Wealthfront's shares nosedive after tepid flows and 'stark' revelation that its CEO owns the bank at heart of robo-advisor's mortgage future

David Fortunato: Home-lending provides a critical strategic offset.

The Palo Alto online RIA met revenue expectatons in its first post-IPO earnings call, but weakness in flows pummel stock; the 'asymmetrical' ownership of its mortgage unit also raises concerns, lawyers and analysts say

Author **Oisín Breen** January 13, 2026 at 6:09 PM

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> ***Brooke's Note: The classic RIA faces unbelievable challenges to dominate retail wealth management. But then we see just how hard it is for private equity and Wall Street to make headway, without stumbles, and the belief comes right back. Wealthfront started out as a pure RIA, but it was never going to get the IPO exit its backers needed without stretching its business model. It entered cash management and struck it rich. But Wall Street then demanded that it pull another rabbit out of the hat. So it said it could extend cash management to mortgages. Maybe it can. But the stock swooned – perhaps in part because of the Wealthfront's contortions to get into banking, and questions about whether Wealthfront can be both Betterment and Rocket Mortgage at the same time.***

Wealthfront is betting its mortgage unit will cover a decline in earnings from its cash accounts – if interest rates keep falling – but analysts and lawyers are sounding an alarm over CEO, David Fortunato's 95.1% stake in its home lending business.

Ari Sonneberg: [It's] a textbook conflict of interest.

During an analysts' call yesterday (Jan. 12), Fortunato emphasized the importance of the firm's new, Nov.-launched home-lending business, claiming it will protect the firm from downside risk, should interest rates continue to fall. The Fed cut rates twice in 2025, and is expected to cut rates again, most likely in the first half of the year.

But Fortunato's confirmation in response to an analyst's question the he personally owns a 95.1% stake in Wealthfront's home-lending business, raised eyebrows over its “unusual” structure. Wealthfront owns the remaining 4.9% stake.

It's “a textbook conflict of interest, but with an added aspect: The economic asymmetry is so stark that it begs the question about whether the board exercised adequate independence and oversight ..." says Ari Sonneberg, a partner at Wagner Law Group, via email.

“The specific structure here, where the CEO personally owns 95% of a subsidiary, for which the losses are absorbed by the public company, seems to me extremely unusual,” he adds.

“[It] should draw scrutiny from regulators, proxy advisors, and institutional investors.”

Wealthfront declined to respond to three requests for comment, sent over the course of two weeks. See: Wealthfront adds staggering $1 billion to its robo-bank in 'less than a month', but critics say it's treading the line, again, on possible conflicts of interest.

Troubling

Sonneberg is not alone in raising red flags about the unit.

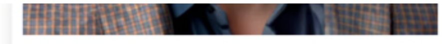
Will Trout: What's happening across the fintech sector right now is a painful reckoning.

“This is definitely eyebrow-raising, though the specific structure reveals something arguably more troubling than a simple conflict of interest,” says Will Trout, director of securities and investments at Boston consultancy, Datos Insights, in an email.

“It's [potentially] an inverted incentive structure that transfers value from public shareholders to the CEO,” he explains.

“Have we seen this before? Rarely in public companies ... Related-party transactions involving executive ownership of operating subsidiaries often trigger SEC review," he adds.

Veteran Wall Street attorney Bill Singer is also taken aback by what he labels an “insider-first structure that seems contrary to market fiduciary norms.

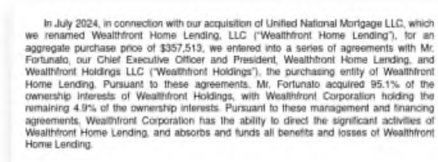


"It all seems a trembling game of Jenga where one wrongly removed piece could collapse everything," he says.

The SEC declined to comment "on the existence or nonexistence of a possible investigation."

Stock wobbles

Fortunato's stake in the lending unit was apparently obscured by the Palo Alto, Calif., robo advisor's first ever earnings call webcast yesterday (Jan. 12), fresh off its Dec. 12 IPO.



In July 2024, in connection with our acquisition of Unified National Mortgage LLC, which we renamed Wealthfront Home Lending, LLC ("Wealthfront Home Lending"), for an aggregate purchase price of $357,513, we entered into a series of agreements with Mr. Fortunato, our Chief Executive Officer and President, Wealthfront Home Lending, and Wealthfront Holdings LLC ("Wealthfront Holdings"), the purchasing entity of Wealthfront Home Lending. Pursuant to these agreements, Mr. Fortunato acquired 95.1% of the ownership interests of Wealthfront Holdings, with Wealthfront Corporation holding the remaining 4.9% of the ownership interests. Pursuant to these management and financing agreements, Wealthfront Corporation has the ability to direct the significant activities of Wealthfront Home Lending, and absorbs and funds all benefits and losses of Wealthfront Home Lending.

Wealthfront's S-1 Filing, page 211 (click to enlarge).

Wealthfront met expectations, posting a record $93.2 million in third quarter 2025 revenue, and record $92.8 billion in client assets, with its RIA managing 49%, or $45.8 billion. See: Wealthfront warns cash flow relies on precarious, interest-rate sensitive bank products.

Nonetheless, Wall Street traders are punishing its stock (WLTH) in today's trading; it's off 16.84% at $10.47, down $2.12, after analysts detected weakness in its asset flows, down $208 million. For December 2024, the company had $874 million in net flows, according to Bloomberg, which failed to report on Fortunato's mortgage lending stake.

Wealthfront's stock debuted on the Nasdaq at $14 a share, at the top of its expected $12 to $14 range. The company raised an estimated $485 million at a fully diluted market valuation of about $2.6 billion. Shares have ranged between $9.70and $14.75 since then.

Strategic offset

Fortunato touted the mortgage business precisely to offset concerns about interest rate erosion. The company said lower rates caused clients to reallocate some of their funds resulting in the latest outflows in December.

"Home-lending provides a critical strategic offset, as a lower rate environment typically stimulates mortgage and refinancing demand, and this product allows us to capture a larger share of our clients' balance sheet[s] precisely when cash management tell-ins moderate," he said, during the call.

"Our average client is reaching the home buying stage … [They] sent over $2.5 billion in wires to escrow entitled companies in 2025, It's clear … they're the one's buying homes …We've the opportunity to capture a meaningful share," he added.

But critics note the unit will take "multiple years" to reach its "peak."

Wealthfront acquired its new mortgage business in mid-2024, through a specially created subsidiary, Wealthfront Holdings, which bought Fortunato's 2022-founded Unified National Mortgage (UNM) LLC, also known as Afford Lending.

Once Wealthfront Holdings acquired UNM for $357,513 – a price Trout labels "remarkably low" – it rebranded the firm to Wealthfront Home Lending, but Wealthfront Holdings remained its majority owner.

The UNM sale also landed Fortunato "95.1% of the ownership interests of Wealthfront Holdings," the firm's S-1 Filings state, but not before page 212.

Restructuring promised

Fortunato disclosed his ownership interest during Wealthfront's earnings call in response to a question from KBW Analyst and Managing Director Ryan Tomasello. Fortunato also acknowledged the current state of affairs needs 'revisiting,' or 'revision.'

"On the ownership structure, we're working to revisit or revise, to have home-lending fall under the Wealthfront corporate umbrella," Fortunato said.

"The ownership structure was forged initially to limit the exposure of personal financial information of the LPs and GPs of the equity owners of Wealthfront as a private company – that disclosure was required by various state laws.

"The primary issue the IPO helped ameliorate, [is] these ownership thresholds, and once fully remediated, we do plan to restructure ownership of the home lending subsidiary," he continued.

It's also "important to note the relevant management and financing agreements that Wealthfront Corp. has today gives the ability to direct the activities of Wealthfront Home Lending and absorb and fund all benefits and losses," he added.

Bill Singer: [There] is far too much 'potential' conduct.

Too parsed

Following Fortunato's statement, RIABiz again contacted Wealthfront, Jan. 13, seeking a response to Sonneberg's or Trout's comments, and whether it could specify what Fortunato means by "revisit" and "revise."

The company has yet to respond, but Singer says Fortunato's statement tells its own story.

“Frankly, this all seems like both an about face, and a hasty retreat in response to an unexpectedly negative response from potential investors and regulators. The company should have been better prepared for the issue,” he says.

“Additionally, I note that much of what they are stating in that clarifying language is parsed not as a promise to take corrective [action], but in carefully parsed terms indicating they could do something or probably would do something.

"That is far too much 'potential' conduct for me,” he adds.

Brian Murphy: Wealthfront taking on home-lending is ... a ‘Hail Mary’ growth play.

'Reputational risk'

Fortunato's comments still leave a world of unanswered questions, says Sonneberg.

Ryan Tomasello asked for clarification on the structure Wealthfront's mortgage unit.

“They say to me that the raised eyebrows concerning the structure of the relationship have been noted internally at Wealthfront, and that perhaps some change or changes will be made,” he explains.

"Another issue at hand here is disclosure sufficiency … investors will want clarity on how profits and losses are allocated, whether the CEO can extract dividends or distributions, whether the company has any path to increasing its ownership.

“If those details aren’t spelled out, I would think that the SEC should be asking for them. The bigger risk here for Wealthfront is reputational and strategic.

“Investors already skeptical of [its] growth story may view this as confirmation that the company is stretching for new revenue lines without a coherent governance framework …

"The market may price in a governance shortfall,” Sonneberg concludes.

The mortgage motive

Wealthfront seeks mortgage revenues to reduce its vulnerability to volatile revenues – and third parties.

The company, which first posted a profit in 2023, is heavily reliant on revenues from its private-labeled* cash accounts, and its cash unit accounts.

It posted 73.82% of its third-quarter 2025 revenues and 75.1% of its revenues for the first nine months of last year from those sources, its latest filings show. See: Wealthfront is booming after 2022 UBS sale went bust.

It earns a net interest margin, or spread, on the value of interest paid out by partner banks to its clients. But as interest rates fall, so do its cash-based revenues; Bankrate predicts the Fed will cut rates by 75 basis points in 2026.

"We initially started in Colorado, and we've expanded … we've made good progress," Fortunato said, during the firm's earnings call, in which he promised "attractive rates," "no hidden fees," and "seamless" digital service.

"We originated our first home mortgage in Q3, and started letting clients off the wait-list in November … It's still early days and there's a lot left to learn … [but there's] an opportunity size, which is both large, and we believe we've the ability to take advantage of," he added.

Brutal economics

Yet, Wealthfront – bank ownership issues aside – does not seem to have the upper hand in the hyper-competitive mortgage universe, which is in an origination-volume trough, peaking at $4.5 trillion in 2021, with forecasts for about $2 trillion in 2025.

"The bull case [Fortunato's] making involves cross-selling to existing wealth management clients in a classic fintech 'ecosystem' play, generating origination fees and potentially servicing revenue, and differentiating versus [competitors]," says Trout.

"The reality is less encouraging.

"Mortgage origination is capital-intensive, heavily regulated, and highly cyclical. Rising rates have crushed origination volumes industrywide, and competition is fierce from Rocket, Better.com, SoFi, and traditional banks.

"Unit economics are brutal – this isn't a tech-margin business; if Wealthfront's core wealth management is flat-lining, doubling down on mortgage lending looks less like strategic diversification and more like scrambling for revenue growth to justify the IPO valuation," he says.

In the first nine months of 2025, Wealthfront's non-core business lines accounted for just 0.3% of its total revenues, while its original RIA business line brought in 24.6% of revenues, and cash management accounted for 75.1%, filings show.

Yet, Fortunato offered a plausible case that Wealthfront has an intrinsic edge in selling mortgages because it can leap into the process ahead of the pack of banks, neo-banks and mortgage apps, at least with existing investors.

“We have reasonable visibility into what clients are looking to do with their savings on the platform, and that gives us pretty early visibility that they might be focused on buying a home,” he said on the call.

"And engagement with that goal, changing the number of bedrooms they're looking for or in what markets they're looking to buy a home, is a great early indicator that they are more actively engaging in the home buying process.

"That gives us the opportunity to really present the ease of the experience that we offer if we can support those clients in their home states, get them pre-qualification letters, which generally clients will pull even before they significantly engage with a realtor so they start to understand what they can afford.

“And a realtor will often ask for that pre-qualification letter early in the process. We think that gives us a great opportunity to be able to engage with clients very early in their home buying process, even kind of before the home buying process would normally be considered to have started. ”

Zombie…

"Wealthfront taking on home-lending is … a ‘Hail Mary’ growth play,” says Brian Murphy, founder and chief investment officer of Mountain View, Calif. RIA Pariveda Investment Management, in an email exchange.

“Do I think it will work? No … I’d argue all of the last generation consumer-facing fintechs never achieved product market fit in their own-right, except perhaps for Robinhood and Coinbase.

“Early stage investors want their money back ... so an IPO seems reasonable, but I view them as zombie companies,” Murphy explains.

"They’ve a very low probability of growing at double digit rates long-term, so they bolt on additional businesses to hopefully bolster top-line growth,” he says.

“Painful reckoning”

“It’s the ‘everything app’ trap,” adds Trout.

“This strategy works when you have genuine network effects and synergies, but it fails spectacularly when you're just bolting on low-margin commodity services to chase revenue growth," he explains.

“Adding mortgages at this moment feels less like strategic diversification and more like an admission that the core business can't scale profitably on its own.

"The company built its reputation on automated investing and tax-loss harvesting, but those features are now table stakes … What's happening across the fintech sector right now is a painful reckoning.

“Wealthfront's trajectory illustrates this dynamic perfectly."

* *R&T Deposit Solutions administers Wealthfront's white-labeled cash accounts.*

Dublin-native and Edinburgh-based Oisín Breen has spent seven years writing about finance, including five whirlwind years diving into the advisor world for RIABiz. A widely published and well regarded poet with two full collections under his belt, Breen is also an academic in English Literature with a deep fondness for his Scottish rabbit, Hessell. @Breen

Brooke Southall and Keith Girard contributed to the editing of this article.

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