Granite Point Mortgage Trust Inc.

Q2 2020 Earnings Conference Call

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CORPORATE PARTICIPANTS

John ("Jack") Taylor – *President and Chief Executive Officer*

Stephen Alpart – *Chief Investment Officer*

Steven Plust – *Chief Operating Officer*

Marcin Urbaszek – *Chief Financial Officer*

Chris Petta – *Investor Relations*

PRESENTATION

Operator

Good morning. My name is Sara, and I will be your conference facilitator. At this time, I would like to welcome everyone to Granite Point Mortgage Trust Second Quarter 2020 Financial Results Conference call. All participants will be in listen-only mode only. After the speakers' remarks, there will be a question and answer period. Please note, this event is being recorded.

I would now like to turn the call over to Chris Petta with Investor Relations for Granite Point. Please go ahead.

Chris Petta

Thank you, and good morning, everyone. Thank you for joining our call to discuss Granite Point's second quarter 2020 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 review our current business activities and provide a brief recap of market conditions. Steve Alpart will discuss our portfolio, and Marcin will highlight key items from our financial results.

The press release and financial tables associated with today's call as well as our Form 10-Q 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 of 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, including our most recent 10-K and 10-Q reports, 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 statements, if later events prove them to be inaccurate.

I will now turn the call over to Jack.

John Taylor

Thank you, Chris, and good morning, everyone. We would like to welcome you all and thank you for joining our second quarter 2020 earnings call. These past months have presented historic challenges to our country, our industry, and our company. They do not change, but rather reinforce our core beliefs and approach. We emphasize preserving and ultimately expanding the value of our business for the benefit of our stockholders over the long-term by actively managing both sides of our balance sheet.

Through our extensive experience managing through multiple cycles, we understand that at its core, this is a relationship business and that it is critical to maintain strong, productive ties to our borrowers and lenders. This approach best preserves and enhances our assets and stabilizes our liabilities. Maintaining liquidity to support our operational needs and goals is also a primary focus, which has led us to explore potential new funding sources to better position the company for this uncertain environment and to take advantage of what we believe will be attractive investment opportunities in the future.

Upon the onset of the COVID-19 pandemic, we swiftly turned our attention to asset and liquidity management through a number of initiatives focused on preserving the value of our investments and the franchise value we have built, and I'm happy to report that we have made significant progress in the second quarter and have continued our efforts since then. Our portfolio continues to perform very well through this period of uncertainty. At quarter-end, we had no impairments or non-accruals and our collections of debt service have been strong, as over 99% of our borrowers have made their payments in accordance with the terms of their loans.

Along with the strong payment performance, we have worked with a number of our borrowers to provide them with short-term relief from the impact of the pandemic on their properties. In the majority of those cases, that has meant a partial interest deferral in exchange for some form of further borrower capital commitment to their properties.

Regarding our liabilities, and as we mentioned on our last call, we have been focused on creating additional balance sheet stability. We proactively reduced borrowings on our repurchase financing facilities by using about $100 million of cash and unencumbered collateral and entered into margin call holidays for a period of time with three lenders, representing a combined total of $1.4 billion of outstanding balance.

We maintain an active and constructive dialogue with all of our financing providers, are in compliance with all covenants and don't have any outstanding margin demands. However, considering the market uncertainty caused by the pandemic, we continue to focus on improving our liquidity and further stabilizing our financing facilities.

As an early first step to generate liquidity, we opportunistically divested a $20 million unencumbered hotel loan that was previously risk-rated four. Additionally, and as we discussed last quarter, we began a process with Evercore, our financial adviser, to explore various longer-term financing alternatives to better position the company for the current environment and for future opportunities. Our process has generated very strong interest from multiple sophisticated institutions who recognize the value of our business, as well as our assets.

Based on the progress we have achieved, we are optimistic that we will be in a position to further substantially strengthen our balance sheet by raising capital from a high-quality institutional partner. Since quarter-end, we have also taken additional steps to improve our liquidity and balance sheet flexibility. As we disclosed in our 8-K filing in early July, we amended our financing facility with one of our largest lenders and increased our borrowing capacity for a period of time, which generated over $54 million of cash.

Our ability to grow our partnership during this volatile period with one of our key financing counterparties speaks to the quality of our assets and the strength of our lender relationships.

In addition, and to further strengthen our liquidity position, after quarter-end, we completed a sale of six loans at attractive prices, with a principal balance of $191 million and total commitments of over $206 million, which generated about $40 million of additional proceeds.

As a result of these actions, as of last Friday, our cash balance was approximately $145 million, providing us with ample liquidity to manage our operations in the near-term, as we continue to progress with our longer-term financing initiatives.

Despite the higher provision for loan losses and a realized loss on the loan we optimistically sold as part of our earlier liquidity efforts, our operating results in the second quarter showed the overall strength of our portfolio, as our net interest income expanded significantly over the prior quarter, aided by the LIBOR floors in our loan portfolio. Steve Alpart will discuss the portfolio next, but in summary, we did not originate any new loans in the second quarter, as our focus was on maintaining our liquidity. We funded about $71 million of our existing future funding commitments, which continued to be financed by our lending partners. We did not receive any full loan repayments in the second quarter, though, since quarter-end, we have realized some repayment activity providing us with additional liquidity. We would anticipate seeing more repayments over the rest of the year, but the exact timing and volume is very hard to predict, based on the current state of the markets.

Although the performance of the major capital markets in the second quarter suggests that a degree of stability is returning, with rolling regional COVID-19 eruptions and shutdowns that may continue, our fundamental economic recovery will probably require large-scale implementation of major medical solutions, like more effective treatments and vaccines. We accordingly are positioning ourselves to take advantage of new opportunities and protect our portfolio during further economic and market uncertainties.

In summary, I'm very pleased with and proud of the strong performance of our portfolio and our entire team in response to this market environment. We've accomplished a lot and made a lot of progress over the last few months to better position the company for the current environment and for future success and growth opportunities. We will continue to work on further enhancements with the overarching goal of protecting and increasing value for our stockholders over time.

Now, before turning the call over to Steve Alpart, one final comment. On March 2, 2020, the company announced that it has agreed to a process with the manager to internalize the company's management function. In connection with this process, the company and the manager have entered into a confidential binding arbitration to determine any amounts payable by the company to the manager. In consideration of the manager's agreement to terminate the management agreement and the manager's undertaking of other obligations pursuant to an internalization agreement to be entered into between the company and the manager, following the conclusion of the arbitration process. The arbitral hearing has been delayed, based on the COVID-19 pandemic, and the company currently expects that the hearing will take place during the third or fourth quarter of 2020. Because of the confidential nature of the arbitration, we will not be taking any questions on it or the internalization process.

I would now like to turn the call over to Steve Alpart to discuss our portfolio and recent activities in more detail.

Stephen Alpart

Thank you, Jack, and thank you all for joining our call this morning. Over the last few months, as the impact on the economy and commercial real estate market from COVID-19 pandemic has persisted, we have remained focused on asset management and working with our borrowers and lenders, as we constructively manage through this challenging period.

Considering this market environment, we believe that our portfolio has so far performed very well from a credit perspective. Our debt service collections were strong in Q2, with over 99% of our borrowers making their payments according to their term. At June 30th, we had no impairments, non-accruals, or maturity defaults.

As part of our proactive asset management strategy and given the current commercial real estate operating environment, we have been engaged in discussions with many of our borrowers regarding various types of loan amendments. Most of these discussions and amendments have involved our hotel and retail loans, which accounted for about 24% of our portfolio at June 30th. Our approach has been to provide our borrowers with the time to manage through this challenging period, and in the majority of cases, improve our position are requiring sponsors to make further financial commitments to their property. For the most part, we have granted short-term relief in the form of reallocating reserves or deferring rather than waiving some portion of loan interest, in the majority of cases, resetting the LIBOR floor to actual LIBOR. We have a strong collection of high-quality institutional borrowers and sponsors who remain focused on protecting their embedded equity in their assets, while navigating through the business disruption.

During the second quarter, we moved 15 loans to a risk ranking category of 4. The downgrade to 4–to a 4 ranking does not mean that we believe there will be losses on these loans, but reflects the difference in the risk associated with them from our March 31st to June 30th assessment and are largely associated with the growing impact of the COVID-19 pandemic on the real estate market and economy as a whole. As you might expect, most of the movement in our risk ratings related to the hotel and retail loan. We will continue to monitor market and property-specific developments across all of our investments, as we all navigate these uncertain times.

As Jack mentioned, we did not originate any new loans during the quarter and did not realize any full loan repayments. We funded approximately $71 million of pre-existing future funding commitments, which our lenders continue to finance, as they remain constructive and supportive of our business.

The outstanding principal balance of our loan portfolio as of June 30th was approximately $4.4 billion and $5.1 billion, including our future funding commitments. Our highly diversified portfolio of 122 loans as of June 30th is distributed across a wide range of geographic markets, property types and sponsors.

As of June 30th, our portfolio weighted average stabilized LTV at origination was less than 64%, and 99% of our investments were senior first mortgage loans. We believe our assets will continue to exhibit strong credit performance, but we do not expect to be totally immune to credit events, given the impact of COVID-19 on the current real estate market, which is likely to continue for some time. Through the first six months of the year, we had a little over $100 million of loan repayments, but over the last several weeks, we have realized about $158 million of repayments, as some of our sponsors are restarting the process to sell or refinance their properties, given some renewed activity in the CRE debt capital market.

We continue to expect significantly lower than historical pace of repayments over the next few months and quarters. However, the repayments we have recently realized reinforce our view of the credit quality of our portfolio. In the coming months, we expect to keep our focus on asset, liability, and liquidity management. Over our long careers in this business, we have successfully navigated many different economic cycles and market disruptions.

As a result of our team's extensive and broad experience in the commercial real estate market, in a relatively short time period, we have been able to establish Granite Point as a well-respected and reliable counterparty. We believe that, as we further stabilize our balance sheet in the coming months and as transaction activity begins to return to the commercial real estate market, we will be in a position to take advantage of select emerging market opportunities, presenting attractive risk-adjusted returns to our shareholders.

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

Marcin Urbaszek

Thank you, Steve, and good morning, everyone. Thank you for joining our call. Our portfolio continues to perform well in light of the challenging macroeconomic environment.

As Steve mentioned earlier, our collections of debt service on our loans have remained strong, but it is hard to predict the future, and given the ongoing disruptions to the economy and commercial real estate market, it would not be surprising to see some pressure on the ability of our borrowers to make payments going forward. Aided by the LIBOR floors embedded in our loans, our net interest income for the second quarter increased by about $5.2 million to $34.4 million versus $29.2 million in the first quarter. However, this benefit was more than offset by a $14.2 million, or $0.26 per share provision for loan losses. This higher provision was largely a result of us employing in our CECL modeling and updated third-party macroeconomic forecast that reflected further impacts on the COVID-19 pandemic. Our results also include a $6.9 million, or $0.12 per share realized loss on a sale of an unencumbered loan, which we opportunistically executed as part of our liquidity management.

Lastly, our operating expenses were a bit higher compared to Q1, mostly due to professional and advisory fees. All these factors resulted in a second quarter GAAP net loss of about $1.7 million, or $0.03 per share. Our core earnings for the second quarter were $13.8 million, or $0.25 per share, and include the realized loss on the loan sale I just mentioned.

Book value as of June 30th was $17.47 per share and included $1.57 per share reduction as a result of the aggregate impact of the adoption and application of the CECL accounting standard. Additional details regarding CECL impacts on our financial statements can be found on Pages 5 and 6 of our earnings presentation.

Given the persisting and unprecedented macroeconomic conditions and uncertainty caused by the pandemic, our Board of Directors and management team continue to believe it prudent and in our best interest to remain focused on liquidity management, while we continue to explore longer-term financing alternatives to further strengthen our balance sheet. As a result, our Board of Directors decided to continue the temporary suspension of our common stock dividend for the second quarter of 2020. We will continue to evaluate our dividend policy in respect of future quarters based upon customary considerations, including market conditions and REIT-related distribution requirements.

As of June 30th, we had over $25 million in undistributed taxable income. Our long-term goal is to provide our investors with an attractive dividend income stream. We will continue to monitor taxable income and work with our Board of Directors to take any necessary measures to ensure that we meet minimum distribution requirements to maintain our REIT status, which as a reminder, is an annual test.

Turning to our balance sheet, the outstanding portfolio balance was largely unchanged at about $4.4 billion as of June 30 and it was 99% comprised of senior first mortgage loans. As of last week, our portfolio balance decreased to approximately $4.1 billion and reflects the realized loan repayments and select loan divestitures executed over the last few weeks since quarter-end. We had about $56 million of cash on June 30 and about $145 million as of August 7th as a result of the activities mentioned earlier. We ended the quarter with total leverage, including the non-recourse, non-mark-to-market CLO debt of about 3.5 times debt to equity and our recourse leverage was at 2.5 times, both of which also reflect the impact of CECL on our GAAP equity.

Finally, I would like to conclude with a quick recap of our allowance for loan losses. As I mentioned earlier during the second quarter, we recorded a provision for loan losses of $14.2 million in our income statement related to the application of CECL in Q2. The cumulative impact to book value of our total CECL reserve is about $86 million, or $1.57 per share and represents approximately 170 basis points of our total loan commitments as of June 30. Our provision for loan losses recorded in Q2 is largely related to the continued negative outlook on the broader economy and commercial real estate market related to the pandemic and is not specific to any loan losses or impairments in our portfolio.

For further discussion of the CECL topic, please refer to our 10-Q.

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 (*) then one (1) on your touchtone phone. 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.

Our first question comes from Stephen Laws with Raymond James. Please go ahead.

Stephen Laws

Hi, good morning. First, Jack, to follow up on your comment, your prepared remarks around the repayments to date in the third quarter, have those been full loan repayments? Or have they been partial repayments? Can you give us any color, I believe, it was around $160 million since quarter-end?

John Taylor

Those have been full loan repayments. There may have been a tad of amortization or something, but I don't believe so. Those are full loan repayments.

Stephen Laws

Great, and, Steve, I think, you mentioned a few different things in the modification discussion. Have you had sponsors contribute more equity? Can you maybe give us an example of how those conversations are going? How much you're deferring, or any type of PPP income that's taking place in those modifications?

Stephen Alpart

Sure. Hi, Steve, good morning. Thanks for joining us today. As I mentioned, we've modified a number of loans. The majority of these amendments are short-term, I would describe as modest in nature. The specifics of each amendment vary, but the common themes are to defer a portion of the debt service payment for a few months, it's typically about three months. As I mentioned in my earlier remarks, it's typically by resetting the LIBOR floor to actual LIBOR to be repaid from actual cash flow. We've been giving borrowers some flexibility of tapping into reserves, and as we mentioned, we're also typically requiring sponsors to put in additional equity. The specifics of each one vary, but those are some of the common themes.

Stephen Laws

Great, and lastly, around unfunded commitments, how much of the remaining $670 million, I believe, is good news money? How much is available will be drawn down now? How do you think about the timing of the drawdown of unfunded commitments?

Stephen Alpart

Sure. The timing is obviously highly variable and depends on what's happening in the market. In a bull market, when loans are being refinanced before they mature, we would expect that loans would pay off before all the fundings are drawn, and in this environment, loans are likely to extend in the pace of future fundings, may flow. Going back to part of your question, a significant amount of the future fundings relate to good news money, and certainly, over the last couple of months, we've seen a slowdown and a pause, I would say, in leasing, and we assume for liquidity purposes that all of the future fundings are drawn, but in this environment, we do expect that would slowdown.

Stephen Laws

Great. I appreciate the color. Thank you.

John Taylor

Thank you for your questions. Good to hear from you.

Operator

Our next question comes from Steve DeLaney with JMP Securities. Please go ahead.

Steve DeLaney

Well, good morning, and congratulations on the progress that's been made since the last call in May.

John Taylor

Thank you.

Steve DeLaney

Sure. Picking up where Stephen left off about the loan sale and the future fundings, the third quarter loan sales, the 6 six loans, can you comment on which types of loans? it looks like about $32 million average, which is in line with your average loan size, but if you could comment on the types and was your objective here to remove future funding requirements part of that near $700 million, or was it to kind of reduce some specific credit risk that you saw in those loans? I appreciate any color you can give on the loan sales?

John Taylor

Hi, Steven, this is Jack. I'll answer that.

Steve DeLaney

Hi, Jack.

John Taylor

Yes, so that was part of our liquidity management. We selected a limited number of loans to potentially sell to generate interim liquidity, and that was selected in a manner that would not significantly alter the composition and characteristics of our portfolio. And so, we didn't sell off distressed assets or anything like that. It was meant to not alter the characteristics of the portfolio, and it was quite small in comparison to the whole size of the portfolio.

Steve DeLaney

Sure.

John Taylor

So, it accomplished its purpose in increasing our liquidity while we're working through the larger capital financing process. So, this really was an opportunistic sale. Such sales are not part of our main strategy.

Steve DeLaney

Sure.

John Taylor

And we're not in the market currently selling loans.

Steve DeLaney

Got it. In this concept, we have seen several instances of loans that had been sold. I'm just curious, is that more of a direct market, such as reverse inquiry? Or is there actually a semi-brokered market like through someone like Eastdil, where you can actually confidentially post a few loans and get a lot of eyeballs on them on a no-name basis?

John Taylor

Well, we understand that there is such a confidential discrete loan marketing process through brokers. We did not use a broker. This was done in conjunction with our Evercore process.

Steve DeLaney

Right.

John Taylor

It was really some direct contacts. Our experience is that oftentimes, when you use a broker, especially during a severe downturn or something that tends to be one, it's not the broker's fault, but a broad marketing of that sort brings out a lot of wasted time and activity, because there are a lot of people thinking that you're in a distressed selling mode, which we were not. We didn't want to send the wrong signal to the market.

Steve DeLaney

Got it. Makes sense, and my last question, you've made good progress on liquidity and now at $145 million, is there a target level of liquidity, maybe as a percentage of the portfolio that you're trying to achieve before the Board would consider reinstating a modest cash dividend? And I realize that part of that liquidity balance may also have something to do with your Evercore project.

So, any color you could give us? at what point, I guess, is what I'm trying to get to, Jack. At what point in your creating liquidity, improving the stability of your financing, when do you think the Board would at least be willing to consider some amount of cash dividend? Thank you.

John Taylor

Well, thank you for the question. I'll actually ask Marcin to speak on that topic.

Steve DeLaney

Sure.

Marcin Urbaszek

Good morning, Steve. Thank you for joining us as well.

Steve DeLaney

Hi, Marcin. Yes, of course.

Marcin Urbaszek

Look, I think, our liquidity, obviously, it's a major focus for us, and I think for the time being, we're comfortable with where we are. Today, obviously, we don't have any outstanding calls for further deleveraging or anything like that. However, we're not taking that state of affairs as the new normal, so we are continuing to focus on further stability of the balance sheet as we're pursuing other alternatives. I think that is tied, I would say, largely also with the dividend. I think, our dividend is more of a function of liquidity rather than earnings.

Steve DeLaney

Yes.

Marcin Urbaszek

We are generating earnings, and we obviously are REIT, so we need to pay attention to the distribution requirements as a REIT and all that. So, I think, once we have more liquidity on the balance sheet, not for the next several months or more, but more longer-term, I think, that's how we're looking at it in terms of the dividend.

Steve DeLaney

Okay. I appreciate everyone's comments. Thank you.

John Taylor

Thank you.

Operator

Our next question comes from Jade Rahmani with KBW. Please go ahead.

Ryan Tomasello

Good morning, everyone. This is Ryan on for Jade. Thanks for taking the questions.

John Taylor

Good morning.

Ryan Tomasello

Good morning. I appreciate the color on the risk rated four loans. I was wondering if you can provide some additional color around if there are specific assets in that bucket of size, we're calling out that you think might have a more near-term risk of impairment or default?

Stephen Alpart

Hi, Ryan, it's Steve. Good morning. So, as you heard us say, we moved the number of loans into the risk rank 4 category this quarter, and Jack had mentioned that about half of the loans are no, I take that back a majority of the ones that we moved in this quarter are hotels and retail loans, and it's really less about, I would say, specific concerns on specific assets. It was more just an acknowledgment about what's happening in the market overall as a result of COVID-19 and that certainly in the short-term, possibly in the medium-term, business plans are going to be delayed.

Ryan Tomasello

Okay, and then just in terms of the asset management strategy, can you say what percentage of loans by principal balance you've made modifications on so far?

Stephen Alpart

Sure. Happy to talk about that. So, we've modified or amended a little over a quarter of our portfolio, again, concentrated in our hotel and retail loans. Very important to note that the majority of these amendments are short-term and modest in nature. I think I commented on that a little bit earlier, but it's a little over a quarter of the portfolio.

Ryan Tomasello

Great, and thinking about alternative sources of capital. At this point, do you think preferred equity is a more likely option that you're looking at? And how do you think a cost potentially, say, in the double digits changes the economic model of the business going forward?

Marcin Urbaszek

Hi, Ryan, good morning. This is Marcin. Look, I think we are looking at a variety of different potential financing alternatives. We're not going to exclude any particular one. We're focused on making sure that we position the company for the current environment, but also for the future. Balance sheet flexibility in terms of structure and covenants, ability to repay and things like that obviously are very important as we're looking at it. It's not just about the cost. So, from a strategic perspective, that's kind of how we are thinking about.

Ryan Tomasello

Great, and then just lastly, regarding LIBOR floors, can you say how much of a per share benefit that had in the quarter? And considering the modifications that you've done to date that include a resetting of those floors, do you have an estimate of what type of benefit you'd expect in the third and fourth quarter?

Marcin Urbaszek

Look, I think, if you look at how our net interest income performed in Q2, the increase, I would say, is largely obviously driven by LIBOR floors and on the asset side and a decrease in interest expense. Quarter-over-quarter, that was about $0.09 per share. So, that's how we're looking at it. It's hard to say in terms of what happens in Q3 and Q4. I think we're not focused on really giving up the LIBOR floor economics, as Steve mentioned, in terms of how we're amending our loans. We feel pretty good about our portfolio where it is right now in terms of the fundamental generation of interest income.

Ryan Tomasello

Got it. Thanks for taking the questions, everyone.

John Taylor

Thank you.

Operator

Again, if you would like to ask a question, please press (*), then one (1). Our next question comes from Doug Harter with Credit Suisse. Please go ahead.

Joshua Bolton

Hi, guys, this is actually Josh Bolton on for Doug. Most of my questions have been answered…

John Taylor

Hey, Josh.

Joshua Bolton

Just thinking about repayments in the back-half of the year, obviously, some strong repayments already. Are you expecting any sort of refi demands or borrowers looking to refi, just given where LIBOR floors are in the portfolio versus where current rates are? Or how are you thinking about repayments overall in that context? Thanks.

Steven Plust

Good morning. This is Steven Plust. We are seeing a notable pickup in refi activity. I think a fair amount of it is actually related to the progress of the business plans as much as anything, and I can't speak to the mindsets of the borrowers or where they are financing, but I can just say that we're getting fair activity in that regard. Nothing like what our regular way expectation of refinancing is, but it's definitely picked up.

Joshua Bolton

Great. Thanks for that.

John Taylor

Thank you.

Operator

Our next question comes from Rick Shane with JP Morgan. Please go ahead.

Rick Shane

Hi, guys, good morning, and thanks for taking my questions today.

John Taylor

Hi, Rick.

Rick Shane

First question. On the loan sales this quarter, you talked about a $9 million realized loss. It's unclear to me if that's gross or net of any potential reserve release associated with that. So, I'm wondering if there's an offset?

Marcin Urbaszek

Hi, Rick, it's Marcin. Good morning. Thank you for joining us. There may be a little bit of an offset in there. We haven't finalized all the numbers yet. It's an approximate number. Obviously, there are some reserves attached to some of the--some of those loans. So, we'll kind of see where all that shakes out.

Rick Shane

Got it. Okay, thank you, but no unusually large reserve associated with that loan pretty much in line with the portfolio?

Marcin Urbaszek

Right.

Rick Shane

Okay, great. Thank you. Next question, and you had a question at the beginning of the call related to the $158 million repayment. I'm curious, specifically if this is associated with the retail loan in California, and the reason I asked is that, that was a loan that originally had a maturity of two years. It's your largest loan, and it has at least reached original maturity, and I'm curious if that's where we're seeing the repayment?

Stephen Alpart

Hi, Rick, it's Steve. No, it's not that loan. We did see another retail loan payoff, but not that one, and we particularly have seen what Steve mentioned earlier about just the maturity of business plan. So, we're seeing multifamily and other property types such as office. It's just the natural evolution that some of these loans were very far along borrowers in the market for sales and refis, and now that the market is coming back, you're seeing people kind of continue those processes, but it was not that loan.

Rick Shane

Got it. Okay. That's great and it's helpful. We were sitting here going through the permutations and combinations, trying to figure out how to get to $158 million looking at the portfolio. And it brings me to my last question, at this point, do you guys have readily available? what percentage of loans have reached original maturity? And with the extensions, what the remaining maturity on the loan--those loans would be? We just want to start to monitor potential maturity defaults.

Stephen Alpart

Sure. So, we've had no loans come up yet that are on final maturity. The bulk of our loans are in the initial maturity or just now coming up on that initial maturity date. As part of the amendments that I referenced, we have done a few amendments, particularly where borrowers are stepping up and putting in new equity, and let's say, they have an extension date coming up in November, December, January, and they are not likely to meet the debt yield test. Some of them have said to us, that they would like in a way to kind of meet the extension, and what we've typically been doing is requiring a pay down.

So, we'll say, look, if you don't meet the extension test, in lieu of that, pay the loan down, and a number of borrowers have wanted to do that. But I think it's a little early to directly answer your question, but the theme so far is good conversation, strong sponsors, sponsor stepping up with new equity, and willing to pay down loans to meet the extension.

Rick Shane

Perfect. Okay, and then, look, I think in the unusual circumstances that we're in sort of those temporal buffers make a lot of sense, because this is such an unusual event we're experiencing?

John Taylor

We agree, and that's why we're pursuing the strategy of working with our good sponsors to give something and get something to work through the period of time.

Rick Shane

Got it, and so the takeaway there is to give is going to largely be time and the get is going to be additional capital into the loans?

John Taylor

Of some form. That's right.

Rick Shane

Terrific. Thank you, guys very much.

John Taylor

Thank you for your questions. We appreciate it.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Jack Taylor for any closing remarks.

CONCLUSION

John Taylor

Thank you. We appreciate you all joining us today and taking the time to be with us and to follow up on our quarter. These are very, very challenging times. We're delighted to hear that our analyst community friends and family and investors are well, and we look forward to speaking with you again soon, and to give you further updated reports on how we're doing, and we wish everybody good health and safety through this period of time. Thank very much and thank you, operator. We appreciate it.

Operator

Thank you. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.