

Onity Group: Which servicing growth engine?

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Onity Group entered the second half of 2026 with two visible sources of mortgage-servicing growth. Originations and selective mortgage-servicing-rights (MSR) purchases can support owned-book growth, while subservicing contracts add loans to a portfolio another institution owns. The Q2 presentation reports funded origination volume but does not disclose how much was retained as owned servicing. These routes can expand the platform while bringing different funding needs, risks, and client relationships.

In a hypothetical strategy-team exercise, you have been asked to recommend what should govern Onity's next marginal servicing additions: more owned-forward servicing tied to originations, recapture, and selective purchases, or subservicing-led growth. The public record does not disclose a board debate, a fixed allocation budget, or a binding capital shortage. The task is to advise on marginal priorities and the evidence that should gate them.

A target without a stated denominator

Onity's August 6 earnings presentation said it was "Committed to 50/50 mix of owned servicing and subservicing." The slide did not define whether the mix meant unpaid principal balance (UPB), loan count, revenue, or another measure. It also did not state the current same-basis mix. The target is management's stated direction; the decision in this case is how to pursue additions within it.

Onity described a competitive market in its 2025 Form 10-K. It reported that nonbank mortgage companies represented nearly 60% of servicing, nearly 80% of subservicing, and 80% of originations among the top 50 firms during the first nine months of 2025, using Inside Mortgage Finance data. The company said it competes on price, operating performance, service quality, and customer and client satisfaction. Those industry figures are not Onity market shares. [2025 Form 10-K, Item 1, "Servicing" and "Competition"](#).

A growing platform, a changed portfolio

In the second quarter, Onity reported \$42 billion in total servicing additions and \$15.5 billion of originations funded volume. The public materials do not state how much of that origination volume was retained as owned servicing versus released or transferred. The Q2 presentation separately reports \$3.0 billion of bulk MSR purchases and \$18.4 billion of MSR additions; these are reported volumes, not purchase spending or returns. Ending servicing UPB was \$341 billion, up 10% from Q2 2025, while owned-forward servicing UPB was \$176 billion, up 44% from Q2 2024. Additions, originations funded volume, bulk purchases, MSR additions, and ending UPB have different scopes; UPB is not revenue, MSR value, or profit. [Q2 results release, highlights; Q2 presentation, slides 3-4 and 30 / PDF pp. 4-5 and 31.](#)

Onity's presentation also said that \$50 billion of servicing growth drives 13% lower fixed cost per loan. This is management's stated scale claim; the presentation does not provide the underlying cost bridge or establish that the reduction had been realized. [Q2 presentation, slide 4 / PDF p. 5.](#)

The growth arrived alongside portfolio changes. A transaction with Finance of America Reverse (FAR) closed effective June 30. FAR acquired reverse MSRs covering approximately 20,000 Ginnie Mae HECM loans, with \$5.2 billion of UPB as of May 31, along with Onity Mortgage Corporation's reverse-origination pipeline. Onity retained a three-year subservicing agreement for the sold portfolio and reported approximately \$77 million of net transaction proceeds. The results release said the sale represented about 80% of Onity's reverse MSRs measured by fair value at June 30. Sale proceeds are not the same as gross consideration or cash freely available for a particular use; Onity did not disclose an earmark. [Closing 8-K, Item 8.01 and Exhibit 99.1; Q2 results release; Q2 10-Q, Note 5.](#)

Onity stopped originating reverse mortgages for five years after the FAR closing, except for activity involving recapture of existing HECM borrowers on MSRs not sold to FAR. It continued servicing a smaller reverse portfolio and subservicing loans sold to FAR. [Q2 10-Q, Note 5.](#)

A separate transfer to Rithm Capital was incomplete at June 30. About \$22 billion of Rithm UPB had transferred during the first half. Approximately \$8 billion remained; management expected \$4 billion to transfer subject to consents. The remaining loans represented 2% of total servicing UPB, 5% of loan count, and 17% of delinquent loans Onity serviced. The expected transfer was not completed at the cutoff. [Q2 10-Q, Note 7 and MD&A.](#)

Results and capacity questions

Onity reported second-quarter revenue of \$282.9 million, up 15% year over year, and a \$13 million net loss attributable to common stockholders, or diluted EPS of \$(1.53). Its adjusted pre-tax income was \$14 million and annualized adjusted return on equity (ROE) was 9%. Management kept 2026 adjusted ROE guidance at 10%-15%, expecting the lower end. Adjusted revenue, adjusted pre-tax income, and adjusted ROE are company-defined non-GAAP measures. In Q2, Onity changed how it calculated MSR valuation adjustments; it conformed historical periods to the new presentation. Under the prior method, Q2 adjusted pre-tax income would have been a \$5 million loss rather than \$14 million income. The two measures therefore should not be treated as interchangeable. [Q2 results release, highlights, outlook, and non-GAAP discussion.](#)

At June 30, Onity reported \$196.6 million of cash and cash equivalents and \$196.3 million of restricted cash. Net servicing advances were \$369.5 million, including \$277.2 million related to variable-interest entities. The company also reported \$230 million of "available liquidity," a company-defined measure distinct from cash. Certain financing agreements require at least \$65

million of consolidated liquidity as contractually defined. That covenant floor is not a measure of deployable cash or a disclosed measure of remaining headroom. [Q2 10-Q, balance sheet, cash-flow statement, and liquidity discussion](#); [Q2 presentation, liquidity slide](#).

Onity disclosed approximately \$3.4 billion of debt scheduled within the next 12 months to come due, begin amortizing, or require partial repayment, primarily warehouse and MSR financing. This does not mean all \$3.4 billion matures in full during that period. Its filings also describe daily margining requirements for certain facilities. Facility-level capacity, covenant headroom, and sensitivity to collateral calls are not reconciled in a comparable public bridge. [Q2 10-Q, Note 12 and MD&A liquidity discussion](#).

Capital return is another consideration. The board authorized repurchases of up to \$20 million in June, with a monthly limit; Onity reported \$5.8 million of purchases in Q2 and a further \$2 million in July. Authorization is discretionary, not a committed expenditure. The company did not compare repurchases with returns from new servicing additions, and the case does not assume any particular August purchases. [June 2 8-K, Exhibit 99.1](#); [Q2 results release](#); [Q2 10-Q, Notes 14 and 23](#).

Two paths for marginal growth

Emphasize owned-forward servicing. Onity can grow its owned book through originations, recapture, and selective MSR purchases. Management presented machine-learning-supported MSR investing as a way to identify relative returns and cited origination and portfolio growth. Ownership may add servicing-fee economics and interact with hedging and funding. It also exposes Onity to MSR valuation changes, hedge performance, advance funding, collateral use, and regulatory-capital requirements. The public materials do not provide comparable cohort-level returns or an owned-MSR investment hurdle.

Emphasize subservicing-led additions. Onity can seek contracts to service loans while another party owns the MSR. Management described subservicing as capital-efficient and said commercial and reverse subservicing was more profitable than forward residential subservicing. These are management claims; the presentation does not provide the underlying return bridge. [Q2 presentation, slide 4 / PDF p. 5](#). Contract economics depend on loan counts, fee terms, operating costs, performance obligations, and client retention. Rithm's pending transfer and the FAR agreement show that third-party volumes and consent timing matter.

The paths can coexist, and Onity's 50/50 target does not specify the measure for balancing them. A proposal can therefore recommend a marginal emphasis and pace additions through cohort, contract, funding, hedge, advance, and consent gates. The evidence does not establish that capital is binding, that FAR proceeds are committed, or that one path has a higher return.

Discussion questions

1. Which path should receive priority for the next marginal servicing additions, and what evidence supports your choice?
2. What measures would you require before assessing whether Onity is on track for its 50/50 target? What can and cannot be inferred from reported UPB and loan-count figures?
3. Which cohort, contract, funding, hedge, advance, liquidity, and consent gates should govern the pace of growth? Which disclosed measures are useful guardrails, and which decision-critical inputs remain missing?
4. How should the GAAP loss, adjusted results, low-end ROE outlook, FAR proceeds, Rithm transfer, debt schedule, and discretionary repurchase authorization affect your recommendation?

Exhibit 1. Q2 2026 operating and financial measures

Measure	Reported amount / comparison	Basis
Total revenue	\$282.9 million; +15%	Q2 2026 vs. Q2 2025
Adjusted revenue	\$281 million; +24%	Company-defined non-GAAP; Q2 2026 vs. Q2 2025
Net loss attributable to common stockholders	\$(13) million	GAAP, Q2 2026
Diluted EPS	\$(1.53)	GAAP, Q2 2026
Adjusted pre-tax income	\$14 million	Company-defined non-GAAP, Q2 2026; prior method would show \$(5) million
Annualized adjusted ROE	9%	Company-defined non-GAAP, Q2 2026
Full-year 2026 adjusted ROE guidance	10%-15%; management expected lower end	Company guidance, non-GAAP

Source: Q2 results release, highlights/outlook and non-GAAP discussion. Adjusted measures are not substitutes for GAAP results or cash flow.

Exhibit 2. Servicing scale and portfolio changes

Measure	Amount	Period / status
Total servicing additions	About \$42 billion	Q2 2026
Originations funded volume	\$15.5 billion	Q2 2026; retained owned-servicing share not disclosed
Bulk MSR purchases	\$3.0 billion	Q2 2026 reported volume; not purchase spending or return
MSR additions	\$18.4 billion	Q2 2026; distinct from servicing additions and funded originations
Ending servicing UPB	\$341 billion; +10%	June 30, 2026 vs. June 30, 2025
Owned-forward servicing UPB	\$176 billion; +44%	June 30, 2026 vs. Q2 2024
FAR transaction	Reverse MSRs covering about 20,000 Ginnie Mae HECM loans; \$5.2 billion UPB	UPB measured May 31; transaction effective June 30
FAR retained service	Three-year subservicing agreement	After closing
FAR net proceeds	About \$77 million	Reported in Q2 results; net transaction proceeds
Rithm UPB transferred	About \$22 billion	First half of 2026
Rithm UPB remaining	About \$8 billion; \$4 billion expected to transfer subject to consents	June 30 status; expected transfer conditional

Sources: Q2 results release; Q2 presentation, slides 3-4 and 30 / PDF pp. 4-5 and 31; Q2 10-Q, Notes 5 and 7 and MD&A; FAR closing 8-K, Exhibit 99.1. Values are issuer-reported and use different bases; purchase volume is not spending or return, and UPB is not profit or MSR fair value.

Exhibit 3. June 30 capacity measures and capital-return context

Measure	Amount	Definition / caution
Cash and cash equivalents	\$196.6 million	June 30 balance-sheet amount
Restricted cash	\$196.3 million	June 30 balance-sheet amount; not fungible with general cash
Net servicing advances	\$369.5 million	June 30; \$277.2 million related to variable-interest entities
“Available liquidity”	\$230 million	Company-defined Q2-end measure; distinct from cash
Minimum consolidated liquidity covenant	\$65 million	As defined in certain financing agreements; not a disclosed headroom figure
Debt scheduled in next 12 months	About \$3.4 billion	Due, beginning amortization, or requiring partial repayment; not all due in full
Share-repurchase authorization	Up to \$20 million	Discretionary; \$5.8 million purchased in Q2 and \$2 million in July

Sources: Q2 10-Q, balance sheet, cash-flow statement, Note 12, Notes 14 and 23, and MD&A liquidity discussion; Q2 presentation, liquidity slide; June 2 8-K and Q2 results release. All balance-sheet values are dated June 30, 2026; July repurchases are a subsequent event reported in the 10-Q.