

Mortgage M&A Minute

April 2026

Quick Links

Market Snapshot

\$1.22 trillion

In global M&A deal volume in Q1 2026, with 22 transactions valued at over \$10 billion
(FinancialContent / LSEG)

\$436 billion

In announced global private equity deal volume across 4,168 deals in Q1 2026, with the Americas accounting for more than half (\$247 billion, of which the US was \$226 billion)
(KPMG)

\$2.4 trillion

projected U.S. mortgage originations in 2026 per Fannie Mae's January forecast, up from \$1.94 trillion in 2025, with refinances expected to make up 38% of volume (vs. 29% in 2025)
(National Mortgage News)

~73%

Mortgage industry professionals surveyed expect origination volume to improve in 2026, with confidence concentrated in refinances and home equity lending
(NMN Predictions 2026 survey)

Quick Numbers

6.23%

Average 30-year fixed mortgage rate as of April 23, 2026 — down from 6.30% the prior week and 6.81% a year earlier; the lowest level in the last three spring homebuying seasons
(Freddie Mac PMMS)

5.58%

Average 15-year fixed mortgage rate as of April 23, 2026, down from 5.94% one year earlier
(Freddie Mac PMMS)

3.98 million

Seasonally adjusted annual rate of existing-home sales in March 2026 — a nine-month low and a 3.6% month-over-month decline; sales fell in all four regions
(National Association of Realtors)

\$408,800

median existing-home price in March 2026, up 1.4% year-over-year — the 33rd consecutive month of annual price increases
(National Association of Realtors)



Earnouts in Mortgage Industry M&A

Benefits, Risks, and Drafting Lessons from Recent Delaware Decisions

By Austin Maloney & Michael Goldman

Earnouts have always been a favored tool of dealmakers in mortgage industry M&A due to the volatility in originations and asset values that can arise from interest rate swings. The macroeconomic uncertainty that has prevailed through Q1 of 2026 makes it increasingly likely that parties considering M&A in the mortgage space will discuss earnouts as a tool to bridge valuation gaps to get deals executed. In most mortgage M&A transactions, valuation discrepancies center on issues such as origination volume, margin sustainability, branch or producer retention, platform integration, third-party consents or other transferability issues, and the impact of general market cycles.

While useful in reaching a closing, earnouts create substantial post-closing risk. Recent decisions in Delaware reinforce that buyers generally do not have broad, implied obligations to maximize earnout payments after closing unless the acquisition agreement expressly says so. These decisions also show that the outcome of earnout disputes are highly dependent on the precise contractual language the parties negotiate.

For mortgage industry participants, the lesson is straightforward: earnouts may solve a pricing problem to reach closing, but they can create operational friction and litigation risk after closing if the performance metrics, decision-making authority, and post-closing conduct standards are not drafted with care. That operational friction arises immediately after closing. Following the closing, the buyer controls the business, while the seller's right to an earnout payment is dependent on how the business is operated during the earnout period. This is the fundamental tension underlying the disputes in recent Delaware earnout cases, which emphasize the importance of aligning earnout provisions with the buyer's post-closing strategic goals and clearly stating any additional obligations the buyer is expected to undertake.

Why Earnouts Carry Increased Risk in Mortgage Deals

Earnouts can be particularly difficult in mortgage industry acquisitions because post-closing performance may be significantly affected by many variables that are not fully within either party's control. Performance can be materially impacted by interest-rate movements, origination volume changes, gain-on-sale compression, hedging results, warehouse capacity, regulatory developments, secondary market conditions, and key employee retention.

Industry sensitivity to outside factors increases the likelihood that the parties will later disagree about causation if earnout metrics are not met. A seller may contend that the platform would have achieved the earnout but for the buyer's staffing, marketing or integration decisions, a buyer's response would likely be that broader market conditions, rather than its conduct, caused any shortfall. The risk is magnified where the acquired business is being folded into a larger platform with different systems, compensation structures, compliance processes, or production channels.

Drafting Considerations for Mortgage Industry Earnouts

Most importantly, precision matters. Delaware courts have made clear that they typically give deference to the specific language used in earnout provisions and that "off-the-shelf" earnout language generally should be avoided. Earnout provisions should be specifically tailored to the specific product, market and individual circumstances of a target, with input from both counsel and business professionals. All parties should clearly understand and seek alignment on the metrics, calculation methodologies, reporting conventions, and adjustment rules that will govern the earnout.

Parties should agree on how much discretion the buyer will have after closing to operate the acquired business. Recent Delaware decisions draw a clear distinction between agreements that require meaningful efforts and agreements that reserve for broad buyer discretion. The distinction can be dispositive if there is a post-closing dispute about earnout payments. Parties should think about the potential effect of branch closures, producer compensation, technology migration, capital allocation, servicing strategy, and channel prioritization when considering any obligations of buyer with respect to post-closing operation.

A technical, but important point is determining whether or not the standard applied to efforts surrounding the earnout are inward-facing or outward-facing. Specifically, should a buyer's actions or efforts after closing be measured by a subjective inward-facing standard or by an outward-facing standard. If an outward-facing standard is used, the benchmark should be defined carefully and avoid leaving metrics to judicial determination. Some common examples we have seen used in the mortgage industry include specifying whether performance is measured against the buyer's historical practices or identified peers in similar markets.

Practical Tips

- Buyers generally will have only the post-closing obligations that are expressly stated in the acquisition agreement.¹
- If the agreement contains seller-protective efforts language, a buyer can face substantial liability for conduct that interferes with milestone achievement.²
- If the agreement uses an outward-facing efforts standard, Delaware courts may evaluate the buyer's conduct using an objective benchmark rather than the buyer's own internal practices or stated intentions.³
- If the agreement gives the buyer broad discretion and imposes a highly buyer-favorable standard, sellers may face an unusually heavy burden in challenging the buyer's conduct.⁴
- Particularly buyer-friendly drafting may permit the buyer to consider costs, risks, opportunity costs, and even the earnout payment itself in deciding whether to continue pursuing a milestone.⁵

¹ *Himawan v. Cephalon, Inc.*, No. 2018-0075-SG, 2024 WL 1885560 (Del. Ch. Apr. 30, 2024)

² *Fortis Advisors, LLC v. Johnson & Johnson, Ethicon Inc.*, No. CV 2020-0881-LWW, 2024 WL 4048060 (Del. Ch. Sept. 4, 2024); *Shareholder Representative Services, LLC v. Alexion Pharmaceuticals, Inc.*, No. 2020-1069-MTZ, 2024 WL 4052343 (Del. Ch. Sept. 5, 2024)

³ *Shareholder Representative Services*, 2024 WL 4052343 at *14.

⁴ *Fortis Advisors LLC v. Medtronic Minimed, Inc.*, No. 2023-1055-MAA, 2024 WL 3580827 (Del. Ch. July 29, 2024)

⁵ *Himawan v. Cephalon, Inc.*, No. 2018-0075-SG, 2024 WL 1885560 (Del. Ch. Apr. 30, 2024)

Parties should draft earnout provisions with an awareness of potential conflict during the earnout period. Keeping in mind issues that may arise during the earnout process and discussing possible outcomes can lead to earnout provisions that balance certainty and flexibility. Parties should consider addressing how market-wide disruptions, regulatory changes, staffing departures, pipeline runoff, or changes in secondary market conditions affect the earnout calculation.

Practical Bottom Line

Earnouts have long been an effective tool in mortgage industry M&A to bridge valuation gaps, but they should not be viewed as simple or risk-free.

For sellers, an earnout may provide a path to greater value, but it also introduces dependency on a business they no longer control. For buyers, an earnout can protect against overpayment, but it may create operational constraints and litigation exposure if the agreement imposes meaningful post-closing obligations. The recent Delaware decisions underscore both points by showing that the parties' rights and obligations will rise or fall on the words they choose in the acquisition agreement.

In mortgage transactions especially, where performance can move quickly with the market and integration choices can materially affect results, the increased risks of using earnouts should not be underestimated. If parties choose to use them, the earnout must be drafted with precision, with clear performance metrics, clear operational expectations, and clear rules about what happens when business realities change.

Outward vs Inward Facing Standards

Inward-Facing Language: "efforts comparable to buyer's other marketing campaigns"; "funding at a level consistent with buyer's past launches of new channels of business"; "staffing levels consistent with the Company's historical employment levels"

Outward-Facing Language: "efforts typically used by mortgage lenders in marketing campaigns"; "funding at a level consistent with industry participants launching a new channel of business"; "staffing levels consistent competitors in the mortgage industry"





M&A Integration Management

Converting Transaction Value into Operational Reality

By Julia Brown, Founder of Telescope Advisors

- Julia Brown is the founder of Telescope Advisors, a firm specializing in operational, growth, and M&A advisory for the mortgage and fintech sectors. She serves as a fractional COO and strategic partner, helping lenders with tech stack transformations, process optimization, and acquisition integration.

We have observed a continued increase in mortgage M&A activity across independent mortgage banks, depositories and capital markets participants, particularly as firms seek scale, diversification of revenue streams and operating leverage. While significant attention is appropriately placed on valuation, deal structure and diligence, comparatively less focus is often given to the process that ultimately determines whether the transaction delivers on its intended value: integration.

M&A integration management refers to the structured process of aligning people, processes, technology and governance following the execution of a transaction to achieve the stated deal objectives. In our experience, the absence of a formal integration strategy is one of the most common factors contributing to delayed synergies, operational disruption, and erosion of projected returns.

Below is a summary of key components that should be considered in establishing an effective integration management framework.

Integration Management Office

An Integration Management Office (IMO) serves as the central coordination function for post-transaction integration. The IMO is responsible for maintaining the integration roadmap, tracking progress against milestones, identifying risks and ensuring alignment across functional areas.

Unlike traditional project management structures, the IMO operates as both a governance and execution layer. It facilitates cross-functional decision-making, escalates issues to leadership where appropriate and maintains accountability across workstreams. Establishing the IMO during the diligence phase (rather than after closing) can materially improve readiness and reduce disruption at Day 1.

Steering Committee and Governance Structure

Effective integration requires clearly defined governance. A steering committee, typically composed of executive leadership from both organizations, is responsible for strategic oversight, prioritization of initiatives, and resolution of escalated issues.

A well-defined governance structure establishes decision rights, escalation protocols, and meeting cadence. This enables timely resolution of issues that may otherwise delay integration efforts. In the absence of such structure, organizations often experience stalled decision-making, conflicting priorities, and reduced organizational alignment.

Integration Charter

An integration charter is a foundational document that articulates the objectives, scope and guiding principles of the integration effort. It typically includes:

- Defined deal objectives (e.g., cost synergies, revenue growth, market expansion)
- Scope of integration activities and phased approach, as applicable
- Success metrics and key performance indicators
- Guiding principles to inform decision-making throughout the integration lifecycle

Establishing a clear integration charter ensures that stakeholders remain aligned on priorities and provides a consistent framework for evaluating tradeoffs as they arise.

Budgeting and Resource Planning

Integration activities require dedicated financial and human capital resources. However, integration costs are frequently underestimated or insufficiently planned.

A comprehensive integration budget should account for:

- Dedicated IMO and workstream resources
- Technology integration or migration costs
- Change management and training initiatives
- Temporary operational inefficiencies or redundancies
- Contingency reserves for unforeseen complexity

Failure to adequately resource integration efforts may result in delays, increased costs and diminished realization of projected synergies.

Workstreams and Integration Planning

Integration execution is typically organized into functional workstreams, such as Operations, Sales, Secondary Marketing, Finance, Human Resources, and Technology.

Each workstream should have clearly defined leadership, deliverables, dependencies and timelines. These workstreams are coordinated through a centralized integration plan managed by the IMO, which provides visibility into progress and interdependencies.

A structured integration plan enables organizations to proactively manage risks and ensure that critical milestones are achieved in a coordinated manner.

Timelines and Phased Execution

Integration is generally executed in phases to balance continuity of operations with achievement of long-term objectives. While timelines may vary based on transaction complexity, a phased approach often includes:

- **Day 1 Readiness:** Ensuring operational continuity at closing, including communication plans, organizational structure and critical process alignment
- **Stabilization Period (30–90 days):** Addressing immediate operational risks, aligning key processes and establishing governance cadence
- **Optimization Phase (90+ days):** Implementing technology integrations, realizing cost and revenue synergies and refining the operating model

Deliverables within each phase should be directly aligned with the overall deal objectives to ensure that integration efforts remain focused on value creation.

Importance of Integration Management

Mortgage businesses are inherently operationally complex, with tight timelines, regulatory requirements and interdependent processes. As a result, even minor misalignment during integration can have material impacts on production, borrower experience and financial performance.

Without a structured integration approach, organizations may encounter:

- Inconsistent processes and operational inefficiencies
- Delays in technology integration and increased reliance on manual workarounds
- Cultural misalignment affecting employee retention and productivity
- Failure to achieve projected cost savings or revenue enhancements

Conversely, a disciplined integration management framework can accelerate synergy realization, reduce operational risk and enhance overall transaction outcomes.

Conclusion

Successful M&A transactions require a comprehensive approach that extends beyond deal execution. Integration management should be viewed as a core component of the transaction lifecycle rather than a post-closing expense.

Organizations that invest in structured integration planning, supported by an IMO, clear governance and defined objectives, are better positioned to realize the full value of their acquisitions.

In an environment where margins remain compressed and operational efficiency is critical, the effectiveness of integration may ultimately determine whether a transaction achieves its intended strategic and financial outcomes.



Contributors and Key Contacts

Hunton is proud to be one of the top, fully-integrated and multidisciplinary legal platforms in the US for advising companies in the mortgage and financial services industry on transactional matters. We are—and have been for decades—at the forefront of advising mortgage companies and other financial services entities on mergers and acquisitions.

The collective experience of our mortgage industry M&A lawyers enables us to address the needs of mortgage companies on a holistic basis. We help senior business leaders negotiate the increasingly complex M&A path, and we collaborate across the firm with our top-tier warehouse financing, MSR/loan transfer, and securitization colleagues.

We pride ourselves on our institutional relationships with longstanding clients. Our overall approach to mortgage industry M&A transactions focuses on responsiveness to clients; seamless integration with client business and legal teams; creative, practical solutions; commonsense approaches; and completing transactions consistent with our clients' strategic goals.