STONEGATE MORTGAGE CORP.

Moderator: James Cutillo
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Operator: Good day, ladies and gentlemen, and welcome to Stonegate Mortgage's third quarter 2013 earnings conference call. My name is (Jackie), and I will be your operator today. At this time, all participants are in a listen-only mode. We will conduct a question-and-answer session toward the end of the call. I would now like to turn the call over to Michael McFadden. Please go ahead.

Michael McFadden: Thank you, Jackie. Good morning, everyone. Please note that a recording of this call and accompanying presentation material can be found on Stonegate Mortgage's investor relation website at www.investors.stonegatemtg.com. Please refer to that website for important materials, including the Q3 earnings press release. A replay of this call will also be made available on the website.

Financial results that will be discussed on today's call and located in the press release are unaudited. Additionally, today's discussion and accompanying materials include forward-looking statements and as such are subject to risk and uncertainty that we have discussed in detail in our documents filed with the SEC, specifically, our final prospectus, which was filed with the SEC on October 9th of this year, which identifies important risk factors that can cause actual results to differ from the forward-looking statements.

Finally, the financial results and matters that we will be discussing today contain non-GAAP measures that Stonegate management uses in evaluating company performance. GAAP to non-GAAP reconciliations are located in the press release and appended to the slide presentation.

At this time, I would like to turn the call over to Jim Cutillo, founder and chief executive officer of Stonegate Mortgage. Jim?

Jim Cutillo: Thank you, Mike, and welcome, everyone, to our Q3 2013 earnings call. Joining me today on the call is John Macke, Stonegate's chief financial officer.

Since I founded the company in 2005, our focus has been on building a profitable and sustainable business. In 2013, we have raised over $220 million in new equity capital. In October, we completed our initial public offering. We believe this positions us to be a leading non-bank originator, financier, and servicer in the emerging mortgage market.

As you know, the third quarter was challenging for our industry. Origination decreased by 25 percent due to rising interest rates and decreasing refinance activity. Gain on sale margins contracted, and interest rate volatility led to GAAP earnings pressure, driven primarily by fair-market value adjustments to derivative assets. Towards the end of the quarter and into the fourth quarter, banks and others began to shed excess capacity as profit margins eroded.

On a positive front, the GSEs and MBA recently revised their 2014 origination forecast upwards to an average of $1.3 trillion, driven by stronger purchase demand. I will let John walk you through the details of our financials momentarily, but just to start off with a quick overview. GAAP revenue for the third quarter was $32.3 million, while adjusted revenue was $37.8 million. Adjusted net income for the third quarter was $6.1 million, or $0.35 per diluted share. Our financing activities produced $2.1 million in net interest income, and our servicing fee income grew 14 percent to $6 million.

Even with the industry headwinds, Stonegate was able to continue it’s origination growth by turning in company records for both origination and locked volume. Purchase transactions remained our focus for Stonegate, representing 73 percent of our total origination volume in Q3, compared to 46 percent of the industry. Stonegate was not immune to the contracting gain on sale margins, as it caused our net cost to originate to increase.

We were able to offset some of the gain on sale contraction with operating efficiencies. Non-interest expense as a percentage of originations decreased by 7 basis points from Q2, which is the result of our investments in technology and scale. Additionally, the net interest income provided by NattyMac also offset the contracting gain on sale margins. Our servicing fee income grew 14 percent from last quarter, as our servicing portfolio grew to $9.7 billion.

At this point, I'd like to turn the call over to John Macke, Stonegate's chief financial officer, to discuss third quarter financial results. John?

John Macke: Thanks, Jim. Turning to slide six, Stonegate produced GAAP revenue of $32.3 million in the third quarter. This represents a 27 percent decline from the previous quarter and a 3 percent increase from the same period last year. As a management team, we also focus on adjusted revenue as it adjusts for fair-market value changes that are impacted by market forces outside of our control.

For example, Jim previously outlined the interest rate trend in the third quarter. The interest rate environment during the quarter resulted in negative fair-market value adjustments. Stonegate's fair-market value adjustment to it’s interest rate locked pipeline and mortgage loan portfolio totaled a negative $7.6 million in the third quarter compared to a negative $600,000 in the previous period.

Adjusted revenue also adjusts for fair-market value changes in our mortgage servicing rights asset which totaled a positive $2.1 million this period compared to a positive $5.5 million last quarter. Therefore, adjusted revenue for the third quarter totaled $37.8 million, a 4 percent decline from Q2, and a 50 percent increase from the same period last year. On the following slide, we graphically depict the adjusted revenue reconciliation for the third quarter.

Additionally, we show the bridge from our second quarter gain on mortgage loans held for sale of $25.4 million to the third quarter number of $13.2 million. As you can see, cash gain on sale in the fair-market value change in the derivative asset accounted for the decline.

Moving to slide eight, Stonegate reported GAAP net income of $1.7 million, or $0.10 per diluted share. After adjusting for the previously mentioned changes in fair-market value, and other non-routine and ramp expenses, our adjusted net income was $6.1 million, or $0.35 per diluted share. This represents a 28 percent decline from the previous quarter.

On slide nine, we take a look at our expense trends. Total expenses in the third quarter were essentially flat in the second quarter at $29.8 million, even as loan origination volume increased 12 percent and our servicing portfolio grew by 28 percent. We also prepared for an IPO and recommenced operations at NattyMac during the quarter, so we were pleased with our ability to manage expenses.

In the lower left-hand graph, we show our non-interest expense in basis points of mortgage originations. Non-interest expense totaled 113 basis points in the third quarter, which is down 6 percent from Q2. These numbers include servicing expenses on our growing servicing portfolio and other expenses related to future growth opportunities in non-agency and technology.

We are also seeing a continued shift in our revenues toward the servicing and financing lines of business and away from originations, which is shown on the graph on the lower right. During the third quarter, over 35 percent of our revenues were loan servicing fees and interest income compared to less than 10 percent for the same period last year.

I'd now like to turn the call back over to Jim to provide an update on each of our businesses and our strategic initiatives that were outlined in the S-1. Jim?

Jim Cutillo: Thanks, John.

Please turn to slide 10. As we discussed earlier, originations in Q3 for the industry were down 25 percent. Stonegate was able to increase it's origination volume in the third quarter due to our diversified origination business, geographic expansion, and strategic initiatives. The $2.3 billion in originations and $3 billion in locks are both record quarterly numbers for Stonegate. We expect to continue this trend as we continue to execute on our strategic initiatives.

Purchases represented 73 percent of our origination volume in the third quarter, while the industry averaged 46 percent. We remain focused on purchase transactions and believe they are more stable and tend to have slower prepayment speeds in early years, making the mortgage servicing rights more attractive.

In the month of October, we lost on average $52 million per day, compared to $46.5 million in the third quarter, showing continued growth in our originations going into Q4.

The servicing side of our business continued to produce strong results. Our ending servicing UPB was $9.7 billion, a 28 percent increase from the previous period and a 229 percent increase from Q3 of 2012. As our portfolio continues to grow, we continue to benefit from scale. Our direct cost per loan to service was $95, compared to $123 per loan in the same period last year. Our high-quality portfolio has on average 90-day delinquency of 0.3 percent and a weighted average coupon of 3.71 percent.

Turning to financing on slide 12, in July, we recommenced NattyMac operations after integrating it into our platform. It should be noted that we retained all employees when we acquired NattyMac in Q4 of 2012, so we were positioned to operate the platform after completing the integration. In the current market, our correspondent and wholesale clients lacked capital to grow their businesses, and therefore their growth is constrained by the size of their balance sheet.

Because our focus has been and will remain on small- to midsized originator, we have created a warehouse lending model that allows them to grow in a capitally light manner versus traditional warehouse lenders. We believe our financing platform allows us to compete with bank-owned mortgage originators who have historically offered warehouse financing as a means of building wallet share and generating fee and net interest income. This is a competitive advantage over other non-bank mortgage originators and servicers who do not have warehouse lending operations.

Since we recommenced operations, we have issued $78 million in commitments. With over 700 currently active accounts, there is a large pipeline of potential NattyMac customers. Financing activities produced $2.1 million in net interest income in Q3, which translates into nine basis points of origination volume, which serves as a natural hedge for contracting gain on sale margins. It also positions us to offer a qualified mortgage compliance solution to brokers who wish to transaction to mortgage bankers.

I'd now like to provide an update on the industry and how Stonegate is positioned to benefit. Large banks continue to deconsolidate their origination and servicing businesses. Small to midsized originators lack the capital and technology to compete. As the economic recovery continues, rising interest rates should extend the duration of mortgage servicing rates. Stonegate's proprietary technology positions the company to be a leading aggregator of both agency and non-agency residential mortgages.

On slide 14, you can see that the origination and servicing businesses are shifting from banks to non-banks. As refinance applications decrease, banks continue to shed capacity and prepare for a smaller origination market. You can also see that Stonegate was the fastest-growing originator and servicer in the first half of 2013. This will probably be more pronounced once we have Q3 data, as originations for most of our peers have contracted by 25 percent or more.

On the next slide, we provide an update on the strategic initiatives we outlined in the S-1 and discussed on the road show. At the top, Stonegate expanded into six additional states in Q3, which represents over 30 percent of the U.S. mortgage origination market. In October, we hired a team of executives with expertise in acquisitions, operations, capital markets, sales and marketing in both bank and non-bank origination platforms to lead our tuck-in acquisition strategy.

We have also signed a definitive agreement to acquire Crossline Capital, which has originated $374 million in mortgage loans through September. Additionally, we announced last week we signed a definitive agreement to acquire certain distributed retail assets from Nationstar.

At this time, we expect to hire 57 loan officers through this transaction, which should result in additional retail production in late Q4. As discussed previously, we continue to invest in technology in the third quarter. We view our technology as a differentiator in the market and also as a vehicle to achieve greater operating efficiencies. Our latest release reduced our manual diligence by 18 percent. We also continued to invest in our non-agency platform and began selling whole loans to investors, creating a conduit-type structure for best execution. We believe the technology will transform how loans are aggregated and sold in both agency and non-agency investors.

In addition to the retail assets we acquired from Nationstar, we also signed a definitive agreement to acquire their wholesale business, which originated $3.3 billion in mortgage loans in the first half of 2013. We have hired 30 account executives as a result of that transaction, which will expedite our channel shift towards wholesale and mini-correspondent and our geographic expansion in the states such as California and certain mid-Atlantic states. The new account executives are being trained this week in Indianapolis, and we would expect to see business from this team in Q4.

On the following slide, we discussed two opportunities that will provide significant origination growth in subsequent quarters. From a geographic standpoint, we are currently licensed in 39 states and Washington, D.C. Since June, we added states of California, Montana, Oregon, Rhode Island, Virginia, and Washington. Just to give you some perspective on what this means for our growth, these six states represent approximately 30 percent of the overall residential mortgage origination market.

It takes time to get a state ramped up, which includes hiring loan officers and account executives and approving third-party originators. As of December 31, 2012, Stonegate was licensed in 30 states, which represented approximately 50 percent of the overall U.S. mortgage market. Through the third quarter of this year, 92 percent of our originations have come from those 30 states. Therefore, 92 percent of our origination volume is coming from half the total mortgage market. As a result, we expect to see the newly licensed states and those to come provide a considerable amount of origination expansion opportunity.

We believe the recent addition of 30 account executives from Nationstar will accelerate our entrance into wholesale, mini-correspondent, and warehouse lending in key states such as California. We continue to add third-party originators and capture a larger percentage of their wallet share. In the third quarter, we had 715 active accounts, meaning 715 different third-party originators sold us at least one loan in the third quarter, and on average, we received $3.1 million of business from each account in the quarter. This represents a 19 percent increase from the same period last year.

On the following slide, you can see the graph that retail wholesale mini-correspondent gain on sale margins have held up better than the correspondent channel since the third quarter of 2012. Stonegate's correspondent channel has experienced rapid growth over the past two years and represented over three quarters of our origination volume in the third quarter, which contributed to our overall gain on sale contraction.

Fast forward to 2014, we expect the correspondent channel to represent less than 50 percent of our overall origination volume due to our focus on retail, wholesale, and mini-correspondent. The growth in wholesale will be provided in combination of organic growth and the addition of the acquired Nationstar wholesale channel, which was the seventh-largest wholesale lender of the first half of this year.

The growth in our retail channel will be mainly provided by our tuck-in acquisition strategy, which we will outline on the following slide. Stonegate has over 700 active third-party originators, which serves as great potential target acquisitions. We have accumulated vast amounts of data on these originators, so we already have a level of familiarity with them. These originators are small- to midsized originators like Crossline, with origination volume between $400 million and $1 billion annually.

They are currently constrained by the size of their balance sheet and lack the tools and technology to compete in today's market. Stonegate has the capital, management expertise, tools and technology to quickly and efficiently integrate these originators into our platform. We provide an illustrative example of converting one of our correspondents – Crossline, in this case – into a wholly owned retail subsidiary of Stonegate. Through September, Crossline has originated $374 million in loans. If we assume we receive 30 percent wallet share as a correspondent client, this would translate into $113 million of servicing UBP with a net cost to originate of 100 basis points.

On the other hand, if we acquire the correspondent, we now receive 100 percent of their business and reduce our net cost to originate to approximately 40 basis points. Therefore, the acquisition translates into a lower net cost to originate for Stonegate Mortgage.

The purchase price in this case is estimated at 2.5 times 2014 net income of Crossline. We have an active pipeline of tuck-in acquisitions and hope to be able to announce another transaction on our Q4 earnings call.

At this time, we'd like to open the call up for questions.

Operator: At this time, I would like to inform everyone, if you would like to ask a question, please press star, then the number one on your telephone keypad. Our first question comes from the line of Douglas Harter with Credit Suisse.

Douglas Harter: Thanks. I was hoping you guys could go into a little bit more detail about what caused the pipeline inventory change in valuation.

Jim Cutillo: Yeah, Doug, good morning. This is Jim. As we previously discussed during the road show and with various calls with you guys, the interest volatility that we experienced the last couple weeks of the month caused us to take an adjustment on our pull-through. Pull-through dropped from 73 percent to roughly 62 percent during that last two weeks of the month.

Douglas Harter: OK. And then, you know, assuming rates – you know, interest rates stay relatively – you know, relatively constant, you know, would the gain on sale, you know, for the fourth quarter, you know, look more like, you know, that the – the adjusted number that you're showing?

Jim Cutillo: You know, if I would have got asked that question about two weeks ago, I would probably would have had a different answer. So I think, you know, as a whole, what we're seeing in the industry right now is kind of a levelizing of the gain on sale here in November. But, you know, again, if there's additional interest rate volatility up or down, you'll continue to see adjustments in the fair-market value estimates, not only in the derivative assets, meaning the interest rate lock commitments and the loans held for sale, but also then the mortgage servicing rights, either, again, positively or negatively, depending on the way interest rates move.

Douglas Harter: Got it. All right, thank you.

Operator: Our next question comes from the line of Bose George with KBW.

Bose George: Hey, guys. Good morning. Actually, yeah, just to follow up on the hedge issue, the – is there going to be – again, if rates remain stable, is there going to be any hedge offset? Or is the offset really going to come through – you know, through the – through whatever higher volumes as reflecting the fact that the – you know, that basically there's going to be increased volume offsetting...

Jim Cutillo: Well, obviously, if the volume continues to grow, the pipeline grows and the derivative asset grows. And then, you know, to your question about, will there continue to be additional adjustments? You know, if interest rates remain stable, then obviously the pull-through would rise from the 63 percent at the end of third quarter back to a more normalized, which, you know, we typically run in the mid-70s, mid- to higher 70s.

So, you know, I think we talked about this when we were on the road show with most of you guys and all of the investors, that, you know, that fair-market value interest rate, lock commitments, and loans held for sale is a non-cash estimate. And, you know, pull-through, which is, you know, a big component part of that, drove a lot of that.

Bose George: OK, great. And then, actually, just in your MSR growth, did you guys acquire any MSRs during the quarter?

Jim Cutillo: We acquired a very small package here in Q4, but not in Q3. And I think that...

Bose George: So the whole growth in Q3 was just organic?

Jim Cutillo: Yeah, all organic growth. And if you noticed, we were able to get – you know, dig in and reduce our servicing costs per loan pretty nicely, as well.

Bose George: OK. And then, actually, switching to the acquisition you guys made from Nationstar, you know, the volumes – for the first half of the year, their volumes were $3.3 billion, roughly, on the wholesale side. You know, is there any feel for how much of that you guys can retain?

Jim Cutillo: Well, again, we hired 30 account executives that were a big part of the $3.3 billion. And we also hired three sales executives who have been with this team for a while. So we feel very fortunate to have been able to retain the team. We have them here all week in training. They're – you know, they're a fabulous group of account executives who are very experienced and tenured in the market. Many of them used to work for Wells and Bank of America, who, as you know, were big – big wholesale players.

What we're bringing to the table that they didn't have available to them at Nationstar was our mini-correspondent program, which is what we're most excited about, which is being able to offer the small and midsized originator a warehouse line of credit, as well.

So, you know, we feel like we're not going to have – we're not – other than getting them trained and transitioned to the Stonegate platform, we're hoping to not lose a whole lot of momentum.

Bose George: OK. And then, actually, the $3.26 billion, does that include the distributed retail volume, as well? Or is that kind of incremental to that?

Jim Cutillo: No, it's – that was just their wholesale channel. And then on the retail side, you know, like I said, we're still working through the details with them, but I think we're looking at somewhere between 50 and 60 loan officers right now that are going to move over to our retail platform.

Bose George: So that could be pretty meaningful incremental volume over that – what's being – what's coming over on the wholesale side?

Jim Cutillo: Yeah, I think what it does is it – yeah, correct. But, you know, what I would caution everyone on is, is that this was in our plan. So when you – when we talked about doing retail tuck-in acquisitions, you know, I would look at the Nationstar transaction and say, that's kind of similar, a little different than Crossline, but the idea is, is that rather than building a branch organically and doing it one loan officer at a time, we're moving a group of managers and sales folks over to the platform at the same time.

So I think it's just part of what we communicated we were going to do with you guys when we were out on the road show. Same thing with the wholesale.

Bose George: OK, great. Thanks.

Operator: Once again, if you would like to ask a question, please press star, then the number one on your telephone keypad. Our next question comes from the line of Jim Fowler with Harvest Capital.

Jim Fowler: Good morning. And thank you for taking the question. Just two clarifications, if I might. On the pipeline $7 million, that's – I think you've characterized that as just a change in assumption. I wanted to clarify, that isn't a – that isn't a lower pull-through that has caused you to pare off some short TBAs in a pipeline hedge. Is that correct? This is just a change in the valuation estimates?

Jim Cutillo: Yeah, good morning, Jim. No, it's a change in assumption, not an actual pair off or any hedge-related losses. It's – you know, when interest rates – again this just happened the last, you know...

Jim Fowler: I got the interest rate part of it. I just wanted to make sure it wasn't …

Jim Cutillo: Yeah, no. No, no. It's just a change in pull-through assumption.

Jim Fowler: Got it. And then one more clarification. I got a little confused between the two – the two numbers that you put out in terms of different employee additions. On slide 15, you've got the three sales executives and 30 account executives, and then you mentioned 57 loan officers. Could you just clarify all of that and just so I can take a note?

Jim Cutillo: Yeah. We – you know, again, the Nationstar transaction, we really inherited resources from both their wholesale channel, which works directly with mortgage brokers, and their retail channel, which works directly with consumers, originating loans.

So on the wholesale side – and that's the team that had originated for Nationstar about $3.3 billion through the first half of this year, we inherited 30 of their account executives and three of their sales executives. So about 33 sales-related resources came over on the wholesale side. On the retail side of the transaction, we're looking to add about 50 to 60 – 57 is the number right now – loan officers that we believe are going to come over to our platform as a result of that transaction.

So we are hiring folks from their wholesale channel, and we're hiring folks from their retail channel.

Jim Fowler: And do these groups have pipelines that come with them, so you'll have some closing? Or does that stay with Nationstar, and these guys are starting from scratch for a few months?

Jim Cutillo: Yeah, Nationstar retained the pipeline. And, you know, for lack of a better word, we are starting from scratch. However, you know, these guys are currently, you know, originating loans, and they're also – they're relationships that Nationstar had with these wholesale accounts. In essence, we're working to transfer those over to Stonegate so we can keep that momentum going, as well.

Jim Fowler: OK. And I guess the attractiveness to you, whereas Nationstar found this not a core business segment, is mostly in your mini-correspondent channel?

Jim Cutillo: Well, the attractiveness is, you know, we have a choice, and it's kind of similar to the way we're been building retail over the years. We can start and go one account executive at a time or five or six. This really was a unique opportunity to move a whole business line over that has been working together for many years. Even before Nationstar, a lot of them worked together. And it's just, I would say, more synergistic and allows us to scale faster.

So here's the way I would say it. We were going to hire about 74 account executives next year on our third-party origination side. You know, this front-end loads it. You know, I get 30 before the year even starts, so I kind of get a running start, if you will, into some even new states. So I think we provided you guys with a map that shows that there really wasn't a lot of overlap in our business, in our wholesale business and Nationstar's. So this gives us West Coast penetration and some mid-Atlantic penetration faster than what we probably anticipated in our numbers.

Jim Fowler: Great. And then the one thing on page 12 of your deck, I was just – I mean, just a little detail around this QM compliance (inaudible) I'd just love to hear, you know, a tiny bit about it. And then thank you for taking the questions.

Jim Cutillo: Well, the QM compliance – there's a lot to QM. Now, beyond the ability to repay, one of the areas of QM kind of limits the amount of points that a broker can actually charge at 103 for a loan. And in some markets, that's OK, but in other markets, you know, brokers sometimes charge more than that.

And so if we can convert them from a broker to a banker, where they actually close the loan in their own name, then that requirement of being capped at 103 actually goes away. So we are seeing a lot of brokers raise their hand and say, "Hey, we'd like to become a correspondent." And so, you know, we look at it and say, well, we're going to take some of our wholesale clients and make the mini-correspondents, because we – you know, that's obviously, you know, more accretive to us from an overall financial perspective, because then we pick up – in addition to the origination economics, we pick up the financing economics, as well.

Jim Fowler: Yep. And what's the minimum capital requirement you have for somebody that you'll put in your NattyMac – your warehouse lending business program?

Jim Cutillo: We have a minimum requirement of $75,000 tangible net worth. However, certain states, like the state of New York, for example, require $250,000. So it's – we have an internal, and then there's in some cases state and regulatory requirements associated with that.

Jim Fowler: Thank you so much for the questions. Good luck.

Jim Cutillo: Thanks.

Operator: Our next question comes from the line of (Mark Devise) with Barclays.

(Mark Devise): Yeah, thanks. I know it's still relatively early days, but could you just give us an update on the traction you're getting signing up, you know, new customers on your NattyMac platform and also traction you're getting gaining a greater share of their wallet in the correspondent business?

Jim Cutillo: I would say that we are very happy with the application flow. You know, like – so, in other words, the customers engaging us and talking to us about getting signed up. We are – as you know, we just recommenced operations in July, so we're being what I would say is somewhat more methodical about it to make sure that we don't grow that too fast. But for the accounts that we have already started to do some business with, that – what I would call we're in the early adoption phase, we have – or seen – we have seen an increase in the amount of loans that are coming to Stonegate.

So we're hoping to, by the end of Q4, (Mark), I think we're going to be in a better position to actually benchmark and quantify that. But right now, as you can see, we turned a pretty big number from a negative net interest to a positive net interest in a short quarter, considering the fact we just really kind of turned that around in July.

So we're very bullish on that part of our business and feel like what we communicated to you guys was our plan in 2014, we're on track.

(Mark Devise): Great. And then just turning to Crossline, I see you mentioned in the release the number of – the states in which they're licensed. Does that in any way accelerate your expansion? Are they in states where you have, you know, applications pending at this point? Or is it just – or is there more overlap than where you're already kind of licensed?

Jim Cutillo: No, they – you know, there is obviously some overlap. In the press release, I believe, or in the – yeah, I think it's in the press release, we actually provide the states that they're in. So you could kind of do a one-to-one match. I think there's like four states right now where they're licensed and we have applications pending. And so we just signed a definitive agreement, and, you know, our counsel and the licensing folks are working through, you know, kind of that whole strategy. But, you know, we intend to operate them as a wholly owned operating subsidiary of Stonegate. So, you know, their licenses will remain intact. They'll continue to originate. They do business both as a branch – they have a several branches – and then they run a very efficient call center, which is also one of the reasons why we were attracted to them, because for portfolio retention and scale, we'll be able to use that platform, I think, to, you know, build our call center direct-to-consumer business, as well.

(Mark Devise): Got it. And I think you mentioned during your prepared remarks that you're paying roughly 2.5 times 2014 revenue. Is that – did I hear that correctly?

Jim Cutillo: It's actually earnings, and it would be pro forma, and probably half of that is a two-year earn-out. So it's not like we're writing the check at closing. So, I mean, again, if for whatever reason, you know, their earnings were to, say, you know, not be there in the next 12 to 24 months, that purchase price will be adjusted downward accordingly.

Or, you know, he could make even – you know, Tim could probably – you know, we anticipate him doing better. We're pretty bullish on where he's located. He's hired some new loan officers that aren't really in his – and his current run rate is stable, you know, predominantly purchase-driven, so we're very bullish on Tim and his ability to grow that platform.

(Mark Devise): OK, great. And then, finally, on the pipeline of other tuck-in acquisitions you're seeing, is that still pretty robust at this point?

Jim Cutillo: Yeah, it is, actually. And it's funny. I mean, we have them in small, medium and large sizes, and, you know, as the market's gotten tougher and the headwinds have gotten tougher, you know, our ability to be a buyer in this market and have the capital and the – on our balance sheet and really – we have no debt – I think puts us in a position of strength to be a big consolidator of these platforms.

And so we're looking at a whole bunch of stuff. The nice thing about the $400 million to $1 billion is it's fast and easy. There's typically not a lot of management overlap in systems overlap and integration. So if you get a little above that target, you get into a situation where, you know, they're maybe doing secondary marketing and things like that in an advanced way, sort of like we are, but, you know, Crossline had about $30 million servicing portfolio. It was approved by Fannie. But it wasn't – you know, he's predominantly an originator.

So we're looking for small- to midsized originators who are either brokers or correspondents. And we believe, you know, even the Nationstar guys, they do a lot of business in what's called MSAs, so they have contracts with realtors and builders where they get a lot of their business. So we're being selective, and there's still a lot of opportunity out there.

(Mark Devise): Great. Appreciate the commentary.

Operator: There appear to be no further questions at this time. I'd now like to turn the floor back over to Michael McFadden for any additional or closing remarks.

Michael McFadden: Thank you, everyone, for your participation and support. We look forward to hearing from you soon. Have a great day.

Operator: Thank you. This concludes today's conference call. You may now disconnect.

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