loan origination income, net	2,358,858	5,969,579
Direct loan origination costs, net	(10,611,929)	(7,520,864)
Total gain on origination and sale of loans, net	<u>\$ 38,525,344</u>	<u>\$ 36,260,525</u>

The Company enters into IRLCs with prospective borrowers to originate mortgage loans at a specified interest rate. The estimated fair value of the Company's IRLCs was \$1,841,559 and \$597,307 as of June 30, 2025, and December 31, 2024, respectively, and are included in other assets in the accompanying consolidated balance sheets.

The Company uses hedging instruments to hedge exposures to fluctuations in interest rates for the mortgages within the Company's loan origination pipeline. The use of such hedging activities may not be effective to offset any, or more than a portion, of the adverse financial effects of unfavorable movements in interest rates over the limited time the hedges are in place. The fair value of these Hedging Instruments was (\$607,577) and \$131,328 as of June 30, 2025, and December 31, 2024, respectively.

The following tables include information for the derivative instruments for the dates and periods presented:

	Notional Balance As of June 30, 2025	Total Gains For the Six Months Ended June 30, 2025
Derivative instruments – Hedging	\$ 131,500,000	\$ 742,222
Derivative instruments – IRLCs	\$ 264,563,885	\$ (1,244,252)
	Notional Balance As of December 31, 2024	Total Gains For the Twelve Months Ended December 31, 2024
Derivative instruments – Hedging	\$ 50,200,000	\$ 807,585
Derivative instruments – IRLCs	\$ 184,780,118	\$ 131,399

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Total gains, inclusive of both realized and unrealized amounts, is included in the Company's gain on origination and sale of loans, net, within the accompanying consolidated statements of operations.

6. PROPERTY AND EQUIPMENT, NET

As of June 30, 2025, and December 31, 2024, property and equipment, net consisted of the following:

	As of June 30, 2025	As of December 31, 2024
Computer equipment and software	\$ 798,175	\$ 685,281
Furniture and fixtures	122,022	122,022
Leasehold improvements	145,728	145,728
Internally developed software	632,378	365,732
Total property and equipment	1,698,303	1,318,763
Less: accumulated depreciation	(715,952)	(573,933)
Total property and equipment, net	<u>\$ 982,350</u>	<u>\$ 744,830</u>

Depreciation and amortization expense for property and equipment was \$89,557 and \$26,744 for the six months ended June 30, 2025, and June 30, 2024, respectively, which is included in general and administrative expense in the accompanying consolidated statements of operations.

7. OTHER ASSETS

As of June 30, 2025, and December 31, 2024, other assets consisted of the following:

	As of June 30, 2025	As of December 31, 2024
Loan originations in process	\$ 3,289,114	\$ 2,033,089
Right-of-use lease assets	970,175	1,242,126
Deferred debt issuance costs (net of amortization)	161,359	342,310
Derivative instruments - IRLCs	1,841,559	597,307
Prepaid expenses	517,456	445,195
Warehouse settlements in process	2,711,691	961,508
Other	4,321,371	165,171
Total other assets	<u>\$ 13,812,725</u>	<u>\$ 5,786,706</u>

Loan originations in process are assets for loans where the origination process is not fully completed, but loan funds have been advanced to the escrow or settlement agents to fund the loans at a future date. Loans are typically originated within two days after such funds are advanced. Warehouse settlements in process are assets for loans where loan sale funds have been sent to the warehouse bank, but the warehouse bank has not applied the funds.

8. WAREHOUSE LINES OF CREDIT

As of June 30, 2025, the Company had seven warehouse financing facilities under Master Repurchase Agreements ("MRA") with various lenders. These warehouse facilities are used to fund, and are secured by, the residential mortgage loans originated by the Company which are classified as loans held-for-sale.

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Two of the MRAs required the establishment of the LLCs to facilitate the warehouse fundings. These LLCs are consolidated as part of the Company's consolidated financial statements.

The Master Repurchase Agreements contain certain various affirmative, negative, and financial covenants. The covenants include leverage restrictions, minimum levels of liquidity and net worth, and profitability. The Company was in compliance with these covenants as of June 30, 2025.

The following table presents certain information on the Company's warehouse facilities as of June 30, 2025:

	Maximum Borrowing Capacity	Maximum Allowance Advance Rates (%)	Balance Outstanding	Maturity Date
Short-term borrowings				
Repurchase agreement 1 ⁽¹⁾	\$ 100,000,000	89.9%	\$ 64,227,374	July 2, 2026
Repurchase agreement 2 ⁽²⁾	100,000,000	90%	52,745,317	March 31, 2026
Repurchase agreement 3 ⁽³⁾	250,000,000	90%	213,055,517	October 17, 2025
Repurchase agreement 4 ⁽⁴⁾	150,000,000	88.9%	84,267,591	September 8, 2025
Repurchase agreement 5 ⁽⁵⁾	50,000,000	71.8%	1,292,749	December 17, 2025
Repurchase agreement 6 ⁽⁶⁾	200,000,000	89.8%	108,286,677	December 17, 2025
Repurchase agreement 6 ⁽⁷⁾	150,000,000	92.8%	104,419,363	November 11, 2025
Total amounts	<u>\$ 1,000,000,000</u>		<u>\$ 628,294,587</u>	

- (1) The interest rate range under this facility is the Term Secured Overnight Financing Rate ("SOFR") plus 2.75% with a floor of 4.00% for all products.
- (2) The interest rate range under this facility is 30 Day SOFR plus 2.90% to 3.10% with a floor of 4.50%. The warehouse facility has an automatic renewal feature.
- (3) The interest rate range under this facility is the 30 Day SOFR plus 2.00% margin.
- (4) The interest rate range under this facility for performing loans is the Term SOFR plus 2.0%.
- (5) The interest rate range under this facility is the Daily SOFR plus 2.00% to 2.25% depending on the product.
- (6) The interest rate range under this facility for performing loans is Daily Simple SOFR plus 1.75%.
- (7) The interest rate range under this facility for performing loans is the Term SOFR plus 1.75% to 1.85% depending on the product.

9. OTHER BORROWINGS

In April 2020, the Company obtained a Paycheck Protection Program ("PPP") loan in the amount of \$3,190,200. The PPP loan, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses under the Small Business Administration ("SBA"). The Company then obtained a second loan in the amount of \$2,000,000 under the PPP in February

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2021. The loans and accrued interest thereon are generally forgivable if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness is to be reduced if the borrower terminates employees or reduces salaries during the applicable measurement period. Each of the PPP loans were forgiven by the SBA in their entirety in 2022. The forgiveness was accounted for as debt extinguishment which resulted in a gain of \$5,190,200. The Employee Retention Credit ("ERC") was a refundable tax credit designed to encourage employers to retain employees during the COVID-19 pandemic and was part of the CARES Act. The Company did not claim or receive any ERC funds.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

10. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

As of June 30, 2025, and December 31, 2024, accounts payable, accrued expenses and other liabilities consisted of the following:

	As of June 30, 2025	As of December 31, 2024
Accounts payable and accrued expenses	\$ 6,697,856	\$ 5,368,558
Accrued compensation and incentive plans	5,172,691	6,314,901
Warehouse lines of credit interest and fees payable	2,096,561	2,676,660
Escrow balances payable	765,081	506,009
Lease liabilities	1,453,319	1,526,753
Other	277,027	277,027
Total accounts payable, accrued expenses and other liabilities	<u>\$ 16,462,534</u>	<u>\$ 16,669,908</u>

11. RELATED PARTY TRANSACTIONS

The Company has a line of credit borrowing arrangement with its Parent Company whereby the Company may borrow up to \$5,333,333 at an annual borrowing rate of interest of 12.0% calculated on a noncompounding basis. Before it was amended, the Company held an option to defer interest payments. During 2023, the Company amended this line of credit agreement, requiring interest be paid on a quarterly basis in arrears. Additionally, the amendment required the Company to pay all unpaid and deferred interest due as of June 30, 2023, totaling \$3,413,195, to the Parent Company no later than July 31, 2023. The Company paid this amount to the Parent Company in July 2023. In November 2024, the Company paid \$3,199,389 representing the total principal and interest balance on the line at that time. The line of credit expires in December 2025.

As of June 30, 2025 and December 31, 2024, there was no outstanding balance or interest payable under the line of credit.

Interest expense of \$0 and \$192,111 was recognized by the Company during the six months ended June 30, 2025 and June 30, 2024, respectively. Borrowings under the line of credit were expressly subordinated to the amounts borrowed under the seven financing facilities described in Note 8.

There were no loan sales to affiliates of the Parent Company during the six months ending June 30, 2025 or year ended December 31, 2024.

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The Company files a consolidated federal income tax return with its Parent Company (see Note 12).

During 2021, the Company entered into consulting agreements with several individuals who were also employees of an affiliate of the Parent Company. During the six months ending June 30, 2025 and June 30, 2024, the total amount of fees incurred under these agreements were \$247,500 and \$337,500, respectively, which are included within professional fees in the accompanying consolidated statements of operations. As of June 30, 2025 and June 30, 2024, \$0 and \$206,250, respectively, of such fees were due to affiliates.

12. INCOME TAXES

The computation of the effective tax rate and provision at each interim period requires the use of certain estimates and significant judgment including, but not limited to, the expected operating income for the year, projections of the proportion of income that is subject to tax, permanent differences between the Company's GAAP earnings and taxable income, and the likelihood of recovering deferred tax assets existing as of the balance sheet date. The estimates used to compute the provision for income taxes may change throughout the year as new events or shifts in the jurisdictional mix of earnings occur, additional information is obtained or as tax laws and regulations change. Accordingly, the effective tax rate for future interim periods may vary materially.

The Company recorded current income tax expense of \$5,888,303 and \$5,799,513 for the six months ended June 30, 2025 and June 30, 2024, respectively.

The Company evaluates and records liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination. No material and non-routine positions have been identified as uncertain tax positions.

13. COMMITMENTS AND CONTINGENCIES

Repurchase Reserves

When the Company sells loans, it is required to make normal and customary representations and warranties about the loans. The whole loan sale agreements generally require the Company to repurchase loans if a representation or warranty is breached. In addition, the Company also could be required to repurchase loans as a result of borrower fraud or if a payment default occurs on a mortgage loan shortly after its sale. The Company may also be required to repay some or all of the premium initially paid by the purchaser in the case of early loan payoffs and early payment defaults. The Company has established a repurchase reserve for its estimate of losses from expected loan repurchases and premium recapture. The provision for estimated repurchase losses and premium recaptures is included in the gain on origination and sale of loans, net on the accompanying consolidated statements of operations. The settlements, net, for the six months ended June 30, 2025 and year ended December 31, 2024, were primarily related to the repayment of premiums on early loan payoffs.

The activity related to the Company's loan repurchase reserves for previously sold loans for the six months ended June 30, 2025 and year ended December 31, 2024, is as follows:

	As of June 30, 2025	As of December 31, 2024
Beginning balance	\$ 3,449,799	\$ 5,234,879
(Benefit) / provision for loan repurchases	55,166	(1,138,942)
Recoveries of repurchase reserves	-	200,000
Settlements, net	(166,181)	(846,138)
Ending balance	<u>\$ 3,338,784</u>	<u>\$ 3,449,799</u>

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Lease Commitments

As of June 30, 2025, the Company had office leases for its two primary facilities located in Santa Ana, California, and Tampa, Florida. The Company's corporate office is in Santa Ana, California. In 2024, the Company renewed its Santa Ana, California lease and extended it to September 2027. The Company's lease for Tampa, Florida is active through July 2026. Lease expense for the six months ended June 30, 2025 and June 30, 2024, was \$327,552 and \$713,590, respectively, and is included in general and administrative in the accompanying consolidated statements of operations.

As of June 30, 2025, the Company's future minimum annual lease commitments under the leases were as follows:

Period ended June 30:		
2026	\$	719,197
2027		622,370
2028 and thereafter		237,894
Total lease commitments		1,579,521
Less: imputed interest		(126,202)
Total lease liabilities	\$	1,453,319

As of June 30, 2025, the Company's right-of-use assets of \$970,175 are included in other assets and lease liabilities of \$1,453,319 are included in accounts payable, accrued expenses and other liabilities in the accompanying consolidated balance sheets.

The weighted average lease term and weighted average discount rate as of June 30, 2025 were 2 years and 7%, respectively.

Risks and Uncertainties

In the normal course of business, companies in the mortgage banking industry encounter certain economic and regulatory risks. Economic risks include inflation, interest rate risk, credit risk, market risk and regulatory risk. The Company is subject to interest rate risk to the extent that in a rising interest rate environment, the Company may experience a decrease in loan production, which will negatively impact the Company's operations. Credit risk is the risk of default that results from borrowers' inability or unwillingness to make contractually required payments.

Market risk reflects changes in the liquidity and credit spreads within the secondary loan markets which impacts the value of LHFS and commitments to originate loans. Regulatory risks include administrative enforcement actions and/or civil or criminal liability resulting from the Company's failure to comply with the laws and regulations applicable to the Company's business.

Legal

The Company may be subject to various claims and actions which arise in the ordinary course of business. In accordance with FASB ASC 450, the Company establishes an accrued liability for litigation when those matters present loss contingencies that are both probable and reasonably estimable. In such matters, there may be an exposure to losses in excess of any such amounts whether accrued or not. Any estimated loss is subject to significant judgment and is based upon currently available information, a variety of assumptions, and known and unknown uncertainties.

The matters underlying the estimated loss could change from time to time, and actual results may vary significantly from the current estimate. Therefore, any estimate of possible loss represents what the Company would believe to be an estimate of possible loss only for certain matters meeting these criteria. It would not represent the Company's maximum loss exposure.

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Based on the Company's current understanding of its legal matters, management does not believe that it has any material active or pending litigation, claims, or assessments as of June 30, 2025.

As of June 30, 2025, the Company carried fidelity and specified errors and omissions insurance coverage, each with an aggregate liability limit of \$3,000,000. The Company also had \$5,625,000 in surety bond coverage in place as of June 30, 2025, for state licensing purposes.

Employment Agreement

On November 15, 2015, the Company entered into an employment agreement with its Chief Executive Officer ("CEO") which renews automatically on an annual basis unless written notice by the Company or CEO is given 60 days prior to the renewal date. No such notice was given by either the Company or the CEO and the agreement is effective until at least November 15, 2025. The agreement describes the duties and responsibilities of the CEO which include all executive, administrative, financial, and supervisory services required in connection with the CEO position. The CEO has a base salary which is to be reviewed annually by the Board of Directors of the Company and provides for an annual bonus plan which is based on a percentage of the Company's goals achieved for the year. There are provisions in the agreement to cover termination for cause, termination without cause, death, and termination by the CEO.

Cash and Cash Equivalents and Restricted Cash

The Company maintains all its cash with major financial institutions. Typically, the Company's cash balances are in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC").

Certain balances on deposit for daily loan funding with financial institutions providing the Company with warehouse funding may exceed the FDIC insurance coverage limits. The Company's cash equivalents are primarily comprised of money market securities and are held at a registered broker-dealer.

If the financial institutions where the Company maintains non-interest bearing and interest-bearing cash accounts were to fail, the Company could lose all or a portion of those amounts held in excess of such insurance limitations.

Actual events involving limited liquidity, including access to warehouse lines of credit, defaults, nonperformance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services or mortgage and real estate industries or those industries generally, or concerns about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity constraints. The Company did not experience any such liquidity issues during 2025 or 2024.

As of June 30, 2025, and December 31, 2024, the Company's restricted cash balance consisted of the following:

	As of June 30, 2025	As of December 31, 2024
Amounts on deposit for escrows	\$ 765,081	\$ 506,009
Amount on deposit for warehouse banks	3,750,000	3,825,214
Amount on deposit for Hedging Instruments	884,550	344,600
Total restricted cash	<u>\$ 5,399,631</u>	<u>\$ 4,675,823</u>

14. CONCENTRATIONS

The Company originates residential mortgage loans and generates revenues from the origination and sale of these loans. Although management closely monitors market conditions, such activity is sensitive to

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fluctuations in prevailing interest rates and the real estate markets. Most of the properties securing the LHFS are located in California, Florida, and Texas, and a downturn in economic conditions in these regions' real estate markets could have a material adverse impact on the Company's financial condition and results of its operations.

For the six months ended June 30, 2025, the Company's loan originations, as a percentage of loan principal funded, were secured by real estate in the following states:

State	% of Originations
California	28%
Florida	16%
Texas	11%
Hawaii	4%
All other states	42%

The Company sells loans to various third-party investors. The five largest investors represented approximately 90% of the Company's loan sales for the six months ending June 30, 2025.

15. STOCKHOLDER'S EQUITY

Common Stock

In December 2015, the Board of Directors of the Company authorized the Company to issue 15,000 shares of common stock with a par value of \$0.0001 per share. As of June 30, 2025, the number of shares of common stock issued and outstanding and held by the Parent Company was 10,000. The CEO was issued 2,500 shares of restricted common stock effective November 2019 under a Restricted Stock Agreement.

The restricted common stock shares allocated to the CEO have a vesting expiration date of November 15, 2025. The shares are not transferrable until they vest, and the CEO must be an employee at the time they vest to acquire the shares free of restriction. If the shares are not vested by the vesting expiration date, they expire. The holder of the restricted common stock shares is not deemed to be a shareholder by virtue of the grant of the restricted common stock shares and does not have any shareholder voting rights until the shares vest. Vesting for the restricted common stock shares is conditioned upon repayment in full by the Company to the Parent Company of both a) its outstanding line of credit balance with all accrued interest, and b) redemption of all the outstanding Series A Preferred Stock at the issue price per share.

In December 2020, the Company's Board of Directors authorized the issuance of an additional 488 shares of restricted common stock to be granted to additional members of Company management. These shares vest with the occurrence of a change of control of the ownership of the Company. All 488 shares of restricted common stock were issued in January 2021. There were no issuances of restricted common stock during the six months ended June 30, 2025 or the year ended December 31, 2024.

The holder of the common stock is entitled to one vote for each share held at all meetings of stockholders. The number of authorized shares of common stock may be increased or decreased, subject to the terms and restrictions of the Certificate of Incorporation, by the affirmative vote of a majority of the outstanding shares of capital stock of the Company that are entitled to vote.

Series A Preferred Stock

In December 2015, the Board of Directors of the Company authorized the Company to issue 3,000,000 shares of Series A Preferred Stock with a par value of \$0.0001 per share. As of June 30, 2025, the number of shares of Series A Preferred Stock issued and outstanding was 1,723,333 and all the Series A Preferred Stock shares were held by the Parent Company.

HOMEXPRESS MORTGAGE CORP.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

The Series A Preferred Stock has certain preferential and protective privileges with respect to dividend payments and proceeds from the sale, merger, liquidation, dissolution or wind up of the Company. The holders of record of the shares of Series A Preferred Stock, exclusively and as a separate class, shall be entitled to elect one director of the Company.

The shares of the Series A Preferred Stock are not convertible into common stock and the holders of the Series A Preferred Stock have no redemption rights. The Company, at its option, on or after December 1, 2018, may redeem in whole or in part, on a pro rata basis the Series A Preferred Stock by paying in cash a sum equal to the original Series A Preferred Stock issue price per share plus all declared and unpaid dividends on each such share. There were no declared and unpaid dividends on the Series A Preferred Stock for the six months ended June 30, 2025 or the year ended December 31, 2024.

The holder of the Series A Preferred Stock is entitled to one vote for each share held at all meetings of stockholders. The explicit rights and privileges of the Series A Preferred Stock are detailed in the Certificate of Incorporation.

16. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through October 3, 2025. Subsequent events are events or transactions that occur after the balance sheet date but before consolidated financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements.

On October 1, 2025, the Company was acquired by Chimera Investment Corporation ("**Chimera**") as disclosed in Chimera's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2025.

CHIMERA INVESTMENT CORPORATION AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

On October 1, 2025, Chimera Investment Corporation, a Maryland corporation, (“Chimera” or the “Company”, or “we”, “us”, “our”) through its wholly-owned subsidiary Chimera Funding TRS, LLC, a Delaware limited liability company (“Funding TRS”), completed the previously announced acquisition (the “Acquisition”) of HomeXpress Mortgage Corp., a Delaware corporation (“HomeXpress”), pursuant to that certain Stock Purchase Agreement (the “Stock Purchase Agreement”), dated June 11, 2025 and amended as of August 5, 2025, by and among Funding TRS (as assignee of the rights and obligations of Chimera) and the Sellers referred to therein.

Upon the terms and subject to the conditions of the Stock Purchase Agreement, at the closing of the transactions contemplated by the Stock Purchase Agreement (the “Closing”), Funding TRS acquired (i) all of the outstanding equity interests in HX Holdco Corp., a Delaware corporation and parent of HomeXpress (“HX Holdco”), from the Holdco Sellers (as defined in the Stock Purchase Agreement), and (ii) the remaining outstanding equity interests in HomeXpress held by the Management Sellers (as defined in the Stock Purchase Agreement). Immediately following the Closing, Funding TRS will assign the equity interests in HomeXpress acquired from the Management Sellers to HX Holdco so that HomeXpress will be a wholly-owned subsidiary of HX Holdco.

The total consideration for the Acquisition consisted of (i) \$119.5 million, representing the estimated Adjusted Book Value (as defined in the Stock Purchase Agreement) as of August 31, 2025, subject to certain post-closing adjustments to true-up for the actual Adjusted Book Value as of the Closing Date as set forth in the Stock Purchase Agreement, (ii) the cash premium of \$120.0 million, and (ii) the issuance of 2,077,151 shares of Chimera’s common stock, par value \$0.01 per share (“Common Stock”). Following the Closing of the Acquisition, HomeXpress became an indirect wholly-owned subsidiary of Chimera operating under Funding TRS. The cash portion of the consideration was funded with cash on hand.

The unaudited pro forma consolidated financial information contained herein sets forth the following:

- The historical consolidated financial information of the Chimera, as of and for the six months ended June 30, 2025 (unaudited), derived from the Company’s unaudited consolidated financial statements; and for the year ended December 31, 2024, derived from the Company’s audited consolidated financial statements;
- The historical consolidated financial information of HomeXpress, adjusted to reflect certain reclassifications to conform the financial statement presentation with that of the Company, as of and for the six months ended June 30, 2025 (unaudited), derived from HomeXpress’s unaudited consolidated financial statements; and for the year ended December 31, 2024, derived from HomeXpress’s audited consolidated financial statements;
- Pro forma adjustments to give effect to the Acquisition on the pro forma consolidated statements of operations for the six months ended June 30, 2025 and year ended December 31, 2024, as if the Acquisition closed January 1, 2024; and
- Pro forma adjustments to give effect to the Acquisition on the pro forma consolidated statement of financial condition as of June 30, 2025, as if the Acquisition closed June 30, 2025.

This unaudited pro forma consolidated financial information should be read in conjunction with:

- Chimera’s audited consolidated financial statements and related notes thereto, for the year ended December 31, 2024, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2024, as filed with the SEC on February 19, 2025;
- Chimera’s unaudited consolidated financial statements and related notes thereto, as of and for the six months ended June 30, 2025, included in the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2025, as filed with the SEC on August 6, 2025;
- HomeXpress’s audited consolidated financial statements and related notes thereto, for the year ended December 31, 2024, and unaudited consolidated financial statements and related notes thereto, as of and for the six months ended June 30, 2025, which are included herewith as Exhibits 99.1 and 99.2, respectively, to this Current Report on Form 8-K.

The unaudited pro forma consolidated financial information has been prepared in accordance with Securities and Exchange Commission’s (“SEC”) Article 11, Pro Forma Financial Information (“Article 11”), under Regulation S-X of the Exchange Act, giving effect to the application of the acquisition method of accounting, as promulgated by the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) Topic 805, Business Combinations (“ASC 805”), and the related financing necessary to effectuate the Acquisition. ASC 805 requires, among other things, that under the acquisition method of accounting, the acquired assets and assumed liabilities be recognized at their acquisition-date fair value, using the fair value concepts as defined in ASC Topic 820, Fair Value Measurement (“ASC 820”).

At this time, the accounting for the Acquisition is ongoing, and the amounts and adjustments presented herein are provisional, as the purchase accounting is not final. Additionally, the allocation of purchase price to the acquired assets and assumed liabilities of HomeXpress was based on preliminary estimates of fair value, determined through discussions with HomeXpress management and valuation studies performed by independent third-party valuation experts. Accordingly, the final purchase accounting adjustments may differ materially from the preliminary unaudited adjustments presented herein. The preliminary estimates are based on the best information available as of the date of this filing and include certain assumptions that the Company believes are reasonable under the circumstances.

The unaudited pro forma consolidated financial information, which should be read in conjunction with the accompanying notes, is provided for informational purposes only. It is neither intended to represent nor indicative of the actual results of operations or financial position of the Company or HomeXpress as if the Acquisition had been completed on the dates assumed. Additionally, it should not be considered indicative of future consolidated results of operations or financial position. While the unaudited pro forma information reflects the costs incurred to complete the Acquisition, it does not account for any anticipated synergies, operational efficiencies, or cost savings that may result from the Acquisition.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2025
(IN THOUSANDS, except share and per share data)

	<u>Historical</u> Chimera Investment Corp.	<u>As Reclassified</u> HomeXpress Mortgage Corp. (Note 2)	Transaction Adjustments (Note 4)		Pro Forma Combined
Net interest income:					
Interest Income	\$391,914	\$ 22,973	\$ —		\$ 414,887
Interest expense	256,684	17,339	—		274,023
Net interest income	135,230	5,634	—		140,864
Increase (decrease) in provision for credit losses	7,796				7,796
Other income (losses):					
Net unrealized gains (losses) on derivatives	(9,024)	—	—		(9,024)
Realized gains (losses) on derivatives	(17,872)	—	—		(17,872)
Periodic interest cost of swaps, net	9,202	—	—		9,202
Net gains (losses) on derivatives	(17,694)	—	—		(17,694)
Investment management and advisory services	17,745	—	—		17,745
Net unrealized gains (losses) on financial instruments at fair value	135,866	—	—		135,866
Net realized gains (losses) on sales of investments	(1,915)	—	—		(1,915)
Gains (losses) on extinguishment of debt	2,122	—	—		2,122
Other investment gains (losses)	2,536	—	—		2,536
Gain on origination and sale of loans, net	—	38,525	—		38,525
Total other income (losses)	138,660	38,525	—		177,185
Other expenses:					
Compensation and benefits	24,745	18,886	—		43,631
General and administrative expenses	13,721	3,117	(37)	(b)	16,801
Servicing and asset manager fees	14,737	—	—		14,737
Amortization of intangibles and depreciation expenses	1,902	142	6,389	(c)	8,433
Transaction expenses	6,077	5,820	—		11,897
Total other expenses	61,182	27,965	6,352		95,499
Income (loss) before income taxes	204,912	16,194	(6,352)		214,754
Income tax expense (benefit)	2,165	5,888	(5,219)	(i)	2,834
Net income (loss)	\$202,747	\$ 10,306	\$ (1,133)		\$ 211,920
Net income (loss) per share available to common shareholders:					
Basic					\$ 2.54
Diluted					\$ 2.50
Weighted average number of common shares outstanding:					
Basic					83,485,238
Diluted					84,677,259

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2024
(IN THOUSANDS, except share and per share data)

	<u>Historical</u> Chimera Investment Corp.	<u>As Reclassified</u> HomeXpress Mortgage Corp. (Note 2)	Transaction Adjustments (Note 4)		Pro Forma Combined
Net interest income:					
Interest Income	\$760,950	\$ 34,875	\$ —		\$ 795,825
Interest expense	496,274	28,356	—		524,630
Net interest income	264,676	6,519	—		271,195
Increase (decrease) in provision for credit losses	9,838	—	—		9,838
Other income (losses):					
Net unrealized gains (losses) on derivatives	2,963	—	—		2,963
Realized gains (losses) on derivatives	(21,540)	—	—		(21,540)
Periodic interest cost of swaps, net	23,780	—	—		23,780
Net gains (losses) on derivatives	5,203	—	—		5,203
Investment management and advisory services	2,710	—	—		2,710
Net unrealized gains (losses) on financial instruments at fair value	10,811	—	—		10,811
Net realized gains (losses) on sales of investments	(5,219)	—	—		(5,219)
Other investment gains (losses)	9,543	—	—		9,543
Gain on origination and sale of loans, net	—	79,353	—		79,353
Total other income (losses)	23,048	79,353	—		102,401
Other expenses:					
Compensation and benefits	41,364	32,178	—		73,542
General and administrative expenses	23,201	7,571	(3)	(b)	30,769
Servicing and asset manager fees	29,795	—	—		29,795
Amortization of intangibles and depreciation expenses	321	97	12,823	(c)	13,241
Transaction expenses	7,091	—	9,715	(f)	16,806
Total other expenses	101,772	39,846	22,535		164,153
Income (loss) before income taxes	176,114	46,026	(22,535)		199,605
Income tax expense (benefit)	49	12,479	(31,454)	(i)	(18,926)
Net income (loss)	\$176,065	\$ 33,547	\$ 8,919		\$ 218,531
Net income (loss) per share available to common shareholders:					
Basic					\$ 2.63
Diluted					\$ 2.59
Weighted average number of common shares outstanding:					
Basic					83,053,896
Diluted					84,234,773

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
AS OF JUNE 30, 2025
(IN THOUSANDS)

	<u>Historical</u> Chimera Investment Corp.	<u>As Reclassified</u> HomeXpress Mortgage Corp. (Note 2)	<u>Transaction</u> <u>Adjustments</u> (Note 4)		<u>Pro Forma</u> <u>Combined</u>
Assets					
Cash and Cash Equivalents	\$ 250,223	\$ 33,885	\$ (239,490)	(a)	\$ 44,618
Loans held-for-sale, at fair value	—	709,271	—		709,271
Non-Agency RMBS, at fair value	1,010,995	—	—		1,010,995
Agency MBS, at fair value	2,675,280	—	—		2,675,280
Loans held for investment, at fair value	10,640,298	—	—		10,640,298
Accrued interest receivable	74,611	4,329	—		78,940
Other assets	211,822	25,821	95,642	(b)(c)	333,285
Goodwill	—	—	73,057	(e)	73,057
Derivatives, at fair value	—	1,842	—		1,842
Total assets	14,863,229	775,148	(70,791)		15,567,586
Liabilities and equity					
Secured financing agreements	4,563,063	628,133	—		5,191,196
Securitized debt, collateralized by Non-Agency RMBS	68,278	—	—		68,278
Securitized debt at fair value, collateralized by					
Loans held for investment	6,970,800	—	—		6,970,800
Warehouse line of credit	—	—	—		—
Long term debt	135,211	—	—		135,211
Payable for investments purchased	387,909	—	—		387,909
Accrued Interest Payable	40,777	—	—		40,777
Dividends payable	34,650	—	—		34,650
Accounts payable and other liabilities	37,709	27,663	8,858	(b)(c)(d)(f)	74,230
Derivatives, at fair value, net	301	608	—		909
Total Liabilities	12,238,698	656,404	8,858		12,903,960
Equity					
Preferred Stock					
Series A preferred stock*	—	0	(0)	(g)	—
Series A cumulative redeemable	58	—	—		58
Series B cumulative redeemable	130	—	—		130
Series C cumulative redeemable	104	—	—		104
Series D cumulative redeemable	80	—	—		80
Common Stock*	810	0	21	(g)(h)	831
Additional paid-in-capital	4,397,084	2,080	26,335	(g)(h)	4,425,499
Accumulated other comprehensive income	152,435	—	—		152,435
Cumulative earnings	4,543,858	116,664	(106,005)	(f)(g)	4,554,517
Cumulative distribution to stockholders	(6,470,028)	—	—		(6,470,028)
Total equity	2,624,531	118,744	(79,649)		2,663,626
Total Liabilities and equity	\$14,863,229	\$ 775,148	\$ (70,791)		\$15,567,586

* Presented as \$0 due to rounding.

CHIMERA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
(AMOUNTS IN THOUSANDS UNLESS OTHERWISE INDICATED)

1. Description of the Acquisition and Basis of Presentation

On October 1, 2025, Chimera completed its previously announced acquisition of HomeXpress. See Note 3 for further discussion of the determination of purchase price. To fund the Acquisition, Chimera issued 2,077,151 shares of common stock, par value \$0.01 per share of Chimera, and funded the remainder with cash on hand.

Chimera has prepared the unaudited pro forma consolidated financial information in accordance with Article 11 of SEC Regulation S-X, applying the acquisition method of accounting under ASC 805, with Chimera as the acquirer and HomeXpress as the acquiree for accounting purposes. Pursuant to the guidance in ASC 805, the acquisition method of accounting requires the purchase price to be allocated to the acquisition-date fair values of the acquired assets and assumed liabilities, with any excess recorded as goodwill. To facilitate this allocation of purchase price and using the fair value concepts outlined in ASC 820, Chimera has determined the preliminary fair value estimates of the acquired assets and assumed liabilities as of October 1, 2025, the date the Acquisition closed. As of the date of this report, Chimera has not yet completed certain detailed valuation procedures necessary to finalize these estimates of fair value and related purchase price allocation. The finalization of these estimates is expected to be complete when Chimera files its annual report on Form 10-K for the year ended December 31, 2025. Differences between preliminary estimates and the final purchase price accounting may occur and could have a material impact on the unaudited pro forma consolidated financial information.

The unaudited pro forma consolidated financial information does not give effect to any expected cost savings, operating nor revenue synergies that may result from the Acquisition, nor any costs required to achieve such synergies. It does, however, give effect to the costs incurred to effectuate the Acquisition that had not yet been recorded as of the date of the unaudited pro forma consolidated statement of financial condition. See Note 4 for further details.

During the preparation of the unaudited pro forma consolidated financial information, Chimera performed a preliminary review of HomeXpress's accounting policies. Adjustments were necessary to certain of the accounting policies used to produce HomeXpress's historical financial statements in order to conform to those of Chimera. These amounts are disclosed in Note 4 below. Furthermore, certain reclassifications have been made in order to conform the historical financial statement presentation of HomeXpress with Chimera. See Note 2 for detailed reclassification adjustments. Final review of HomeXpress's accounting policies is ongoing and additional differences may be identified that, when conformed, could have a material impact on the unaudited pro forma consolidated financial information.

CHIMERA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
(AMOUNTS IN THOUSANDS UNLESS OTHERWISE INDICATED)

2. Reclassification Adjustments

The following presents the impacts of certain reclassification adjustments made to the HomeXpress historical financial statements, in order to align our historical financial statement presentation to our expected presentation for the go-forward combined company.

HOMEXPRESS MORTGAGE CORPORATION
STATEMENT OF OPERATIONS
RECLASSIFICATION ADJUSTMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2025

	HomeXpress Mortgage Corp. Historical	Reclassification Adjustments		HomeXpress Mortgage Corp. Historical, as Reclassified
Net interest income:				
Interest income	\$ 22,835	\$ 138	(a)	\$ 22,973
Interest expense	(17,158)	(181)	(b)	(17,339)
Net interest income	5,677	(43)		5,634
Other income (losses):				
Gain on origination and sale of loans, net	38,525	—		38,525
Other	138	(138)	(a)	—
Total other income (losses)	38,663	(138)		38,525
Other expenses:				
Compensation and benefits	18,881	5	(f)	18,886
General and administrative expenses	2,288	829	(b)(c)(d)(e)(f)	3,117
Amortization of intangibles and depreciation expenses	—	142	(e)	142
Transaction Expenses	5,820	—		5,820
OREO expenses	67	(67)	(c)	—
Professional fees	825	(825)	(d)	—
Advertising	265	(265)	(d)	—
Total other expenses	28,146	(181)		27,965
Income (loss) before income taxes	16,194	—		16,194
Income tax expense (benefit)	5,888	—		5,888
Net income (loss)	\$ 10,306	\$ —		\$ 10,306

Reclassification adjustments made to the HomeXpress Mortgage Corporation historical statement of operations for the six months ended June 30, 2025, to conform the financial statement presentation with that of the Company:

- (a) Represents a reclassification from Other income to Interest income
- (b) Represents a reclassification from General and administrative expense to Interest expense
- (c) Represents a reclassification from OREO expenses to General and administrative expense
- (d) Represents a reclassification from various to General and administrative expense
- (e) Represents a reclassification from General and administrative expense to Amortization of intangibles and depreciation expenses
- (f) Represents a reclassification from General and administrative expense to Compensation and benefits

CHIMERA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
(AMOUNTS IN THOUSANDS UNLESS OTHERWISE INDICATED)

HOMEXPRESS MORTGAGE CORPORATION
STATEMENT OF OPERATIONS
RECLASSIFICATION ADJUSTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

	HomeXpress Mortgage Corp. Historical	Reclassification Adjustments		HomeXpress Mortgage Corp. Historical, as Reclassified
Net interest income:				
Interest income	\$ 34,628	\$ 247	(a)	\$ 34,875
Interest expense	(28,038)	(318)	(b)	(28,356)
Net interest income	6,590	(71)		6,519
Other income (losses):				
Gain on origination and sale of loans, net	79,353	—		79,353
Other	274	(274)	(a)	—
Total other income (losses)	79,627	(274)		79,353
Other expenses:				
Compensation and benefits	32,121	57	(e)	32,178
General and administrative expenses	4,461	3,110	(b)(c)(d)(e)	7,571
Amortization of intangibles and depreciation expenses	—	97	(d)	97
OREO expenses	2,074	(2,074)	(c)	—
Professional fees	1,535	(1,535)	(c)	—
Total other expenses	40,191	(345)		39,846
Income (loss) before income taxes	46,026	—		46,026
Income tax expense (benefit)	12,479	—		12,479
Net income (loss)	\$ 33,547	\$ —		\$ 33,547

Reclassification adjustments made to the HomeXpress Mortgage Corporation historical statement operations for the year ended December 31, 2024, to conform the financial statement presentation with that of the Company:

- (a) Represents a reclassification from Other income to Interest income
- (b) Represents a reclassification from General and administrative expense to Interest expense
- (c) Represents a reclassification from OREO expenses and Professional fees to General and administrative expense
- (d) Represents a reclassification from General and administrative expense to Amortization of intangibles and depreciation expenses
- (e) Represents a reclassification from General and administrative expense to Compensation and benefits

CHIMERA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
(AMOUNTS IN THOUSANDS UNLESS OTHERWISE INDICATED)

HOMEXPRESS MORTGAGE CORPORATION
STATEMENT OF FINANCIAL CONDITION
RECLASSIFICATION ADJUSTMENTS
AS OF JUNE 30, 2025

	HomeXpress Mortgage Corp. Historical	Reclassification Adjustments		HomeXpress Mortgage Corp. Historical, as Reclassified
Assets				
Cash and cash equivalents	\$ 37,770	\$ (3,885)	(a)	\$ 33,885
Restricted cash	1,515	(1,515)	(a)	—
Mortgage loans held-for-sale, at fair value	709,271	(709,271)	(j)	—
Loans held-for-sale, at fair value	—	709,271	(j)	709,271
Amounts due from servicer and other receivables	5,218	(5,218)	(b)	—
Other real estate owned	2,206	(2,206)	(c)	—
Accrued Interest Receivable	—	4,329	(b)	4,329
Deferred tax assets, net	2,494	(2,494)	(d)	—
Property and equipment, net	982	(982)	(e)	—
Other assets			(a)(b)(c)(d)	
	13,813	12,008	(e) (l)	25,821
Derivatives, at fair value	—	1,842	(l)	1,842
Total assets	773,269	1,879		775,148
Liabilities and equity				
<i>Current liabilities</i>				
Warehouse lines of credit	628,295	(628,295)	(f)	—
Secured financing agreements	—	628,133	(f)	628,133
Hedging liabilities	608	(608)	(g)	—
Accounts payable, accrued expenses and other liabilities	16,463	(16,463)	(h)	—
Repurchase reserves	3,339	(3,339)	(i)	—
Accounts payable and other liabilities	5,820	21,843	(h)(i)	27,663
Derivatives, at fair value, net	—	608	(g)	608
Total liabilities	654,525	1,879		656,404
Equity				
Common stock *	0	—		0
Series A preferred stock *	0	—		0
Additional paid-in capital	2,080	—		2,080
Retained earnings	116,664	(116,664)	(k)	—
Cumulative earnings	—	116,664	(k)	116,664
Total equity	118,744	—		118,744
Total Liabilities and equity	\$ 773,269	\$ 1,879		\$ 775,148

* Presented as \$0 due to rounding.

CHIMERA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
(AMOUNTS IN THOUSANDS UNLESS OTHERWISE INDICATED)

Reclassification adjustments made to the HomeXpress Mortgage Corporation historical statement of financial condition as of June 30, 2025, to conform the financial statement presentation with that of the Company:

- (a) Represents a reclassification from legally restricted cash included within Cash and cash equivalents, and Restricted cash, to Other assets
- (b) Represents a reclassification from Amounts due from servicer and other receivables to Accrued Interest Receivable and to Other assets
- (c) Represents a reclassification from Other real estate owned to Other assets
- (d) Represents a reclassification from Deferred tax assets, net to Other assets
- (e) Represents a reclassification from Property plant and equipment, net to Other assets
- (f) Represents a reclassification from Warehouse line of credit to Secured financing agreements
- (g) Represents a reclassification from Hedging Liabilities to Derivatives, at fair value, net
- (h) Represents a reclassification from Accounts payable, accrued expenses and other liabilities to Accounts payable and other liabilities
- (i) Represents a reclassification from Repurchase Reserves to Accounts payable and other liabilities
- (j) Represents a reclassification from Mortgage loans held-for-sale, at fair value to Loans held-for-sale, at fair value
- (k) Represents a reclassification from Retained earnings to Cumulative earnings
- (l) Represents a reclassification from Other assets to Derivatives, at fair value

CHIMERA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
(AMOUNTS IN THOUSANDS UNLESS OTHERWISE INDICATED)

3. Preliminary Purchase Price and Resulting Allocation

As part of the acquisition method of accounting, the preliminary purchase price has been estimated to be \$267.9 million, representative of \$119.5 million in cash equal to the estimated Adjusted Book Value of Holdco and its subsidiaries, including HomeXpress, as of August 31, 2025, plus a premium of \$120.0 million in cash and 2,077,151 shares of Chimera's common stock at a fair value of \$28.4 million*. This preliminary purchase price has been allocated to the acquired assets and assumed liabilities, based on their preliminary acquisition-date fair values, in accordance with ASC 805 and ASC 820. These preliminary fair values were determined using the best information available as of the date of this filing. The adjustments necessary to reflect the application of purchase accounting and recognition of the acquired assets and assumed liabilities at their acquisition-date fair value are further described in Note 4 below. As discussed in Note 1 herein, the finalization of these preliminary fair values, the preliminary purchase price and resulting allocation of such, is ongoing. Accordingly, the finalized amounts may differ from these preliminary amounts presented herein, and those differences may be material.

<u>Assets acquired</u>	<u>Amount</u>
Cash and cash equivalents	\$ 33,885
Mortgage loans held-for-sale, at fair value	709,271
Accrued interest receivable	4,329
Other assets	25,821
Intangible assets	95,642
Derivatives, at fair value, net	1,842
Total assets acquired	870,790
<u>Liabilities assumed</u>	
Secured financing agreements	628,133
Accounts payable and other liabilities	47,180
Derivatives, at fair value, net	608
Total liabilities assumed	675,921
Fair value of net assets acquired	194,869
Goodwill as of June 30, 2025	73,057
Total purchase consideration	\$267,926

The equity portion of the purchase price will depend on the market price of the Company's common shares when the acquisition is consummated. The Company believes that a 5% fluctuation in the market price of its common stock is reasonably possible based on historical volatility, and the potential effect on purchase price would be:

<u>(Dollars in thousands, except share price data)</u>	<u>Company's share price</u>	<u>Purchase price (equity portion)</u>
As presented *	\$ 13.68	\$ 28,415
5% Increase	14.36	29,836
5% Decrease	13.00	26,995

* Share price used in calculation of equity portion of purchase consideration is the closing price as of September 26, 2025, which was the share price as of the most recent practicable date before filing.

CHIMERA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
(AMOUNTS IN THOUSANDS UNLESS OTHERWISE INDICATED)

4. Pro Forma Acquisition Adjustments

The adjustments below reflect the Company's application of purchase accounting, pursuant to ASC 805 and ASC 820. The resulting impact of these adjustments, applicable to the acquired assets and assumed liabilities, are included in the purchase price allocation and determination of goodwill, as described in Note 3.

- (a) Reflects that cash consideration transferred at closing to acquire HomeXpress and effectuate the Acquisition.
- (b) Reflects the remeasurement of HomeXpress' operating lease liabilities, right-of-use assets and resulting lease expense, applying Chimera's accounting policies and incremental borrowing rate. Adjustments of \$407 thousand and \$(76) thousand were made to Other assets and Accounts payable and other liabilities in the unaudited pro forma consolidated statement of financial condition as of June 30, 2025. Adjustments of \$(37) thousand and \$(3) thousand were made to General and administrative in the unaudited pro forma consolidated statements of income for the six months ended June 30, 2025 and year ended December 31, 2024, respectively:
- (c) Reflects the adjustments made to recognize the acquired intangible assets at their preliminary fair value. Consequently, the unaudited pro forma statements of financial condition have been updated to include the resulting incremental amortization expense based on Chimera's estimation of the remaining useful lives of these acquired assets.

Below is a table summarizing the preliminary fair value of the acquired intangible assets, their estimated useful lives, and the resulting amortization expense (in thousands):

Intangible assets	Useful Lives	Fair Value	Amortization Expense Year Ended December 31, 2024	Amortization Expense Six Months Ended June 30, 2025
Trade Names	10	\$ 11,000	\$ 1,100	\$ 550
Developed Technology	9	\$ 10,500	\$ 1,167	\$ 583
Broker Relationships	7	\$ 74,000	\$ 10,571	\$ 5,286
Licenses	Indefinite	\$ 300	—	—

These preliminary estimates of fair value and corresponding useful lives are still being finalized.

- (d) Represents the adjustments to the deferred tax liabilities of \$25.4 million associated with the incremental differences in the book and tax basis created from the preliminary purchase price allocation, primarily resulting from the closing date value of intangible assets. Deferred taxes are established based on a statutory tax rate based on jurisdictions where income is generated. The effective tax rate of Chimera following the transaction could be significantly different (either higher or lower) depending on the post-acquisition activities. This determination is preliminary and subject to change based upon the final determination of the fair value of the identifiable intangible assets and liabilities.
- (e) Reflects the goodwill recognized of \$73.1 million as a result of the preliminary purchase price allocation; refer to Note 3.
- (f) Reflects adjustments to record \$9.7 million of nonrecurring transaction costs incurred after and not yet recognized as of June 30, 2025.
- (g) Reflects the removal of HomeXpress's historical equity balances.
- (h) Represents the adjustments to increase common stock and additional paid-in capital to reflect the 2,077,151 shares issued to HomeXpress at a fair value of \$13.68* per share as a result of the acquisition.
- (i) To record the income tax effect of the pro forma adjustments, based on a blended federal and state statutory rate of approximately 28.0%, and the related impact on the valuation allowance. The effective tax rate of the combined company could be significantly different than what is presented in these unaudited pro forma consolidated financial statements depending on post-acquisition activities.

* Share price used in calculation of equity portion of purchase consideration is the closing price as of September 26, 2025, which was the share price as of the most recent practicable date before filing.

CHIMERA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
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5. Earnings Per Share (EPS)

The unaudited pro forma basic and diluted earnings per share for the year ended December 31, 2024 have been calculated based on the estimated weighted average shares outstanding as if the shares to be issued in connection with the Acquisition had been issued and outstanding as of January 1, 2024. Pro forma weighted-average basis and diluted shares outstanding include 2,077,151 shares of Chimera to be issued to the sellers.

The following table summarizes the computation of pro forma basic and diluted earnings (loss) per share for the year ended December 31, 2024 and six months ended June 30, 2025.

<i>(Dollars in thousands, except share and per share data)</i>	Six Months Ended June 30, 2025	Year Ended December 31, 2024
Basic EPS		
Combined pro forma net income from continuing operations	\$ 211,920	\$ 218,531
Combined pro forma net income from continuing operations attributable to Chimera common stockholders	\$ 211,920	\$ 218,531
Weighted average number of basic shares—Chimera	83,485,238	83,053,896
Basic EPS from continuing operations	\$ 2.54	\$ 2.63
Weighted average number of diluted shares—Chimera	84,677,259	84,234,773
Diluted EPS from continuing operations	\$ 2.50	\$ 2.59

The impact of 540,000 registration of stock units awarded as one-time retention grants by Chimera to certain HomeXpress employees on October 1, 2025 has not been included in the calculation for Diluted EPS from continuing operations as it is not a feature of the Stock Purchase Agreement.

Our loan origination and acquisition volume and ability to sell loans are highly dependent on macroeconomic and U.S. residential real estate market conditions which are outside of our control and which may impact our ability to originate or acquire quality and profitable loans at an appropriate and consistent cost.

As a result of the HomeXpress Acquisition, we originate and sell consumer-purpose and business-purpose mortgage loans secured by residential real estate properties with up to four units, which are substantially all non-QM loans sourced primarily on a wholesale basis through independent mortgage brokers. We also have a non-delegated correspondent channel in which we acquire and sell the same type of non-QM loans which are originated by correspondent lenders, with whom we partner. We refer to our network of independent mortgage brokers and correspondent lenders collectively as our “HomeXpress clients.” The HomeXpress business has been, and may continue to be, affected by a number of factors that are beyond our control, including the health of the U.S. residential real estate industry, changes in general economic conditions, including increases and decreases in interest rates, inflation, credit spreads, competition, and the ability of borrowers to buy homes and make mortgage payments. As the majority of the properties securing HomeXpress loans held for sale are located in California, Florida, and Texas, conditions in these regions’ real estate markets could have an outsized negative impact on the HomeXpress business.

A disruption in the secondary home loan market, our ability to sell the loans that we originate or acquire, or loan compliance issues could have a negative effect on our business.

Our subsidiary, HomeXpress, is a consistent seller of mortgage loans to a variety of aggregators, insurance companies, banks, and other institutional investors who either hold such loans for investment or securitize such loans, which we sell on a servicing released basis in which we do not retain the related mortgage servicing rights. Demand in the secondary market for the purchase of such loans and our ability to sell the mortgage loans that we originate or acquire depend on many factors that are beyond our control, including general economic conditions, the willingness of investors to provide funding for and to purchase mortgage loans, and changes in regulatory requirements. The gain recognized from sales represents a significant portion of HomeXpress’s revenues and net earnings. If it is not possible or economical for us to continue selling mortgages to such investors or other loan purchasers, our business could be materially and adversely affected.

Furthermore, non-GSE sales typically take longer to execute which can increase the amount of time that a mortgage loan is held by us, which exposes us to additional market risk, including prepayment risk where a mortgage loan has no prepayment penalty or such penalty is waived, and increased liquidity requirements.

Additionally, if a mortgage loan does not comply with the representations and warranties that we made with respect to it at the time of our sale, we may be required to either repurchase the loan with the identified defects or indemnify the investor or insurer for any loss. In addition, we may be required to repay all, or a portion of, the premium initially paid by an investor in the case of an early loan payoff or early default on certain loans. We may also be required to repurchase loans as a result of borrower fraud or if a payment default occurs on a loan shortly after its sale. Actual repurchase, premium recapture and indemnification obligations could materially exceed the reserves recorded in our consolidated financial statements. Any significant repurchases, premium recapture, or indemnifications could be detrimental to our business.

Our subsidiary, HomeXpress, relies on warehouse facilities, structured as repurchase agreements, to finance loan originations and acquisitions. These facilities are short-term and subject us to various risks different from other types of credit facilities.

We fund substantially all of the mortgage loans we originate or acquire from our HomeXpress clients under HomeXpress's short-term warehouse facilities and funds generated by HomeXpress's operations. These borrowings are in turn generally repaid with the proceeds we receive from mortgage loan sales. We depend upon several financial institutions to provide warehouse lines of credit for these loans. Our ability to fund loan originations may be impacted by the ability of HomeXpress to secure further such borrowings on acceptable terms and the ability of our counterparties to continue to provide financing. HomeXpress's warehouse facilities are uncommitted and can be terminated by the applicable lender at any time. In addition, these warehouse facilities contain restrictions, covenants and conditions that require HomeXpress to satisfy, among other things, specified financial and loan eligibility tests. The failure to satisfy such conditions could result in such warehouse facility being made unavailable to us, an event of default or other negative consequences. In the event that a significant number of these loan funding facilities become unavailable or are, terminated or are not renewed, or if the aggregate principal amount that may be drawn under our funding agreements were to decrease significantly, we may be unable to find replacement financing on commercially favorable terms, or at all. Our liquidity with respect to the HomeXpress entity may be further constrained as there may be less demand from investors to acquire our mortgage loans in the secondary market. Further, if we are unable to refinance or obtain additional liquidity for borrowing, our ability to maintain or grow our loan origination business could be limited.

If the refinancing or borrowing guidelines become more stringent and those changes result in increased costs to comply or decreased origination volume, those changes could be detrimental to our business.

We operate in a heavily regulated industry, and our mortgage loan origination activities as a result of our acquisition of HomeXpress expose us to risks of noncompliance with an increasing and inconsistent body of complex laws and regulations, including federal and state consumer lending regulations.

Due to the heavily regulated nature of the mortgage industry, we and our HomeXpress clients are required to comply with a wide array of laws, rules and regulations, including federal and state consumer lending regulations, that concern, among other things, the manner in which we conduct our loan origination and acquisition business and the fees that we may charge, and the collection, use, retention, protection, disclosure, transfer and processing of personal information by us and our clients. Governmental authorities and various U.S. federal and state agencies, including the Consumer Financial Protection Bureau ("CFPB"), have broad oversight and supervisory authority over our HomeXpress business.

Because we originate and acquire mortgage loans in 46 states and the District of Columbia, we must be licensed in all relevant jurisdictions that require licensure, and we are required to comply with each such jurisdiction's respective laws and regulations, as well as with judicial and administrative decisions applicable to us. Such licensing requirements also generally require the submission of information regarding any person who has 10% or more of the combined voting power of our outstanding equity interests. In addition, we and our clients are currently subject to a variety of, and may in the future become subject to additional, U.S. federal, state and local laws that are continuously evolving and developing.

We expect more states to enact legislation similar to the California Consumer Privacy Act ("CCPA") and California Privacy Rights Act ("CPRA"), which increase the privacy and security obligations of entities handling certain personal information of such consumers and could require us to provide consumers with privacy rights such as the right to request deletion of their data, the right to receive data on record for them and the right to know what categories of data (generally) are maintained

about them. These regulations directly impact our business and require ongoing compliance, monitoring and internal and external compliance audits as they continue to evolve, and may result in ever-increasing public scrutiny and escalating levels of enforcement and sanctions. Subsequent changes to data protection and privacy laws could also impact how we process personal information, and therefore limit the effectiveness of our products or services or our ability to operate or expand our business, including limiting strategic partnerships that may involve the sharing of personal information. Additionally, the interpretation of such data protection and privacy laws is rapidly evolving, making implementation and enforcement, and thus compliance requirements, ambiguous, uncertain, and potentially inconsistent. Although we make reasonable efforts to comply with all applicable data protection laws and regulations, our interpretations and such measures may have been or may prove to be insufficient or incorrect.

We and our HomeXpress clients must also comply with a number of federal, state and local consumer financial services, laws and regulations including, among others, the Truth in Lending Act ("TILA"), the Real Estate Settlement Procedures Act ("RESPA"), the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair Housing Act, the Telephone Consumer Protection Act ("TCPA"), the Gramm-Leach-Bliley Act ("GLBA"), the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Home Mortgage Disclosure Act, the SAFE Act, the Federal Trade Commission Act, the TILA-RESPA Integrated Disclosure rule ("TRID") rules, the Dodd-Frank Act, the Appraisal Independence Rule, the Bank Secrecy Act, U.S. federal and state laws prohibiting unfair, deceptive, or abusive acts or practices, and state foreclosure laws. These laws and regulations mandate certain disclosures and notices to borrowers and apply to loan origination, home appraisal, marketing, use of credit reports, safeguarding of non-public, personally identifiable information about borrowers, foreclosure and claims handling, investment of and interest payments on escrow balances and escrow payment features. The Appraisal Independence Rule requires that there be a separation of duties to ensure no conflicts of interest. While we believe that our programs meet all of the regulatory and legal requirements, there is a risk that a regulatory agency could decide that our programs do not meet all of the regulatory and legal requirements, or that our programs will not be accepted by other market participants, which could expose us to additional liability, or subject us to repurchase obligations.

Non-QM loans have more flexibility in underwriting guidelines than the QM guidelines set out by the CFPB and are subject to increased credit risk compared to QM loans. Non-QM loans are also subject to relatively more litigation risk due to the subjectivity of the regulations and because they do not benefit from compliance with safe harbors. The underwriting guidelines for non-QM loans may be more permissive as to the borrower's debt to income ratio, credit history, and/or income documentation. Loans that are underwritten pursuant to less stringent underwriting guidelines could experience substantially higher rates of delinquencies, defaults and foreclosures than those experienced by loans underwritten to more stringent underwriting guidelines. If our non-QM loans are underwritten to more flexible guidelines which have increased risk and may cause higher delinquency, default, or foreclosure rates given economic stress, the performance of the non-QM loans we originate or acquire for resale could be correspondingly adversely affected, which could materially and adversely affect us.

Various federal, state and local laws have been enacted that are designed to discourage predatory lending practices. The Home Ownership and Equity Protection Act of 1994 ("HOEPA") prohibits inclusion of certain provisions in consumer-purpose residential loans that have mortgage rates or origination costs in excess of prescribed levels and requires that borrowers be given certain disclosures prior to origination. Some states have enacted, or may enact, similar laws or regulations, which in some cases impose restrictions and requirements greater than those in HOEPA. In addition, under the anti-predatory lending laws of some states, the origination of certain residential loans, including loans that are not classified as "high cost" loans under applicable law, must satisfy a net tangible benefits test with respect to the related borrower. This test may be highly subjective and open to interpretation. As a result, a court may determine that a residential loan, for example, does not meet the test even if the related originator reasonably believed that the test was satisfied. Our failure to comply with these laws, or the failure of residential loan originators to comply with these laws, to the extent any of their residential loans are or become part of our mortgage-related assets, could subject us, as an originator, or, in the case of acquired loans, as an assignee or purchaser, to monetary penalties and could result in

the borrowers rescinding the affected loans. Lawsuits have been brought in various states making claims against originators, assignees and purchasers of high cost loans for violations of state law. Named defendants in these cases have included numerous participants within the secondary mortgage market. If our loans are found to have been originated in violation of predatory or abusive lending laws, we could be subject to lawsuits or governmental actions, or could be fined or incur losses.

Both the scope of the laws, rules and regulations and the intensity of the regulatory oversight to which our business is subject has increased over time. In the past years, regulatory enforcement and fines have become more significant across the financial services sector. For example, various federal regulatory agencies and departments, including the DOJ and CFPB, have historically taken the position that antidiscrimination statutes, such as the FHA and the ECOA, that prohibit creditors from discriminating against loan applicants and borrowers based on certain characteristics, such as race, ethnicity, sex, religion and national origin apply not only to intentional discrimination, but also to neutral practices that have a disparate impact on a group that shares a characteristic that a creditor may not consider in making credit decisions (i.e., creditor practices that have a disproportionate negative effect on a protected class of individuals). While there is a perception that the enforcement agenda of the federal regulatory agencies may be curtailed under the new presidential administration, state regulators may fill the gap and it is not clear the scope of such future limitations or the timing for implementation. Furthermore, it is not clear what effect those changes will have, or whether as a result of lesser oversight by the federal authorities, states will increase their regulatory oversight. Moreover, subsequent changes in administrations may result in yet other changes in regulatory oversight and enforcement. As these U.S. federal, state and local laws evolve, it may be more difficult for us to identify these developments comprehensively, to interpret changes accurately and to train our team members effectively with respect to these laws and regulations. These difficulties potentially increase our exposure to the risks of noncompliance with these laws and regulations, including loss of our licenses and approvals to engage in our lending businesses, costs associated with defending ourselves from investigations and enforcement actions or resulting administrative fines and penalties and civil and criminal liability, including class action lawsuits, which could be detrimental to our business.

The laws and regulations applicable to us are subject to administrative or judicial interpretation. Furthermore, state and federal agencies may differ in their interpretations as may private plaintiffs. Litigation amongst these various agencies and between private plaintiffs, including participants in the mortgage industry, and these agencies have added complexity and ambiguity in interpreting these regulations. Ambiguities in applicable laws and regulations may leave uncertainty with respect to permitted or restricted conduct and may make compliance with laws, and risk assessment decisions with respect to compliance with laws difficult, uncertain and costly. The adoption by industry participants of different interpretations of these statutes and regulations has added uncertainty and complexity to compliance and may result in them having a short or long term competitive advantage. If we are deemed to have violated applicable statutes or regulations, it could result in regulatory investigations, state or federal governmental actions or private civil claims, including class actions, being brought against us. Such litigation would cause us to incur costs, fines and legal expenses in connection with these matters, regardless of any eventual ruling in our favor, and could also harm the reputation of our brand, any of which could have a material adverse effect on our business, financial condition or results of operations.

To resolve issues raised in examinations or other governmental actions, we may be required to take various corrective actions, including changing certain business practices, making refunds and/or taking other actions that could be financially or competitively detrimental to us. We expect to continue to incur costs to comply with governmental regulations. In addition, certain legislative actions and judicial decisions can give rise to the initiation of lawsuits against us for activities we conducted in the past. Furthermore, provisions in our mortgage loan documentation, including but not limited to the mortgage and promissory notes we use in loan originations, could be construed as unenforceable by a court.

Although we have compliance management systems and procedures to comply with these legal and regulatory requirements, we cannot assure you that more restrictive laws and regulations will not be adopted in the future, or that governmental bodies or courts will not interpret existing laws or regulations in a more restrictive manner, which could render our current business practices non-compliant or which could make compliance more difficult or expensive. Any of these, or other, changes in laws or regulations could have a detrimental effect on our business.

Chimera Investment Corporation (NYSE: CIM) (“Chimera”) Completes Acquisition of HomeXpress Mortgage Corp.

NEW YORK—(BUSINESS WIRE)—Chimera Investment Corporation (NYSE: CIM) (“Chimera”) announced today that it has completed the previously announced acquisition of HomeXpress Mortgage Corp. (“HomeXpress”) from certain affiliates of Seer Capital Management’s credit fund business (“Seer”) and certain management sellers (together with Seer, the “Sellers”). HomeXpress is a leading originator of consumer non-QM, investor business purpose, and other non-Agency mortgage loan products, as well as an originator of Agency mortgage loans with a nationwide presence across 46 states and D.C.

“The successful closing of this transaction is a major step in the continued evolution of Chimera,” said Phillip J. Kardis II, President and Chief Executive Officer of Chimera. “We are excited to combine our talented teams and further establish our position as a leader in creating, managing and investing in residential credit assets. The addition of the HomeXpress team and expansion of our platform capabilities demonstrates our ongoing commitment to delivering long-term value to shareholders.”

Kyle Walker, Chief Executive Officer and President of HomeXpress said “We are extremely happy to join the Chimera team. This transaction further positions us for long-term success and enables our team to continue delivering exceptional solutions for our clients. We are excited to be a part of Chimera’s mission of providing long-term value to its shareholders.”

Key Transaction Details

Under the terms of the agreement, Chimera caused its taxable REIT subsidiary, Chimera Funding TRS, to acquire HomeXpress from the Sellers for a combination of cash and 2,077,151 shares of Chimera common stock. The purchase price will be equal to a closing payment of \$239.5 million comprised of estimated book value of \$119.5 million (subject to customary post-closing adjustments as described in the definitive agreement), plus a premium consisting of \$120 million in cash and 2,077,151 shares of Chimera common stock. HomeXpress will operate as a subsidiary of Chimera and Kyle Walker, the current President and CEO, along with key members of the senior management team will continue to manage HomeXpress.

Advisors

Wells Fargo acted as the exclusive financial advisor to Chimera. Hunton Andrews Kurth LLP served as legal counsel and Alston & Bird LLP served as regulatory counsel to Chimera. Piper Sandler & Co. acted as the exclusive financial advisor to HomeXpress and Seer. Mayer Brown LLP served as legal counsel to Seer. Sheppard, Mullin, Richter & Hampton LLP served as legal counsel to HomeXpress management.

About HomeXpress

HomeXpress, headquartered in Santa Ana, California, offers a wide array of consumer non-QM loans, investor business purpose loans, and other Agency and non-Agency mortgage loan products. HomeXpress has approximately 300 employees and actively lends in 46 states and D.C. HomeXpress originated approximately \$2.5 billion of mortgage loans in 2024 and approximately \$1.2 billion of mortgage loans year-to-date through May 2025, making it one of the largest wholesale non-QM originators in the U.S. and bringing its lifetime origination volume to over \$10.7 billion.

About Chimera Investment Corporation

Chimera is a publicly traded real estate investment trust, or REIT, whose principal business objective is to provide attractive risk-adjusted returns and distributable income through investment performance linked to mortgage credit fundamentals. Chimera is primarily engaged in the business of investing for its own account and on behalf of third-party clients through its investment management and advisory services activities. Chimera invests, directly or indirectly, generally on a levered basis in diversified portfolios of mortgage assets, including residential mortgage loans, Non-Agency RMBS, Agency RMBS, Agency CMBS, MSRs, business purpose and investor loans, including RTLs, and other real estate-related assets.

Forward-Looking Statements

This press release includes “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995, including as related to the expected impact (including as related to Chimera’s future earnings) of the transaction. Actual results may differ from expectations, estimates and projections and, consequently, readers should not rely on these

forward-looking statements as predictions of future events. Words such as “goal,” “expect,” “target,” “assume,” “estimate,” “project,” “budget,” “forecast,” “anticipate,” “intend,” “plan,” “may,” “would,” “will,” “could,” “should,” “believe,” “predict,” “potential,” “continue,” or similar expressions are intended to identify such forward-looking statements. These forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from expected results, including, among other things, those described in our most recent Annual Report on Form 10-K, and any subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, under the caption “Risk Factors.” Factors that could cause actual results to differ include, but are not limited to: the potential that Chimera may not fully realize the expected benefits of the acquisition of HomeXpress, including the potential financial impact; our ability to obtain funding on favorable terms and access the capital markets; our ability to achieve optimal levels of leverage and effectively manage our liquidity; changes in inflation, the yield curve, interest rates and mortgage prepayment rates; our ability to manage credit risk related to our investments and comply with the Dodd-Frank Act and related laws and regulations relating to credit risk retention for securitizations; rates of default, delinquencies, forbearance, deferred payments or decreased recovery rates on our investments; the concentration of properties securing our securities and residential loans in a small number of geographic areas; our ability to execute on our business and investment strategy; our ability to determine accurately the fair market value of our assets; changes in our industry, the general economy or geopolitical conditions; our ability to successfully integrate and realize the anticipated benefits of any acquisitions, including the acquisition of the Palisades Group in 2024 and the acquisition of HomeXpress; our ability to operate our investment management and advisory services and manage any regulatory rules and conflicts of interest; the degree to which our hedging strategies may or may not be effective; our ability to effect our strategy to securitize residential mortgage loans; our ability to compete with competitors and source target assets at attractive prices; our ability to find and retain qualified executive officers and key personnel; the ability of servicers and other third parties to perform their services at a high level and comply with applicable law and expanding regulations; our dependence on information technology and its susceptibility to cyber-attacks; our ability to comply with extensive government regulation; the impact of and changes in governmental regulations, tax law and rates, accounting guidance, and similar matters; our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended; our ability to maintain our classification as a real estate investment trust for U.S. federal income tax purposes; the volatility of the market price and trading volume of our shares; and our ability to make distributions to our stockholders in the future.

Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Chimera does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based. Additional information concerning these and other risk factors is contained in Chimera's most recent filings with the Securities and Exchange Commission (SEC). All subsequent written and oral forward-looking statements concerning Chimera or matters attributable to Chimera or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above.

Readers are advised that any financial information in this press release is based on company data available at the time of this presentation and, in certain circumstances, may not have been audited by Chimera's independent auditors.



PRESS RELEASE

NYSE: CIM

CHIMERA INVESTMENT CORPORATION
630 Fifth Avenue, Suite 2400
New York, New York 10111

FOR IMMEDIATE RELEASE

Chimera Announces Inducement Grants Under NYSE Rule 303A.08

Chimera Investment Corporation ("Chimera") announced today that the Compensation Committee of its Board of Directors approved grants of restricted stock units ("RSUs"), effective October 1, 2025, representing an aggregate of up to 533,391 shares of Chimera common stock under the Chimera Investment Corporation 2025 Inducement Award Plan (the "Award Plan") to up to 300 individuals offered employment with Chimera in connection with Chimera's acquisition of HomeXpress Mortgage Corp. ("HomeXpress").

In accordance with NYSE Rule 303A.08, the grants are being made exclusively to individuals who are currently employed by HomeXpress as a material inducement to such individual's continued service following Chimera's acquisition of HomeXpress, which closed on October 1, 2025. The Award Plan reserves up to 540,000 shares of Chimera common stock to be used for inducement grants.

Each grant of RSUs will generally vest in full upon the third anniversary of the grant date, subject to the recipient's continued service through such vesting date. All of the RSU awards are subject to the terms of the Award Plan and the grant agreements covering such awards.

About Chimera Investment Corporation

Chimera is a publicly traded real estate investment trust, or REIT, whose principal business objective is to provide attractive risk-adjusted returns and distributable income through investment performance linked to mortgage credit fundamentals. Chimera is primarily engaged in the business of investing for its own account and on behalf of third-party clients through its investment management and advisory services activities. Chimera invests, directly or indirectly, generally on a levered basis in diversified portfolios of mortgage assets, including residential mortgage loans, Non-Agency RMBS, Agency RMBS, Agency CMBS, MSRs, business purpose and investor loans, including RTLs, and other real estate-related assets.

Cautionary Note Regarding Forward-Looking Statements

This press release includes "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995, including as related to the expected impact (including as related to Chimera's future earnings) of the transaction. Actual results may differ from expectations, estimates and projections and, consequently, readers should not rely on these forward-looking statements as predictions of future events. Words such as "goal," "expect," "target," "assume," "estimate," "project," "budget," "forecast," "anticipate," "intend," "plan," "may," "would," "will,"

“could,” “should,” “believe,” “predict,” “potential,” “continue,” or similar expressions are intended to identify such forward-looking statements. These forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from expected results, including, among other things, those described in our most recent Annual Report on Form 10-K, and any subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, under the caption “Risk Factors.” Factors that could cause actual results to differ include, but are not limited to: the potential that Chimera may not fully realize the expected benefits of the acquisition of HomeXpress, including the potential financial impact; our ability to obtain funding on favorable terms and access the capital markets; our ability to achieve optimal levels of leverage and effectively manage our liquidity; changes in inflation, the yield curve, interest rates and mortgage prepayment rates; our ability to manage credit risk related to our investments and comply with the Dodd-Frank Act and related laws and regulations relating to credit risk retention for securitizations; rates of default, delinquencies, forbearance, deferred payments or decreased recovery rates on our investments; the concentration of properties securing our securities and residential loans in a small number of geographic areas; our ability to execute on our business and investment strategy; our ability to determine accurately the fair market value of our assets; changes in our industry, the general economy or geopolitical conditions; our ability to successfully integrate and realize the anticipated benefits of any acquisitions, including the acquisition of the Palisades Group in 2024 and the acquisition of HomeXpress; our ability to operate our investment management and advisory services and manage any regulatory rules and conflicts of interest; the degree to which our hedging strategies may or may not be effective; our ability to effect our strategy to securitize residential mortgage loans; our ability to compete with competitors and source target assets at attractive prices; our ability to find and retain qualified executive officers and key personnel; the ability of servicers and other third parties to perform their services at a high level and comply with applicable law and expanding regulations; our dependence on information technology and its susceptibility to cyber-attacks; our ability to comply with extensive government regulation; the impact of and changes in governmental regulations, tax law and rates, accounting guidance, and similar matters; our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended; our ability to maintain our classification as a real estate investment trust for U.S. federal income tax purposes; the volatility of the market price and trading volume of our shares; and our ability to make distributions to our stockholders in the future.

Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Chimera does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based. Additional information concerning these and other risk factors is contained in Chimera’s most recent filings with the Securities and Exchange Commission (SEC). All subsequent written and oral forward-looking statements concerning Chimera or matters attributable to Chimera or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above.

Readers are advised that any financial information in this press release is based on company data available at the time of this presentation and, in certain circumstances, may not have been audited by Chimera’s independent auditors.

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