NYSE:ROG Q3 2025 Earnings Call Transcript

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Operator:

Good afternoon, and welcome to the Redwood Trust Third Quarter 2025 Financial Results Conference Call. Today's conference is being recorded. I will now turn the call over to Caitlin Moritz, Redwood's Head Investor of Relations. Please go ahead, ma'am.

Caitlin Moritz | Head of Investor Relations:

Thank you, Operator. Hello, everyone, and thank you for joining us today for Redwood's Third Quarter 2025 Earnings Conference Call. With me on today's call are Chris Abate, Chief Executive Officer of Dash Robinson, President, and Brooke Carrillo, Chief Financial Officer. Before we begin today, I want to remind you that certain statements made during management's presentation today with respect to future financial and business performance may constitute forward-looking statements. Forward-looking statements are based on current expectations, forecasts, and assumptions, include risks and uncertainties that could cause actual results to differ materially. We encourage you to read the company's annual report on Form 10-K, which provides a description of some of the factors that could have a material impact on the company's performance and cause actual results to differ from those that may be expressed in forward-looking statements. On this call, we may also refer to both GAAP and non-GAAP financial measures. The non-GAAP financial measures provided should not be utilized in isolation or considered as a substitute for measures of financial performance prepared in accordance with GAAP. A reconciliation between GAAP and non-GAAP financial measures are provided in our third quarter Redwood review, which is available on our website, redwoodtrust.com. Also note that the contents of today's conference call contain time-sensitive information that are accurate only as of today. We do not intend and undertake no obligation to update this information to reflect subsequent events or circumstances. Finally, today's call is being recorded and will be available on our website later today. And with that, I'll turn the call over to Chris for opening remarks.

Chris Abate | Chief Executive Officer:

Thanks, Kate, and thank you, everyone, for joining us today. On our last earnings call, we announced the acceleration of our strategic transition to a more scalable, simplified operating model, one designed to capitalize on the transformative opportunities we see emerging for our business. We committed to proactively repositioning our balance sheet, freeing up capital from legacy assets, and redeploying it into our highly profitable operating platforms. We set a target of reducing our legacy exposure from 33% of our capital at July 30th to 20% by year end, and in support of this transition, repurchased common shares. We can look back now in the third quarter as one of our most productive to date. Across our businesses, we locked or originated nearly $7 billion of loans, a new quarterly record for Redwood. This was despite an otherwise subdued housing market where industry volumes are roughly flat quarter over quarter. Our production included a record $5.1 billion of loans locked at Sequoia, 1.2 billion of loans locked at Aspire, which has rapidly ascended to become a market-leading non-QM loan aggregator, and 521 million of loans funded at Corvest across residential investor products. Volume drivers for the quarter included record contributions from bank sellers and a host of new distribution partners that have enabled us to turn our capital quickly and speak for more production. In step with the growing opportunity across our mortgage banking platforms, We've continued to scale them profitably, generating a core segments EAD of 20 cents per share for the third quarter. We've now maintained mortgage banking segment ROEs above 20% for five consecutive quarters, while boosting capital allocated to these businesses by 80% over that time. Importantly, this growth hasn't

come at the expense of efficiency. We continue to build out an AI infrastructure and core in-house capabilities, owning our data, models, and workflows, while leveraging AI-driven document intelligence to extract data at scale and accelerate turn times. We're also partnering with leading Silicon Valley tech firms to stay ahead of the curve. Our AI tools aren't just operational upgrades. We expect them to become strategic assets that will help us drive scale and manage risk as volumes reach new heights, just as they did this past quarter. On the heels of such a productive period, And in recognition of the ongoing success of our existing partnership, we announced today that we have expanded our relationship with CPP Investments by extending the investment period of our joint venture and significantly increasing our corporate secured borrowing facility to $400 million from $250 million. We look forward to building on this foundational momentum with CPP Investments and will now turn our attention to fundraising for our flagship Sequoia platform. where growth prospects underscore the opportunity for additional institutional capital. Turning to our legacy portfolio, we significantly reduced our capital allocated to this segment in the third quarter, with it now representing 25% of our total capital. The noise of the legacy transition continues to play a part in our consolidated results, which Dash and Brook will cover, contributing to a small decline in gap book value to $7.34 per share at September 30th. Book value also included the effect of our $0.18 per share dividend paid to stockholders and 5 million shares of stock repurchased during the quarter. Zooming out on the broader markets, we are closely watching developments across the credit landscape and U.S. economy. Recent bankruptcies affecting clients of several large banks underscore growing pressure in certain consumer asset-backed sectors. While these events may appear isolated, they echo earlier chapters of the credit cycle reminiscent of conditions that preceded the mortgage reforms implemented after the global financial crisis. By contrast, today's residential mortgage market benefits from more rigorous underwriting standards, enhanced transparency, and stronger data integrity, principles deeply embedded in Redwood's credit culture and capital markets practices. And as we continue to see strong growth in the private label securitization market, Our advocacy in Washington to make capital flows into securitization more efficient is bearing fruit. Amidst a very ambitious agenda, SEC Chair Atkins launched a concept release in late September on how to streamline non-agency RMBS disclosures, which we think has the potential to crowd significant new capital into the sector and deepen demand for the assets we create. As we progress through the final quarter of the year, we continue to capture market share in what has been a very subdued housing market. However, with mortgage rates on the decline and with the prospect of further monetary easing ahead, we're optimistic that the housing finance sector will once again resume strong growth in the year ahead. With that, I'll turn the call over to Dash to discuss our operating results in more detail.

Dash Robinson | President:

Thank you, Chris. The third quarter witnessed our strongest operating performance in the company's history, with ample progress in further reallocating capital and to continue profitably scaling our core activities. To start, Sequoia lost $5.1 billion of loans in the third quarter, a 53% increase from Q2 and a record for the platform. Against the more muted market backdrop in which many other large players reported minimal to no production growth, our volumes with both bank and non-bank sellers grew by over 50%. We estimate that our seller network now covers approximately 80% of market share for jumbo production, up from 20% to 30% as recently as 2023. In step, our estimated jumbo market share is now 7%, up from 1% to 2% over the same time period. This deeper access must be complemented by crisp execution, a continued strength of our platform across a deepening set of products. Sequoia's third quarter activity was split between traditional 30-year fixed, hybrid arms, closed-end second liens, and a number of other products, underscoring our role as a one-stop provider of timely and flexible liquidity for our loan origination partners. Of note, 48% of our third quarter volumes were bank collateral, and 25% was tied to season loans, reflective of trends we have anticipated for some time, namely a resurgence in bank M&A activity and increased rigor within bank C-suites in evaluating the true return profile of funding long-duration mortgages with deposits, irrespective of where the final Basel endgame rules land. By design, our operating progress has been coupled with continued momentum and distribution. Year-to-date, we have distributed nearly $9 billion of collateral, tops in the market, across 13 securitizations and whole loan sales to a variety of partners, including $2.6 billion in the

third quarter. This already eclipses full-year 2024 activity and, with demand for securitization still elevated, notwithstanding a modest recent backup and overall execution, We expect activity to continue apace heading into year M. Complementing Sequoia's growth is our emergent Aspire platform, whose expanded loan program we launched in January of this year. This business primarily focuses on loans for prime quality borrowers who require an alternative underwriting approach, including evaluation of personal bank statements or rental income tied to the property. Aspire's $1.2 billion of third quarter locks were nearly four times second quarter volume. The business closed the quarter with a record month, $550 million in September alone, profitably establishing a run rate we expect to build upon in the quarters ahead. The pipeline continues to reflect a focus on well-underwritten loans to high-quality borrowers, with third-quarter production carrying an average credit score of 749, an average LTV of 71%. Aspire's emergence as a top five aggregator of non-QM loans underscores both the institutional strength of our platform and sellers' growing preference to consolidate relationships as they expand their own product offerings. A key element of Aspire's business plan has already played out. Existing sellers are meaningfully broadening the range of products they deliver through the platform. As recently as 18 to 24 months ago, many of our core seller relationships were brokering out or otherwise not directly addressing the expanded credit market. which market observers estimate could be up 40% from a year ago and top $125 billion in size in 2025. The shift has been noticeable and bodes well for the expanded credit market overall and Aspire's growth prospects in particular. Sellers seeking seamless and one-stop solutions for their products can now come to Redwood for their entire suite of non-agency offerings. Concurrently, Aspire continues to make important inroads with relationships new to our platform. critical progress to grow the platform responsibly, diversifying our seller base, and thereby driving reliable margins. The platform grew its loan originator partner base by nearly 50% in the third quarter, with plans to continue growing further, including with several top originators, in the coming quarters. While Aspire's distribution thus far has been focused on whole loan sales, we are in process to expand our distribution efforts further through securitization and joint ventures, outlets where we have had success and other channels of our business. Our residential investor loan platform, Corvest, continued to evolve its production mix while achieving its highest quarterly volume since mid-2022. Notably, originations within Corvest are increasingly driven by smaller balanced products. Originations of residential transition loans, or RTLs, and DSCR comprise 40% of Q3 volume and are up 45% versus the same period last year. The smaller balance market remains a significant opportunity for Corvus, given we have been relatively under-penetrated in a space that continues to grow and remains in demand with our capital partners. The broader origination landscape for investor loans remains robust but uneven, as many platforms' competitive posture as always ebbs and flows in step with their access to capital. Depth of distribution remains a competitive advantage for Corvus, which has distributed nearly $1.5 billion of loans year-to-date, via joint ventures and whole-loan sales. Concurrent with our operating progress, we significantly reduced our exposure to legacy investments since the end of the second quarter. We sold our full re-performing loan portfolio, SLST, and approximately half of our third-party HEI investments at accretive levels versus our June 30th, 2025 marks, while also resolving or transferring a significant portion of our legacy bridge loans, including selling over half of the portfolio into a partnership structure capitalized with multi-year non-recourse borrowings with preferred and residual co-investments by a third party. Pro forma for these activities, legacy investments now represent approximately 25% of total capital, down from 33% at June 30th, 2025, with further reductions expected through year end, primarily through additional resolutions in the legacy bridge portfolio. I'll now turn the call over to Brooke to discuss our financial results.

Brooke Carrillo | Chief Financial Officer:

Thank you, Dash. For the third quarter, we reported a GAAP net loss of $9.5 million, or $0.08 per share, compared to a loss of $100 million, or $0.76 per share in the second quarter. The GAAP loss primarily reflected transaction-related expenses associated with the resolution or transfer of approximately $600 million of legacy bridge assets and the ongoing net interest income drag from our legacy investments portfolio. Book value per common share was $7.35 at September 30th compared to $7.49 at June 30th, and our economic return on book value was 0.5%, including $0.06 per share of accretion from share repurchases. Total

repurchase activity since June was 6.5 million shares, or 5% of our outstanding common shares. On a non-GAAP basis, Core Segments Earnings Available for Distribution, or Core Segments EAD, was $27 million, or $0.20 per share, representing a 17% return on equity. This compares to 18 cents per share in the second quarter and underscores the continued earnings strength of our three core segments, Sequoia Mortgage Banking, which currently includes our Aspire platform, Corvest Mortgage Banking, and Redwood Investments. Across our operating platforms, we've increased capital allocation by more than 80% since mid-2024, including a $160 million increase since the end of the second quarter. Combined GAAP return on equity for mortgage banking segments reached 28% in Q3, marking the fifth consecutive quarter returns exceeded 20%. At Sequoia Mortgage Banking, segment net income rose to $34 million, producing a 29% ROE compared to $22 million and a 19% ROE in the prior quarter. Total lock volume reached $6.3 billion, including $5.1 billion from Sequoia and $1.2 billion from Aspire. Gain on sale margins averaged 93 basis points at the high end of our long-term target range. Portabas Mortgage Banking generated $3.5 million of segment net income and a 30% EAD return on equity. Funding volume of $521 million, the highest since 2022, was up 14% year-over-year, supported by strong loan distribution and a shift in production mix towards term, DSCR, and smaller balance bridge products. Redwood Investments delivered segment net income of $10 million and a 10% EADROE. The modest decline in net income relative to the second quarter was attributable to paydowns and sales of third-party securities, partially offset by gains on retained investments as rates declined and spreads tightened. We deployed approximately $30 million of capital into asset source from our operating businesses and completed our fourth non-recourse financing trade of retained investments, reducing total securities repo balances to just $28 million, which is down 85% from Q3 2024. The investment portfolio saw steady to declining delinquencies across products, including 90-plus-day delinquencies on securitized bridge loans that now sit below 3%, and where we continue to see healthy repayment velocity. Turning to legacy investments, the segment reported a $22 million net loss driven by the transaction costs and continued net interest margin pressure. On the $1 billion of assets sold or transferred this quarter, we recorded an approximate $0.05 EAD loss equating to negative 15% return versus returns exceeding 20% across our operating businesses where the $150 million of capital generated from resolution activity will be redeployed. Total operating expenses decreased 3% or $1.7 million from the second quarter driven by lower portfolio management costs. This is partially offset by higher G&A related to personnel and other expenses supporting the growth of our newer platforms. Across all operating segments, we saw continued gains in operating efficiency with notable improvements in cost per loan, reflecting the benefits of record quarter origination volumes this quarter. Turning to our balance sheet and capital structure, our overall recourse leverage increased from 3.2 times to 4 times, driven by warehouse utilization tied to record mortgage banking activity. Excluding recourse leverage from our mortgage banking businesses, Our combined corporate and portfolio leverage ratio declined from 1.9 to 1.6 times, consistent with the ongoing repositioning of the balance sheet towards our operating platforms. The 2.3 turns of recourse leverage associated with the warehouse lines remain well supported by highly liquid jumbo loans, where we return capital quickly. Recourse debt balances increased by $771 million from the second quarter, reflecting record funding volume of $5.1 billion, and two billion of which has already been sold or securitized month to date. Subsequent to quarter end, we retired our 2025 convertible notes and as announced today, expanded our revolving credit facility by 150 million to 400 million in total capacity, extending the maturity to September of 2028. These actions strengthen our liquidity, simplify our debt profile, and increase flexibility to support continued growth in our core platform. In addition, Our company-wide cost of funds declined approximately 40 basis points from the prior quarter, driven both by lower SOFR rates and narrow net spreads across our aggregate facilities. To close, Redwood is executing with focus and consistency. We are simplifying our business, scaling our core platforms, and redeploying capital into higher return opportunities. The progress this quarter underscores the strength of our operating model and the earnings potential of our core segments, repositioning Redwood to deliver sustainable profitability and and long-term value for our shareholders. And with that, I'll turn the call back over to the operator for questions.

Operator:

Thank you. We will now be conducting a question and answer session where selected analysts are invited to ask a question. Our first question comes from Bose George from KBW. You may proceed with your question.

Bose George | Analyst, KBW:

Hey, everyone. Good afternoon. Actually, first I wanted to ask about the EAD sort of longer-term earnings power. You know, you noted you largely expect the legacy assets to be rolled off by 2026. And so, when you look at the earnings power after that, should we look at, you know, the non-GAAP core number this quarter was 20 cents, you know, plus the deployment of all the capital that comes out of that's still in the legacy piece? Is that kind of the way to bridge to sort of the earnings power after?

Chris Abate | Chief Executive Officer:

Hey, Bose. I can start on that one. The short answer is yes. I think as the legacy segment winds down, our consolidated earnings will start to look a lot closer to what we're generating in EAD today, in core EAD. So as you said, that was 20 cents exceeded the dividend. I think the redeployment is going to be a question of how quickly we can wind that down, but certainly in The third quarter, we turboed it, so to speak. And I think Brooke mentioned we'd freed up $150 million of capital for reinvestment. So that was capital that was generating a negative return on a consolidated basis and now can be redeployed into the mortgage banking segments, which I think we stated have generated greater than 20% ROEs for the past four or five quarters.

Bose George | Analyst, KBW:

Okay. But just in terms of the $0.20, that basically just strips out the legacy piece. But as you redeploy that, there'll be essentially whatever, 20% return on that piece, right? So that's sort of incremental to the 20 cents. Is that fair?

Brooke Carrillo | Chief Financial Officer:

Yeah, that's right. We still have $400 million of capital associated with our legacy segment. So as that capital is freed up, absolutely that will be redeployed into mortgage banking.

Bose George | Analyst, KBW:

Okay, great. And then just one other quick one. The ROE on the Redwood investments, the non-GAAP EAD ROE looked like it was last quarter, I think it was 16. This quarter, it looked like it was 10. Was that right? So can you just discuss what drove that?

Brooke Carrillo | Chief Financial Officer:

Yes, I'm happy to. So a lot of it came from just lower NII from our investment portfolio. We actually saw our net interest income up about a million dollars overall, and you're really starting to see kind of the benefit of our mix shift here where our capital is being redeployed from the portfolio into mortgage banking. So I think our mortgage banking NII was about $5 million. This was really from sales primarily and payoffs. We had about almost $450 million of payoffs in our bridge and term loans across our consolidated assets. So that was... Okay, that makes sense.

Unknown Analyst:

Thank you.

Operator:

Our next question comes from Rick Shane from JP Morgan. You may proceed with your question.

Rick Shane | Analyst, JP Morgan:

Hey, everybody. Thanks for taking my questions. I have to queue in a little faster because Bo has asked most of what I wanted to discuss. Look, basically, if you sort of look at the timeline in terms of what you're describing for releasing capital from the legacy investment portfolio, it's about $100 million a quarter that's going to run over the next four or five quarters. When we look at the three remaining core businesses, I'm curious if which of those businesses will actually generate additional net income with additional capital? For example, does the mortgage banking business, is it capital constrained right now, or is it a market share issue? Um, and that additional cap, it will be about market share growing regardless of capital or, and so how should we think about that actual capital being allocated to the three different businesses?

Chris Abate | Chief Executive Officer:

Hey, Rick. I'll take a stab at this one to start. You know, I would say we've shown, I think we said we've grown capital to that sector 80% or so over the past four or five quarters. So effectively what that means is every dollar that we've been able to free up, we've deployed. And I think that dynamic will continue into the foreseeable future. So as As we free up more capital, we have uses for it fairly quickly in mortgage banking across the three platforms, candidly. We have record quarter in Sequoia. We mentioned that Aspire grew 4x quarter over quarter. So when you think about those growth rates, the need for capital is going to continue to be there. It's a big reason why we continued, extended our relationship with CPP Investments which is a great partnership for us. And so I think we're pretty excited about our ability to deploy capital in the core businesses here over the next year or so.

Rick Shane | Analyst, JP Morgan:

Got it. Okay. That's helpful, Chris. And when we think about it, and, you know, over the last two quarters, the math, the ROE math for Sequoia is bookended 19% to 28% ROE. Even on the low end, that's obviously very attractive and supports the dividend. I am curious, when you think about what drove the expansion and how we think about that going forward, is that ROE expansion a function of scale or is it more a function of shape of the curve and a particularly favorable environment in terms of margin in that business?

Dash Robinson | President:

Hey, Rick. It's Dash. Great question. It's probably a little bit of all of the above. You know, we've always strived to be as capital efficient in that business as possible. You know, loans on average are coming on and leaving the balance sheet within a month. You know, we could probably continue to do that more efficiently. We've done now 13 securitizations already year to date, which is obviously, you know, above one per month. So that's very, very helpful. So capital efficiency is part of it. You know, our operating efficiency just in terms of just expenses to revenues continue to improve. Those improve notably from, you know, quarter on quarter. So that's obviously helpful from just an overall, you know, expense ratio perspective. The other big emerging story, which we talked about, is just the synergies between Aspire and Sequoia as well. You know, we're just

scratching the surface, you know, with an Aspire in terms of our market share. You know, our implied market share annualized in that business is in Q3 is probably like 3% or so if you extrapolate our volumes versus, you know, full year volume. So you asked, you know, about market share, and I think for different reasons within Sequoia and Aspire, you know, those businesses are primed to, you know, continue to grow wallet share. Aspire in particular onboarding new sellers and penetrating existing Sequoia sellers that, as I mentioned, are adding to their product suite. That's a very big deal. You know, we talked a lot about bank posture, just the percentage of bank collateral that Sequoia did in the third quarter was close to 50%. You know, that's very meaningful, particularly when you think about what's going on in banks, C-suites, dispositions, rationalization of ROEs. So the runway is really long to continue to grow share, notwithstanding, you know, the size of the pie with rates, et cetera. And so I think when you put all of that together, you know, those can continue to drive ROEs, you know, hopefully to the wider end of the bookend that you talked about. Got it.

Unknown Analyst:

Thank you guys very much.

Operator:

Our next question comes from Doug Harder with UBS. You may proceed with your question.

Doug Harder | Analyst, UBS:

Thanks. I guess sticking with returns, how do you think about the total size of the corporate expense as you look to maximize kind of the overall ROE And then also, how do you think about what the third-party investment ROE can be as you look to kind of allow the high mortgage banking ROE to fall to the bottom line as much as possible?

Brooke Carrillo | Chief Financial Officer:

Yeah, Doug, I'm happy to take that. You know, I think it's really important not to view our expense base just in the context kind of of our capital base. You know, we've talked say a lot about our three scaled but still rapidly growing operating businesses. And when we think about who we're competing and what we're producing there, on the jumbo side, we've kind of been neck and neck with the biggest bank dealer desk of the top issuer of prime jumbo loans. And we're running that business on a fairly lean operating expense base. Aspire, as Dash just mentioned, just moved quickly into a top five non-QM aggregator. Corvus continues to kind of lead in the investment and small business lending. And meanwhile, for several years, we've really chosen not to raise dilutive capital and instead focus on returning capital shareholders through buybacks. So, you know, our operating expenses, it might look elevated as a percentage of equity, but we think the kind of right way to look at it is the amount of operating leverage and productivity that we have. have and manage on our platform today. You know, we basically manage 20 billion of assets with about 300 people, and so we remain highly focused on our expense structure, but we also believe that the real path to earnings creation is coming from, you know, further scaling our model and addressing our legacy capital rather than shrinking our infrastructure. So I think the third-party focus will remain, you know, fairly limited. We kind of talked a lot about our strategic pivot last quarter to focusing on our operating businesses that are franchise. I think we're, within third party, we're focused on assets that meet our cost of capital today. And obviously, you know, with where we were marked, that helped move assets that we thought were suboptimal from that perspective.

Unknown Analyst:

Great. Thank you, Brooke.

Operator:

Thank you. Our next question comes from Don Fandetti with Wells Fargo. You may proceed with your question.

Don Fandetti | Analyst, Wells Fargo:

Yes, on the Aspire non-QM, can you talk a little bit about how you see the growth of that underlying market, you know, whether or not, you know, the GSE footprint shrinking could potentially increase that?

Dash Robinson | President:

Thanks, Don, for the question. I think setting aside the GSEs for just a second, I think we see that market just organically increasing. you know, having significant growth runway. If you look at just the employment mix in this country, there's more and more consumers, you know, who earn non-traditional income away from W-2. I think that's, you know, that's a very big deal. The other piece is awareness. I think particularly with, you know, more originators, particularly larger IMBs, you know, involved in non-QM originations, I think more of the eligible consumer population that you know, can take out some of these loans is being reached, frankly, now that more, you know, originators are involved in this space. Technology, particularly AI, that's a very, very big deal in terms of managing cost to produce, you know, in this space. If you think back to when, like, bank statement loans, you know, really emerged 10 or 12 years ago, very manual, you know, took quite a while for an underwriter to responsibly get through underwriting one of those loans. That's significantly shorter now, and I think we're probably, you know, just at the tip of the iceberg in a good way in terms of, you know, how those efficiencies can come to bear. There's a lot to be, you know, careful about in terms of, you know, how those underwriting processes evolve. That's something we're very focused on, but that's also a big deal. And on DSCR, you know, just for context, about 40% of Aspire's volume was DSCR, which is sort of smaller balance, you know, rental loans. You know, rentership in this country continues to grow. I think rentership was up 2%, 3% annualized last quarter. you know, when you think about just continued challenges with housing affordability, et cetera. And so I just think organically, you know, Aspire's TAM is going to continue to grow for, you know, for good reasons. You know, as it relates to the GSE footprint, you know, these are not products that they really do right now. Far be it for me to fully prognosticate around, you know, how they think about the footprint going forward. We need to be ready for anything. Obviously, an overall footprint reduction with the GSEs on low limits would be a huge boon for all of our businesses, probably most notably Sequoia. But even away from what's going on in D.C., we just think the Aspire TAM is growing for good reasons.

Unknown Analyst:

Thank you.

Operator:

Our next question comes from Steve Delaney with JMP Securities. You may proceed with your question.

Steve Delaney | Analyst, JMP Securities:

Thanks. Good afternoon, everyone. So I want to ask a question about rates, which is probably – after Chairman Powell didn't do a very good job at his little speech earlier today. So I guess we don't know where they're going. But what I want to get at is looking at your securitized prime jumbo portfolio and the WAC, kind of the coupons within those seasoned loans versus what you're quoting now on new prime jumbo loans. Help us get a picture maybe of what that dynamic looks like Are you, do you think your book is going to extend or could it accelerate in terms of CPR, you know, picking up? And just curious how you're going to approach that and got a follow-up related to that, if you would just kind of comment on where you stand with respect to coupon risk.

Chris Abate | Chief Executive Officer:

Sure. Steve, good to hear your voice. I will take a shot here. You know, I think a third or so of our volume this quarter was refi, refi related. So, you know, a lot of, you know, most homeowners are sort of out of the money. And, you know, I think that that's reflected in our book as well. So I'm not sure we're going to see much on the back of Powell's remarks today, even though, of course, you know, the market's going to likely sell off in the near term. But by and large, we're growing the portfolio at a rate where it's trending towards current coupon. And to the extent that continues, the extent we're on a pace of more than a deal a month and we're retaining subs and likely IO, that puts us in a good position to continue to move the coupon up. And, you know, over time, you know, with a combination of IO, you know, we've got a good balance in the book today. So I'm not sure it's going to be overly meaningful for us because, again, you know, our business today is primarily the moving business. It's mortgage banking and, you know, it's less and less portfolio investing.

Steve Delaney | Analyst, JMP Securities:

curious, what is the current, I haven't been in the market lately, but what is the sort of current range for Prime Jumbo, 30-year fix, Prime Jumbo loans?

Chris Abate | Chief Executive Officer:

We were around six and a quarter this week. You know, again, we'll see what happens on the back of Powell's remarks. You know, Aspire is maybe 100 basis points higher than that. So the market has come down meaningfully and Again, we're starting to see more refi business in our pipeline, but that's been largely absent for the last three years or so. So to the extent we do see more easing, QT is officially done. So heading into 2026, if that could become a more meaningful component of our business, that just adds to the opportunity.

Steve Delaney | Analyst, JMP Securities:

And the refi pickup that you're hearing here recently, is that kind of HPA driven where people have built up some nice equity and they're looking at that? I know that's probably an aspect of the Aspire program, but do you see that even in Sequoia where the people are really coming in and they want to do a little bit of a cash out, whether it's education or whatever the issues are?

Chris Abate | Chief Executive Officer:

We're certainly seeing some of that. We have those products. I'd also say that just given the capacity in the origination system, people are getting calls sooner. So the old adage that you had to be 50, 75, 100 basis points in the money to refi, I think the combination of capacity and technology has really shortened that up where we're seeing some homeowners refiing. perhaps 25, 35 basis points in the money. I think that presents an opportunity for us. Again, technology is a big part of that. We talked about AI and just processing loans faster, getting approvals faster. Those are real upside opportunities for us as we build out the infrastructure.

Steve Delaney | Analyst, JMP Securities:

I appreciate the comments. The mortgage business is changing for sure, but it sounds like you guys are kind of riding the wave and right on top of what's going on.

Unknown Analyst:

So thanks for the feedback. Thank you.

Operator:

Our next question comes from Eric Hagan with BTIG.

Unknown Analyst:

You may proceed with your question.

Eric Hagan | Analyst, BTIG:

Thanks, guys. I appreciate you. You know, really strong quarter for jumbo volume. We're looking out now, like, you know, call it a year and looking at your capital needs. And so if you stay on this pace, what do you think will be the amount of Jumbo volume that you securitize versus sell to third parties over the next year?

Chris Abate | Chief Executive Officer:

Well, right now, you know, securitization has been, you know, a great option for us. I think we have the most liquid shelf in the sector, so our financing costs are the lowest. You know, in Jumbo, you know, the subordinates that we retain aren't overly thick, so the actual, you know, investment size isn't what it is at Aspire or certainly Corvest. So that business, we have the potential to grow through securitization for an extended period without necessarily needing outside capital per se. I would say, though, we've been able to invest every dollar of capital that we've put in that business. And I know that we can do more. So I think I mentioned fundraising for Sequoia and my prepared remarks, and we're going to be very focused on that over the next few months. We also, I think bank business was half of our volume in Q3. Again, that's way beyond where it's ever been, and I think it's reflective of why we're able to grow market share so significantly in a market that's essentially flat from a housing origination activity perspective. So that's another area, partnering with banks. So we've got great options in Sequoia, and to the extent we can grow Aspire and Corvus as well, I think the mortgage banking piece of the business has been pretty exciting for us.

Dash Robinson | President:

Just one thing I'd add to that, Eric, sorry, is we talked a little bit about the upsides of the CPP secured facility, which I think is important to return to for a sec in terms of your question, because not only did we upsize that facility by $150 million of capacity, but basically the borrowing-based eligibility is moving in the direction you're indicating, which is, you know, more ability for us to use that facility to finance our operating activities and mortgage banking and not just hard assets. And, you know, the upsize is a big deal, but in terms of, you know, how we're able to use that capital going forward, that's pretty important too.

Eric Hagan | Analyst, BTIG:

Yeah, that's helpful. That's helpful. What are you guys looking at right now to give you confidence or some visibility that the credit performance in the BPL portfolio has basically been stabilized at this point?

Dash Robinson | President:

I think it continues to be, you know, a vintage issue. We've talked about that for quite a while. I think the issues are certainly the issues that have taken longer to – you know, deal with or, you know, have resulted in higher severities, you know, are still very much limited to that really first half 2022 vintage. You know, as Brooke articulated in her remarks, our securitized bridge portfolio, which is basically the last three years of production, net of prepays is, you know, now below 3%, 90 plus. That's a good number. We're seeing prepay velocity pick up. And if you look at the loss mid within those portfolios, we've seen You know, delinquencies, you know, come but be resolved efficiently and in many cases with little to no severity, which is a function of, you know, our pivot over the past few years to smaller balance, more single-family focused collateral. And so, you know, Eric, as you know, that business is not a no-loss business. But if you look at the composition of what we've been originating, I think multifamily was like 1% of our overall production last quarter. You're seeing it in just the overall roll rates, but also the efficiency of being able to resolve whatever does go delinquent in the last two, three years of production.

Brooke Carrillo | Chief Financial Officer:

One thing I would just add to Dash's comment is I mentioned the amount of paydowns we had in the quarter. $280 million or so of that was bridge. That includes about $67 million of REO and some of our special assets. We are, I think, not only seeing the the repayment velocity in performing assets, but also moving that legacy book as well.

Unknown Analyst:

Thanks, guys. I appreciate it.

Operator:

This now concludes our question and answer session. I would like to turn the floor back over to Caitlin Moritz for closing comments.

Caitlin Moritz | Head of Investor Relations:

Thank you, everyone, for joining today. We appreciate the ongoing engagement and sponsorship. If you haven't already, we encourage you also to check out our earnings materials, including the Redwood Review and Shareholder Letter on our website. We're always here to answer questions if you have any, and thank you, and have a good rest of your evening.

Operator:

Ladies and gentlemen, thank you for your participation. This concludes today's teleconference. Please disconnect your lines and have a wonderful day.