Granite Point Mortgage Trust Inc.

Fourth Quarter 2017 Financial Results

February 8, 2018 at 10:00 AM Eastern

CORPORATE PARTICIPANTS

Jack Taylor – *President and Chief Executive Officer*

Marcin Urbaszek – *Chief Financial Officer*

Steve Alpart – *Chief Investment Officer*

Steve Plust – *Chief Operating Officer*

Maggie Field – *Investor Relations*

PRESENTATION

Operator
Hello and good morning. My name is Chad and I will be your conference facilitator. At this time, I would like to welcome everyone to Granite Point's Fourth Quarter 2017 Financial Results Conference Call. All participants will be in a listen-only mode. After the speakers' remarks there will be a question-and-answer period.

I would now like to turn the conference call over to Maggie Field with Investor Relations for Granite Point. Please begin.

Maggie Field
Thank you and good morning, everyone. Thank you for joining our call to discuss Granite Point's fourth quarter 2017 financial results. With me on the call this morning are Jack Taylor, our President and CEO; Marcin Urbaszek, our CFO; Steve Alpart, our CIO; and Steve Plust, our COO. After my introductory comments, Jack will provide a brief recap of market conditions and some business highlights; Steve Alpart will discuss our fourth quarter originations and portfolio, and Marcin will highlight key financials from our financials. The press release and financial tables associated with today's call were filed yesterday with the SEC. If you do not have a copy, you may find them on our website or on the SEC's website at sec.gov. In our earnings release and slides, which are now posted in the Investor Relations section on our website, we have provided a reconciliation of GAAP to non-GAAP financial measures. We urge you to review this information in conjunction with today's call. I would also like to mention that this call is being webcast and may be accessed on our website in the same location.

Before I turn the call over to Jack, I would like to remind you that remarks made by management during this conference call and the supporting slides may include forward-looking statements. Forward-looking statements reflect our views regarding future events and are typically associated with the use of words such as anticipate, expect, estimate, and believe or other such words. We caution investors not to rely unduly on forward-looking statements. They imply risks and uncertainties, and actual results may differ materially from expectations. We urge you to carefully consider the risks described in our filings with the SEC, which may be obtained on the SEC's website at sec.gov. We do not undertake any obligation to update or correct any forward-looking statement if later events prove them to be inaccurate.

I will now turn the call over to Jack.

Jack Taylor
Thank you, Maggie and good morning, everyone. On behalf of our team, we would like to welcome you all and thank you for joining us for our fourth quarter earnings call. 2017 was a transformative year for our business. After establishing our platform over the last few years as part of Two Harbors, we executed our IPO in June, allowing us direct access to the capital markets to take advantage of attractive investment opportunities in the senior floating rate commercial real estate lending sector. Over the course of 2017, we originated over $1.2 billion of loans and further expanded our footprint within the commercial real estate lending markets. We also grew our borrowing capacity to over $2.3 billion and began diversifying our capital structure. We remain optimistic about our ability to continue to implement our business strategy and profitably grow the Company in 2018 and beyond. Please turn to slide 5. Marcin will discuss our detailed financial results shortly, but I'd like to touch on some of the highlights and business activities from the fourth quarter. We grew our fourth quarter core earnings to $0.34 per share from $0.28 per share in the third quarter. Our common dividend for the fourth quarter

was $0.38 per share, consistent with our prior guidance and up from $0.32 per share in the third quarter. Our earnings and dividend benefited from the continued deployment of capital and growth of our investment portfolio.

It was an active period for us in terms of originations and balance sheet activity. Our $344 million of total loan commitments and $277 million in total loan fundings in the fourth quarter deployed most of the capital remaining from the IPO and grew our loan portfolio to approximately $2.4 billion of funded loans at the end of Q4. While very pleased with our high volume of originations since the IPO and the flow of attractive investment opportunities available to us, midway through the fourth quarter we slowed the pace of originations because we had rapidly deployed most of our investment capital and had experienced modest prepayment volumes. We decided to access the capital markets, but our timing to do so was impacted by the distribution by Two Harbors of approximately 76% of our common stock to its shareholders, which occurred on November 1st. After allowing for the resulting volatility in our stock price to diminish, we successfully issued $144 million of five-year convertible notes in mid-December, raising net proceeds for the Company of approximately $140 million, including the overallotment option, which was exercised in January. This transaction provided us with new capital to further grow the portfolio and earnings going forward. Note however that in the short term, we expect our earnings to be negatively impacted by the additional interest expense associated with the convertible bonds while we begin investing the new capital.

Since raising the new capital, we have been building back up our investment pipeline. We have committed to over $130 million of senior floating rate loans and have good visibility on growing that further during the remainder of the current quarter. We expect the majority of our first quarter originations to close late in the quarter and in the second quarter of 2018. We continue to see many attractive opportunities and believe we will be able to ramp back up our origination pace.

The overall market for commercial real estate lending continues to be very favorable, especially for our strategy, which is focused on senior floating rate loans. Real estate fundamentals remain strong across most markets and property types, with ongoing rent growth and improving occupancies. In general, real estate valuations remain in line with historical averages. Sale transaction volume has moderated over the past six-to-twelve months, mainly in the gateway markets, tempering the pace of real estate price increases. We believe that supply and demand dynamics generally remain favorable across property types. We also believe that the lending markets remain rational with regard to loan terms, structures, and overall leverage. Though there is some competitive pressure on spreads, which we estimate at about 25 basis points over the past couple of months, we continue to find ample investment opportunities and we have seen continued improved financing terms from our lenders, largely offsetting the decline in lending spreads. In our view, the manufacturing of senior floating rate loans continues to offer attractive risk adjusted returns and should benefit from a rise in interest rates. We continue to believe that the alternative lending sector will be supported by enduring structural changes, healthy capital flows, and strong real estate fundamentals. We also remain committed to our strategy of targeting both the primary and secondary markets, combined with our broad network of deep industry relationships and disciplined underwriting as we believe this approach enables us to directly originate high-quality investments for our portfolio.

Now, I will turn the call over to Steve Alpart to discuss our originations and portfolio in more detail.

Steve Alpart
Thank you, Jack, and we appreciate everyone's time this morning. I'll spend a few minutes reviewing our fourth quarter originations and highlighting our progress so far in the first quarter, and then I'll provide some key metrics on our portfolio. Let's turn to slide 6. We had an active fourth quarter in terms of originations. We originated six new senior floating rate loans and upsized two existing loans, representing total commitments of approximately $344 million. We funded approximately $277 million of loans, inclusive of approximately $25 million of fundings on loan commitments from prior quarters. As Jack mentioned earlier, our lower originations pace quarter-over-quarter was driven by our ability to deploy capital raised in our IPO at a strong pace in the third quarter and first half of the fourth quarter rather than a lack of attractive investment opportunities. Our fourth quarter originations were secured by existing high-quality income-producing properties across our target markets and various property types. Approximately 71% of the fully funded loan amounts are secured by office properties. The remaining balance consists of a hotel property and a mixed-use property, which is primarily office with a small retail component. While we continue to be selective in retail and hotel, we do believe that we can originate attractive investments that fit our risk and return parameters in these sectors, like the hotel loan we originated in Q4.

Our fourth quarter originations were geographically diverse and distributed between the West, Southwest, and Northeast regions and the characteristics of these loans and the return profiles are in line with our overall investment targets. Our fourth quarter originations demonstrate our focus on a broader range of MSAs and on loan sizes below the general targets of some of our public peers. In the fourth quarter, these loans ranged in size from a $34 million loan secured by an office building in Phoenix to a $75 million loan secured by an office building in Washington, DC. We have longstanding relationships with the majority of these borrowers, which speaks to our ability to directly originate loans through our platform. The flexibility of our strategy and ability to execute on a variety of financings allows us to be selective and pick the best investments for our portfolio. We customize each financing structure to meet the specific business plans of our borrowers without compromising on credit protections.

As we discussed on our last earnings call, we expected to begin receiving some prepayments on our portfolio as it continues to season. In the fourth quarter, we realized loan prepayment of approximately $98 million, which were weighted towards the second half of the quarter. We believe that on a stabilized basis, our portfolio will likely pay off at an annual rate of approximately 25% as it becomes more seasoned. Turning to the first quarter of 2018, we continue to see a strong flow of investment opportunities that fit our credit and return thresholds. To date, we have made total commitments of approximately $130 million of senior floating rate loans. Two of these loans closed in January with combined total committed loan amount of over $50 million and total funded balance of about $45 million. The remaining loans are expected to close later this quarter and some possibly in the second quarter. We've been actively sourcing new loans for our pipeline and feel good about our growth going forward.

Moving on the slide 7, let's discuss our portfolio as of December 31st, which is 100% performing with a total outstanding principal balance of $2.4 billion, a weighted average stabilized LTV of approximately 64%, and a weighted average asset yield of LIBOR plus 5.17%. In addition to our funded balance, we have over $330 million of future funding commitments, bringing our portfolio up to $2.7 billion on a fully funded basis. We expect the majority of these future fundings to occur over the next 18-to-24 months. By property type, our portfolio is weighted towards the office and multifamily sectors, which we continue to find attractive. The portfolio is also well diversified across various markets and is over 97% floating rate. If we take a look at slide 8, you will see our interest rate sensitivity. We believe our portfolio is well positioned for a rise in short-term rates. For instance, if LIBOR were to increase 100 basis points, our annual net interest income per share on the existing portfolio would increase by approximately $0.18.

Turning to slide 9, I'll briefly comment on two recent deal examples to further illustrate our strategy and the types of high-quality assets we originate through our large network of industry relationships. The first deal example is a $47 million senior floating rate loan collateralized by an historic, boutique office building with ground floor retail in the financial district of the Boston CBD. The Boston-based sponsor is a privately owned owner-operator developer of high-quality residential, commercial, and hospitality properties in high barrier-to-entry markets such as Boston, Washington DC, New York City, and Chicago. The firm was formed over 40 years ago and has been involved in the development, acquisition, and management of over five million square feet of office space and 16,000 apartment units and currently own and operate approximately three million square feet of office and 6,000 apartment units. The sponsor is a repeat borrower of our team and its business plan involves capital improvements and renovations as well as the lease-up of vacant space in the building, which is currently 34% occupied. We like this type of investment for several reasons. Our loan is secured by an historic boutique office building in the prime financial district submarket of Boston with a submarket vacancy rate of approximately 8%. The property has unique features, including water views on three sides. The sponsor was a highly experienced owner-operator with significant expertise, executing similar business plans on value-add office properties in this market, including owning six properties totaling 1.4 million square feet in Boston and with whom we have an existing relationship. And finally, our loan basis is attractive relative to the sponsor's basis with the sponsor having $20 million of cash equity in the transaction when our loan is fully funded.

The second deal example is a $68 million senior floating rate loan collateralized by a Class A LEED Gold-certified office building in the North Hollywood submarket of Los Angeles, California. The property was 100% occupied when we closed this loan. The sponsor’s business plan is very straightforward and involves managing the lease expiration in approximately two years of a large tenant with the loan providing protective structures and funding related to this scenario. The sponsor is a Southern California-based fully integrated real estate organization with development, asset management, and leasing expertise. The company specializes in designing, building, and operating residential, office, and retail properties. The sponsor has been in the real estate business for nearly 60 years and is one of the largest privately owned development firms in Los Angeles. We like this type of investment for several reasons. Our loan is secured by a high-quality Class A office building. The property is located in the heart of the NoHo Arts District, a pedestrian-friendly area of performing arts, theatres, galleries, recording studios and entertainment companies with easy access to the heart of the Southern California entertainment industry and one block from a large public transportation hub. The North Hollywood submarket vacancy is approximately 7%. We have a highly experienced, well-capitalized sponsor who is based in and active in this market with similar properties. And finally, our loan basis is attractive relative to the sponsor's basis and recent sales.

So to summarize, we continue to see a great flow of investment opportunities that fit our overall strategy and investment criteria. Based on the strength of our platform, our industry relationships, and our reputation as a reliable counterparty, we are confident that we'll be able to continue to successfully execute on our business plan in a disciplined and prudent manner on behalf of our shareholders in 2018.

I'll now turn the call over to Marcin for a more detailed review of our quarterly financial results.

Marcin Urbaszek
Thank you, Steve and good morning, everyone. I'll spend a few minutes discussing our financial performance as well as our capitalization and liquidity. Turning to slide 10, our GAAP net income for the fourth quarter was $14.1 million or $0.33 per share. Our core earnings, which is GAAP earnings adjusted for the non-cash equity compensation expense was $14.5 million or $0.34 per share. Taxable income for the fourth quarter was $17.9 million or $0.41 per share. As you may recall, our taxable income includes an accretion of a GAAP-to-tax difference, resulting from our formation transaction and for the next several quarters will cause our taxable income to be higher than our GAAP income. Consistent with the one-time guidance on our last earnings call, we declared and paid a fourth quarter dividend of $0.38 per common share, which translates into an attractive dividend yield. Our book value at December 31 was $19.17 per common share.

Let's touch base on a few drivers of our earnings and quarterly dividend. We had a good quarter in terms of originations and were able to commit nearly all of the remaining capital from our IPO. Similar to last quarter, the majority of our fourth quarter originations closed in the second half of the period, which slightly impacted our earnings. Since the Company is in a growth phase, the timing of loan closings can have a relatively significant impact on our quarterly results. Over time, however, as our portfolio grows, the timing of loans closings should have a smaller impact on our results.

As a reminder, I'll quickly review our GAAP to tax difference and its impact on our dividend. As we discussed last quarter, as a result of our formation transaction, we recognized a lower tax basis than GAAP basis of approximately $22 million at the time of the transaction. This GAAP to tax difference will result in higher tax accretion versus GAAP accretion over the life of the loan portfolio contributed to us by Two Harbors. Tax planning and compliance are obviously important elements of maintaining our REIT eligibility. In 2017, we recognized approximately $6 million out of that $22 million of additional accretion and taxable income versus GAAP income. We estimate that through the end of 2019, the Company will recognize approximately an additional $13 million of taxable accretion, which will result in taxable income being higher than GAAP earnings. This estimate and the timing of its recognition may change depending on factors such as additional fundings, prepayments, and any potential credit losses for those contributed loans, among other things.

Turning to slide 11, as of December 31, we had approximately $1.5 billion outstanding on our financing facilities and a total borrowing capacity of over $2.3 billion. We believe the financing markets remain healthy and are operating in an efficient manner. We've recently seen our cost of financing improve as our lenders are working with us to manage our overall cost of capital in light of the tightening loan spreads. We'll continue to seek to optimize our cost of capital and diversify our funding sources. As the markets evolve, we expect our financing sources to include syndicated loan positions or other forms of structured funding, including securitizations. We ended the fourth quarter with a debt-to-equity ratio of approximately 2 times. As we grow the portfolio and invest additional capital, we expect our debt-to-equity ratio to stabilize in the range of 2.5 to 3 times, excluding any potential non-recourse sources of financing. We view this leverage target as prudent, given our focus on senior floating rate loans. If you recall, during our last earnings call, we stated that at the end of the third quarter, we had liquidity to support approximately $400 million of additional loan originations. Given the fact that we committed our remaining capital midway through the fourth quarter, we decided to access the capital markets in mid-December and issue $144 million of five-year convertible debt to provide us with new capital and diversify our balance sheet. The net proceeds from this transaction were approximately $140 million, inclusive of the overallotment option, which was fully exercised in early January. We are very pleased with the offering and believe it positions us well for the coming year.

As I mentioned earlier, our fourth quarter earnings were affected by the late timing of loan closings and recognition of a few weeks of interest expense associated with the convertible notes transaction. Rolling forward to the first quarter of 2018, we expect a more significant impact to our earnings from recognizing a full quarter of interest expense on the convertible debt as well as some lag in capital deployment. We believe this to be temporary and anticipate that we will return to growing our earnings in the remaining quarters of 2018 as we invest in new capital. Our liquidity at the end of the fourth quarter consisted of over $100 million in cash, a few loans that were funded with all cash, and approximately $120 million of available capacity on our financing facilities related to pledged assets that haven't been fully financed. Adjusting for liquidity cushion, we estimate that at December 31, we had capacity to originate over $600 million of senior loans, depending on specific investment and available leverage. We anticipate receiving some additional repayments over the next several months, which would potentially provide us with more liquidity for additional originations.

Thank you again for joining us today, and now I will ask the operator to open the call to questions.

QUESTIONS AND ANSWERS

Operator
Thank you. We will now begin the question-and-answer session. To ask a question you may press star (*) then one (1) on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question please press star (*) then two (2). At this time we will pause momentarily to assemble our roster.

The first question comes today from Jade Rahmani with KBW. Please go ahead.

Jade Rahmani
Thank you very much. Should we take your comments to imply a dip in 1Q earnings sequentially from the fourth quarter level?

Marcin Urbaszek
Hi, Jade. It's Marcin. Good morning. Thanks for joining us. Yes, as we mentioned in the prepared remarks, when we recognize the full quarter of interest expense on the convertible, and some lag from capital deployment as we build up the pipeline, there will be an impact. It's hard to say exactly what that's going to be, but I think that's probably a good assumption.

Jade Rahmani
In terms of where repayments are coming in, does the fourth quarter level represent an outsized quarter based on the seizing of the portfolio so prepayments should moderate, or is that level something we should expect to be sustained?

Steve Plust
Hey Jade, this is Steve Plust. As the portfolio matures, we will be seeing more and more prepayments such that when we get to a steady state in the future, we should be expecting something like 25% of the portfolio to prepay over the course of the year.

We're looking right now, we think it's hard to put a spot estimate out, but we think that in the first quarter, we should be receiving something like $50 million to $100 million of prepayments.

Jade Rahmani
Okay. Just a bigger question, for Granite Point to trade above book value and therefore have access to equity capital to meaningfully grow, it seems investors need to be convinced of two things. One that you would not issue equity dilutively, and two that you have the ability and the business model to achieve levered returns in the 9% range or hopefully higher. So I just wanted to ask you if you could comment on those two specific things.

Jack Taylor
Well, with respect to the first, we have said that it is not our intention to issue equity dilutively, and we'll repeat that here today. Secondly, I will ask Marcin to chime in if he wants, but we fully believe that we'll be able to hit those returns that you mentioned.

Marcin Urbaszek
Yes Jade, as we lever our portfolio and we deploy the capital, obviously, we're under levered today. We're at two times debt to equity at the end of the quarter. We stated our target is 2.5 to 3. We think we'll get there over the next several quarters. So barring some unforeseen market events and in spread markets and financing markets, we feel pretty comfortable looking at what our portfolio yields today and what our cost base is. We feel pretty comfortable we'll get to the market returns as we're fully stabilized.

Jade Rahmani
And can you comment on your discussions with lenders about accessing additional financing capacity? Do you have the ability to increase financing capacity without the need for additional equity capital?

Jack Taylor
Yes, but I'll let Marcin elaborate.

Marcin Urbaszek
Sure, we upsized two facilities. We have more than enough financing capacity today to deploy the capital that we have. But we also said in our prepared remarks that we've seen improvements in our funding costs recently, and I would say that's both on the cost but also on the leverage. So, there's only so far you can go with a repo line in terms of how much leverage you can get on it, but we've seen an improvement in both as the markets evolve.

Jade Rahmani
Thanks very much for taking the questions.

Operator
Next question will be from Rick Shane of J.P. Morgan. Please go ahead.

Rick Shane
Sure. Really two questions here. Obviously, I realize at this point in your life as you're growing and the capital base is sub $1 billion, the timing is incredibly sensitive, but I am curious about the decision to sort of reduce the origination pipeline, given what should have been some available leverage into the fourth quarter and the implications of that going into 2018. And to just sort of continue that so we understand the timing going forward, with the incremental $140

million of capital probably leveraged about 2.5 times, put it in the midpoint of your target range, how long do you think it will take you to fully deploy the proceeds from the current offering?

Marcin Urbaszek
Sure. Hi, Rick. This is Marcin. Thanks for joining us. Thank you for the questions. So I'll attack the last part of your question first. As we said in the prepared remarks, we had liquidity to originate about $600 million of loans plus or minus. That does not include additional prepayments. I think that should take us a couple of quarters to deploy. Obviously, committing to the loans and actually closing them, there's a lag there. So please keep that in mind. As we get additional prepayments in the portfolio, that's going to be an additional source of liquidity. So, we'll be deploying capital throughout the year.

In terms of rationale for the deal, I would say that we - as we said, we deployed our capital midway through the quarter. We did not have, when we said deployed, it's committed, we don't have additional ability at that time to borrow more as, if you look at our Q3 10-Q, when we had $2 billion of assets pledged against $1.5 billion of repo lines, those assets were pretty fully levered. We had some assets that were unlevered there. We had some mezzanine assets that are not levered. So we were at the point where because of our strong originations in Q3, going into Q4, we had to slow down the originations to accommodate some capital constraints. We had some prepayments coming in later in the quarter, so we started originations later in the quarter going into the first quarter, but that's just the constraint that we had that we had to accommodate and we thought it was a good opportunity to issue some unsecured five-year debt that provided us some liquidity and provides us flexibility on a capital structure, so we executed the deal and we're very happy with the outcome.

Rick Shane
Got it. And again, when I look at the originations, seem to be pretty much on track. I guess where it creates noise is how quickly you can turn on and turn off that origination pipeline and frankly the implication is not for the third and fourth quarter, but potentially for the first quarter originations versus expectations.

Steve Alpart
Hey, Rick, it's Steve Alpart. I'll take that question. So just a couple of comments on the first quarter. So you heard us say earlier that we have total funding commitments of about $130 million of senior floating rate loans. It's about $120 million on an initial funding basis. We mentioned that two loans, about $50 million of commitments, about $45 million of initial fundings have closed and the rest should close later this quarter, possibly into first quarter, second quarter, I'm sorry. In total for Q1, we're anticipating that we'll fund about $200 million plus or minus. We think about a little over half of these loans will fund towards the end of March, although as we've noted and as Marcin has noted, the timing of the closings is hard to predict with certainty. Some of that could slip past the quarter. So just to kind of take-off where Marcin left off, these loans, as you know, typically take six to eight weeks. They can take longer from term sheet to closing. So the Q4 slowdown that we talked about has impacted the pace in the beginning part of Q1 and therefore will probably impact Q1 overall. But we have very good visibility on the forward pipeline, and we are expecting to get back to our pace of originations that you've seen us do in prior quarters.

Rick Shane
Got it. That’s very helpful in terms of context for Q1. Last question, when we look at the difference between commitments and fundings in any given quarter or on any individual loans, over the life of a loan, what percentage of the commitment do you actually expect to fund? Is it

75%, is it 95%? That will help us really sort of think about the differential between commitments and fundings.

Steve Alpart
Rick, it's Steve again. So it's going to vary deal by deal. Generally, we would expect to fund the majority of the commitment on every loan. That doesn't mean 100%. So the way we would think about it is, sponsored business plans, these loans, obviously they're all customized around that. Oftentimes the sponsors are expecting to lease-up the property to 95% or more. We'll typically underwrite a little bit lower, but we'll slide the loan towards their business plan, so there could be a small gap between what we're underwriting and what they are expecting and there's always the possibility that they just sell or refi the property early. So, I would say 90%, 95% somewhere in that zip code as far as what we would typically expect to fund on the commitment.

Rick Shane
Great. Thank you very much, guys.

Operator
Our next question comes from Fred Small of Compass Point. Please go ahead.

Fred Small
Hey, good morning. Thanks for taking the question. Just on the repayments and the 25% sort of annualized repayment rate. When do you expect that you'll be closer to that level? It just seems - it seems a lot higher than sort of where you're run rating now.

Jack Taylor
This is Jack. I would say that the repayments, if you look at our portfolio, roughly half of it was originated within the last 12 months. So I don't think that we'll hit, what I'll call, in this context, a stabilized run rate on prepayments until much later this year, because we're looking at loans that for half the portfolio were fairly recently originated. So we expect it would ramp up to that 25% per year estimate.

Fred Small
Okay. Got it. And then on the - just so I understand the math right, on the originations or the fundings for the first quarter, you've got $120 odd million that you've done or that's already expected this quarter. You've done 45, so there's 75 left of that component and then there are - if you're getting to 200, there's still 75 that's not sort of, 75 or 80 that's not in the pipeline yet that you expect this quarter?

Steve Alpart
Yeah, it's Steve. That's about right. So that's just basically near-term visible pipeline, doing estimates about what we think we'll get signed up and closed this quarter, some of what we're expecting to sign up in the next week or two will close in the second quarter, but that's a good estimate for what we expect to fund this quarter.

Fred Small
Okay. And, I mean, have you seen any - just with sort of ramping that back up, have you seen any impact in the discussions from just sort of recent market volatility or rate volatility that you think could push more of that into the second quarter?

Steve Alpart

It's hard to predict with certainty obviously, but when we come up with an estimate like that, it's based on a bigger pipeline than that number and then making some estimates about what gets signed up and timing. These loans typically close in four to six weeks. Sometimes, they can go a little bit longer. So it's just us making best estimate based on what we're seeing right now in front of us.

Fred Small
Okay, great. Thanks.

Operator
Ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to Mr. Jack Taylor for any closing remarks.

CONCLUSION

Jack Taylor
Well, thank you, Chad. We would like to thank everyone for joining us today. We appreciate it and we appreciate everyone's support for our business. We look forward to speaking with you all again soon. Thank you again.

Operator
And thank you, sir. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.