Northpointe Bancshares, Inc.
Q1 2025 Earnings Call
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Presenters
Brad Howes, CFO
Kevin Comps, President
Chuck Williams, CEO

Q&A Participants
Damon DelMonte - KBW
Crispin Love - Piper Sandler
Christopher Marinac - Janney Montgomery Scott

Operator
Greetings. Welcome to Northpointe Bancshares Incorporated's first quarter 2025 earnings call. At this time, all participants will be in listen only mode. A brief question and answer session will follow today's forum presentation. If anyone should require operator assistance at any time, please press "*" "0" on your telephone keypad. Please note that today's conference is being recorded. At this time, I'll turn the conference over to Brad Howes, CFO of Northpointe Bancshares. Brad, you may now begin.

Brad Howes
Thank you, Rob. Good morning and welcome to Northpoint's first quarter 2025 earnings call. My name is Brad Howes, and I'm the Chief Financial Officer. With me today are Chuck Williams, our Chairman and CEO, and Kevin Comps, our President. Additional earnings materials, including the presentation slides that we will refer to on today's call, are available on Northpointe's Investor Relations website, ir.northpoint.com.

As a reminder during today's call, we may make forward looking statements which are subject to risks and uncertainties and are intended to be covered by the safe harbor provisions of federal securities laws. For a list of factors that may cause actual results to differ materially from expectations, please refer to the disclosures contained within our SEC filings and on our earnings release and presentation slides. These statements speak only as of the date made, and Northpointe undertakes no obligation to update them.

We will also reference non-GAAP financial measures and encourage you to review the non-GAAP reconciliations provided in both our earnings release and presentation slides. The agenda for today's call will include prepared remarks followed by a question and answer session and then closing remarks. So with that, I'll turn the call over to Chuck.

Chuck Williams

Thank you, Brad. Good morning, everyone, and thanks for joining. Before I begin, I'd like to thank our Northpointe team for their incredible dedication to our bank and for their unwavering commitment to our clients and customers. We completed our IPO in mid-February, and I'm very pleased to be hosting our first ever earnings call.

During the IPO, we talked with investors about our vision and what makes our specialized mortgage focused business model so unique. We laid out our strategy and how we plan to drive strong financial performance in the coming years. And so far, we have successfully achieved and exceeded the financial and growth metrics we presented during the IPO process.

On slide four, we lay out our strong financial performance for the first quarter of 2025 for the quarter, we earned $15 million or $0.49 a share — per diluted share. Kevin and Brad will go through our performance in more detail, but let me share a few highlights. Our mortgage Purchase Program, or MPP, is our distinctive alternative to the traditional warehouse lending model. As we highlighted during the IPO, MPP is one of our primary growth channels and where we plan to deploy a substantial portion of the new capital that we raised.

We saw exceptional growths and MPP balances, which increased by over $750 million in the — from the previous quarter. During the IPO we indicated to investors that our goal was to be near $2 billion in outstandings by the end of the first quarter and subsequent growth — and subsequently grow the MPP business by another $6 to $800 million by the end of the second quarter, actual outstanding as of 3/31 were approximately $2.5 billion, which equates to roughly $500 million over the original forecast. This sets us up well for achieving and exceeding the growth target for the second quarter.

We also experienced strong growth in our first lien home equity — Home Equity Line business. which are tied seamlessly to a demand sweep account through our proprietary technology. We commonly refer to these loans as all in one or AIO loans. This portfolio had a net balance growth of $31.1 million over the prior quarter. The strong performance in the first quarter reflects the success in both our MPP and retail banking businesses. While I'm pleased with this quarter's results, I'm equally excited about where we are headed and the growth trajectory for the balance of the year.

Speaking of the retail banking channel, we were able to add 30 new mortgage originating professionals throughout the first quarter to help us continue our growth and expand that business as well. Our brand and reputation in the mortgage space allows us to continue to attract and retain the highest quality talent and invest in — and to invest in Northpointe's future.

Last week, we announced that we hired a very talented executive to join Dave Christel's MPP team to further enhance the strategic direction growth and operations of our MPP business. We're very excited to welcome Patrick Collins to the Northpointe team, and confident he will help strengthen our growth trajectory and continue to foster and cultivate great relationships in this channel. I'd like to turn it over to Kevin now to talk about our business lines. Kevin.

Kevin Comp
Thanks, Chuck. Good morning, everyone. On page seven, we highlight our MPP business. As Chuck mentioned, this is our version of mortgage warehouse lending. We utilize our proprietary state of the art technology stack to offer a purchase program to mortgage bankers nationwide.

For the first quarter, we had a very strong growth. The MPP portfolio increased by over $750 million from the prior quarter. Let me break that growth down a little further for you. First, at the start of the first quarter, we had participated out approximately $350 million of our MPP balance sheet. By the end of the quarter, that balance was down to only $8 million. Going forward, we will continue to use participation to enhance our overall yield and to manage our balance sheet.

Second, we increased facility size for 14 of our existing clients, which totaled $612 million in additional capacity. Third, there were six new clients brought in, which totaled $223 million in additional capacity. And fourth, we saw a slight increase in the overall utilization of our existing clients. We continue to generate strong returns on the business with average yields of 7.14 during the quarter. if you include fees, these yields increased to 7.40%.

Net growth was funded through a combination of brokered CDs and deposits from our digital deposit platform. So if you think of terms of average funding costs in the mid fours, we're looking at a fee adjusted spread of close to 3%.

Now turning to retail banking on slide six, I'd like to highlight the results of the three main businesses within that segment. Starting with Residential Lending, which includes both our traditional retail and our Consumer Direct channels, we had a very strong quarter, despite the fact the first quarter is typically seasonally slower. We originated $485.5 million in mortgages during the first quarter of which we sold $426.3 million. This represents proxy approximately 88% of the total production in the quarter. Of that, 83% was in our traditional retail channel and 17% was in our Consumer Direct Channel.

In the first quarter, we sold approximately 77% of our saleable mortgages service release, which is up from 66% from prior quarter. Additionally, 72% of our overall production was purchased business. For the quarter, we earned $18.6 million in net gain on sale of loans. That amount includes positive marks on health or investment loan portfolio and the lender risk account, which Brad will cover in more details later.

For the first quarter, we originated higher levels of mortgage loans than we had forecasted. This was driven by a combination of the new mortgage originators that we added and strategic initiatives that we put in place during the quarter. We also highlighted the first quarter growth of $31.1 million in first lien home equity lines that are timed seamlessly to a demand deposit sweep account. The portfolio carried an average yield and the upper sevens for the first quarter.

When you add in the various loan fees, that average yield is north of 8% which are very attractive risk adjusted returns.

In the middle of slide six, we highlight our digital deposit banking channel where we feature our direct to customer platform and competitive product suite. Our Alco (sp) funding strategy and deposit franchise are much different than those of a traditional community bank. We believe our strategy is quite simple but also very effective.

Our on balance sheet growth consists of short term floating rate loans. We match fund those assets by sourcing quick and reliable short term funding directly from customers and deposit brokers. These deposits are gathered nationwide through our digital platform as we only operate a single physical deposit branch in Grand Rapids, Michigan. We believe this strategy is more flexible for us, and our overall funding costs would be in line or lower than a traditional community bank when you factor in the overhead costs of operating a network of physical deposit offices.

We ended the first quarter 2025 with $3.8 billion in total deposits. The breakout of these deposits are detailed in the appendix. The deposit growth compared to the prior quarter includes an increase of $268.3 million in brokered CDs, an increase of $23.6 million in non-interest bearing deposits, which includes deposits from MPP clients and servicing custodial deposits. Those totaled $232.6 million at the end of Q1 and remain an important piece of our overall funding. Going forward, we will continue to explore opportunities to further grow these balances.

Interest bearing demand deposits, which include our non-broker deposits increased by $65.8 million from the prior quarter. And lastly, other time deposits, which include both retail and rate board type CDs, increased by $41.2 million from the prior quarter. On the right side of the slide six, we highlight our specialty mortgage servicing channel, where we focus on servicing first lien home equity lines tied seamlessly to demand deposit sweep accounts, including what we commonly referred to as AIO loans.

Excluding a 700,000 negative adjustment on the change in fair value of the MSR, we earned $1.7 million in loan servicing fees for Q1. That was an approximately 21,000 Loan service and $6.6 billion of unpaid principal balance. We ended the quarter with $137.3 million custodial deposit balances, which is a critical piece of our funding strategy and a key benefit of being in the servicing business.

As we previously discussed, in 2024 we shifted our focus to servicing specialty loans as part of this strategy included the private label outsourcing of non-specialized mortgage servicing to a scaled sub servicer. That work was completed during the first quarter, and we will begin to realize those cost savings, which are embedded in our overall expense forecast, starting in the second quarter of 2025.

Turning lastly, to asset quality on slide seven, which is something that is always on top of mind for us. As one of the larger risks to any bank, we watch the portfolio and our credit metrics very closely. Let me provide some additional details on the strength of our portfolio. We have a very sophisticated and granular CECL process, and we spend a great deal of time analyzing the various risks. Our allowance for credit losses was $12.3 million for the first quarter of 2025, which reflects our disciplined underwriting, diligent risk controls, and low levels of lost history.

As you can see at the bottom of slide seven, our net charge off remained historically low. For the first quarter of 2025, our net charge offs were 260,000 or two basis points of average loans held for investment. Virtually all of our loan portfolio is backed by residential real estate, which is different than a traditional bank, which has a large deposition of commercial loans.

At March 31, 2025, MPP represented 46% of all loans, and we've continued to experience pristine credit quality in that portfolio. Our residential mortgage portfolio is also high quality, seasoned, and geographically diverse. At March 31, 2025, our average FICO was 750 and our average LTV, when you factor in mortgage insurance, was 74% so it would take a significant drop in home prices for us to incur any sizeable losses.

We saw a $15 million uptick in delinquent loans during the first quarter of 2025 this was driven by normal seasoning and aging of the portfolio and by the transfer of loans to a scaled sub servicer during the quarter. Of the $15 million increase, $7.4 million related to the transfer, and has since been made current, paid off, or are construction loans, which converted to permanent financing and are in the process of being sold. Now I'd like to turn the call over to Brad to cover the financials.

Brad Howes
All right. Thanks, Kevin. As I go through today's five presentation, I will be incorporating 2025 guidance into my commentary. I'll begin on slide eight. We reported first quarter 2025 mid income of $15 million, or $0.49 cents per diluted share. This is up from $8.8 million in the fourth quarter of 2024 and $9.8 million in the first quarter of 2024.

We had solid performance ratios for the quarter, with a 131 return on average assets, a 1432 return on average, tangible common equity, and a 55.15% efficiency ratio. As a reminder, our non-GAAP reconciliation on slide 13 provides details of all the calculations for our non-GAAP measures.

Net interest income increased by $366,000 over the prior quarter. This reflects an eight basis point improvement in net interest margin from the prior quarter, partially offset by a slight decrease in average interest earning assets over the same period. Our cost of funds decreased by 22 basis points from the prior quarter, and our yield on earning assets decreased by 14 basis points from the prior quarter. Both these decreases reflect the 25 basis point reduction in the Fed funds rate, which occurred late in December.

Our yield on interest earning assets also benefited from an improvement in the mix of loans within the helper investment portfolio. We continue to grow MPP and AIO loans, both which carry a higher average yield than the rest of the loan portfolio. At the same time, our residential mortgage portfolio, which carries lower average yields, is amortizing down. Taken together, these two items contributed to an improvement in that interest margin.

Our net interest margin was 235 for the first quarter. I'd expect us to be in the 245 to 255 range, with a full year 2025 with the improvement in that margin being driven by a higher mix of MPP and AIO loans. Average interest earning assets decreased slightly from the prior quarter, as most of the growth in MPP loans occurred late in March. I'd expect our MPP loan balances to increase by 8% to 10% per quarter over the remaining three quarters of the year. That would bring MPP balances to between $3.1 and $3.3 billion by the end of 2025. I would also expect a similar growth rate for average balances, noting that we'd be given the second quarter at $2.5 billion.

I expect AIO loan balances to continue to increase in 2025. For year end ’25, I'm forecasting AIO loan balances to increase by 12 to 15% from the current period ending level. I'd expect that the growth in AIO loans would be offset by a comparable level of runoff in the remaining loan portfolio.

Turning to provision. We had a provision for credit losses of $1.3 million in the first quarter of 2025. Approximately $300,000 of that increase was related to MPP growth, with another $100,000 related to specific reserves added on non-accrual loans. The remainder was related to credit migration trends, including the increase in delinquent loans Kevin discussed, and changes in the economic forecasts used in our credit models. We continue to experience a relatively low level of charge offs, and I expect that, in turn, to continue with any additional provision being driven by loan growth, credit migration trends, and changes in the economic forecast.

Non-interest income increased by $9.3 million over the prior quarter, driven by higher gain on sale of loans, partially offset by lower loan servicing and NPP fees. Net gain on the sale of loans was $18.6 million for the first quarter of 2025 and includes the capitalization of new MSRs, changes in fair value of loans, and gains on the sale of loans.

The first quarter fair value changes included an increase of $2.9 million related to the $174 million in loans held for investment, which are on fair value, and an increase in $800,000 related to the fair value of our lender risk account with the Federal Home Loan Bank. These both reflect the decrease in market interest rates during the quarter. The remainder of the fair value changes relate to regular hedging and capital markets activity within our mortgage banking business, including an increase in the fair value of our lock pipeline.

For 2025, we are forecasting total saleable mortgage originations of $2.1 to $2.3 billion. This estimate assumes no significant movement in mortgage rates over the remainder of 2025. We'd expect to earn a total margin of 275 to 325 basis points on those loans sold. That margin includes cash gains and any capitalization of new mortgage servicing rights if the loan was sold servicing retained. It also includes the benefit of any new lender risk account receivable created as a result of selling the loan to the Federal Home Loan Bank.

The margin guidance of 275 to 325 is a blend of our traditional retail and consumer direct channels, as well as loans sold, servicing retained, or servicing released. NPP fees decreased by 453,000 from the prior quarter driven by lower fees related to participation balances. Absent any change in our participation balances, I'd expect MPP fees to increase from their current run rate, consistent with the increase in average MPP loans over the remainder of 2025.

Loan Servicing fees were $995,000 for the first quarter of 2025, a decrease of $1.9 million compared to the prior quarter. First quarter, loan servicing fees include a decrease of $707,000 related to the change in fair value of mortgage servicing rights portfolio, which was driven by the decrease in market interest rates. Excluding the fair value loss, loan servicing fees were $1.7 million for the first quarter of 2025. I'd expect that quarterly run rate to remain fairly constant over the remainder of 2025.

Non-interest expense was down slightly from the prior quarter level as the increase in salaries and benefits was offset by lower general expenses. Salaries and benefits expense increased by $1.5 million over the prior quarter. This included a $931,000 reduction in variable mortgage compensation, consistent with the link quarter decrease in overall mortgage production, a $1.5 million decrease in base salaries and other compensation driven by higher severance expense incurred in the fourth quarter related to the private label outsourcing of loan servicing, an $840,000 increase in seasonal payroll taxes, and a $3 million increase in bold move and incentive compensation, which includes expense attributable to the IPO and higher compensation expense from the improvement in earnings for the first quarter.

Total non-interest expense was $29.4 million for the first quarter of 2025. I'd expect that to be $1 to $2 million higher in the second and third quarters consistent with higher mortgage volume and then drop back down closer to the first quarter run rate in the fourth quarter of 2025. Our effective tax rate was 23.67% for the first quarter, which I would expect to be consistent for the remainder of the year.

Turning to the balance sheet on slide nine, total assets increased to $5.9 billion for the first quarter of 2025. This was driven primarily by the increase in MPP and AIO loans, partially offset by a decrease in cash and run off from the remainder of the loan portfolio. Kevin provided a lot of details around MPP and AIO loan growth along with our funding and deposit structure. Our wholesale funding ratio is 66.59% at March 31, 2025, relatively flat from the prior quarter.

Looking forward, we'd expect to continue to fund MPP loan growth through a combination of brokered CDs and, to a lesser extent, other non-broker deposits. Whatever that mix, I would expect a similar funding cost, which is currently in the mid 4% range.

Lastly, on slide 10, we outline our regulatory capital ratios, which are estimates pending completion of regulatory reports. We currently have very strong capital levels at both the bank and the consolidated entity driven by the capital raised during the IPO. We expect that existing capital, plus the additional capital we organically generate through earnings, will continue to be sufficient to fund our expected growth. During the quarter, we repurchased $5 million in preferred stock at a slight discount. The amortized costs were written off, which is reflected in the link quarter increase in our preferred stock expense.

Going forward, we'll see the associated reduction in interest expense. For the rest of 2025 I'd expect we would continue to look for one-off opportunities to repurchase and retire smaller chunks of our preferred stock. With that, we're happy to take questions. Rob, can you please open the line for Q&A?

Operator
Sure. Thank you. If you'd like to ask the question at this time, you may press "*" "1" from your telephone keypad and a confirmation tone indicate your line is in the question queue. You may press "*" "2" if you'd like to withdraw your question from the queue. For participants that are using speaker equipment, it may be necessary to pick up the handset before pressing the "*" keys. One moment, please, while we poll for questions. Thank you. Thank you. And the first question is from the line of Damon DelMonte with KBW. Please proceed with your questions.

Damon DelMonte
Hey. Good morning, guys. Hope you're all doing well, and thanks for taking my questions. First question, just on the expenses, Brad, could you just kind of go back over some of the details on the on the guidance there? I think you had said maybe $1 to $2 million higher of quarterly expenses in the second and third quarter, and then followed by a decline in the fourth quarter, kind of given the seasonality around the mortgage banking. Did I hear that correctly?

Brad Howes
Yeah, you got that right, Damon. So you know, our current run rate in Q1 will be similar to the run rate in Q4, and then the middle quarters, the second and third, we expect it to be between $1 and $2 million higher per quarter, really driven by, I would say, you know, higher mortgage variable compensation due to the increase in production, as those are typically are seasonal higher periods of volume.

Damon DelMonte
Okay. And you, I think you guys referenced you brought on about 30 new mortgage folks during the quarter, so there's no real, like, fixed costs associated with them. That's, you know, very material. It's, that's more of just variable rate. Is that correct?

Brad Howes
Yeah, that's correct, Damon.

Damon DelMonte
Okay. And then, you know, with regards to the MPP growth, which is quite impressive this quarter, you know, are there additional opportunities to extend credits to current client base, similar to we saw this quarter as well as participations kind of coming back on the balance sheet, or is the growth from this point forward more about, you know, new relationships coming to the bank?

Kevin Comp
Yeah, so I can answer that. This is Kevin. So we did pull the participation back, Damon, already during Q1 so those are down to 8 million at the end of the quarter. So the additional growth would come both from additional new clients to be added during the quarter, second quarter, and also a smaller amount of increases to existing customer facilities during the second quarter, also.

Damon DelMonte
Got it. Okay, great. And then I think just lastly, on the AIO loan growth, I think, Brad, you were saying that that growth should be about 12 to 15% off the first quarter's ending balance going forward for the remainder of the year. Is that correct?

Brad Howes
That's correct. Yep. Yeah, you saw we had pretty strong, pretty strong growth in the first quarter. So if you take the first quarter period ending balances and increase them by 12 to 15%, that's where we expect to end the year at AIO balances.

Damon DelMonte
Got it. Okay. Well, great. That's all that I had. Thank you very much for taking my questions.

Brad Howes
Thank you, Damon.

Kevin Comp
Thanks, Damon.

Operator
The next questions are from the line of Crispin Love with Piper Sandler. Please proceed with your questions.

Crispin Love
Thank you and good morning. Appreciate you taking my question. Just despite the tough mortgage environment overall, you continue to put up solid our ROEs, I think about 13% this quarter. As you look forward, do you have a target level of where you'd expect ROEs to be assuming? Mortgage rates remain in the 6.5% to 7% range and what could actually look like if rates rally kind of closer to 6% or even below?

Brad Howes
Yeah, I'd say, Crispin, we don't have a formal target or guidance. You know, our focus really is on, you know, deploying the capital, growing our balance sheet, providing, you know, operating leverage to the P&L, and then returning it to shareholders. You correctly pointed out the ROE 13%, ROA 131. You know, all of the metrics we laid out during the IPO would call for, you know, that level, or a little higher, I think, over the remainder of the year, as we really start to leverage MPP. And then, you know, driving into next year, you know, we'll continue to look for opportunities to further expand that. The second part of your question, would you repeat that, Crispin, if you don't mind?

Crispin Love
Just if mortgage rates do rally kind of lower, again, the 6% or below, kind of how you could see shifts in the return on equity.

Brad Howes
Yeah. So I would point out that our forecast that we provided really doesn't include any significant drop in rates or any real increase in mortgage volume. It just includes us taking our fair share and doing what we do. If we were to see, you know, a much higher level of volume, I think we could look back historically to what we've done in, you know, 2020, 2021, 2019, you know, we had very, very strong ROAs upwards of, you know, 2% to 4% during those periods. So I think getting, you know, somewhere near it wouldn't be a stretch. You know, it would just depend on, you know, how far down rates come, and what the level of refinance volume is, but we're positioned to take advantage of it, and we'll capitalize if it does happen.

Crispin Love
Great. Thank you. And then just the macro environment here has been pretty volatile in recent weeks, with some sharp moves and rates. Can you discuss your sensitivity rates? I know you're primarily floating rate on both sides of the balance sheet, but curious if you have been seeing impacts, given the movement of rates as it has to do with retail originations, and then also just what you're seeing on the AIO demand side in this type of environment.

Brad Howes
Yeah, no. Good question. Crispin, so you know, again, I point out the fact that, you know, when we did our forecast three or four months ago, we were not including any significant drop in rates or higher volume. That's just, you know, really us taking care and continuing to perform at the levels we know we can. Haven't really seen a material change, but I'll let Chuck talk a little bit about the economic climate and what we see.

Chuck Williams
Yeah, thanks, Brad. You know, I think we just really need to level set, you know, the economic client. We, first of all, you know, we as a company, have not seen, you know, really any impact

from all the chatter and the talk with tariffs and whatnot. And you know, but we're well equipped to deal with any economic situation. And you know, we anticipate some things.

And you know, while there's a lot of talk of what could happen, you know, so far, we really haven't seen the impact of any of these, you know, the tariffs, or, you know, other things, you know, impacting our origination. As a matter of fact, we have our regional vice presidents in, you know, this week, and, you know, just asking them, you know, how they're — what they're seeing, you know, out on the street, and there hasn't been a material impact from originations.

So right now, it's pretty steady as she goes. So we're, you know, again, we're, we're very bullish on, you know, the rest of 2025. And again, I think the chatter will calm down. It looks like, you know, there is some softening of some stances out of Washington. So it might be, you know, a little over reactive, in our opinion. But, you know, I think what we're concerned about today, or our shareholders are concerned about, is how it's affecting us, and so far, it hasn't had a real impact on us.

Brad Howes
Yeah. Crispin, I'll just add one thing. You know, our pipelines for both, you know, saleable business and our AIO, products still remain very strong.

Crispin Love
Perfect. Thank you. I appreciate all the color there. And then just one last one for me on credit. Charge offs remain negligible here, but did see an increase in the provision in the quarter. Anything worth calling out there regarding the increase, whether preserving on specific loans, and just your outlook on that line going forward? Is the first quarter a good run rate, or is that a little bit high, just given the growth that you put up recently following the IPO?

Brad Howes
Yeah, there's obviously a number of factors that go into our provision and our credit modeling, Crispin. I'd say, you know, credit migration trends, economic forecast, our loss history, portfolio growth, the mix of loans, all of those go into the provision number. It was elevated in the first quarter over where we normally see but, you know, Kevin spoke a little bit to some of the credit migration trends that we saw in that we saw in Q1.

Part of the increase that we had was related to those. We know, you know, some of them have already been cured. About half of the increase in delinquent loans, you know, low level of charge offs. And I think my guidance for the rest of the year was that we'll continue to experience low level of charge offs. And remainder of the provision really is going to is going to be driven by, you know, what we grow and all of the other factors that go into the model.

Crispin Love
Great. Thank you. Appreciate you taking all my questions.

Brad Howes
Thanks, Crispin.

Chuck Williams
Thanks, Crispin.

Operator
The next question is from the line of Christopher Marinac with Janney Montgomery Scott. Please proceed with your questions.

Christopher Marinac
Hey, thanks. Good morning. I wanted to drill back on deposits and just understand, you know, any incentives that you're doing with your team to get deposits going forward. And then I had a follow up question on just sort of the electronic channel.

Brad Howes
Yes. On our deposit strategy, Christopher is, you know, really the direct to customer online channel for the retail side of the business. So you know, it's all easy to use, seamless transition for someone to open a deposit account, 100% online without having to, really, you know, talk to anyone here at Northpointe, unless they choose to. Of course, we have people available, but there's no specific deposit incentives to employees, if that was your question.

Christopher Marinac
Okay. And then, do you see per account balances rising? Or would you expect those to be steady from kind of what you've seen in recent quarters?

Brad Howes
Yeah, so our average retail deposit balances are under the fully insured limits. So part of our strategy there is more granular deposit base on the retail side. So our average account balance is approximately 39,000 as we speak, on the retail side of the house. And we'd expect it to be under the fully insured limit from a customer perspective.

Christopher Marinac
Okay, great. And then last one for me just goes back to the reserve and the prior question that you answered. Is there an average life of the loan portfolio that you factor among the other risk factors in setting the reserve each quarter?

Brad Howes
We do. You know, that's part of our calculation. It depends on the portfolio products. You know, a big chunk of what's in our — what's in our portfolio right now, obviously, 46% of the MPP, which, you know, turns over every 30 to 40 days, and then it spans to the longer end, you know, on the residential mortgage side, where we, you know, we don't have a lot of fixed rate mortgages, but we do have, you know, three, five, seven, one arms. So the average life would be

a little bit longer on those products. Let's say the majority of it, you know, has a pretty, you know, pretty typical average life for the product set.

Christopher Marinac
Okay, typical life of the three, five, or seven arms, or typical life of the other?

Brad Howes
So for all of it, yeah, we would run similar to whatever the product is. There's nothing unique in our portfolio that would make it different than other products with a similar characteristic.

Christopher Marinac
Okay, great. Super. Thank you all for hosting us this morning. I appreciate it.

Brad Howes
Thanks, Chris.

Chuck Williams
Thank you.

Operator
Thank you. We've reached the end of the question and answer session, and I'll turn the call over to Chuck Williams for closing remarks.

Chuck Williams
Thank you. Hey, I want to thank everybody for joining us today. Let me conclude by emphasizing the performance of the organization is a direct reflection of the smart work and dedication of the Northpointe team, you know, that they bring every day.

Looking forward, you know, we continue to leverage up the strong foundation that we've built, you know, in this company, and ultimately building, you know, continuing to build shareholder value. We look forward to continued growth for the balance of the year and remain optimistic about our success in any economic environment or rate environment, for that matter. So again, I want to thank everybody for joining today, and yeah, so looking forward to the next call and — in three months, thank you.

Operator
Thank you. This concludes today's teleconference. You may disconnect your lines at this time. We thank you for your participation and have a wonderful day.