UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2021

OR

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______________ to ______________
Commission file number: 001-39645

GUILD HOLDINGS COMPANY

(Exact Name of Registrant as Specified in its Charter)

Delaware	**85-2453154**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
5887 Copley Drive San Diego, California	**92111**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (858) 560-6330

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, $0.01 par value per share	**GHLD**	**The New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No x

As of August 6, 2021, the registrant had 20,663,625 shares of Class A common stock outstanding and 40,333,019 shares of Class B common stock outstanding.

GUILD HOLDINGS COMPANY
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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains forward-looking statements. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would" and "outlook," or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

Important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements include, but are not limited to, those factors described below under "Summary of Risk Factors" and in Part II, Item 1A. Risk Factors" in this Quarterly Report.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described elsewhere in this Quarterly Report. Moreover, we operate in a very competitive environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report to reflect events or circumstances after the date of this Quarterly Report or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

Summary of Risk Factors

Below is a summary of the principal factors that make an investment in our common stock speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found below under Part II, Item 1A. "Risk Factors" and should be carefully considered, together with other information in this Quarterly Report and our other filings with the Securities and Exchange Commission, before making an investment decision regarding our common stock.

- The RMS acquisition may cause our financial results to differ from expectations; we may not be able to achieve anticipated benefits from the acquisition.
- COVID-19 has had, and will likely continue to have, an adverse effect on our business.
- A disruption in the secondary home loan market or our ability to sell the loans we originate could have a detrimental effect on our business.

- Macroeconomic and U.S. residential real estate market conditions could materially and adversely affect our revenue and results of operations.
- We highly depend on certain U.S. government-sponsored entities and government agencies, and any changes in these entities or their current roles could materially and adversely affect us.
- Changes in prevailing interest rates or U.S. monetary policies may have a detrimental effect on our business.
- Our servicing rights are subject to termination with or without cause.
- Our existing and any future indebtedness could adversely our liquidity and our ability to operate our business.
- A significant disruption in the technology that supports our origination and servicing platform could harm us.
- Pressure from existing and new competitors may adversely affect us.
- Our failure to maintain or grow our historical referral relationships with our referral partners may materially and adversely affect us.
- Servicing advances can be subject to delays in recovery or may not be recoverable at all.
- From time to time our estimates of the fair value of certain assets prove to be inaccurate and we are required to write them down.
- Our business may be materially and adversely affected by a cybersecurity breach or other vulnerability involving our computer systems or those of certain of our third-party service providers.
- Operating and growing our business may require additional capital that may not be available.
- We are subject to certain operational risks, including, employee or customer fraud, the obligation to repurchase sold loans in the event of a documentation error, and data processing system failures and errors.
- We are periodically required to repurchase mortgage loans, or indemnify purchasers of our mortgage loans, including if these loans fail to meet certain criteria or characteristics.
- We may fail to comply with the complex legal and regulatory framework (including state licensing requirements) governing our mortgage loan origination and servicing activities.
- We are controlled by McCarthy Capital Mortgage Investors, LLC (“MCMI”), and MCMI’s interests may conflict with our interests and the interests of our other stockholders.
- We are a “controlled company” and rely on exemptions from certain corporate governance requirements that provide protection to stockholders of other companies.
- Our directors and executive officers have significant control over our business.
- We are a holding company and depend upon distributions from Guild Mortgage Co. to meet our obligations.
- We have a dual class common stock structure.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business, financial condition, results of operations and cash flows.

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

GUILD HOLDINGS COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(In thousands, except share and per share amounts)	June 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 322,005	$ 334,623
Restricted cash	4,511	5,010
Mortgage loans held for sale	2,153,990	2,368,777
Ginnie Mae loans subject to repurchase right	1,037,266	1,275,842
Accounts and interest receivable	41,256	43,390
Derivative asset	47,893	130,338
Mortgage servicing rights, net	578,690	446,998
Goodwill	62,834	62,834
Other assets	144,931	150,275
Total assets	$ 4,393,376	$ 4,818,087
Liabilities and stockholders' equity		
Warehouse lines of credit	$ 1,883,665	$ 2,143,443
Notes payable	165,000	145,750
Ginnie Mae loans subject to repurchase right	1,037,640	1,277,026
Accounts payable and accrued expenses	45,329	41,074
Accrued compensation and benefits	68,691	106,313
Investor reserves	16,827	14,535
Income taxes payable	8,717	19,454
Contingent liabilities due to acquisitions	20,416	18,094
Derivative liability	4,430	38,270
Operating lease liabilities	88,816	94,891
Note due to related party	3,634	4,639
Deferred compensation plan	98,528	89,236
Deferred tax liability	103,060	89,370
Total liabilities	3,544,753	4,082,095
Commitments and contingencies (Note 13)		
Stockholders' equity		
Preferred stock, $0.01 par value; 50,000,000 shares authorized; no shares issued and outstanding	—	—
Class A common stock, $0.01 par value; 250,000,000 shares authorized; 19,666,981 shares issued and outstanding at June 30, 2021 and December 31, 2020	197	197
Class B common stock, $0.01 par value; 100,000,000 shares authorized; 40,333,019 shares issued and outstanding at June 30, 2021 and December 31, 2020	403	403
Additional paid-in capital	22,571	18,035
Retained earnings	825,452	717,357
Total stockholders' equity	848,623	735,992
Total liabilities and stockholders' equity	$ 4,393,376	$ 4,818,087

See accompanying notes to condensed consolidated financial statements

GUILD HOLDINGS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share amounts)	2021	2020	2021	2020
Revenue				
Loan origination fees and gain on sale of loans, net	$ 330,759	$ 493,432	$ 777,347	$ 733,293
Loan servicing and other fees	47,652	37,778	92,851	76,310
Valuation adjustment of mortgage servicing rights	(84,789)	(96,161)	(49,046)	(204,810)
Interest income	14,635	13,948	29,734	26,949
Interest expense	(14,209)	(14,508)	(30,720)	(27,442)
Other income, net	61	608	130	997
Net revenue	294,109	435,097	820,296	605,297
Expenses				
Salaries, incentive compensation and benefits	232,563	229,885	499,287	377,898
General and administrative	31,794	25,967	58,701	48,192
Occupancy, equipment and communication	14,662	13,882	29,494	27,200
Depreciation and amortization	1,608	1,806	3,262	3,693
Provision for foreclosure losses	(442)	(64)	2,019	1,860
Total expenses	280,185	271,476	592,763	458,843
Income before income tax expense	13,924	163,621	227,533	146,454
Income tax expense	4,986	40,646	57,991	36,465
Net income	$ 8,938	$ 122,975	$ 169,542	$ 109,989
Net income per share attributable to Class A and Class B Common Stock:				
Basic	$ 0.15		$ 2.83	
Diluted	$ 0.15		$ 2.81	
Weighted average shares outstanding of Class A and Class B Common Stock:				
Basic	60,000		60,000	
Diluted	60,260		60,234	

See accompanying notes to condensed consolidated financial statements

GUILD HOLDINGS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)
(In thousands, except share and per share amounts)

	Class A Shares	Class A Amount	Class B Shares	Class B Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Total
Balance at December 31, 2019	—	$ —	—	$ —	928	$ 93	$ 21,992	$ 383,946	$ 406,031
Common stock dividends ($10,772 per share)	—	—	—	—	—	—	—	(10,000)	(10,000)
Net loss	—	—	—	—	—	—	—	(12,986)	(12,986)
Balance at March 31, 2020	—	—	—	—	928	93	21,992	360,960	383,045
Net income	—	—	—	—	—	—	—	122,975	122,975
Balance at June 30, 2020	—	$ —	—	$ —	928	$ 93	$ 21,992	$ 483,935	$ 506,020

	Class A Shares	Class A Shares	Class B Shares	Class B Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Total
Balance at December 31, 2020	19,666,981	$ 197	40,333,019	$ 403	—	$ —	$ 18,035	$ 717,357	$ 735,992
Stock-based compensation	—	—	—	—	—	—	1,632	—	1,632
Net income	—	—	—	—	—	—	—	160,604	160,604
Balance at March 31, 2021	19,666,981	197	40,333,019	403	—	—	19,667	877,961	898,228
Dividends paid on Class A and Class B common stock ($1.00 per share)	—	—	—	—	—	—	—	(60,000)	(60,000)
Dividend equivalents on unvested restricted stock units	—	—	—	—	—	—	1,447	(1,447)	—
Stock-based compensation	—	—	—	—	—	—	1,457	—	1,457
Net income	—	—	—	—	—	—	—	8,938	8,938
Balance at June 30, 2021	19,666,981	$ 197	40,333,019	$ 403	—	$ —	$ 22,571	$ 825,452	$ 848,623

See accompanying notes to condensed consolidated financial statements

GUILD HOLDINGS COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(In thousands)	Six Months Ended June 30, 2021	2020
Cash flows from operating activities		
Net income	$ 169,542	$ 109,989
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization of fixed assets	3,262	3,693
Valuation adjustment of mortgage servicing rights	49,046	204,810
Valuation adjustment of mortgage loans held for sale	36,059	(43,912)
Unrealized gain (loss) on derivatives	48,605	(98,198)
Amortization of right-of-use assets	7,512	10,355
Provision for investor reserves	5,604	11,053
Provision for foreclosure losses	2,019	1,860
Valuation adjustment of contingent liabilities due to acquisitions	13,114	20,025
Gain on sale of mortgage loans excluding fair value of other financial instruments, net	(671,268)	(480,701)
Deferred income taxes	13,690	(6,567)
Other	2,580	9,302
Benefit from investor reserves	(3,312)	(3,688)
Foreclosure loss reserve	(1,631)	(1,387)
Stock-based compensation	3,089	—
Changes in operating assets and liabilities:		
Origination of mortgage loans held for sale	(18,077,556)	(14,615,843)
Proceeds on sale of and payments from mortgage loans held for sale	18,927,552	14,662,777
Accounts and interest receivable	1,746	9,134
Other assets	(4,244)	(6,713)
Mortgage servicing rights	(180,738)	(123,095)
Accounts payable and accrued expenses	4,255	876
Accrued compensation and benefits	(37,622)	20,050
Income taxes	(10,737)	42,398
Contingent liability payments	(10,792)	(788)
Operating lease liabilities	(4,324)	(10,320)
Deferred compensation plan liability	5,392	664
Real estate owned, net	39	298
Net cash provided by (used in) operating activities	290,882	(283,928)
Cash flows from investing activities		
Proceeds from the sale of property and equipment	38	32
Purchase of property and equipment	(2,019)	(3,658)
Payment made on behalf of affiliate	—	(12,023)
Net cash used in investing activities	(1,981)	(15,649)
Cash flows from financing activities		
Borrowings on warehouse lines of credit	17,569,580	14,261,034
Repayments on warehouse lines of credit	(17,829,843)	(13,874,930)
Borrowings on MSR notes payable	23,500	45,000
Repayments on MSR notes payable	(4,250)	(75,000)
Contingent liability payments	—	(4,358)
Net change in notes payable	(1,005)	(442)

Dividends paid	(60,000)	(10,000)
Net cash (used in) provided by financing activities	(302,018)	341,304
(Decrease) increase in cash, cash equivalents and restricted cash	(13,117)	41,727
Cash, cash equivalents and restricted cash, beginning of period	339,633	106,735
Cash, cash equivalents and restricted cash, end of period	$ 326,516	$ 148,462
Cash, cash equivalents and restricted cash at end of period are comprised of the following:		
Cash and cash equivalents	$ 322,005	$ 144,936
Restricted cash	4,511	3,526
Total cash, cash equivalents and restricted cash	$ 326,516	$ 148,462
Supplemental information		
Cash paid for interest, net	$ 22,819	$ 20,218
Cash paid for taxes, net of refunds	$ 55,038	$ 842

See accompanying notes to condensed consolidated financial statements

GUILD HOLDINGS COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except as otherwise indicated)
(Unaudited)

NOTE 1 - BUSINESS, BASIS OF PRESENTATION, AND ACCOUNTING POLICIES

Guild Holdings Company, including our consolidated subsidiaries (collectively, “Guild”, the “Company”, “we”, “us” or “our”) originates, sells, and services residential mortgage loans within the United States.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) and in accordance with U.S. generally accepted accounting principles (“GAAP”) applicable to interim financial statements. These unaudited condensed consolidated financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results of the interim period. The condensed consolidated balance sheet data as of December 31, 2020 was derived from audited financial statements but does not include all disclosures required by GAAP. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2020. The Company follows the same accounting policies for preparing quarterly and annual reports.

Principles of Consolidation

The Company has one wholly owned subsidiary, Guild Mortgage Company LLC ("GMC"), which through its direct subsidiaries, conducts the Company’s mortgage banking operations. GMC wholly owns Guild Administration Corp., Mission Village Insurance Agency, Guild Insurance, LLC and Guild Financial Express, Inc. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although management is not currently aware of any factors that would significantly change its estimates and assumptions, actual results could materially differ from those estimates.

In March 2020, the World Health Organization (“WHO”) declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. The Company remains fully functional in both its origination and servicing operations. The Company continues to monitor guidance published by the WHO, Centers for Disease Control and Prevention, local and federal government agencies and the Mortgage Bankers Association and is in continual communication with its investors regarding the developments in the mortgage industry.

Earnings Per Share

The Company determines earnings per share in accordance with the authoritative guidance in Accounting Standards Codification ("ASC") 260, *Earnings Per Share*. Basic earnings per share is computed by dividing the net income available to common stockholders for the period by the weighted average number of common shares outstanding during the period using the two-class method. Diluted earnings per share is computed in the same manner as basic earnings per share, except that the number of shares is increased to assume the issuance of potentially dilutive shares using the treasury stock method, unless the effect of such increase would be anti-dilutive. Under the treasury stock method, the average amount of compensation cost for future service that the Company has not yet recognized is assumed to be used to repurchase shares.

Stock-Based Compensation

Stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as an expense on a straight-line basis over the requisite service period, which is generally the vesting period. The fair value of restricted stock units (“RSUs”) is based on the value of the Company’s common stock on the date of grant. Stock-based compensation is included in salaries, incentive compensation and benefits. See *Note 12* for additional information regarding our stock-based compensation.

Escrow and Fiduciary Funds

As a loan servicer, the Company maintains segregated bank accounts in trust for investors and escrow balances for mortgagors, which are excluded from the Company’s Condensed Consolidated Balance Sheets. These accounts totaled $1.4 billion and $1.7 billion at June 30, 2021 and December 31, 2020, respectively.

Common Stock Cash Dividend

The Company declared and paid dividends of $ 1.00 per share on its Class A and Class B common stock during the second quarter of 2021 totaling $60.0 million.

Non-vested RSUs under the 2020 Omnibus Incentive Plan have rights to dividends, which entitle holders to the same dividend value per share as holders of common shares in the form of dividend equivalent units ("DEUs"). DEUs will be credited as additional RSUs on the dividend payment date and will vest on the same date as the underlying RSUs and are forfeited if the underlying RSUs forfeit prior to vesting. The number of additional RSUs credited will equal (1) the per share cash dividend amount, multiplied by (2) the number of RSUs, divided by (3) the fair market value of a share of Class A common stock on the last trading day before the date of the dividend payment, rounded up to the nearest whole number of RSUs.

In conjunction with the payment of Guild's dividend, Guild issued 92,467 DEUs to holders of RSUs. Since the DEUs are forfeitable, the value of the DEUs was recorded as a reduction to retained earnings and a credit to additional paid-in capital.

Acquisition of Residential Mortgage Services Holdings, Inc.

On May 10, 2021, the Company entered into a definitive agreement to acquire Residential Mortgage Services Holdings, Inc. ("RMS"). The acquisition was completed on July 1, 2021 for a purchase price of $204.9 million, subject to customary purchase price adjustments. The acquisition was financed with a combination of $189.6 million in cash and the issuance of 996,644 shares of the Company’s Class A common shares. Additionally, RMS shareholders are entitled to contingent earn-out payments based on net income from RMS branch locations. RMS will continue as a wholly-owned subsidiary of GMC.

Recently Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, *Income Taxes (Topic 740)*. This update provides amendments to simplify and reduce complexity when accounting for income taxes as well as eliminating certain exceptions. The Company adopted ASU 2019-12 on January 1, 2021 and the adoption did not have a material impact on its financial statements.

Accounting Standards Issued but Not Yet Adopted

In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*. ASU 2021-01 clarifies that certain optional expedients and exceptions in ASC 848, for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. ASU 2021-01 also amends the expedients and exceptions in ASC 848 to capture the incremental consequences of the scope clarification and to tailor the existing guidance to derivative instruments affected by the discounting transition. Because the guidance is intended to assist stakeholders during the global market-wide reference rate transition period, it is in effect for a limited time, from March 12, 2020 through December 31, 2022. The Company is currently evaluating the impact of adopting ASU 2021-01 on its consolidated financial statements.

NOTE 2 - FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Inputs used to measure fair value are prioritized within a three-level fair value hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The categorization of assets and liabilities measured at fair value within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels of inputs used to measure fair value are as follows:

- ***Level One*** - Level One inputs are unadjusted, quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- ***Level Two*** - Level Two inputs are observable for that asset or liability, either directly or indirectly, and include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, observable inputs for the asset or liability other than quoted prices and inputs derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified contractual term, the inputs must be observable for substantially the full term of the asset or liability.
- ***Level Three*** - Level Three inputs are unobservable inputs for the asset or liability that reflect the Company’s assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, and are developed based on the best information available.

The Company updates the valuation of each instrument recorded at fair value on a monthly or quarterly basis, evaluating all available observable information which may include current market prices or bids, recent trade activity, changes in the levels of market activity and benchmarking of industry data. The assessment also includes consideration of identifying the valuation approach that would be used currently by market participants. If it is determined that a change in valuation technique or its application is appropriate, or if there are other changes in availability of observable data or market activity, the current methodology will be analyzed to determine if a transfer between levels of the valuation hierarchy is appropriate. Such reclassifications are reported as transfers into or out of a level as of the beginning of the quarter that the change occurs.

Fair value is based on quoted market prices, when available. If quoted prices are not available, fair value is estimated based upon other observable inputs. Unobservable inputs are used when observable inputs are not available and are based upon judgments and assumptions, which are the Company’s assessment of the assumptions market participants would use in pricing the asset or liability. These inputs may include assumptions about risk, counterparty credit quality, the Company’s creditworthiness and liquidity and are developed based on the best information available. When a determination is made to classify an asset or liability within Level Three of the valuation hierarchy, the determination is based upon the significance of the unobservable factors to the overall fair value measurement of the asset or liability. The fair value of assets and liabilities classified within Level Three of the valuation hierarchy also typically includes observable factors and the realized or unrealized gain or loss recorded from the valuation of these instruments would also include amounts determined by observable factors.

Recurring Fair Value Measurements

The Company’s fair value measurements are evaluated within the fair value hierarchy, based on the nature of the inputs used to determine the fair value at the measurement date. At June 30, 2021 and December 31, 2020, the Company had the following assets and liabilities that are measured at fair value on a recurring basis:

Trading Securities — Trading securities are classified within Level One of the valuation hierarchy. Valuation is based upon quoted prices for identical instruments traded in active markets. Level One trading securities include securities traded on active exchange markets, such as the New York Stock Exchange. Trading securities are included within prepaid expenses and other assets in the Condensed Consolidated Balance Sheets.

Derivative Instruments — Derivative instruments are classified within Level Two and Level Three of the valuation hierarchy, and include the following:

Interest Rate Lock Commitments — IRLCs are classified within Level Three of the valuation hierarchy. IRLCs represent an agreement to extend credit to a mortgage loan applicant, or an agreement to purchase a loan from a third-party originator, whereby the interest rate on the loan is set prior to funding. The fair value of IRLCs is based upon the estimated fair value of the underlying mortgage loan, including the expected net future cash flows related to servicing the mortgage loan, net of estimated incentive compensation expenses, and adjusted for: (i) estimated costs to complete and originate the loan and (ii) an adjustment to reflect the estimated percentage of IRLCs that will result in a closed mortgage loan under the original terms of the agreement (pull-through rate). The pull-through rate is considered a significant unobservable input and is estimated based on changes in pricing and actual borrower behavior using a historical analysis of loan closing and fallout data. The average pull-through rate used to calculate the fair value of IRLCs as of June 30, 2021 and December 31, 2020, was 90.7% and 87.8%, respectively. On a quarterly basis, actual loan pull-through rates are compared to the modeled estimates to confirm the assumptions are reflective of current trends. Generally, a change in interest rates is accompanied by a directionally opposite change in the assumption used for the pull-through percentage, and the impact to fair value of a change in pull-through would be partially offset by the related change in price.

Forward Delivery Commitments — Forward delivery commitments are classified within Level Two of the valuation hierarchy. Forward delivery commitments fix the forward sales price that will be realized upon the sale of mortgage loans into the secondary market. The fair value of forward delivery commitments is primarily based upon the current agency mortgage-backed security market to-be-announced pricing specific to the loan program, delivery coupon and delivery date of the trade. Best efforts sales commitments are also entered into for certain loans at the time the borrower commitment is made. These best-efforts sales commitments are valued using the committed price to the counterparty against the current market price of the IRLC or mortgage loan held for sale.

Option contracts are a type of forward commitment that represents the rights to buy or sell mortgage-backed securities at specified prices in the future. Their value is based upon the underlying current to-be-announced pricing of the agency mortgage-backed security market, and market-based volatility. See *Note 5* for additional information on the derivative instruments.

Mortgage Loans Held for Sale — MLHS are carried at fair value. The fair value of MLHS is based on secondary market pricing for loans with similar characteristics, and as such, is classified as a Level Two measurement. For Level Two MLHS, fair value is estimated through a market approach by using either: (i) the fair value of securities backed by similar mortgage loans, adjusted for certain factors to approximate the fair value of a whole mortgage loan, including the value attributable to servicing rights and credit risk, (ii) current commitments to purchase loans or (iii) recent observable market trades for similar loans, adjusted for credit risk and other individual loan characteristics. The agency mortgage-backed security market is a highly liquid and active secondary market for conforming conventional loans whereby quoted prices exist for securities at the pass-through level and are published on a regular basis. The Company has the ability to access this market and it is the market into which conforming mortgage loans are typically sold.

Mortgage Servicing Rights — MSRs are classified within Level Three of the valuation hierarchy due to the use of significant unobservable inputs and the lack of an active market for such assets. The fair value of MSRs is estimated based upon projections of expected future cash flows considering prepayment estimates, the Company's historical prepayment rates, portfolio characteristics, interest rates based on interest rate yield curves, implied volatility, costs to service and other economic factors. The Company obtains valuations from an independent third party on a monthly basis, and records an adjustment based on this third-party valuation. See Note 6 for additional information on our MSRs.

Contingent Liabilities due to acquisitions— Contingent liabilities represent future obligations of the Company to make payments to the former owners of its acquired companies. The Company determines the fair value of its contingent liabilities using a discounted cash flow approach whereby the Company forecasts the cash outflows related to the future payments, which are based on a percentage of net income specified in the purchase agreements. The Company then discounts these expected payment amounts to calculate the present value, or fair value, as of the valuation date. The Company's management evaluates the underlying projections used in determining fair value each period and makes updates to these underlying projections.

The Company uses a risk-adjusted discount rate to value the contingent liabilities which is considered a significant unobservable input, and as such, the liabilities are classified as a Level Three measurement. Management's underlying projections adjust for market penetration and other economic expectations, and the discount rate is risk-adjusted for key factors such as uncertainty in the mortgage banking industry due to its reliance on external influences (interest rates, regulatory changes, etc.), upfront payments, and credit risk. An increase in the discount rate will result in a decrease in the fair value of the contingent liabilities. Conversely, a decrease in the discount rate will result in an increase in the fair value of the contingent liabilities. At June 30, 2021 and December 31, 2020, the range of the risk adjusted discount rate was 15.0% - 20.0%, with a median of 15.0%. Adjustments to the fair value of the contingent liabilities (other than payments) are recorded as a gain or loss and are included within general and administrative expenses in the Condensed Consolidated Statements of Income.

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis at June 30, 2021:

Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Trading securities	$ 102	$ —	$ —	$ 102
Derivative				
Forward delivery commitments	—	3,407	—	3,407
Interest rate lock commitments	—	—	44,486	44,486
Mortgage loans held for sale	—	2,153,990	—	2,153,990
Mortgage servicing rights	—	—	578,690	578,690
Total assets at fair value	$ 102	$ 2,157,397	$ 623,176	$ 2,780,675
Liabilities:				
Derivative				
Forward delivery commitments	$ —	$ 4,430	$ —	$ 4,430
Contingent liabilities due to acquisitions	—	—	20,416	20,416
Total liabilities at fair value	$ —	$ 4,430	$ 20,416	$ 24,846

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis at December 31, 2020:

Description	Level 1	Level 2	Level 3	Total
Assets:				
Trading securities	$ 78	$ —	$ —	$ 78
Derivative				
Interest rate lock commitments	—	—	130,338	130,338
Mortgage loans held for sale	—	2,368,777	—	2,368,777
Mortgage servicing rights	—	—	446,998	446,998
Total assets at fair value	$ 78	$ 2,368,777	$ 577,336	$ 2,946,191
Liabilities:				
Derivative				
Forward delivery commitments	$ —	$ 38,270	$ —	$ 38,270
Contingent liabilities due to acquisitions	—	—	18,094	18,094
Total liabilities at fair value	$ —	$ 38,270	$ 18,094	$ 56,364

The table below presents a reconciliation of Level Three assets and liabilities measured at fair value on a recurring basis for the periods ended:

	IRLCs	Contingent Liabilities
Balance at March 31, 2021	**$ 38,009**	**$ 16,568**
Net transfers and revaluation gains	6,477	—
Payments	—	(2,646)
Valuation adjustments	—	6,494
Balance at June 30, 2021	**$ 44,486**	**$ 20,416**
Balance at December 31, 2020	**$ 130,338**	**$ 18,094**
Net transfers and revaluation gains	(85,852)	—
Payments	—	(10,792)
Valuation adjustments	—	13,114
Balance at June 30, 2021	**$ 44,486**	**$ 20,416**
Balance at March 31, 2020	**$ 101,255**	**$ 14,675**
Net transfers and revaluation gains	40,374	—
Payments	—	(2,741)
Valuation adjustments	—	11,018
Balance at June 30, 2020	**$ 141,629**	**$ 22,952**
Balance at December 31, 2019	**$ 19,922**	**$ 8,073**
Net transfers and revaluation gains	121,707	—
Payments	—	(5,146)
Valuation adjustments	—	20,025
Balance at June 30, 2020	**$ 141,629**	**$ 22,952**

Changes in the availability of observable inputs may result in reclassifications of certain assets or liabilities. Such reclassifications are reported as transfers in or out of Level Three as of the beginning of the period that the change occurs. There were no transfers between fair value levels during the three and six months ended June 30, 2021 and 2020.

Non-Recurring Fair Value Measurements

Certain assets and liabilities that are not typically measured at fair value on a recurring basis may be subject to fair value measurement requirements under certain circumstances. These adjustments to fair value usually result from write-downs of individual assets. At June 30, 2021 and December 31, 2020, the Company had the following financial asset measured at fair value on a non-recurring basis:

Ginnie Mae Loans subject to Repurchase Right — Government National Mortgage Association ("GNMA" or "Ginnie Mae") securitization programs allow servicers to buy back individual delinquent mortgage loans from the securitized loan pool once certain conditions are met. If a borrower makes no payment for three consecutive months, the servicer has the option to repurchase the delinquent loan for an amount equal to 100% of the loan's remaining principal balance. Under ASC 860, *Transfers and Servicing*, this buy-back option is considered a conditional option until the delinquency criteria are met, at which time the option becomes unconditional. The Company records these assets and liabilities at their fair value, which is determined to be the remaining unpaid principal balance. The Company's future expected realizable cash flows are the cash payments of the remaining unpaid principal balance whether paid by the borrower or reimbursed through a claim filed with the United States Department of Housing and Urban Development ("HUD"). The Company considers the fair value of these assets and liabilities to fall into the Level Two bucket in the valuation hierarchy due to the assets and liabilities having specified contractual terms and the inputs are observable for substantially the full term of the assets and liabilities life.

The following table summarizes the Company's financial assets measured at fair value on a non-recurring basis at June 30, 2021:

Description	Level 1	Level 2	Level 3	Total
Assets:				
Ginnie Mae loans subject to repurchase right	$ —	$ 1,037,266	$ —	$ 1,037,266
Total assets at fair value	$ —	$ 1,037,266	$ —	$ 1,037,266
Liabilities:				
Ginnie Mae loans subject to repurchase right	$ —	$ 1,037,640	$ —	$ 1,037,640
Total liabilities at fair value	$ —	$ 1,037,640	$ —	$ 1,037,640

The following table summarizes the Company's financial assets measured at fair value on a non-recurring basis at December 31, 2020:

Description	Level 1	Level 2	Level 3	Total
Assets:				
Ginnie Mae loans subject to repurchase right	$ —	$ 1,275,842	$ —	$ 1,275,842
Total assets at fair value	$ —	$ 1,275,842	$ —	$ 1,275,842
Liabilities:				
Ginnie Mae loans subject to repurchase right	$ —	$ 1,277,026	$ —	$ 1,277,026
Total liabilities at fair value	$ —	$ 1,277,026	$ —	$ 1,277,026

Fair Value Option

The following is the estimated fair value and unpaid principal balance of MLHS that have contractual principal amounts and for which the Company has elected the fair value option. The fair value option was elected for MLHS as the Company believes fair value best reflects their expected future economic performance:

	Fair Value	Principal Amount Due Upon Maturity	Difference [1]
Balance at June 30, 2021	$ 2,153,990	$ 2,115,136	$ 38,854
Balance at December 31, 2020	$ 2,368,777	$ 2,293,895	$ 74,882

(1) Represents the amount of gains included in loan origination fees and gain on sale of loans, net due to changes in fair value of items accounted for using the fair value option.

NOTE 3 - ACCOUNTS AND INTEREST RECEIVABLE

Accounts and interest receivable consisted of the following:

	June 30, 2021	December 31, 2020
Trust advances	$ 30,608	$ 36,241
Foreclosure advances, net	8,291	2,894
Receivables related to loan sales	2,576	2,707
Other	(219)	1,548
Total accounts and interest receivable	$ 41,256	$ 43,390

Management has established a foreclosure reserve for estimated uncollectible balances of the foreclosure and trust advances. Management believes that substantially all other accounts and interest receivable amounts are collectible and, accordingly, no allowance for doubtful accounts is necessary.

The activity of the foreclosure loss reserve was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Balance — beginning of period	$ 13,350	$ 8,993	$ 12,402	$ 7,869
Utilization of foreclosure reserve	(118)	(587)	(1,631)	(1,387)
Provision charged to operations	(442)	(64)	2,019	1,860
Balance — end of period	$ 12,790	$ 8,342	$ 12,790	$ 8,342

NOTE 4 - OTHER ASSETS

Other assets consisted of the following:

	June 30, 2021	December 31, 2020
Prepaid expenses	$ 15,360	$ 16,652
Company owned life insurance	37,052	29,910
Property and equipment, net	13,523	14,773
Right-of-use assets	78,245	87,508
Real estate owned	507	1,354
Land	142	—
Trading securities	102	78
Total other assets	$ 144,931	$ 150,275

Property and equipment, net consisted of the following:

	June 30, 2021	December 31, 2020
Computer equipment	$ 23,446	$ 22,946
Furniture and equipment	18,258	18,301
Leasehold improvements	12,232	12,307
Internal-use software in production	1,704	1,716
Internal-use software	6,994	5,639
Property and equipment, gross	62,634	60,909
Accumulated depreciation	(49,111)	(46,136)
Property and equipment, net	$ 13,523	$ 14,773

Depreciation and amortization expense for property and equipment was $ 1.6 million and $1.8 million for the three months ended June 30, 2021 and 2020, respectively and $3.3 million and $3.7 million for the six months ended June 30, 2021 and 2020, respectively.

NOTE 5 - DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses forward commitments in hedging the interest rate risk exposure on its fixed and adjustable rate commitments. The Company's derivative instruments are not designated as hedging instruments; therefore, changes in fair value are recorded in current period earnings. Hedging gains and losses are included in loan origination fees and gain on sale of loans, net in the Condensed Consolidated Statements of Income.

Net unrealized hedging gains were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Unrealized hedging gains (losses)	$ (91,606)	$ 67,908	$ (48,605)	$ 98,198

Notional and Fair Value

The notional and fair value of derivative financial instruments not designated as hedging instruments were as follows at June 30, 2021 and December 31, 2020:

		Fair Value	
	Notional Value	Derivative Asset	Derivative Liability
Balance at June 30, 2021			
IRLCs	$ 3,230,774	$ 44,486	$ —
Forward commitments	$ 3,701,455	$ 3,407	$ 4,430
Balance at December 31, 2020			
IRLCs	$ 5,151,179	$ 130,338	$ —
Forward commitments	$ 5,480,491	$ —	$ 38,270

The Company had an additional $770.7 million and $895.2 million of outstanding forward contracts and mandatory sell commitments, comprised of closed loans with equal and offsetting unpaid principal balance ("UPB") amounts allocated to them, at June 30, 2021 and December 31, 2020, respectively. The Company also had $658.0 million and $908.0 million in closed hedge instruments not yet settled at June 30, 2021 and December 31, 2020, respectively. See *Note 2* for fair value disclosure of the derivative instruments.

The following table presents the quantitative information about IRLCs and the fair value measurements:

Unobservable Input	June 30, 2021	December 31, 2020
	Range (Weighted Average)	
Loan funding probability (“pull-through”)	0% -100% (90.7%)	0% - 100% (87.8%)

Counterparty agreements for forward commitments contain master netting agreements. The master netting agreements contain a legal right to offset amounts due to and from the same counterparty. The Company incurred no credit losses due to nonperformance of any of its counterparties during the periods ended June 30, 2021 and 2020.

The table below represents financial liabilities that are subject to master netting arrangements or similar agreements categorized by financial instrument, together with corresponding financial instruments and corresponding collateral received or pledged.

	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Balance Sheet	Net Amounts of Recognized Assets (Liabilities) in the Balance Sheet
June 30, 2021			
Forward delivery commitments	$ 5,909	$ (2,502)	$ 3,407
Total assets	$ 5,909	$ (2,502)	$ 3,407
Forward delivery commitments	$ (4,935)	$ 1,620	$ (3,315)
Best efforts sales commitments	(1,115)	—	(1,115)
Total liabilities	$ (6,050)	$ 1,620	$ (4,430)
December 31, 2020			
Forward delivery commitments	$ (54,419)	$ 4,825	$ (49,594)
Best efforts sales commitments	(3,656)	—	(3,656)
Margin calls	14,980	—	14,980
Total liabilities	$ (43,095)	$ 4,825	$ (38,270)

NOTE 6 - MORTGAGE SERVICING RIGHTS

The activity of mortgage servicing rights was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Balance — beginning of period	$ 586,717	$ 352,214	$ 446,998	$ 418,402
MSRs originated	76,762	80,634	180,738	123,095
Changes in fair value:				
Due to collection/realization of cash flows	(34,944)	(31,220)	(79,806)	(53,730)
Due to changes in valuation model inputs or assumptions	(49,845)	(64,941)	30,760	(151,080)
Balance — end of period	$ 578,690	$ 336,687	$ 578,690	$ 336,687

The following table presents the weighted average discount rate, prepayment speed and cost to service assumptions used to determine the fair value of MSRs:

Unobservable Input	June 30, 2021	December 31, 2020
	Range (Weighted Average)	
Discount rate	9.2% - 15.5% (10.0%)	9.2% - 15.5% (10.0%)
Prepayment rate	9.1% - 30.3% (14.9%)	10.0% - 38.8% (18.2%)
Cost to service (per loan)	$71.8 - $454.7 ($91.0)	$71.0 - $409.4 ($92.5)

At June 30, 2021 and December 31, 2020, the MSRs had a weighted average life of approximately 5.5 years and 5.1 years, respectively. See *Note 2* for additional information regarding the valuation of MSRs.

Actual revenue generated from servicing activities included contractually specified servicing fees, as well as late fees and other ancillary servicing revenue, which were recorded within loan servicing and other fees as follows for the periods ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Servicing fees from servicing portfolio	$ 46,035	$ 37,102	$ 89,891	$ 74,178
Late fees	1,451	934	2,520	2,635
Other ancillary servicing revenue (expense)	166	(258)	440	(503)
Total loan servicing and other fees	$ 47,652	$ 37,778	$ 92,851	$ 76,310

At June 30, 2021 and December 31, 2020, the unpaid principal balance of mortgage loans serviced totaled $ 66.3 billion and $60.8 billion, respectively. Conforming conventional loans serviced by the Company are sold to the Federal National Mortgage Association ("FNMA" or "Fannie Mae") or the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") programs on a nonrecourse basis, whereby foreclosure losses are generally the responsibility of FNMA and FHLMC and not the Company. Similarly, certain loans serviced by the Company are secured through GNMA programs, whereby the Company is insured against loss by the Federal Housing Association ("FHA") or partially guaranteed against loss by the Department of Veterans Affairs ("VA").

The key assumptions used to estimate the fair value of MSRs are prepayment speeds, the discount rate and costs to service. Increases in prepayment speeds generally have an adverse effect on the value of MSRs as the underlying loans prepay faster. In a declining interest rate environment, the fair value of MSRs generally decreases as prepayments increase and therefore, the estimated life of the MSRs and related cash flows decrease. Decreases in prepayment speeds generally have a positive effect on the value of MSRs as the underlying loans prepay less frequently. In a rising interest rate environment, the fair value of MSRs generally increases as prepayments decrease and therefore, the estimated life of the MSRs and related cash flows increase. Increases in the discount rate generally have an adverse effect on the value of the MSRs. The discount rate is risk adjusted for key factors such as uncertainty in the mortgage banking industry due to its reliance on external influences (interest rates, regulatory changes, etc.), premium for market liquidity, and credit risk. A higher discount rate would indicate higher uncertainty of the future cash flows. Conversely decreases in the discount rate generally have a positive effect on the value of the MSRs. Increases in the costs to service generally have an adverse effect on the value of the MSRs as an increase in costs to service would reduce the Company’s future net cash inflows from servicing a loan. Conversely decreases in the costs to service generally have a positive effect on the value of the MSRs. MSR uncertainties are hypothetical and do not always have a direct correlation with each assumption. Changes in one assumption may result in changes to another assumption, which might magnify or counteract the uncertainties.

The following table illustrates the impact of adverse changes on the prepayment speeds, discount rate and cost to service at two different data points at June 30, 2021 and December 31, 2020, respectively:

	Prepayment Speeds		Discount Rate		Cost to Service (per loan)	
	10% Adverse Change	20% Adverse Change	10% Adverse Change	20% Adverse Change	10% Adverse Change	20% Adverse Change
June 30, 2021						
Mortgage servicing rights	$ (37,460)	$ (68,497)	$ (23,232)	$ (41,266)	$ (11,455)	$ (19,032)
December 31, 2020						
Mortgage servicing rights	$ (36,117)	$ (66,419)	$ (18,638)	$ (32,312)	$ (10,334)	$ (16,700)

NOTE 7 - MORTGAGE LOANS HELD FOR SALE

The Company sells substantially all of its originated mortgage loans into the secondary market. The Company may retain the right to service some of these loans upon sale through ownership of servicing rights. A reconciliation of the changes in mortgage loans held for sale to the amounts presented in the Condensed Consolidated Statements of Cash Flows is set forth below:

	Six Months Ended June 30,	
	2021	2020
Balance at the beginning of period	$ 2,368,777	$ 1,504,842
Origination of mortgage loans held for sale	18,077,556	14,615,843
Proceeds on sale of payments from mortgage loans held for sale	(18,927,552)	(14,662,777)
Gain on sale of mortgage loans excluding fair value of other financial instruments, net	671,268	480,701
Valuation adjustment of mortgage loans held for sale	(36,059)	43,912
Balance at the end of period	$ 2,153,990	$ 1,982,521

At June 30, 2021, mortgage loans held for sale included unpaid principal balances of the underlying loans of $ 2.1 billion and had a fair value of $2.2 billion. At December 31, 2020, mortgage loans held for sale included unpaid principal balances of the underlying loans of $ 2.3 billion and had a fair value of $2.4 billion.

NOTE 8 - INVESTOR RESERVES

The Company's estimate of the investor reserves consider the current macro-economic environment and recent repurchase trends; however, if the Company experiences a prolonged period of higher repurchase and indemnification activity, then the realized losses from loan repurchases and indemnifications may ultimately be in excess of the liability. The maximum exposure under the Company's representations and warranties would be the outstanding principal balance and any premium received on all loans ever sold by the Company, less any loans that have already been paid in full by the mortgagee, that have defaulted without a breach of representations and warranties, that have been indemnified via settlement or make-whole, or that have been repurchased. Additionally, the Company may receive relief of certain representations and warranty obligations on loans sold to FNMA or FHLMC on or after January 1, 2013 if FNMA or FHLMC satisfactorily concludes a quality control loan file review or if the borrower meets certain acceptable payment history requirements within 12 or 36 months after the loan is sold to FNMA or FHLMC.

The activity of the investor reserves was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Balance — beginning of period	$ 14,877	$ 17,904	$ 14,535	$ 16,521
Benefit from investor reserves	(1,306)	(2,920)	(3,312)	(3,688)
Provision for investor reserves charged to operations	3,256	8,902	5,604	11,053
Balance — end of period	$ 16,827	$ 23,886	$ 16,827	$ 23,886

NOTE 9 - WAREHOUSE LINES OF CREDIT

Warehouse lines of credit consisted of the following at June 30, 2021 and December 31, 2020. Changes subsequent to June 30, 2021 have been described in the notes referenced with the below table.

	Maturity as of June 30, 2021	June 30, 2021	December 31, 2020
$800 million master repurchase facility agreement(1)	January 2022	$ 246,639	$ 442,593
$250 million master repurchase facility agreement(2)	September 2021	152,254	148,011
$500 million master repurchase facility agreement(3)	February 2022	445,947	541,074
$200 million master repurchase facility agreement(4)	June 2022	118,922	187,214
$300 million master repurchase facility agreement(5)	September 2021	278,544	232,272
$500 million master repurchase facility agreement(6)	July 2021	413,790	464,355
$200 million master repurchase facility agreement(7)	April 2022	89,340	104,880
$250 million master repurchase facility agreement(8)	N/A	96,805	—
$75 million master repurchase facility agreement(9)	March 2025	43,081	25,185
		1,885,322	2,145,584
Prepaid commitment fees		(1,657)	(2,141)
Net warehouse lines of credit		$ 1,883,665	$ 2,143,443

(1) The variable interest rate is calculated using a base rate tied to LIBOR, the Eurodollar, or an alternative base rate with a floor of 0.75%, plus the applicable interest rate margin.

(2) The variable interest rate is calculated using a base rate tied to LIBOR, plus the applicable interest rate margin. This line of credit requires a minimum deposit of $1.25 million.

(3) The variable interest rate is calculated using a base rate tied to LIBOR, plus the applicable interest rate margin. This facility requires a minimum deposit of $2.5 million.

(4) The variable interest rate is calculated using a base rate plus LIBOR, with a floor of 1.525% plus the applicable interest rate margin. This line of credit requires a minimum deposit of $750,000. This facility matured in June 2021 and was amended with a maturity date of June 2022.

(5) The variable interest rate is calculated using a base rate tied to LIBOR with a floor of 0.40%, plus the applicable interest rate margin.

(6) The variable interest rate is calculated using a base rate tied to LIBOR with a floor of 0.75%, plus the applicable interest rate margin. Subsequent to June 30, 2021, this facility was amended with a maturity date of July 2022. As part of the amendment, the LIBOR floor was revised to 0.50%.

(7) The variable interest rate is calculated using a base rate tied to LIBOR with a floor of 1.25%, plus the applicable interest rate margin. This facility matured in June 2021 and was amended with a maturity date of April 2022.

(8) This facility agreement was effective January 2021. The variable interest rate is calculated using a base rate tied to LIBOR, plus the applicable interest rate margin. This facility's maturity date is 30 days from written notice by either the financial institution or the Company.

(9) The interest rate on this facility is 3.375%. This facility was opened in 2019 and is used for GNMA delinquent buyouts. Each buyout represents a separate transaction that can remain on the facility for up to 4 years.

The weighted average interest rate for warehouse lines of credit was 2.46% and 2.52% at June 30, 2021 and December 31, 2020, respectively. All warehouse lines of credit are collateralized by underlying mortgages and related documents. Existing balances on warehouse lines are repaid through the sale proceeds from the collateralized loans held for sale. The Company intends to renew existing warehouse lines prior to expiration. If those lines are not renewed or replaced, that could have a negative impact on the Company's ability to continue funding new loans. The Company had cash balances of $58.4 million and $15.6 million in its warehouse buy down accounts as offsets to certain lines of credit at June 30, 2021 and December 31, 2020, respectively.

The agreements governing the Company's warehouse lines of credit contain covenants that include certain financial requirements, including maintenance of maximum adjusted leverage ratio, minimum net worth, minimum tangible net worth, minimum current ratio, minimum liquidity, positive quarterly income and limitations on additional indebtedness, dividends, sale of assets, and decline in the mortgage loan servicing portfolio's fair value. At June 30, 2021 and December 31, 2020, management believes the Company was in compliance with all debt covenants.

The Company has an optional short-term financing agreement between FNMA and the lender described as "As Soon As Pooled". The Company can elect to assign FNMA MBS trades to FNMA in advance of settlement and enter into a financing transaction and revenue related to the assignment is deferred until the final pool settlement date. The Company determines utilization based on warehouse availability and cash needs. There was no outstanding balance as of June 30, 2021 and December 31, 2020.

NOTE 10 - NOTES PAYABLE

Revolving Notes:

In January 2014, the Company entered into an agreement for a revolving note from one of its warehouse banks, which it can draw upon as needed and has renewed on an annual basis. Borrowings on the revolving note are collateralized by the Company's GNMA MSRs. Monthly interest on the outstanding balance is calculated using a base rate tied to the LIBOR rate plus the applicable margin, with a floor of 4.50%. The revolving note also has an unused facility fee on the average unused balance, which is also paid quarterly. The unused facility fee is waived if the average outstanding balance exceeds 70% of the available facility. In June 2020, the Company amended and restated the agreement and the revolving note was increased to a maximum committed amount of $135.0 million. The agreement also allows for the Company to increase the committed amount up to $200.0 million. The revolving note is currently scheduled to expire in June 2022. The Company has the option to convert the outstanding balance of the revolving note into a term note at its discretion. At June 30, 2021 and December 31, 2020, the Company had $45.0 million in outstanding borrowings on this credit facility.

In July 2017, the Company entered into an agreement for a revolving note of up to $ 25.0 million from one of its warehouse banks, which it can draw upon as needed and has renewed on an annual basis. In July 2020, the Company amended the agreement to increase the revolving note up to $65.0 million. In July 2021, the Company amended the agreement by extending the expiration date to July 2022. Borrowings on the revolving note are collateralized by the Company's FHLMC MSRs. Monthly interest on the outstanding balance is calculated using a base rate tied to the LIBOR rate with a floor of 0.50% plus the applicable margin. The revolving note also has an unused facility fee on the average unused balance, which is also paid quarterly. The unused facility fee is waived if the average outstanding balance exceeds 50% of the available combined warehouse and MSR facility. The lender has the option to convert the outstanding balance of the revolving note into a term note at its discretion. At June 30, 2021 and December 31, 2020, the Company had $20.0 million in outstanding borrowings on this credit facility.

Term Note:

In January 2014, the Company entered into a term note agreement with one of its warehouse banks collateralized by the Company's FNMA MSRs. In March 2021, the term note was amended and restated, at which time there was an outstanding amount of $76.5 million. The outstanding amount of $76.5 million was rolled into a new term note with a commitment of $ 125.0 million. The note allows for the committed amount to be increased to a maximum of $175.0 million. The Company could draw on the committed amount through March 2022 and the note matures on March 25, 2024. Interest on the principal is paid monthly and is based upon a margin plus the highest of the (i) Prime Rate, (ii) Federal Funds Rate plus 0.5%, or (iii) the Eurodollar Base Rate plus 1.0%. Principal payments of 5% of the outstanding balance as of March 31, 2022 are due quarterly beginning April 15, 2022, with the remaining principal balance due upon maturity. The term note also has an unused facility fee equal to 0.375% of the average daily unadvanced amount, which is the difference between the committed amount and the amount outstanding. This fee is paid quarterly. At June 30, 2021 and December 31, 2020, the Company had an outstanding balance of $100.0 million and $80.8 million, respectively, on this facility.

The minimum calendar year payments of the Company's term note as of June 30, 2021 are as follows:

2022	$	15,000
2023		20,000
2024		65,000
Total	$	100,000

NOTE 11 - EARNINGS PER SHARE

Prior to our initial public offering ("IPO") in October 2020, the Guild Mortgage Company LLC membership structure included several different types of LLC interests including ownership interests and profits interests. The Company analyzed the calculation of earnings per unit for periods prior to the IPO using the two-class method and determined that it resulted in values that would not be meaningful to the user of these condensed consolidated financial statements. Therefore, earnings per share information has not been presented for periods prior to October 22, 2020.

Basic earnings per share is computed based on the weighted average number of shares of Class A and Class B shares outstanding during the period using the two-class method. Diluted earnings per share is computed based on the weighted average number of shares plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include RSUs for Class A common stock.

The following table sets forth the components of basic and diluted earnings per share:

	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
Net income available for Class A and Class B Common Stock	$ 8,938	$ 169,542
Weighted-average shares outstanding, Class A Common Stock	19,667	19,667
Weighted-average shares outstanding, Class B Common Stock	40,333	40,333
Weighted-average shares outstanding - basic	60,000	60,000
Add dilutive effects of non-vested shares of restricted stock - Class A	260	234
Weighted-average shares outstanding - diluted	60,260	60,234
Basic earnings per share:		
Class A and Class B Common Stock	$ 0.15	$ 2.83
Diluted earnings per share:		
Class A and Class B Common Stock	$ 0.15	$ 2.81

No shares were excluded from the calculation of earnings per share as a result of being anti-dilutive.

Capital Stock

The Company has two classes of common stock: Class A and Class B. Class A common stock is traded on the New York Stock Exchange under the symbol “GHLD.” There is no public market for the Company’s Class B common stock. However, under the terms of the Company’s Certificate of Incorporation, the holder of Class B common stock may convert any portion or all of the holder’s shares of Class B common stock into an equal number of shares of Class A common stock at any time.

The holders of the Class A common stock and Class B common stock are entitled to dividends when and if declared by the Company’s Board of Directors out of legally available funds. Any stock dividend must be paid in shares of Class A common stock with respect to Class A common stock and in shares of Class B common stock with respect to Class B common stock.

The voting powers, preferences and relative rights of Class A common stock and Class B common stock are identical in all respects, except that the holders of Class A common stock have one vote per share and the holders of Class B common stock have ten votes per share.

Restricted Stock Units

The Company issues RSUs, which represent the right to receive, upon vesting, one share of the Company’s common stock. The number of potentially dilutive shares related to RSUs is based on the number of shares, if any, that would be issuable at the end of the respective reporting period, assuming that date was the end of the vesting period.

NOTE 12 - STOCK-BASED COMPENSATION

Stock-Based Compensation

The Company’s stock-based compensation arrangements include grants of RSUs under the 2020 Omnibus Incentive Plan. The stock-based compensation costs recognized during the three and six months ended June 30, 2021 was $1.5 million and $3.1 million, respectively, and is included in salaries, incentive compensation and benefits. As of June 30, 2021, there was approximately $17.2

million of unrecognized compensation costs related to non-vested RSUs, which we expect to recognize over the next 3.1 years.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Commitments to Extend Credit

The Company enters into IRLCs with customers who have applied for residential mortgage loans and meet certain credit and underwriting criteria. These commitments expose the Company to market risk if interest rates change and the loan is not economically hedged or committed to an investor. The Company is also exposed to credit loss if the loan is originated and not sold to an investor and the customer does not perform. The collateral upon extension of credit typically consists of a first deed of trust in the mortgagor's residential property. Commitments to originate loans do not necessarily reflect future cash requirements as some commitments are expected to expire without being drawn upon. Total commitments to originate loans at June 30, 2021 and December 31, 2020 were approximately $3.2 billion and $5.2 billion, respectively.

The Company manages the interest rate price risk associated with its outstanding IRLCs and loans held for sale by entering into derivative loan instruments such as forward loan sales commitments, mandatory delivery commitments, options and futures contracts. Total commitments related to these derivatives at June 30, 2021 and December 31, 2020 were approximately $3.7 billion and $5.5 billion, respectively.

Legal

The Company is involved in various lawsuits arising in the ordinary course of business. While the ultimate results of these lawsuits cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the consolidated financial position or results of operations of the Company.

NOTE 14 - MINIMUM NET WORTH REQUIREMENTS

Certain secondary market investors and state regulators require the Company to maintain minimum net worth and capital requirements. To the extent that these requirements are not met, secondary market investors and/or the state regulators may utilize a range of remedies including sanctions, and/or suspension or termination of selling and servicing agreements, which may prohibit the Company from originating, securitizing or servicing these specific types of mortgage loans.

The Company is subject to the following minimum net worth, minimum capital ratio and minimum liquidity requirements established by the Federal Housing Finance Agency for Fannie Mae and Freddie Mac Seller/Servicers, and Ginnie Mae for single family issuers.

Minimum Net Worth

The minimum net worth requirement for Fannie Mae and Freddie Mac is defined as follows:

- Base of $2,500 plus 25 basis points of outstanding UPB for total loans serviced.
- Adjusted/Tangible Net Worth comprises of total equity less goodwill, intangible assets, affiliate receivables and certain pledged assets.

The minimum net worth requirement for Ginnie Mae is defined as follows:

- Base of $2,500 plus 35 basis points of the issuer's total single-family effective outstanding obligations.
- Adjusted/Tangible Net Worth comprises of total equity less goodwill, intangible assets, affiliate receivables and certain pledged assets.

Minimum Capital Ratio

- For Fannie Mae, Freddie Mac and Ginnie Mae the Company is also required to hold a ratio of Adjusted/Tangible Net Worth to Total Assets greater than 6%.

Minimum Liquidity

The minimum liquidity requirement for Fannie Mae and Freddie Mac is defined as follows:

- 3.5 basis points of total Agency servicing.
- Incremental 200 basis points of total nonperforming Agency, measured as 90 plus day delinquencies, servicing in excess of 6% of the total Agency servicing UPB.
- Allowable assets for liquidity may include: cash and cash equivalents (unrestricted); available for sale or held for trading investment grade securities (e.g., Agency MBS, Obligations of Government Sponsored Enterprises, US Treasury Obligations); and unused/available portion of committed servicing advance lines.

The minimum liquidity requirement for Ginnie Mae is defined as follows:

- Maintain liquid assets equal to the greater of $1,000 or 10 basis points of our outstanding single-family MBS.

The most restrictive of the minimum net worth and capital requirements require the Company to maintain a minimum adjusted net worth balance of $78,064 as of December 31, 2020. As of December 31, 2020, the Company was in compliance with this requirement.

NOTE 15 - SEGMENTS

ASC 280, *Segment Reporting*, establishes the standards for reporting information about segments in financial statements. In applying the criteria set forth in that guidance, the Company has determined that it has two reportable segments — Origination and Servicing.

Origination — The Company operates its loan origination business throughout the United States. Its licensed sales professionals and support staff cultivate deep relationships with referral partners and clients and provide a customized approach to the loan transaction whether it is a purchase or refinance. The origination segment is primarily responsible for loan origination, acquisition and sale activities.

Servicing — The Company services loans out of its corporate office in San Diego, California. Properties of the loans serviced by the Company are disbursed throughout the United States and as of June 30, 2021 the Company serviced at least one loan in forty-eight different states. The servicing segment provides a steady stream of cash flow to support the origination segment and more importantly it allows for the Company to build longstanding client relationships that drive repeat and referral business back to the origination segment to recapture the client's next mortgage transaction. The servicing segment is primarily responsible for the servicing activities of all loans in the Company's servicing portfolio which includes, but is not limited to, collection and remittance of loan payments, managing borrower's impound accounts for taxes and insurance, loan payoffs, loss mitigation and foreclosure activities.

The Company does not allocate assets to its reportable segments as they are not included in the review performed by the Chief Operating Decision Maker for purposes of assessing segment performance and allocating resources. The balance sheet is managed on a consolidated basis and is not used in the context of segment reporting. The Company also does not allocate certain corporate expenses, which are represented by All Other in the tables below.

The following table presents the financial performance and results by segment for the three months ended June 30, 2021:

	Origination	Servicing	Total Segments	All Other	Total
Revenue					
Loan origination fees and gain on sale of loans, net	$ 329,157	$ 1,602	$ 330,759	$ —	$ 330,759
Loan servicing and other fees	—	47,652	47,652	—	47,652
Valuation adjustment of mortgage servicing rights	—	(84,789)	(84,789)	—	(84,789)
Interest income (expense)	3,655	(1,637)	2,018	(1,592)	426
Other income, net	32	18	50	11	61
Net revenue	332,844	(37,154)	295,690	(1,581)	294,109
Expenses					
Salaries, incentive compensation and benefits	215,061	7,075	222,136	10,427	232,563
General and administrative	25,156	3,815	28,971	2,823	31,794
Occupancy, equipment and communication	12,758	1,026	13,784	878	14,662
Depreciation and amortization	1,096	222	1,318	290	1,608
Provision for foreclosure losses	—	(442)	(442)	—	(442)
Income tax expense	—	—	—	4,986	4,986
Net income	$ 78,773	$ (48,850)	$ 29,923	$ (20,985)	$ 8,938

The following table presents the financial performance and results by segment for the six months ended June 30, 2021:

	Origination	Servicing	Total Segments	All Other	Total
Revenue					
Loan origination fees and gain on sale of loans, net	$ 773,954	$ 3,393	$ 777,347	$ —	$ 777,347
Loan servicing and other fees	—	92,851	92,851	—	92,851
Valuation adjustment of mortgage servicing rights	—	(49,046)	(49,046)	—	(49,046)
Interest income (expense)	6,501	(4,498)	2,003	(2,989)	(986)
Other income, net	32	40	72	58	130
Net revenue	780,487	42,740	823,227	(2,931)	820,296
Expenses					
Salaries, incentive compensation and benefits	465,876	14,288	480,164	19,123	499,287
General and administrative	47,794	5,671	53,465	5,236	58,701
Occupancy, equipment and communication	25,931	2,134	28,065	1,429	29,494
Depreciation and amortization	1,989	412	2,401	861	3,262
Provision for foreclosure losses	—	2,019	2,019	—	2,019
Income tax expense	—	—	—	57,991	57,991
Net income	$ 238,897	$ 18,216	$ 257,113	$ (87,571)	$ 169,542

The following table presents the financial performance and results by segment for the three months ended June 30, 2020:

	Origination	Servicing	Total Segments	All Other	Total
Revenue					
Loan origination fees and gain on sale of loans, net	$ 491,657	$ 1,775	$ 493,432	$ —	$ 493,432
Loan servicing and other fees	—	37,778	37,778	—	37,778
Valuation adjustment of mortgage servicing rights	—	(96,161)	(96,161)	—	(96,161)
Interest income (expense)	4,214	(2,645)	1,569	(2,129)	(560)
Other income, net	12	2	14	594	608
Net revenue	495,883	(59,251)	436,632	(1,535)	435,097
Expenses					
Salaries, incentive compensation and benefits	205,427	6,390	211,817	18,068	229,885
General and administrative	22,493	1,985	24,478	1,489	25,967
Occupancy, equipment and communication	12,184	848	13,032	850	13,882
Depreciation and amortization	1,153	155	1,308	498	1,806
Provision for foreclosure losses	—	(64)	(64)	—	(64)
Income tax benefit	—	—	—	40,646	40,646
Net income	$ 254,626	$ (68,565)	$ 186,061	$ (63,086)	$ 122,975

The following table presents the financial performance and results by segment for the six months ended June 30, 2020:

	Origination	Servicing	Total Segments	All Other	Total
Revenue					
Loan origination fees and gain on sale of loans, net	$ 730,459	$ 2,834	$ 733,293	$ —	$ 733,293
Loan servicing and other fees	—	76,310	76,310	—	76,310
Valuation adjustment of mortgage servicing rights	—	(204,810)	(204,810)	—	(204,810)
Interest income (expense)	6,434	(2,608)	3,826	(4,319)	(493)
Other income, net	17	3	20	977	997
Net revenue	736,910	(128,271)	608,639	(3,342)	605,297
Expenses					
Salaries, incentive compensation and benefits	345,433	12,076	357,509	20,389	377,898
General and administrative	42,017	3,741	45,758	2,434	48,192
Occupancy, equipment and communication	23,563	1,651	25,214	1,986	27,200
Depreciation and amortization	2,438	311	2,749	944	3,693
Provision for foreclosure losses	—	1,860	1,860	—	1,860
Income tax benefit	—	—	—	36,465	36,465
Net income	$ 323,459	$ (147,910)	$ 175,549	$ (65,560)	$ 109,989

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to highlight and supplement data and information presented elsewhere in this Quarterly Report, including the condensed consolidated financial statements and related notes thereto included in Part I, Item 1. Prior period information has been revised to conform to the current period presentation. The following discussion includes forward-looking statements that reflect our plans, estimates and assumptions and involve numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2020 and in Item 1A in this Quarterly Report. See also "Cautionary Note Regarding Forward-Looking Statements." Future results could differ significantly from the historical results presented in this section.

Business and Executive Overview

We started our business in 1960 and are among the longest-operating seller servicers in the United States. We are a growth-oriented mortgage company that employs a relationship-based loan sourcing strategy to execute our mission of delivering the promise of homeownership in neighborhoods and communities across the United States. Our business model is centered on providing a personalized mortgage-borrowing experience that is delivered by our knowledgeable loan officers and supported by our diverse product offerings. Throughout these individualized interactions, we work to earn our clients' trust and confidence as a financial partner that can help them find their way through life's changes and build for the future.

Executive Summary

This executive summary highlights selected financial information that should be considered in the context of the additional discussions below.

- Originated $8.2 billion and $8.8 billion of mortgage loans for the three months ended June 30, 2021 and 2020, respectively. Originated $18.0 billion and $14.6 billion of mortgage loans for the six months ended June 30, 2021 and 2020, respectively. Lower interest rates led to an increase in origination volume across the U.S. mortgage market during the six months ended June 30, 2021 compared to the same prior period.

- Servicing portfolio as of June 30, 2021 was $65.7 billion of UPB compared to $52.8 billion of UPB as of June 30, 2020, with the average size of the portfolio increasing 23.0% over that time.

- Generated $8.9 million and $123.0 million of net income for the three months ended June 30, 2021 and 2020, respectively. Generated $169.5 million and $110.0 million of net income for the six months ended June 30, 2021 and 2020, respectively.

- Generated $52.0 million and $179.5 million of Adjusted Net Income for the three months ended June 30, 2021 and 2020, respectively. Generated $158.7 million and $237.4 million of Adjusted Net Income for the six months ended June 30, 2021 and 2020, respectively.

- Generated $74.9 million and $243.5 million of Adjusted EBITDA for the three months ended June 30, 2021 and 2020, respectively. Generated $219.2 million and $325.5 million of Adjusted EBITDA for the six months ended June 30, 2021 and 2020, respectively.

Please see "—Non-GAAP Financial Measures" for further information regarding our use of non-GAAP measures and reconciliations to net income, the nearest comparable financial measure calculated and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The decreases in net income, Adjusted Net Income and Adjusted EBITDA for the three months ended June 30, 2021 compared to the same period in 2020 were primarily due to a decrease in loan origination fees and gain on sale of loans, net of $162.7 million. This decrease was primarily driven by a decrease in gain on sale margins on originated loans of 155 basis points or 27.7% for the three months ended June 30, 2021 compared to the same period in 2020. Net income and loan origination fees and gain on sale of loans, net increased during the six months ended June 30, 2021 compared to the same period in 2020 primarily due to a $4.1 billion, or 29.0% increase in loan sales, offset by a decrease in gain on sale margins of 71 basis points or 14.1% for the six months ended June 30, 2021 compared to the same period in 2020. The decreases in Adjusted Net Income and Adjusted EBITDA for the six months ended June 30, 2021 compared to the same period in 2020 were primarily due the decrease in gain on sale margins referenced above. While low interest rates and increased demand for mortgage financing characterized each of the three and six month periods ended June 30, 2021 and 2020, capacity constraints in the mortgage origination market were more pronounced during the three and six months ended June 30, 2020 compared to the same periods in 2021, leading to higher gain on sale margins during the three and six months ended June 30, 2020. Margins may decrease in the future due to increasing competition among mortgage providers which has placed additional pressure on pricing, but such changes will depend on future market demand and capacity.

The decrease in net income for the three months ended June 30, 2021 compared to the same period in 2020 was partly offset by a decrease in loss related to the fair value of our MSRs, which was $84.8 million for the three months ended June 30, 2021 and $96.2 million for the same time period in 2020. Similarly, the increase in net income for the six months ended June 30, 2021 compared to the same period in 2020 was partly due to a decrease in loss related to the fair value of our MSRs, which was $49.0 million and $204.8 million for the six months ended June 30, 2021 and 2020, respectively. These losses in the fair value of our MSRs resulted from decreases in projected duration of cash flow collections during these periods as a result of the increase in average prepayment speeds. According to the Mortgage Finance Forecast from the Mortgage Bankers Association (the "MBA Mortgage Finance Forecast"), average 30-year mortgage rates increased by 10 basis points during the three months ended June 30, 2021 and decreased by 30 basis points during the three months ended June 30, 2020. Average 30-year mortgage rates increased by 20 basis points during the six months ended June 30, 2021 and decreased 50 basis points during the six months ended June 30, 2020. Although interest rates increased during the three months ended June 30, 2021, we experienced an increase in average prepayment speeds because there was an increase in cash-out refinancing during such period.

Management believes that maintaining both an origination segment and a servicing segment provides us with a more balanced business model in both rising and declining interest rate environments, compared to other industry participants that predominately focus on either origination or servicing, instead of both. In addition, one of our business strategies is to seek to recapture mortgage transactions when our borrowers prepay their loans. During the six months ended June 30, 2021, we had a 27% purchase recapture rate, a 64% refinance recapture rate and a 59% overall recapture rate, compared to 26%, 67% and 62%, respectively, for the six months ended June 30, 2020. Recapture rate is calculated as the UPB of our clients that originated a new mortgage with us in a given period, divided by the UPB of our clients that paid off their existing mortgage and originated a new mortgage in the same period. Purchase recapture is calculated based on those clients who originate a new mortgage for the purchase of a home, and refinance recapture is calculated based on those clients who originate a new mortgage to refinance an existing mortgage. Overall recapture rate is calculated as the total of our clients that originate a new mortgage with us divided by the total of our clients that paid off their existing mortgage and originated a new mortgage. This calculation excludes clients to whom we did not actively market due to contractual prohibitions or other business reasons.

Recent Developments

Acquisition of RMS

On May 10, 2021, we entered into a definitive agreement to acquire RMS. The acquisition was completed on July 1, 2021 for a purchase price of $204.9 million, subject to customary purchase price adjustments. The acquisition was financed with a combination of $189.6 million in cash and the issuance of 996,644 shares of our Class A common shares. Additionally, RMS shareholders are entitled to contingent earn-out payments based on net income from RMS branch locations. RMS will continue as a wholly-owned subsidiary of GMC.

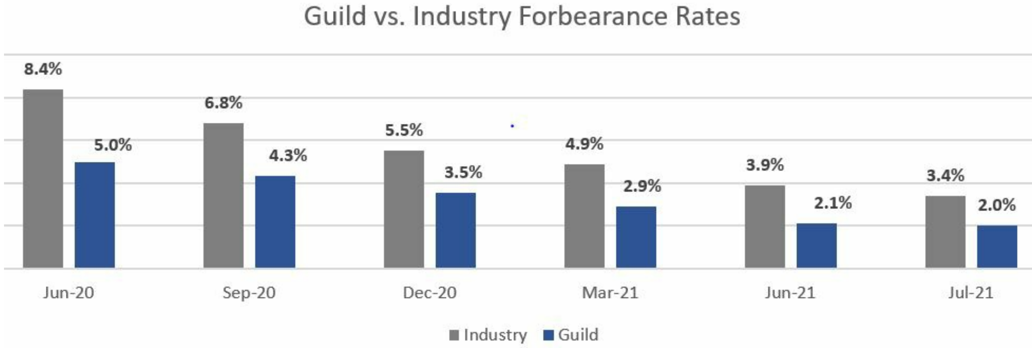
COVID-19 Pandemic

Business Operations and Liquidity

We continue to closely monitor the economic impact resulting from the COVID-19 pandemic. Although we experienced increased origination volume in our origination segment during the six months ended June 30, 2021 compared to the six months ended June 30, 2020, the COVID-19 pandemic has had a slight negative impact on the financial results of our servicing segment. In addition, we expect that with the limited supply of inventory in the housing market we may experience lower origination in future periods. We continue to experience intense competition in the housing and mortgage markets, and we expect this competition will continue to put pressure on gain on sale margins and profitability. The federal government enacted the CARES Act, which allowed borrowers with federally backed loans to request a temporary mortgage forbearance. In February 2021, the Federal Housing Finance Agency, the Department of Housing and Urban Development, the Department of Veterans Affairs, and the Department of Agriculture announced an extension of the forbearance period of three to six months depending on the loan type. In June 2021, the Consumer Financial Protection Bureau ("CFPB") finalized a rule that effectively prohibits foreclosures before January 1, 2022, with certain limited exceptions. The final rule is effective on August 31, 2021. As a result of the CARES Act forbearance requirements and the subsequent extension of federal forbearance programs, we may experience increases in our foreclosure loss expenses in the future, depending on future delinquency rates in our servicing portfolio. As of June 30, 2021, the 60-plus day delinquency rate on our servicing portfolio was 2.5%, compared to a 60-plus day delinquency rate of 3.5% as of December 31, 2020. If we were to experience an increased delinquency rate on our servicing portfolio this may require us to finance substantial amounts of advances of principal and interest, property taxes, insurance premiums and other expenses to protect investors' interests in the properties securing the loans. Although we have decreased our provision for foreclosure losses due to the decrease in the delinquency rate during the three and six months ended June 30, 2021, this is partially offset by an increase to our provision due to an increase in estimated per-loan losses due to expected longer foreclosure times as described further below. These advances and payments, coupled with increased servicing costs and lower servicing revenue, have negatively affected and we expect will continue to negatively affect our cash position. We continuously monitor the requirements around these advances and how, if at all, they impact our liquidity. Additionally, we are currently prohibited from collecting certain servicing-related fees, such as late fees, and initiating foreclosure proceedings. As a result, we expect the effects of the CARES Act forbearance requirements and the subsequent federal forbearance programs to reduce our servicing income and increase our servicing expenses.

As of July 31, 2021, approximately 2.0% of the loans in our servicing portfolio had elected the forbearance option compared to the industry average of 3.4%, as reported by the Mortgage Bankers Association and, as of June 30, 2021, approximately 2.1% of the loans in our servicing portfolio had elected the forbearance option compared to the industry average of 3.9%, as reported by the Mortgage Bankers Association. Of the 2.0% of the loans in our servicing portfolio that had elected forbearance as of July 31, 2021, approximately 7.8% remained current on their July payments and, of the 2.1% of the loans in our servicing portfolio that had elected forbearance as of June 30, 2021, approximately 9.3% remained current on their June payments. We believe our portfolio has performed better than the industry average because of our in-house servicing capabilities and timely response to the COVID-19 pandemic and that our performance is a testament to the strength of our client relationships. Our in-house servicing team and local loan officers continue to work with our clients to understand forbearance plans and determine the best paths forward for their unique circumstances. By maintaining relationships with our clients throughout the loan lifecycle, and supporting our clients during times of uncertainty, we position ourselves to capture future business.

Servicing Portfolio Forbearance
(as of period end)



Source: Mortgage Bankers Association.

Increased Liquidity

During the first half of 2021, to support our increased loan origination volume, we added one additional loan funding facility with a total facility size of $250.0 million. As of June 30, 2021, the aggregate available amount under our loan facilities was approximately $3.1 billion. See "*—Liquidity, Capital Resources and Cash Flows*" for further information regarding our funding facilities.

The extent to which the COVID-19 pandemic affects our business, results of operations and financial condition will ultimately depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic.

Description of Certain Components of Financial Data

The primary components of our revenue and expenses are described below.

Our Components of Revenue

Loan origination fees and gain on sale of loans, net— This represents all income recognized from the time when a loan is originated until the time when a loan is subsequently sold to an investor and includes cash and non-cash components. Each component is described below:

- *Gain (loss) on sale of loans* — Net proceeds from the difference between the quoted loan price committed to the client and the price received from the investor at loan sale, net of miscellaneous investor fees charged.
- *Loan origination fees* — Fees collected from the client, which typically include processing, underwriting, funding, credit report, tax service, flood certification and appraisal fees, net of any associated third-party costs.
- *The fair value of the MSRs at time of sale* — After a loan for which we continue to act as the servicer is sold to an investor, we record the value of the MSR at fair value. Fair value is estimated based on the present value of future cash flows. We utilize a third-party valuation service to determine this estimated value based on variables such as contractual servicing fees, ancillary fees, estimated prepayment speeds, discount rate and the cost to service.
- *Changes in the fair value of IRLC and MLHS* — When the client accepts an interest rate lock, we record the estimated fair value of the loan. We also evaluate several factors to determine the likelihood of the loan closing and discount the value of any interest rate lock commitments ("IRLCs") we consider having a lower probability of closing. The probability of the loan ultimately closing changes as the stage of the loan progresses

from application to underwriting submission, loan approval and funding. Loans that close and are held for sale are commonly referred to as mortgage loans held for sale or "MLHS." MLHS are also recorded at fair value. We typically determine the fair value of our MLHS based on investor committed pricing; however, we determine the fair value of any MLHS that is not allocated to a commitment based on current delivery trade prices.

- *Changes in the fair value of forward delivery commitments* — We enter into forward delivery commitments to hedge against changes in the interest rates associated with our IRLCs and MLHS. Our hedging policies are set by our risk management function and are monitored daily. Typically, when the fair value of an IRLC or MLHS increases, the fair value of any related forward contract decreases.
- *Provision for investor reserves* — At the time a loan is sold to an investor, we make certain representations and warranties. If defects are subsequently discovered in these representations and warranties that cause a loan to no longer satisfy the applicable investor eligibility requirements, we may be required to repurchase that loan. We are also required to indemnify several of our investors for borrowers' prepayments and defaults. We estimate the potential for these losses based on our recent and historical loan repurchase and indemnification experience and our success rate on appeals. We also screen market conditions for any indications of a rise in delinquency rates, which may result in a heightened exposure to loss.
- *Early pay-off fees* — The amount of gain on sale premium received from the investors who purchase our loans that we must return to those investors when loans sold to them are repaid before a specified point in time.

Loan servicing and other fees — Loan servicing and other fees consist of:

- *Loan servicing income* — This represents the contractual fees that we earn by servicing loans for various investors. Fees are calculated based on a percentage of the outstanding principal balance and are recognized into revenue as related payments are received.
- *Other ancillary fees* — We may also collect other ancillary fees from the client, such as late fees and nonsufficient funds fees.
- *Impound interest* — We are required to pay interest to our clients annually based on the average escrow account balances that we hold in trust for the payment of their property taxes and insurance.

Valuation adjustment of mortgage servicing rights— We have elected to recognize MSRs at fair value. This requires that we periodically reevaluate the valuation of our MSRs following our initial analysis at the time of sale. A third party conducts a monthly valuation of our MSRs, and we record any changes to the fair value of our MSRs that result from changes in valuation model inputs or assumptions and collections of servicing cash flows in accordance with such third-party analysis. Changes in the fair value of our MSRs result in an adjustment to the value of our MSRs.

Interest income — Interest income consists primarily of interest earned on MLHS.

Interest expense — Interest expense consists primarily of interest paid on funding and non-funding debt facilities collateralized by our MLHS and MSRs. We define funding debt as all other debt related to operations, such as warehouse lines of credit and our early buyout facility, which we use to repurchase certain delinquent GNMA loans. Non-funding debt includes the note agreements collateralized by our MSRs (our "MSR notes payable"). We also record related bank charges and payoff interest expense as interest expense. Payoff interest expense is equal to the difference between what we collect in interest from our clients and what we remit in interest to the investors who purchase the loans that we originate. For loans sold through Agency MBS, we are required to remit a full month of interest to those investors, regardless of the date on which the client prepays during the payoff month, resulting in additional interest expense.

Other income, net — Other income, net typically includes dividend and fair value adjustments related to marketable securities that are generally immaterial to our operating results.

Our Components of Expenses

Salaries, incentive compensation and benefits — Salaries, incentive compensation and benefits expense includes all payroll, incentive compensation and employee benefits paid to our employees, as well as expenses incurred in connection with our use of employment and temporary help agencies. Our loan officers are paid incentive compensation based on origination volume, resulting in a variable pay structure that fluctuates.

General and administrative — General and administrative expense primarily includes costs associated with professional services, attendance at conferences and meetings, office expenses, liability insurance, business licenses and other miscellaneous costs.

In addition, within general and administrative expense, we record any adjustments to the fair value of the contingent liabilities related to our completed acquisitions, commonly known as "earn-out payments." These payments are estimated based on the present value of future cash flows during the earn-out period. The earn-out periods for our acquisitions span from three to five years, and the earn-out periods for two of our acquisitions are still ongoing.

Occupancy, equipment and communication — Occupancy, equipment and communication includes expenses related to the commercial office spaces we lease, as well as telephone and internet service and miscellaneous leased equipment used for operations.

Depreciation and amortization — We depreciate furniture and equipment on a straight-line basis for a period of up to five years and we record amortization expense related to our leasehold improvements on rented space. That amortization expense is recognized over the shorter of the lease term or the useful life of the asset. We also record costs related to the maintenance of software, which consist of both internal and external costs incurred in connection with software development and testing, as well as any costs associated with the implementation of new software. These costs are amortized over a three-year period.

Provision for foreclosure losses — We may incur a loss on government loans related to unreimbursed interest and costs associated with foreclosure. We reserve for government loans based on historical loss experience as well as for loan-specific issues related to foreclosure.

Income tax expense — We are subject to federal and state income tax. We record this expense based on our statutory federal and state tax rates. These statutory rates are adjusted for permanent non-deductible differences and reconciliation differences from prior years. We also evaluate material temporary differences to determine whether any additional adjustments to this expense are required.

Key Performance Indicators

Management reviews several key performance indicators to evaluate our business results, measure our performance and identify trends to inform our business decisions. Summary data for these key performance indicators is listed below. Please refer to *"Results of Operations"* for additional metrics that management reviews in conjunction with the condensed consolidated financial statements.

($ and units in thousands)	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020		Change		% Change
Origination Data							
$ Total in-house origination[1]	$	8,173,153	$	8,814,629	$	(641,476)	(7.3)%
# Total in-house origination		27		31		(4)	(12.9)%
$ Retail in-house origination	$	7,939,469	$	8,640,411	$	(700,942)	(8.1)%
# Retail in-house origination		27		30		(3)	(10.0)%
$ Retail brokered origination[2]	$	19,356	$	15,363	$	3,993	26.0 %
Total originations	$	8,192,509	$	8,829,992	$	(637,483)	(7.2)%
Gain on sale margin (bps) [3]		405		560		(155)	(27.7)%
Gain on sale margin on pull-through adjusted locked volume (bps)[4]		415		494		(79)	(16.0)%
30-year conventional conforming par rate[5]		3.0 %		3.2 %		(0.2)%	(6.3)%
Servicing Data							
UPB (period end)[6]	$	65,670,291	$	52,794,328	$	12,875,963	24.4 %
Loans serviced (period end)		287		249		38	15.3 %
MSR multiple (period end)[7]		3.1		2.2		0.9	40.9 %
Weighted average coupon rate		3.4%		4.0%		(0.6)%	(15.0)%
Loan payoffs[8]	$	4,161,228	$	5,125,908	$	(964,680)	(18.8)%
Loan delinquency rate 60-plus days (period end)		2.5%		3.5%		(1.0)%	(28.6)%

($ and units in thousands)	Six Months Ended June 30, 2021		Six Months Ended June 30, 2020		Change		% Change
Origination Data							
$ Total in-house origination[1]	$	17,941,190	$	14,558,875	$	3,382,315	23.2 %
# Total in-house origination		62		52		10	19.2 %
$ Retail in-house origination	$	17,424,164	$	14,186,728	$	3,237,436	22.8 %
# Retail in-house origination		60		50		10	20.0 %
$ Retail brokered origination[2]	$	32,671	$	42,423	$	(9,752)	(23.0)%
Total originations	$	17,973,861	$	14,601,298	$	3,372,563	23.1 %
Gain on sale margin (bps) [3]		433		504		(71)	(14.1)%
Gain on sale margin on pull-through adjusted locked volume (bps)[4]		454		407		47	11.5 %
30-year conventional conforming par rate[5]		3.0 %		3.2 %		(0.2)%	(6.3)%
Servicing Data							
UPB (period end)[6]	$	65,670,291	$	52,794,328	$	12,875,963	24.4 %
Loans serviced (period end)		287		249		38	15.3 %
MSR multiple (period end)[7]		3.1		2.1		1.0	47.6 %
Weighted average coupon rate		3.4%		4.0%		(0.6)%	(15.0)%
Loan payoffs[8]	$	9,986,782	$	8,223,361	$	1,763,421	21.4 %
Loan delinquency rate 60-plus days (period end)		2.5%		3.5%		(1.0)%	(28.6)%

(1) Includes retail and correspondent loans and excludes brokered loans.

(2) Brokered loans are defined as loans we originate in the retail channel that are processed by us but underwritten and closed by another lender. These loans are typically for products we choose not to offer in-house.

(3) Represents loan origination fees and gain on sale of loans, net divided by total in-house origination to derive basis points.

(4) Represents loan origination fees and gain on sales of loans, net divided by pull-through adjusted locked volume. Pull-through adjusted locked volume is equal to total locked volume multiplied by pull-through rates of 90.7% and 87.2% as of June 30, 2021 and 2020, respectively. We estimate the pull-through rate based on changes in pricing and actual borrower behavior using a historical analysis of loan closing data and "fallout" data with respect to the number of commitments that have historically remained unexercised. For additional information regarding our total locked volume and pull-through adjusted locked volume for the three and six months ended June 30, 2021 and 2020, see "*—Results of Operations for the Three and Six Months Ended June 30, 2021 and 2020—Revenue—Loan Origination Fees and Gain on Sale of Loans, Net.*"

(5) Represents the 30-year average conventional conforming note rate published monthly according to the MBA Mortgage Monthly Finance Forecast.

(6) Excludes subserviced portfolio of $0.6 billion and $1.1 billion as of June 30, 2021 and 2020, respectively.

(7) Represents a metric used to determine the relative value of our MSRs in relation to our annualized retained servicing fee. It is calculated by dividing (a) the fair market value of our MSRs as of a specified date by (b) the weighted average annualized retained servicing fee for our servicing portfolio as of such date. We exclude purchased MSRs from this calculation because our servicing portfolio consists primarily of originated MSRs and, consequently, purchased MSRs do not have a material impact on our weighted average service fee.

(8) Represents the gross amount of UPB paid off from our servicing portfolio.

Non-GAAP Financial Measures

To supplement our financial statements presented in accordance with GAAP and to provide investors with additional information regarding our GAAP financial results, we have presented Adjusted Net Income, Adjusted EBITDA and Adjusted Return on Equity, which are non-GAAP financial measures. These non-GAAP financial measures are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similarly titled measures presented by other companies.

Adjusted Net Income. We define Adjusted Net Income as earnings before the change in the fair value measurements related to our MSRs, contingent liabilities related to completed acquisitions due to changes in valuation assumptions and stock-based compensation. The fair value of our MSRs is estimated based on a projection of expected future cash flows and the fair value of our contingent liabilities related to completed acquisitions is estimated based on a projection of expected future earn-out payments. Adjusted Net Income is also adjusted by applying an implied tax effect to these adjustments. The Company excludes the change in the fair value of its MSRs due to changes in model inputs and assumptions from Adjusted Net Income and Adjusted EBITDA because the Company believes this non-cash, non-realized adjustment to total revenues is not indicative of the Company's operating performance or results of operation but rather reflects changes in model inputs and assumptions (e.g., prepayment speed, discount rate and cost to service assumptions) that impact the carrying value of the Company's MSRs from period to period. The Company also excludes stock-based compensation because the Company believes it is a non-cash expense that is not reflective of its core operations or indicative of its ongoing operations.

Adjusted EBITDA. We define Adjusted EBITDA as earnings before interest (without adjustment for net warehouse interest related to loan fundings and payoff interest related to loan prepayments), taxes, depreciation and amortization exclusive of any change in the fair value measurements of the MSRs due to valuation assumptions, contingent liabilities from business acquisitions and stock-based compensation. The Company excludes the change in the fair value of its MSRs due to changes in model inputs and assumptions from Adjusted Net Income and Adjusted EBITDA because the Company believes this non-cash, non-realized adjustment to total revenues is not indicative of the Company's operating performance or results of operation but rather reflects changes in model inputs and assumptions (e.g., prepayment speed, discount rate and cost to service assumptions) that impact the carrying value of the Company's MSRs from period to period.

Adjusted Return on Equity. We define Adjusted Return on Equity as Adjusted Net Income as a percentage of average beginning and ending stockholders' equity during the period. For periods of less than one year, Return on Equity and Adjusted Return on Equity are shown on an annualized basis.

We use these non-GAAP financial measures to evaluate our operating performance, to establish budgets and to develop operational goals for managing our business. These non-GAAP financial measures are designed to evaluate operating results exclusive of fair value adjustments that are not indicative of management's operating performance. Accordingly, we believe that these financial measures provide useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects.

Our non-GAAP financial measures are not prepared in accordance with GAAP and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures rather than net income (loss), which is the most directly comparable financial measure calculated and presented in accordance with GAAP for Adjusted Net Income and Adjusted EBITDA, and Return on Equity, which is the most directly comparable financial measure calculated and presented in accordance with GAAP for Adjusted Return on Equity. These limitations include that these non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles and many of the adjustments to the GAAP financial measures reflect the exclusion of items that are recurring and may be reflected in the Company's financial results for the foreseeable future. In addition, other companies may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison.

The following tables reconcile Adjusted Net Income and Adjusted EBITDA to net income and Adjusted Return on Equity to Return on Equity, the most directly comparable financial measures calculated and presented in accordance with GAAP.

Reconciliation of Net Income to Adjusted Net Income	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Net income	$ 8,938	$ 122,975	$ 169,542	$ 109,989
Add adjustments:				
Change in fair value of MSRs due to model inputs and assumptions	49,845	64,941	(30,760)	151,080
Change in fair value of contingent liabilities due to acquisitions	6,494	11,018	13,114	20,025
Stock-based compensation	1,457	—	3,089	—
Tax impact of adjustments[1]	(14,738)	(19,408)	3,712	(43,718)
Adjusted Net Income	$ 51,996	$ 179,526	$ 158,697	$ 237,376

(1) Implied tax rate used is 25.5%.

Reconciliation of Net Income to Adjusted EBITDA ($ in thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net income	$ 8,938	$ 122,975	$ 169,542	$ 109,989
Add adjustments:				
Interest expense on non-funding debt	1,592	2,129	2,989	4,291
Income tax expense	4,986	40,646	57,991	36,465
Depreciation and amortization	1,608	1,806	3,262	3,693
Change in fair value of MSRs due to model inputs and assumptions	49,845	64,941	(30,760)	151,080
Change in fair value of contingent liabilities due to acquisitions	6,494	11,018	13,114	20,025
Stock-based compensation	1,457	—	3,089	—
Adjusted EBITDA	$ 74,920	$ 243,515	$ 219,227	$ 325,543

Adjusted Return on Equity Calculation ($ in thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Numerator: Adjusted Net Income	$ 51,996	$ 179,526	$ 158,697	$ 237,376
Denominator: Average stockholders' equity	873,426	444,534	792,308	456,026
Adjusted Return on Equity	23.8 %	161.5 %	40.1 %	104.1 %
Return on Equity	4.1 %	110.7 %	42.8 %	48.2 %

The following table reconciles the valuation adjustment of mortgage servicing rights from the Company's Condensed Consolidated Statements of Income to the change in fair value of MSRs due to model inputs and assumptions included in the reconciliation tables above.

Reconciliation of valuation adjustment of mortgage servicing rights to change in fair value of MSRs due to model inputs and assumptions ($ in thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Valuation adjustment of mortgage servicing rights	$ (84,789)	$ (96,161)	$ (49,046)	$ (204,810)
Subtract adjustment:				
Change in fair value of MSRs due to collection/realization of cash flows	(34,944)	(31,220)	(79,806)	(53,730)
Change in fair value of MSRs due to model inputs and assumptions	$ (49,845)	$ (64,941)	$ 30,760	$ (151,080)

Results of Operations for the Three Months Ended June 30, 2021 and 2020

Consolidated Statement of Operations ($ in thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	$ Change	% Change
Revenue				
Loan origination fees and gain on sale of loans, net	$ 330,759	$ 493,432	$ (162,673)	(33.0)%
Loan servicing and other fees	47,652	37,778	9,874	26.1 %
Valuation adjustment of mortgage servicing rights	(84,789)	(96,161)	11,372	11.8 %
Interest income	14,635	13,948	687	4.9 %
Interest expense	(14,209)	(14,508)	299	(2.1)%
Other income, net	61	608	(547)	(90.0)%
Net revenue	294,109	435,097	(140,988)	(32.4)%
Expenses				
Salaries, incentive compensation and benefits	232,563	229,885	2,678	1.2 %
General and administrative	31,794	25,967	5,827	22.4 %
Occupancy, equipment and communication	14,662	13,882	780	5.6 %
Depreciation and amortization	1,608	1,806	(198)	(11.0)%
Provision for foreclosure losses	(442)	(64)	(378)	(590.6)%
Total expenses	280,185	271,476	8,709	3.2 %
Income before income tax expense	13,924	163,621	(149,697)	NM
Income tax expense	4,986	40,646	(35,660)	NM
Net income	$ 8,938	$ 122,975	$ (114,037)	NM

Results of Operations for the Six Months Ended June 30, 2021 and 2020

Consolidated Statement of Operations ($ in thousands)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	$ Change	% Change
Revenue				
Loan origination fees and gain on sale of loans, net	$ 777,347	$ 733,293	$ 44,054	6.0 %
Loan servicing and other fees	92,851	76,310	16,541	21.7 %
Valuation adjustment of mortgage servicing rights	(49,046)	(204,810)	155,764	76.1 %
Interest income	29,734	26,949	2,785	10.3 %
Interest expense	(30,720)	(27,442)	(3,278)	11.9 %
Other income, net	130	997	(867)	(87.0)%
Net revenue	820,296	605,297	214,999	35.5 %
Expenses				
Salaries, incentive compensation and benefits	499,287	377,898	121,389	32.1 %
General and administrative	58,701	48,192	10,509	21.8 %
Occupancy, equipment and communication	29,494	27,200	2,294	8.4 %
Depreciation and amortization	3,262	3,693	(431)	(11.7)%
Provision for foreclosure losses	2,019	1,860	159	8.5 %
Total expenses	592,763	458,843	133,920	29.2 %
Income before income tax expense	227,533	146,454	81,079	NM
Income tax expense	57,991	36,465	21,526	NM
Net income	$ 169,542	$ 109,989	$ 59,553	NM

Revenue

Loan Origination Fees and Gain on Sale of Loans, Net

The tables below provide additional detail regarding the loan origination fees and gain on sale of loans, net for the periods presented:

	Three Months Ended June 30,			
($ in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Gain on sale of loans	$ 298,631	$ 282,884	$ 15,747	5.6 %
Loan origination fees	25,519	28,179	(2,660)	(9.4)%
Fair value of originated MSRs	74,397	76,148	(1,751)	(2.3)%
Fair value adjustment to MLHS and IRLCs	33,550	87,589	(54,039)	NM
Changes in fair value of forward commitments	(98,083)	27,534	(125,617)	NM
Provision for investor reserves	(3,255)	(8,902)	5,647	(63.4)%
Total loan origination fees and gain on sale of loans, net	$ 330,759	$ 493,432	$ (162,673)	(33.0)%

	Six Months Ended June 30,			
($ in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Gain on sale of loans	$ 623,006	$ 442,106	$ 180,900	40.9 %
Loan origination fees	52,347	43,778	8,569	19.6 %
Fair value of originated MSRs	173,861	114,771	59,090	51.5 %
Fair value adjustment to MLHS and IRLCs	(103,510)	167,200	(270,710)	NM
Changes in fair value of forward commitments	37,247	(23,509)	60,756	NM
Provision for investor reserves	(5,604)	(11,053)	5,449	(49.3)%
Total loan origination fees and gain on sale of loans, net	$ 777,347	$ 733,293	$ 44,054	6.0 %

The tables below provide additional detail regarding the composition of our origination volume and other key performance indicators for the periods presented:

($ and units in thousands)	Three Months Ended June 30, 2021	2020	Change	% Change
Loan origination volume by type:				
Conventional conforming	$ 5,644,574	$ 6,417,967	$ (773,393)	(12.1) %
Government	1,845,232	1,843,357	1,875	0.1 %
State housing	433,629	477,954	(44,325)	(9.3) %
Non-agency	249,718	75,351	174,367	231.4 %
Total in-house originations[1]	$ 8,173,153	$ 8,814,629	$ (641,476)	(7.3) %
Brokered loans	$ 19,356	$ 15,363	$ 3,993	26.0 %
Total originations	$ 8,192,509	$ 8,829,992	$ (637,483)	(7.2) %
In-house loans closed	27	31	(4)	(12.9) %
Average loan amount	$ 303	$ 284	$ 19	6.7 %
Purchase	59.3 %	41.9 %	17.4 %	41.5 %
Refinance	40.7 %	58.1 %	(17.4)%	(29.9) %
Service retained[2]	91.6 %	93.2 %	(1.6)%	(1.7) %
Service released[3]	8.4 %	6.8 %	1.6 %	23.5 %
Gain on sale margin (bps)[4]	405	560	(155)	(27.7) %
Total locked volume[5]	$ 8,784,283	$ 11,451,872	$ (2,667,589)	(23.3) %
Pull-through adjusted locked volume[6]	$ 7,964,709	$ 9,986,032	$ (2,021,323)	(20.2) %
Gain on sale margin on pull-through adjusted locked volume (bps)[7]	415	494	(79)	(16.0) %
Weighted average loan-to-value	79.3 %	79.9 %	(0.6)%	(0.8) %
Weighted average credit score	746	754	(8)	(1.1) %
Weighted average note rate	3.2 %	3.4 %	(0.2)%	(5.9) %
Days application to close	51	55	(4)	(7.3) %
Days close to purchase by investors	14	14	—	— %
Purchase recapture rate	25.5 %	24.7 %	0.8 %	3.2 %
Refinance recapture rate	55.4 %	63.7 %	(8.3)%	(13.0) %

($ and units in thousands)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Change	% Change
Loan origination volume by type:				
Conventional conforming	$ 12,334,525	$ 9,937,145	$ 2,397,380	24.1 %
Government	4,387,659	3,538,359	849,300	24.0 %
State housing	749,575	828,566	(78,991)	(9.5) %
Non-agency	469,431	254,805	214,626	84.2 %
Total in-house originations[1]	$ 17,941,190	$ 14,558,875	$ 3,382,315	23.2 %
Brokered loans	$ 32,671	$ 42,423	$ (9,752)	(23.0) %
Total originations	$ 17,973,861	$ 14,601,298	$ 3,372,563	23.1 %
In-house loans closed	62	52	10	19.2 %
Average loan amount	$ 289	$ 280	$ 9	3.2 %
Purchase	47.2 %	45.0 %	2.2 %	4.9 %
Refinance	52.8 %	55.0 %	(2.2)%	(4.0) %
Service retained[2]	93.0 %	85.1 %	7.9 %	9.3 %
Service released[3]	7.0 %	14.9 %	(7.9)%	(53.0) %
Gain on sale margin (bps)[4]	433	504	(71)	(14.1) %
Total locked volume[5]	$ 18,882,697	$ 20,678,153	$ (1,795,456)	(8.7) %
Pull-through adjusted locked volume[6]	$ 17,120,941	$ 18,031,349	$ (910,408)	(5.0) %
Gain on sale margin on pull-through adjusted locked volume (bps)[7]	454	407	47	11.5 %
Weighted average loan-to-value	78.4 %	81.0 %	(2.6)%	(3.2) %
Weighted average credit score	755	754	1	0.1 %
Weighted average note rate	3.0 %	3.5 %	(0.5)%	(14.3) %
Days application to close	56	44	12	27.3 %
Days close to purchase by investors	15	16	(1)	(6.3) %
Purchase recapture rate	26.5 %	26.3 %	0.2 %	0.8 %
Refinance recapture rate	63.6 %	66.6 %	(3.0)%	(4.5) %

(1) Includes retail and correspondent loans and excludes brokered loans.
(2) Represents loans sold for which we continue to act as the servicer.
(3) Represents loans sold for which we do not continue to act as the servicer.
(4) Represents loan origination fees and gain on sales of loans, net divided by total in-house origination to derive basis points.
(5) Total locked volume represents the aggregate dollar value of the potential loans for which the Company has agreed to extend credit to consumers at specified rates for a specified period of time, subject to certain contingencies that are described in the IRLCs between the Company and each of those consumers. The total locked volume for a given period is representative of the IRLCs that the Company has initially entered into during that period.
(6) Pull-through adjusted locked volume is equal to total locked volume multiplied by pull-through rates of 90.7% and 87.2% as of June 30, 2021 and 2020, respectively. We estimate the pull-through rate based on changes in pricing and actual borrower behavior using a historical analysis of loan closing data and "fallout" data with respect to the number of commitments that have historically remained unexercised.
(7) Represents loan origination fees and gain on sales of loans, net divided by pull-through adjusted locked volume.

The decrease in gain on sales of loans for the three months ended June 30, 2021 was primarily due to the decrease in gain on sale margins of 155 basis points or 27.7%. The increase in gain on sale of loans for the six months ended June 30, 2021 was primarily driven by a $4.1 billion or 29.0% increase in loan sales, offset by a decrease in gain on sale margins of 71 basis points or 14.1%.

The increase in the initial fair value recorded for our originated MSRs during the six months ended June 30, 2021 compared to the same period in 2020 was primarily caused by an increase in our origination volume, as well as an increase in the percentage of our loans sold for which we continued to act as the servicer (i.e., on a "service retained" basis).

We experienced adjustments to the recorded fair value of our MLHS and IRLCs, net of any related changes in the recorded fair value of our forward delivery commitments. Average 30-year mortgage rates increased by 20 basis points during the six months ended June 30, 2021, compared to a 50 basis point decrease during the six months ended June 30, 2020. Generally, as interest rates increase, the fair value of our MLHS and IRLCs decreases and the fair value of our forward delivery commitments increases.

Loan Servicing and Other Fees

The tables below provide additional details regarding our loan servicing and other fees for the periods presented.

	Three Months Ended June 30,			
($ in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Servicing fee income	$ 46,035	$ 37,102	$ 8,933	24.1 %
Other ancillary fees	1,592	983	609	62.0 %
Loan modification fees	408	162	246	151.9 %
Interest on impound accounts	(383)	(469)	86	(18.3)%
Total servicing fees	$ 47,652	$ 37,778	$ 9,874	26.1 %

	Six Months Ended June 30,			
($ in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Servicing fee income	$ 89,891	$ 74,178	$ 15,713	21.2 %
Other ancillary fees	2,863	2,636	227	8.6 %
Loan modification fees	843	361	482	133.5 %
Interest on impound accounts	(746)	(865)	119	(13.8)%
Total servicing fees	$ 92,851	$ 76,310	$ 16,541	21.7 %

The table below provides additional details regarding our servicing portfolio composition and key performance indicators for the period presented.

($ and units in thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Change	% Change
Beginning UPB of servicing portfolio[1]	$ 62,891,262	$ 50,117,988	$ 12,773,274	25.5 %
New UPB origination additions[2]	8,173,153	8,814,629	(641,476)	(7.3)%
Less:				
UPB originations sold service released[3]	$ 732,315	$ 659,033	$ 73,282	11.1 %
Loan payoffs	4,161,228	5,125,908	(964,680)	(18.8)%
Loan principal reductions	495,533	345,597	149,936	43.4 %
Loan foreclosures	5,048	7,751	(2,703)	(34.9)%
Ending UPB of servicing portfolio	$ 65,670,291	$ 52,794,328	$ 12,875,963	24.4 %
Average UPB of servicing portfolio	$ 64,280,777	$ 51,456,158	$ 12,824,619	24.9 %
Weighted average servicing fee	0.30 %	0.31 %	—	0.0 %
Weighted average coupon rate	3.4 %	4.0 %	(0.6)%	(15.0)%
Weighted average prepayment speed[4]	15.1 %	22.5 %	(7.4)%	(32.9)%
Weighted average credit score	666	683	(17.0)	(2.5)%
Weighted average loan age (in months)	20.9	27.8	(6.9)	(24.8)%
Weighted average loan-to-value	78.4 %	83.4 %	(5.0)%	(6.0)%
MSR multiple (period end)[5]	3.1	2.2	0.9	40.9 %
Loans serviced (period end)	287	249	38.0	15.3 %
Loans delinquent 60-plus days (period end)	7.3	9.2	(1.9)	(20.7)%
Loan delinquency rate 60-plus days (period end)	2.5 %	3.5 %	(1.0)%	(28.6)%

($ and units in thousands)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Change	% Change
Beginning UPB of servicing portfolio[1]	$ 59,969,653	$ 49,326,579	$ 10,643,074	21.6 %
New UPB origination additions[2]	17,941,190	14,558,875	3,382,315	23.2 %
Less:				
UPB originations sold service released[3]	$ 1,286,459	$ 2,145,044	$ (858,585)	(40.0)%
Loan payoffs	9,986,782	8,223,361	1,763,421	21.4 %
Loan principal reductions	953,268	692,900	260,368	37.6 %
Loan foreclosures	14,043	29,821	(15,778)	(52.9)%
Ending UPB of servicing portfolio	$ 65,670,291	$ 52,794,328	$ 12,875,963	24.4 %
Average UPB of servicing portfolio	$ 62,819,972	$ 51,060,454	$ 11,759,518	23.0 %
Weighted average servicing fee	0.30 %	0.31 %	—	0.0 %
Weighted average coupon rate	3.4 %	4.0 %	(0.6)%	(15.0)%
Weighted average prepayment speed[4]	15.1 %	22.5 %	(7.4)%	(32.9)%
Weighted average credit score	666	683	(17.0)	(2.5)%
Weighted average loan age (in months)	20.9	27.8	(6.9)	(24.8)%
Weighted average loan-to-value	78.4 %	83.4 %	(5.0)%	(6.0)%
MSR multiple (period end)[5]	3.1	2.2	0.9	40.9 %
Loans serviced (period end)	287	249	38.0	15.3 %
Loans delinquent 60-plus days (period end)	7.3	9.2	(1.9)	(20.7)%
Loan delinquency rate 60-plus days (period end)	2.5 %	3.5 %	(1.0)%	(28.6)%

(1) Excludes $0.6 billion and $1.1 billion at June 30, 2021 and 2020, respectively, that are currently being subserviced by a third party.
(2) Includes all in-house loans originated in the period, irrespective if it is eventually sold service retained or service released.
(3) Represents loans sold for which we do not continue to act as the servicer of the loan.
(4) Represents an estimated percentage of UPB that will pay off ahead of time in each period, calculated as an annual rate. This estimate is calculated by our third-party valuation provider.
(5) Represents a metric used to determine the relative value of our MSRs in relation to our annualized retained servicing fee. It is calculated by dividing (a) the fair market value of our MSRs as of a specified date by (b) the weighted average annualized retained servicing fee for our servicing portfolio as of such date. We exclude purchased MSRs from this calculation because our servicing portfolio consists primarily of originated MSRs and, consequently, purchased MSRs do not have a material impact on our weighted average service fee.

Total loan servicing and other fees increased for the three and six months ended June 30, 2021 compared to the corresponding periods in 2020 due to the increase in our average servicing portfolio of 24.9% and 23.0% for the three and six months ended June 30, 2021, respectively. Although the increase in loan servicing and other fees is consistent with our average servicing portfolio growth over the same time periods, servicing and ancillary fee income have been below their historical averages due to the inability to collect late charges and servicing fees for customers who have elected to accept forbearance relief under the CARES Act. Those customers are currently not required to make their mortgage payments. In February 2021, the Federal Housing Finance Agency, the Department of Housing and Urban Development, the Department of Veterans Affairs, and the Department of Agriculture announced an extension of the forbearance period of three to six months depending on loan type. In June 2021, the CFPB finalized a rule that effectively prohibits foreclosures before January 1, 2022, with certain limited exceptions. The final rule is effective on August 31, 2021.

Valuation Adjustment of Mortgage Servicing Rights

The table below presents our MSR valuation adjustment for the periods presented.

	Three Months Ended June 30,			
($ in thousands)	**2021**	**2020**	**$ Change**	**% Change**
MSR valuation adjustment	$ (84,789)	$ (96,161)	$ 11,372	(11.8)%

	Six Months Ended June 30,			
($ in thousands)	**2021**	**2020**	**$ Change**	**% Change**
MSR valuation adjustment	$ (49,046)	$ (204,810)	$ 155,764	(76.1)%

The fair value of our MSRs generally declines as interest rates decline and prepayments increase; conversely the fair value generally increases as interest rates increase and prepayments decrease. The valuation adjustments related to MSRs also include losses related to loan prepayments. During the three and six months ended June 30, 2020, interest rates declined, which contributed to higher valuation losses as compared to the three and six months ended June 30, 2021 when there was minimal movement in interest rates. However, the increase in value from slightly higher interest rates was more than offset by loan prepayments due to an increase in cash-out refinancing during the three and six months ended June 30, 2021. The fair value of our mortgage servicing rights asset was 88 basis points of our servicing portfolio at June 30, 2021 compared to 64 basis points at June 30, 2020.

Interest Income

($ in thousands)	Three Months Ended June 30, 2021	2020	$ Change	% Change
Interest income, funding	$ 12,243	$ 12,129	$ 114	0.9 %
Interest income earnings credit	1,022	269	753	279.9 %
Wire transfer fees	1,370	1,550	(180)	(11.6)%
Total interest income	$ 14,635	$ 13,948	$ 687	4.9 %

($ in thousands)	Six Months Ended June 30, 2021		2020		$ Change	% Change
Interest income, funding	$ 24,932		$ 22,048		$ 2,884	13.1 %
Interest income earnings credit	1,736		2,345		(609)	(26.0)%
Wire transfer fees	3,066		2,556		510	20.0 %
Total interest income	$ 29,734	$29,734	$ 26,949	26949000	$ 2,785	10.3 %

The increase in total interest income for the three months ended June 30, 2021 compared to the same period in 2020 is primarily due to an increase in interest income earnings credit, which is due to a one-time adjustment we received from certain warehouse lenders. The weighted average note rate of originated loans decreased from 3.4% for the three months ended June 30, 2020 to 3.2% for the three months ended June 30, 2021.

The increase in total interest income for the six months ended June 30, 2021 is primarily related to an increase in interest income, funding. The increase in interest income, funding is primarily due to an increase in origination volume of $3.4 billion or 23.2%. Although the increase in interest income, funding is directionally consistent with our increase in origination volume for the six months ended June 30, 2021, we are earning lower interest income per loan due to lower interest rates for the six months ended June 30, 2021 compared to the six months ended June 30, 2020.

Interest Expense

($ in thousands)	Three Months Ended June 30, 2021	2020	$ Change	% Change
Interest expense, funding facilities	$ (7,148)	$ (7,431)	$ 283	(3.8)%
Interest expense, other financing	(1,970)	(2,445)	475	(19.4)%
Bank servicing charges	(2,784)	(1,990)	(794)	39.9 %
Payoff interest expense	(2,281)	(2,598)	317	(12.2)%
Miscellaneous interest expense	(26)	(44)	18	(40.9)%
Total interest expense	$ (14,209)	$ (14,508)	$ 299	(2.1)%

($ in thousands)	Six Months Ended June 30, 2021	2020	$ Change	% Change
Interest expense, funding facilities	$ (15,540)	$ (14,429)	$ (1,111)	7.7 %
Interest expense, other financing	(3,568)	(4,797)	1,229	(25.6)%
Bank servicing charges	(5,901)	(3,654)	(2,247)	61.5 %
Payoff interest expense	(5,655)	(4,475)	(1,180)	26.4 %
Miscellaneous interest expense	(56)	(87)	31	(35.6)%
Total interest expense	$ (30,720)	$ (27,442)	$ (3,278)	11.9 %

Bank servicing changes for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 increased due to increases to certain warehouse lines of credit facilities in late 2020.

Bank servicing charges and collateral handling fees increased due to increased origination volume for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. Additionally, we increased some of our warehouse lines of credit facilities to support the increase in origination volume, which led to increases in bank servicing charges. Payoff interest expense increased due to increased payoff volume of $1.8 billion or 21.4% for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. When a client pays off their loan with us, the client pays interest only up until the date of payoff. As a seller-servicer, however, for loans sold through Agency MBS we are required to remit the full month of interest to the investors who purchase the loans we originate, even though the client will not pay a full month of interest for that month.

Summary of Expenses

($ in thousands)	Three Months Ended June 30, 2021	2020	$ Change	% Change
Salaries, incentive compensation and benefits	$ 232,563	$ 229,885	$ 2,678	1.2 %
General and administrative	31,794	25,967	5,827	22.4 %
Occupancy, equipment and communication	14,662	13,882	780	5.6 %
Depreciation and amortization	1,608	1,806	(198)	(11.0)%
Provision for foreclosure losses	(442)	(64)	(378)	(590.6)%
Total expenses	$ 280,185	$ 271,476	$ 8,709	3.2 %

($ in thousands)	Six Months Ended June 30, 2021	2020	$ Change	% Change
Salaries, incentive compensation and benefits	$ 499,287	$ 377,898	$ 121,389	32.1 %
General and administrative	58,701	48,192	10,509	21.8 %
Occupancy, equipment and communication	29,494	27,200	2,294	8.4 %
Depreciation and amortization	3,262	3,693	(431)	(11.7)%
Provision for foreclosure losses	2,019	1,860	159	8.5 %
Total expenses	$ 592,763	$ 458,843	$ 133,920	29.2 %

Salaries, Incentive Compensation and Benefits

($ in thousands)	Three Months Ended June 30, 2021	2020	$ Change	% Change
Incentive compensation	$ 125,565	$ 132,252	$ (6,687)	(5.1)%
Salaries	81,581	63,957	17,624	27.6 %
Benefits	25,417	33,676	(8,259)	(24.5)%
Total salaries, incentive compensation and benefits expense	$ 232,563	$ 229,885	$ 2,678	1.2 %

($ in thousands)	Six Months Ended June 30, 2021	2020	$ Change	% Change
Incentive compensation	$ 276,533	$ 210,710	$ 65,823	31.2 %
Salaries	165,291	117,068	48,223	41.2 %
Benefits	57,463	50,120	7,343	14.7 %
Total salaries, incentive compensation and benefits expense	$ 499,287	$ 377,898	$ 121,389	32.1 %

Incentive compensation expense decreased during the three months ended June 30, 2021 due to a decrease in variable incentive compensation paid to sales teams. This compensation is based on origination volume which decreased 7.3% during the three months ended June 30, 2021.

Conversely, incentive compensation expense increased during the six months ended June 30, 2021 due to an increase in origination volume of 23.2% during the same period. Incentive compensation is also based on management of operating expenses, which improved during the six months ended June 30, 2021 and resulted in increased compensation earned.

Salaries expense increased for the three and six months ended June 30, 2021 compared to the same periods in 2020, primarily because we hired additional permanent and temporary employees throughout 2020 and we paid increased variable bonus and overtime to support the increase in our origination and servicing volumes during the period.

Benefits expense decreased for the three months ended June 30, 2021 primarily due to a decrease in the fair value of the deferred compensation plan for certain executive employees of the Company. Benefits expense increased for the six months ended June 30, 2021 primarily due to an increase in employment taxes due to increased personnel expenses.

General and Administrative

	Three Months Ended June 30,			
($ in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Contingent liability fair value adjustment	$ 6,494	$ 11,018	$ (4,524)	(41.1)%
Professional fees	17,706	6,815	10,891	159.8 %
Advertising and promotions	4,060	4,622	(562)	(12.2)%
Office supplies, travel and entertainment	2,093	1,981	112	5.7 %
Miscellaneous	1,441	1,531	(90)	(5.9)%
Total general and administrative expense	$ 31,794	$ 25,967	$ 5,827	22.4 %

	Six Months Ended June 30,			
($ in thousands)	**2021**	**2020**	**$ Change**	**% Change**
Contingent liability fair value adjustment	$ 13,114	$ 20,025	$ (6,911)	(34.5)%
Professional fees	30,468	12,192	18,276	149.9 %
Advertising and promotions	8,152	8,839	(687)	(7.8)%
Office supplies, travel and entertainment	4,552	4,488	64	1.4 %
Miscellaneous	2,415	2,648	(233)	(8.8)%
Total general and administrative expense	$ 58,701	$ 48,192	$ 10,509	21.8 %

The decrease to the contingent liability fair value adjustment for the three and six months ended June 30, 2021 compared to the same periods in 2020 was due to the completion of the earn-out period for two of our acquisitions in 2020.

Professional fees increased primarily due to an increase of $1.8 million and $6.5 million in third-party fees and business taxes to support the growth in our origination volume during the three and six months ended June 30, 2021, respectively, and $4.5 million in costs incurred during the three months ended June 30, 2021 in connection with the acquisition of RMS. Additionally, corporate liability insurance expenses increased $1.4 million and $2.6 million for the three and six months ended June 30, 2021, respectively, related to becoming a public company. We also incurred additional legal, accounting, and other costs related to becoming a public company.

Occupancy, Equipment and Communication

($ in thousands)	Three Months Ended June 30, 2021	2020	$ Change	% Change
Occupancy	$ 8,563	$ 8,339	$ 224	2.7 %
Equipment	2,187	1,608	579	36.0 %
Communication	3,912	3,935	(23)	(0.6) %
Total occupancy, equipment and communication expense	$ 14,662	$ 13,882	$ 780	5.6 %

($ in thousands)	Six Months Ended June 30, 2021	2020	$ Change	% Change
Occupancy	$ 16,912	$ 16,524	$ 388	2.3 %
Equipment	4,402	3,240	1,162	35.9 %
Communication	8,180	7,436	744	10.0 %
Total occupancy, equipment and communication expense	$ 29,494	$ 27,200	$ 2,294	8.4 %

Occupancy costs generally consist of fixed costs and remain consistent except for the typical increase in building rental expense each year, which is usually aligned with inflation, and except for any increases associated with new acquisitions, expansion into new territories and entry into new material building leases.

During the three and six months ended June 30, 2021, equipment expense increased due to the leasing of additional hardware and software licenses as well as the needs of a remote working environment because of COVID-19-related restrictive measures.

Provision for Foreclosure Losses

Although we have experienced a decrease in overall foreclosure starts and sales due to the CARES Act's foreclosure moratorium and the federal government's subsequent extension of its mortgage forbearance programs, once the moratorium has ended we anticipate an increase in the time needed to complete a foreclosure due to expected delays throughout the foreclosure process, which in turn increases our estimated per-loan losses. Although our reserves increased for the six months ended June 30, 2021, they decreased for the three months ended June 30, 2021 due to decreases in delinquency rates of loans in our servicing portfolio. We continue to monitor foreclosure reserves and potential losses regularly to assess if further changes are needed.

Segment Results for the Three and Six Months Ended June 30, 2021 and 2020

Our operations are comprised of two distinct but related reportable segments that we refer to as our origination and servicing segments. We operate our origination segment from approximately 200 office locations. Our licensed sales professionals and support staff cultivate deep relationships with our referral partners and clients and provide a customized approach to the loan transaction, whether it is a purchase or a refinance. Although our origination and servicing segments are separated for this presentation, management sees the two segments as intricately related and interdependent. We believe that our servicing segment provides a steady stream of revenue to support our origination segment and that, more importantly, our servicing segment positions us to build longstanding client relationships that drive repeat and referral business back to the origination segment to recapture our clients' future mortgage transactions. In particular, the growth of our servicing segment is dependent on the continued growth of our origination volume because our servicing portfolio consists primarily of originated MSRs.

We measure the performance of our segments primarily based on their net income (loss). See below for an overview and discussion of each of our segments' results for the three and six months ended June 30, 2021 and 2020. These results do not include unallocated corporate costs.

Origination

	Three Months Ended June 30,		Six Months Ended June 30,	
($ and units in thousands)	**2021**	**2020**	**2021**	**2020**
Total in-house originations	$ 8,173,153	$ 8,814,629	$ 17,941,190	$ 14,558,875
Funded loans	27	31	62	52
Loan origination fees and gain on sale, net	$ 329,157	$ 491,657	$ 773,954	$ 730,459
Interest income	3,655	4,214	6,501	6,434
Other income, net	32	12	32	17
Net revenue	332,844	495,883	780,487	736,910
Salaries, incentive compensation and benefits	215,061	205,427	465,876	345,433
Occupancy, equipment and communication	12,758	12,184	25,931	23,563
Production technology	6,685	4,648	12,984	9,370
General and administrative	18,471	17,845	34,810	32,647
Depreciation and amortization	1,096	1,153	1,989	2,438
Total expenses	254,071	241,257	541,590	413,451
Net income allocated to origination	$ 78,773	$ 254,626	$ 238,897	$ 323,459

The decrease in the origination segment's net income for the three months ended June 30, 2021 compared to June 30, 2020 was primarily driven by decreased revenue earned from loan origination fees and gain on sale of loans, net of $162.5 million or 33.1% for the same time period. The decrease in gain on sale of loans was primarily driven by the decrease in loan sales of $129.7 million or 1.5% for the three months ended June 30, 2021 compared to the three months ended June 30, 2020, combined with the decrease in gain on sale margins of 155 basis points or 27.8% for the same time period.

The decrease in the origination segment's net income for the six months ended June 30, 2021 compared to June 30, 2020 was also driven by an increase in salaries, incentive compensation and benefits as described further below. Additionally, while lower interest rates contributed to the increase in loan sales of $4.1 billion during the six months ended June 30, 2021 compared to the same period in 2020, gain on sale margins decreased 70 basis points or 14.0% for the same time period. Capacity constraints in the mortgage origination market in 2020 led to higher gain on sale margins in 2020.

Salaries, incentive compensation and benefits expense increased for the three and six months ended June 30, 2021 compared to the same periods in 2020 due to increased variable incentive compensation paid to our origination teams and our hiring of additional employees throughout 2020 to support the increase in our origination volume.

Production technology expense increased for the three and six months ended June 30, 2021 compared to the same periods in 2020 due to a continued investment in our technology resources.

Servicing

	Three Months Ended June 30,		Six Months Ended June 30,	
($ and units in thousands)	**2021**	**2020**	**2021**	**2020**
UPB of servicing portfolio (period end)	$ 65,670,291	$ 52,794,328	$ 65,670,291	$ 52,794,328
Loans serviced (period end)	287	249	287	249
Loan servicing and other fees	$ 47,652	$ 37,778	$ 92,851	$ 76,310
Loan origination fees and gain on sale, net	1,602	1,775	3,393	2,834
Other income, net	18	2	40	3
Total revenue	49,272	39,555	96,284	79,147
Valuation adjustment of MSRs	(84,789)	(96,161)	(49,046)	(204,810)
Interest (expense) income	(1,637)	(2,645)	(4,498)	(2,608)
Net revenue	(37,154)	(59,251)	42,740	(128,271)
Salaries, incentive compensation and benefits	7,075	6,390	14,288	12,076
Occupancy, equipment and communication	1,026	848	2,134	1,651
General and administrative	1,744	240	1,509	288
Servicing technology	2,071	1,745	4,162	3,453
Provision for foreclosure losses	(442)	(64)	2,019	1,860
Depreciation and amortization	222	155	412	311
Total expenses	11,696	9,314	24,524	19,639
Net income (loss) allocated to servicing	$ (48,850)	$ (68,565)	$ 18,216	$ (147,910)

For the three months ended June 30, 2021 there was a decrease to the net loss allocated to the servicing segment and for the six months ended June 30, 2021 there was an increase to net income allocated to the servicing segment, as compared to the same time periods in 2020. This was primarily driven by valuation adjustments of our MSRs. For the three months ended June 30, 2021 we recorded an $84.8 million downward adjustment to the fair value of our MSRs, compared to a $96.2 million downward adjustment for the three months ended June 30, 2020. For the six months ended June 30, 2021 we recorded a $49.0 million downward adjustment, compared to a $204.8 million downward adjustment for the same time period in 2020.

The fair value of our MSRs generally declines as interest rates decline and prepayments increase; conversely the fair value generally increases as interest rates increase and prepayments decrease. The valuation adjustments related to MSRs also include losses related to loan prepayments. During the three and six months ended June 30, 2020, interest rates declined, which contributed to higher valuation losses as compared to the three and six months ended June 30, 2021 when there was minimal movement in interest rates. However, the increase in value from slightly higher interest rates was more than offset by loan prepayments due to an increase in cash-out refinancing during the three and six months ended June 30, 2021. The fair value of our mortgage servicing rights asset was 88 basis points of our servicing portfolio at June 30, 2021 compared to 64 basis points at June 30, 2020.

Although loan servicing and other fees increased, servicing and ancillary fee income have been below their historical averages due to the inability to collect late charges and servicing fees for customers who have elected to accept forbearance relief under the CARES Act. The increase in loan servicing and other fees was partially offset by an increase in interest expense due to an increase in payoff interest expense because of higher loan prepayments for this time period.

Salaries, incentive compensation and benefits increased for the three and six months ended June 30, 2021 compared to the same periods in 2020 due to our hiring of additional employees throughout 2020 to support the increase in our servicing volume and those clients electing to accept forbearance relief under the CARES Act.

Servicing technology expense increased for the three and six months ended June 30, 2021 compared to the same periods in 2020 due to a continued investment in our technology resources.

Liquidity, Capital Resources and Cash Flows

Historically, our primary sources of liquidity have included:

- cash flows from our operations, including:
  - sale of whole loans into the secondary market;
  - loan origination fees;
  - servicing fee income; and
  - interest income on MLHS;
- borrowings on warehouse lines of credit to originate mortgage loans; and
- borrowings on our MSR notes payable.

Historically, our primary uses of funds have included:

- cash flows from our operations, including but not limited to:
  - origination of MLHS;
  - payment of interest expense; and
  - payment of operating expenses;
- repayments on warehouse lines of credit;
- distributions to shareholders; and
- acquisitions of other mortgage businesses.

We are also subject to contingencies which may have a significant effect on the use of our cash. We believe that our cash flows from operations and other available sources of liquidity will be sufficient to fund our operations for the next 12 months.

In order to originate and aggregate loans for sale into the secondary market, we use our own working capital and borrow or obtain money on a short-term basis, primarily through committed and uncommitted loan funding facilities that we have established with large national and global banks.

Our loan funding facilities are primarily in the form of master repurchase agreements, which we refer to as “warehouse lines of credit.” Loans financed under these facilities are generally financed at approximately 97% to 98% of the principal balance of the loan (although certain types of loans are financed at lower percentages of the principal balance of the loan), which requires us to fund the balance from cash generated from our operations. Once closed, the underlying residential mortgage loan that is held for sale is pledged as collateral for the borrowing or advance that was made under these loan funding facilities. In most cases, the loans will remain in one of the loan funding facilities for only a short time, generally less than one month, until the loans are pooled and sold. During the time the loans are held for sale, we earn interest income from the borrower on the underlying mortgage loan. This income is partially offset by the interest and fees we must pay under the loan funding facilities.

When we sell a pool of loans in the secondary market, the proceeds received from the sale of the loans are used to pay back the amounts we owe on the loan funding facilities. We rely on the cash generated from the sale of loans to fund future loans and repay borrowings under our loan funding facilities. Delays or failures to sell loans in the secondary market could have an adverse effect on our liquidity position.

As discussed in *Note 9, Warehouse Lines of Credit* to the condensed consolidated financial statements included in Part I, Item 1, as of June 30, 2021, we had nine different loan funding facilities in different amounts and with various maturities. As of June 30, 2021, the aggregate available amount under our loan facilities was approximately $3.1 billion, with combined outstanding balances of approximately $1.9 billion.

As discussed in *Note 10, Notes Payable* to the condensed consolidated financial statements included in Part I, Item 1, as of June 30, 2021, we had three different MSR notes payable in different amounts with different maturities. As of June 30, 2021, the aggregate available amount under our MSR notes payable was $440.0 million, with combined outstanding balances of $165.0 million and unutilized capacity of $149.6 million, based on total committed amounts and our borrowing base limitations. The borrowing capacity under our MSR notes payable is restricted by the valuation of our servicing portfolio.

The amount of financing advanced on each individual loan under our loan funding facilities is determined by agreed upon advance rates but may be less than the stated rate due to fluctuations in the market value of the mortgage loans securing the financings. If the lenders providing the funds under our loan funding facilities determine that the value of the loans serving as collateral for our borrowings under those facilities has decreased, they can initiate a margin call to require us to provide additional collateral or reduce the amount outstanding with respect to those loans. Our inability or unwillingness to satisfy such a request could result in the termination of the related facilities and a potential default under our other loan funding facilities. In addition, a large unanticipated margin call could have a material adverse effect on our liquidity.

The amount owed and outstanding under our loan funding facilities fluctuates significantly based on our origination volume, the amount of time it takes us to sell the loans we originate and the amount of loans we are self-funding with cash. We may from time to time post surplus cash as additional collateral to buy-down the effective interest rates of certain loan funding facilities or to self-fund a portion of our loan originations. As of June 30, 2021, we had posted $58.4 million in cash as additional collateral. We have the ability to draw back this additional collateral at any time unless a margin call has been made or a default has occurred under the relevant facilities.

We have an early buyout facility that allows us to purchase certain delinquent GNMA loans that we service and finance them on the facility until the loan is cured or subsequently sold. The capacity of this uncommitted facility is $75.0 million and, at June 30, 2021, the outstanding balance on the facility was $43.1 million.

Our loan funding facilities and MSR notes payable generally require us to comply with certain operating and financial covenants and the availability of funds under these facilities are subject to, among other conditions, our continued compliance with these covenants. These financial covenants include, but are not limited to, maintaining a certain (i) minimum tangible net worth, (ii) minimum liquidity and (iii) a maximum ratio of total liabilities or total debt to tangible net worth and satisfying certain pre-tax net income requirements. A breach of these covenants could result in an event of default under our funding facilities, which would allow the related lenders to pursue certain remedies. In addition, each of these facilities includes cross default or cross acceleration provisions that could result in all of our funding facilities terminating if an event of default or acceleration of maturity occurs under any one of them. We believe we were in compliance with all of these covenants as of June 30, 2021.

Our debt obligations are summarized below by facility as of June 30, 2021:

Facility ($ in thousands)		Outstanding Indebtedness	Total Facility Size		Maturity Date
Warehouse lines of credit	$	246,639	800,000		January 2022
		152,254	250,000		September 2021
		445,947	500,000		February 2022
		118,922	200,000	(1)	June 2022
		278,544	300,000		September 2021
		413,790	500,000	(2)	July 2021
		89,340	200,000	(3)	April 2022
		96,805	250,000	(4)	N/A
Early buyout facility		43,081	75,000	(5)	March 2025
MSR notes payable		100,000	175,000	(6)	March 2024
		45,000	200,000	(7)	June 2022
		20,000	65,000		July 2022

(1) This facility matured in June 2021 and was subsequently amended with a maturity date of June 2022.
(2) Amounts drawn on the MSR notes payable with this lender reduce the facility size available under the warehouse line of credit with this lender by an equal and offsetting amount. Subsequent to June 30, 2021, this facility was amended with a maturity date of July 2022.
(3) This facility matured in June 2021 and was subsequently amended with a maturity date of April 2022.
(4) This facility's maturity date is 30 days from written notice by either the financial institution or the Company.
(5) Each buyout transaction carries a maximum term of four years from the date of repurchase.
(6) Facility provides for committed amount of $125.0 million, which can be increased up to $175.0 million.
(7) Facility provides for committed amount of $135.0 million, which can be increased up to $200.0 million.

The investors to whom we sell mortgage loans we originate in the secondary market require us to abide by certain operating and financial covenants. These covenants include maintaining (i) a certain minimum net worth, (ii) a certain minimum liquidity, (iii) a certain minimum of total liquid assets, (iv) a certain maximum ratio of adjusted net worth to total assets and (v) fidelity bond and mortgage servicing errors and omissions coverage. A breach of these covenants could result in an event of default and could disallow us to continue selling mortgage loans to one or all of these investors in the secondary market which, in turn, could have a significant impact on our liquidity and results of operations. We believe we were in compliance with all of these covenants as of June 30, 2021.

When we sell loans in the secondary market, we have the option to sell them service released or service retained. The decision whether to sell a loan that we originated service released or service retained is based on factors such as execution and price, liquidity needs and the desire to retain the related client relationship. When we sell a loan service retained, we continue to act as the servicer for the life of the loan. We rely on income from loan servicing and other fees over the life of the loan to generate cash. Certain investors have different rules for the servicer to follow should a loan go into default. As the servicer, we may be legally obligated to make cash payments to the investor who purchased the loan, should the borrower discontinue making payments on the loan. This could have a negative impact to our cash and liquidity; however, we may be able to use other borrower prepayments to cover delinquencies. Should delinquencies significantly increase, or prepayments significantly decrease, we could be forced to use our own cash or borrow on other types of financing in order to make the required monthly payments to the investors who have purchased loans from us. We may also be contractually required to repurchase or indemnify loans with origination defects.

Cash Flows

Our cash flows are summarized below:

($ in thousands)	Six Months Ended June 30, 2021	2020
Net cash provided by (used in) operating activities	$ 290,882	$ (283,928)
Net cash used in investing activities	(1,981)	(15,649)
Net cash (used in) provided by financing activities	(302,018)	341,304
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (13,117)	$ 41,727

Operating activities

Our cash flows from operating activities are primarily influenced by changes in the levels of inventory of loans held for sale, as shown below:

($ in thousands)	Six Months Ended June 30, 2021	2020
Loans held for sale	$ 214,787	$ (477,679)
Other operating sources	76,095	193,751
Net cash provided by (used in) operating activities	$ 290,882	$ (283,928)

Cash provided by loans held for sale increased due to a larger increase in proceeds on sale and payments from mortgage loans held for sale compared to cash used for origination of mortgage loans held for sale. The decrease in cash provided by other operating sources was primarily due to increases in valuation adjustments of mortgage servicing rights.

Investing activities

Our investing activities primarily consist of purchases of property and equipment and acquisitions. Cash used in investing activities decreased for the six months ended June 30, 2021 compared to the same period in 2020, which was primarily due to less cash used for purchases of property and equipment and $12.0 million used for certain payments made to Guild Mortgage Company LLC's former parent entity during the six months ended June 30, 2020, prior to our restructuring and initial public offering.

Financing activities

Our cash flows from financing activities are primarily influenced by changes in the levels of warehouse lines of credit used to fund loan originations, which were consistent with the increase in loan origination volume.

($ in thousands)	Six Months Ended June 30, 2021	2020
Warehouse lines of credit	$ (260,263)	$ 386,104
Other financing sources	(41,755)	(44,800)
Net cash (used in) provided by financing activities	$ (302,018)	$ 341,304

The decrease in cash provided by warehouse lines of credit was primarily due to higher net repayments on our warehouse lines of credit. Cash used in other financing sources decreased for the six months ended June 30, 2021 compared to the same period in 2020, which was primarily driven by net borrowings of $19.3 million during the six months ended June 30, 2021 compared to net repayments of $30.0 million for the six months ended June 30, 2020 on our MSR notes payable and the payment of $60.0 million in cash dividends during May 2021.

Contractual Obligations

Except as disclosed in *Note 13 - Commitments and Contingencies* included in Part 1, Item 1 of this Form 10-Q, there have been no significant changes from our 2020 Annual Report on Form 10-K in our contractual obligations and commitments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide information for this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial and accounting officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2021, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and principal financial and accounting officer have concluded that during the period covered by this Quarterly Report, our disclosure controls and procedures were effective.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

Our management is not required to evaluate the effectiveness of our internal control over financial reporting until after the filing of our Annual Report on Form 10-K for the year ended December 31, 2021. As a result, this Quarterly Report does not address whether there have been any changes in our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are, and from time to time may become, involved in legal and regulatory proceedings or subject to claims arising in the ordinary course of our business. We operate within highly regulated industries on a federal, state and local level and are routinely subject to various examinations and legal and regulatory proceedings in the normal and ordinary course of business. We are not presently a party to any legal or regulatory proceedings that in the opinion of our management, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations and financial condition.

ITEM 1A. RISK FACTORS

Investing in our Class A common stock involves risks. You should carefully consider the risks and uncertainties described below, together with all of the other information included in this Quarterly Report, including the financial statements and the related notes included in Part I, Item 1 of this Quarterly Report. Our business, financial condition, operating results, cash flow and prospects could be materially and adversely affected by any of these risks or uncertainties. In that case, the trading price of our Class A common stock could decline, and you could lose all or part of your investment. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of or that we currently see as immaterial may also adversely affect our business. Some statements in this Quarterly Report, including statements included in the following risk factors, constitute forward-looking statements. Please refer to *"Cautionary Note Regarding Forward-Looking Statements."*

Risks Related to Our Business

The RMS acquisition may cause our financial results to differ from our expectations or the expectations of the investment community; we may not be able to achieve anticipated benefits from the acquisition.

The ultimate success of the RMS acquisition will depend, in part, on our ability to successfully combine and integrate the businesses of RMS and Guild, and realize the synergies and anticipated strategic, financial and other benefits from the acquisition. If we are unable to achieve these objectives within the anticipated time frame, or at all, the value of our Class A common stock may decline.

The integration of the two companies may result in material challenges, including, without limitation:

- coordinating geographically separate organizations with increased operations in jurisdictions in which the Company previously did not operate and subject to regulations and regulatory authorities to which the Company previously was not subject;
- undisclosed liabilities that were not discovered during the diligence process;
- managing a larger combined business;
- retaining key management and other employees and maintaining employee morale, and retaining existing business relationships with customers, real estate professionals and other counterparties;
- the possibility of faulty assumptions underlying expectations regarding the integration process and/or our inability to integrate RMS in the same manner, or with the same degree of success, as we have integrated past acquisitions;
- unanticipated issues in integrating information technology, communications and other systems;
- the failure of RMS to continue to grow under our ownership; and
- unforeseen expenses, costs, liabilities or delays associated with the acquisition.

The COVID-19 pandemic has had, and will likely continue to have, an adverse effect on our business, and its ultimate effect on our business and financial results will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken or to be taken by government authorities in response to the pandemic.

The COVID-19 pandemic has negatively affected, and continues to negatively affect, the national economy and the local economies in the communities in which we operate and has created unprecedented economic, financial and health disruptions that have, and will likely continue to have, an adverse effect on our business. The pandemic has also caused significant volatility and disruption in the financial markets. In the event of a prolonged economic downturn or other economic disruption or changes in the broader economy, housing market, debt markets or otherwise, real estate transactions, the volume of mortgages we originate and the value of the homes that serve as collateral for the loans that we service may decrease significantly.

The COVID-19 pandemic is also affecting our mortgage servicing operations. The federal government enacted the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which allowed borrowers with federally backed loans to request a temporary mortgage forbearance. In February 2021, the Federal Housing Finance Agency, the Department of Housing and Urban Development, the Department of Veterans Affairs, and the Department of Agriculture announced an extension of the forbearance period of three to six months depending on the loan type. As a result of the CARES Act forbearance requirements and the subsequent extension of federal forbearance programs, we have recorded, and expect to record additional, increases in delinquencies in our servicing portfolio, which may require us to finance substantial amounts of advances of principal and interest, property taxes, insurance premiums and other expenses to protect investors' interests in the properties securing the loans. We expect that a borrower who has experienced a loss of employment or a reduction of income may not repay the forborne payments at the end of the forbearance period, or at all. Additionally, we are prohibited from collecting certain servicing-related fees, such as late fees, and initiating foreclosure proceedings. As a result, we expect the effects of the CARES Act forbearance requirements to reduce our servicing income, increase our servicing expenses and require significant unreimbursed cash outlays.

The COVID-19 pandemic may also affect our liquidity. We fund substantially all of the mortgage loans we close through borrowings under our loan funding facilities. Given the broad impact of COVID-19 on the financial markets, our future ability to borrow money to fund our current and future loan production and other cash needs is unknown. Our mortgage origination liquidity could also be affected if our lenders curtail access to uncommitted mortgage warehouse financing capacity or impose higher costs to access such capacity. Our liquidity may be further constrained as there may be less demand by investors to acquire our mortgage loans in the secondary market. In addition, we may be required to use significant amounts of cash to fund advances for loans subject to forbearance requirements or that are delinquent.

Our business operations may also be disrupted if significant portions of our workforce are unable to work effectively, including because of illness, quarantines, government actions or other restrictive measures in connection with the pandemic. As a result of the pandemic, a significant portion of our employees has been working remotely. Although government authorities are in varying stages of lifting or modifying some of these measures, some have already, and others may in the future, reinstitute these measures or impose new, more restrictive measures if the risks, or the perception of the risks, related to the COVID-19 pandemic worsen at any time. Such restrictive measures could also slow certain aspects of our operations that depend on third parties such as appraisers, closing agents and others for loan-related verifications.

The extent to which the COVID-19 pandemic affects our business, results of operations, and financial condition will ultimately depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic.

A disruption in the secondary home loan market or our ability to sell the loans that we originate could have a detrimental effect on our business.

Demand in the secondary market for home loans and our ability to sell the mortgages that we originate depend on many factors that are beyond our control, including general economic conditions, the willingness of lenders to provide funding for and purchase home loans and changes in regulatory requirements. Our inability to sell the mortgages that we originate in the secondary market in a timely manner and on favorable terms could be detrimental to our business. In particular, we sell the majority of the mortgages that we originate to Fannie Mae, Freddie Mac and Ginnie Mae, and the gain recognized from these sales represents a significant portion of our revenues and net earnings. If it is not possible or economical for us to continue selling mortgages to the GSEs or other loan purchasers, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Macroeconomic and U.S. residential real estate market conditions could materially and adversely affect our revenue and results of operations.

Our business has been, and will continue to be, affected by a number of factors that are beyond our control, including the health of the U.S. residential real estate industry, which is seasonal, cyclical, and affected by changes in general economic conditions, including the effects of the COVID-19 pandemic. Furthermore, our clients' and potential clients' income, and thus their ability and willingness to make home purchases and mortgage payments, may be negatively affected by macroeconomic factors such as unemployment, wage deflation, changes in property values and taxes and the availability and cost of credit. As a result, these macroeconomic factors can adversely affect our origination volume.

Increased delinquencies could also increase the cost of servicing existing mortgages and could be detrimental to our business. Lower servicing fees could result in decreased cash flow, and also could decrease the estimated value of our MSRs, resulting in recognition of losses when we write down those values. In addition, an increase in delinquencies lowers the interest income we receive on cash held in collection and other accounts and increases our obligation to advance certain principal, interest, tax and insurance obligations owed by the delinquent mortgage loan borrower.

We highly depend on certain U.S. government-sponsored entities and government agencies, and any changes in these entities or their current roles could materially and adversely affect our business, financial condition and results of operations.

A substantial portion of the loans we originate are loans eligible for sale to Fannie Mae and Freddie Mac, and government insured or guaranteed loans, such as loans backed by the FHA, the VA and the USDA eligible for Ginnie Mae securities issuance. The future of Fannie Mae and Freddie Mac (the "GSEs"), is uncertain, including with respect to how long they will continue to be in existence, the extent of their roles in the market and what forms they will have, and whether they will be government agencies, government-sponsored agencies or private for-profit entities. If the operation of the GSEs is discontinued or reduced, if there is a significant change in their capital structure, financial condition, activity levels or roles in the primary or secondary mortgage markets or in their underwriting criteria or if we lose approvals with those agencies or our relationships with those agencies is otherwise adversely affected, our business, financial condition and results of operations could be adversely affected.

Changes in prevailing interest rates or U.S. monetary policies may have a detrimental effect on our business. Our hedging strategies may not be successful in mitigating interest rate risk.

Our profitability is directly affected by changes in interest rates. The market value of closed loans held for sale and interest rate locks generally change along with interest rates. As such, volatility in prevailing interest rates may have a detrimental effect on our financial performance and results of operations. Many factors beyond our control impact interest rates, including economic conditions, governmental monetary policies, inflation, recession, changes in unemployment, the money supply, and disorder and instability in domestic and foreign financial markets. Changes in monetary policies of the Federal Reserve System could influence not only consumer demand for mortgages but also the fair value of our financial assets and liabilities.

We pursue hedging strategies to mitigate our exposure to adverse changes in interest rates, including with respect to loans held for sale and interest rate locks. Hedging interest rate risk, however, is a complex process, requiring sophisticated models and constant monitoring, and is not a perfect science. Due to interest rate fluctuations, hedged assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation will generally be offset by income or loss on the derivative instruments that are linked to the hedged assets and liabilities. If we engage in derivative transactions, we will be exposed to credit and market risk. If a counterparty fails to perform, counterparty risk exists to the extent of the fair value gain in the derivative. Interest rate risk exists to the extent that interest rates change in ways that are significantly different from what we expected when we entered into the derivative transaction. In addition, we may not engage in hedging strategies with respect to all or a portion of our exposure to changes in interest rates at any given time, or may engage in hedging strategies to a degree or in a manner that is different from that of other companies in our industry. Failure to manage interest rate risk could have a material adverse effect on our business.

Our servicing rights are subject to termination with or without cause.

The servicing agreements under which we service mortgage loans for GSE and non-GSE loan purchasers require that we comply with certain servicing guidelines and abide by certain financial covenants. Under the terms of our master servicing agreements with the GSEs and non-GSEs that purchase the loans we originate, the loan purchasers generally retain the right to terminate us as servicer of the loans we service on their behalf, with or without cause. If we were to have our MSRs terminated on a material portion of our servicing portfolio, or if our costs related to servicing mortgages were increased by the way of additional fees, fines or penalties or an increase in related compliance costs, this could materially and adversely affect our business.

Our existing and any future indebtedness could adversely affect our ability to operate our business, our financial condition or the results of our operations.

Our existing and any future indebtedness could have important consequences, including:

- requiring us to dedicate a substantial portion of our cash flow to payments on our indebtedness, which would reduce the amount of cash flow available to fund working capital, capital expenditures or other corporate purposes;
- increasing our vulnerability to general adverse economic, industry and market conditions;
- subjecting us to restrictive covenants that may reduce our ability to take certain corporate actions or obtain further debt or equity financing;
- limiting our ability to plan for and respond to business opportunities or changes in our business or industry; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or better debt servicing options.

Failure to make payments or comply with other covenants under our existing debt instruments could result in an event of default. If an event of default occurs and the lender accelerates the amounts due, we may need to seek additional financing, which may not be available on acceptable terms, in a timely manner or at all. In that event, we may not be able to make accelerated payments, and the lender could seek to enforce security interests in the collateral securing such indebtedness, which includes substantially all of our assets.

Our mortgage loan origination and servicing activities rely on our loan funding facilities to fund mortgage loans and otherwise operate our business. If one or more of those facilities are terminated, we may be unable to find replacement financing at commercially favorable terms, or at all, which could be detrimental to our business.

We fund substantially all of the mortgage loans we close through borrowings under our loan funding facilities and funds generated by our operations. Our borrowings are in turn generally repaid with the proceeds we receive from mortgage loan sales. We currently, and may in the future continue to, depend upon several lenders to provide the primary funding facilities for our loans. As of the date of this Quarterly Report, we had nine warehouse lines of credit pursuant to master repurchase agreements, which provide us with an aggregate maximum borrowing capacity of approximately $3.1 billion. Additionally, as of June 30, 2021, we were party to (i) a term loan credit agreement with one of our warehouse banks, which agreement is collateralized by our Fannie Mae

MSRs and provides for a term loan facility of $100.0 million (which can be increased to up to $150.0 million), (ii) a loan and security agreement with one of our warehouse banks, which agreement is collateralized by our Ginnie Mae MSRs and provides for a revolving facility of up to $135.0 million (which can be increased to up to $200.0 million) and (iii) a loan and security agreement with one of our warehouse banks, which agreement is collateralized by our Freddie Mac MSRs and provides for a revolving facility of up to $65.0 million.

In the event that any of our loan funding facilities is terminated or is not renewed, or if the principal amount that may be drawn under our funding agreements were to decrease significantly, we may be unable to find replacement financing on commercially favorable terms, or at all, which could be detrimental to our business. Further, if we are unable to refinance or obtain additional funds for borrowing, our ability to maintain or grow our business could be limited.

Our ability to refinance existing debt and borrow additional funds is affected by a variety of factors, including:

- limitations imposed under existing and future financing facilities that contain restrictive covenants and borrowing conditions that may limit our ability to raise additional debt;
- a decline in liquidity in the credit markets;
- prevailing interest rates;
- the financial strength of the lenders from whom we borrow;
- the decision of lenders from whom we borrow to reduce their exposure to mortgage loans due to a change in such lenders' strategic plan, future lines of business or otherwise;
- the amount of eligible collateral pledged on advance facilities, which may be less than the borrowing capacity of the facility;
- the large portion of our loan funding facilities that is uncommitted;
- more stringent financial covenants in our refinanced facilities, with which we may not be able to comply; and
- accounting changes that impact calculations of covenants in our debt agreements.

If the refinancing or borrowing guidelines become more stringent and those changes result in increased costs to comply or decreased origination volume, those changes could be detrimental to our business.

Our loan funding facilities contain covenants that include certain financial requirements, including maintenance of maximum adjusted leverage ratio, minimum net worth, minimum tangible net worth, minimum current ratio, minimum liquidity, positive quarterly income and other customary debt covenants, as well as limitations on additional indebtedness, dividends, sales of assets, and declines in the mortgage loan servicing portfolio's fair value. A breach of these covenants can result in an event of default under these facilities and as such allow the lenders to pursue certain remedies. In addition, our loan facilities include cross default or cross acceleration provisions that could result in most, if not all, facilities terminating if an event of default or acceleration of maturity occurs under a facility. If we are unable to meet or maintain the necessary covenant requirements or satisfy, or obtain waivers for, the continuing covenants, we may lose the ability to borrow under all of our financing facilities, which could be detrimental to our business.

Our business depends on our ability to maintain and improve the technology infrastructure that supports our origination and servicing platform, and any significant disruption in service on our platform could harm our business, brand, operating results, financial condition and prospects.

Our ability to service our clients depends on the reliable performance of our technology infrastructure. Interruptions, delays or failures in these systems, whether due to adverse weather conditions, natural disasters, power loss, computer viruses, cybersecurity attacks, physical break-ins, terrorism, hardware failures, errors in our software or otherwise, could be prolonged and could affect the security or availability of our platform and our ability to originate and service mortgages. Furthermore, we may incur significant expense maintaining, updating and adapting our technology infrastructure, and our disaster recovery planning may be insufficient to prevent or mitigate these and other events or occurrences. The reliability and security of our systems, and those of certain third parties, is important not only to facilitating our origination and servicing of mortgages, but also to maintaining our reputation and ensuring the proper protection of our confidential and proprietary information and the data of mortgage borrowers and other third parties that we possess or control or to which we have access. Operational failures or prolonged disruptions or delays in the availability of our systems could harm our business, brand, reputation, operating results, financial condition and prospects.

Our risk management strategies may not be fully effective in mitigating our risk exposures in all market environments or against all types of risk.

We have devoted significant resources to develop our risk management policies and procedures and expect to continue to do so in the future. Nonetheless, our risk management strategies may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk, including market, interest rate, credit, liquidity, operational, cybersecurity, legal, regulatory and compliance risks, as well as other risks that we may not have identified or anticipated. As our products and services change and grow and the markets in which we operate evolve, our risk management strategies may not always adapt to those changes in a timely or effective manner. Some of our methods of managing risk are based upon our use of observed historical market behavior and management's judgment. As a result, these methods may not predict future risk exposures, which could be different or significantly greater than the historical measures indicate. Although we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the timing of such outcomes. Any of these circumstances could have an adverse effect on our business, financial condition and results of operations.

Pressure from existing and new competitors may adversely affect our business, operating results, financial condition and prospects.

We operate in a highly competitive industry that could become even more competitive due to economic, legislative, regulatory and technological changes. We face significant competition for clients from bank and non-bank competitors, including national and regional banks, mortgage banking companies, financial technology companies and correspondent lenders. Many of our competitors are significantly larger and have significantly more resources, greater name recognition and more extensive and established retail footprints than we do.

Our ability to compete successfully will depend on a number of factors, including our ability to build and maintain long-term client relationships while ensuring high ethical standards and sound lending and servicing practices, the scope, relevance and pricing of products and services that we offer, our clients' satisfaction with our products and services, industry and general economic trends and our ability to keep pace with technological advances in the industry.

Our failure to compete effectively in our markets could restrain our growth or cause us to lose market share, which could have a material adverse effect on our business, prospects, financial condition and results of operations. Although we are expanding into the northeast United States with our recent acquisition of RMS, we may face a competitive disadvantage as a result of our concentration primarily in the northwest United States and will be unable, as compared to our more geographically diversified peers, to spread our operating costs across a broader market. Furthermore, a cyclical decline in the industry's overall level of originations, or decreased demand for loans due to a higher interest rate environment, may lead to increased competition for remaining loan originations. Any increase in these competitive pressures could have an adverse effect on our business, prospects, financial condition and results of operations.

Our failure to maintain or grow our historical referral relationships with our referral partners may materially and adversely affect our business, operating results, financial condition and prospects.

A substantial portion of our mortgage origination leads are sourced through an established network of referral partners with which we have longstanding relationships. We rely on being a preferred provider to realtors, builders and other partners with whom we have relationships. Our failure to maintain or grow these relationships could significantly decrease our origination volume and materially and adversely affect our business, operating results, financial condition and prospects. In addition, changes in the real estate and home construction industries, or in the relationships between those industries and the mortgage industry, could adversely affect our business and operating results, financial condition and prospects. For example, in recent years, there has been an increase in products and services designed to facilitate home sales without the involvement of realtors, and if the role of realtors in the sales process declines, our business could be adversely affected if we are unable to adapt to that development in a manner that preserves our loan origination leads.

We are required to make servicing advances that can be subject to delays in recovery or may not be recoverable in certain circumstances.

During any period in which our clients are not making payments on loans we service, including during defaults, delinquencies, forbearances and in certain circumstances where a client prepays a loan, we generally are required under our servicing agreements to advance our own funds to pay principal and interest, property taxes and insurance premiums, legal expenses and other expenses. In addition, in the event a loan serviced by us defaults or becomes delinquent, or to the extent a mortgagee under such loan is allowed to enter into a forbearance by applicable law or regulation, the repayment to us of any advance related to such events may be delayed until the loan is repaid or refinanced or liquidation occurs. Any delay or impairment in our ability to collect an advance may materially and adversely affect our liquidity, and delays in reimbursements of us, or our inability to be reimbursed, for advances could be detrimental to our business. Market disruptions such as the COVID-19 pandemic and the response, including through the CARES Act and the temporary period of forbearance that is being offered for clients unable to pay on certain mortgage loans may also increase the number of defaults, delinquencies or forbearances related to the loans we service, increasing the advances we make for such loans, which we may not recover in a timely manner or at all. In addition, any regulatory actions that lengthen the foreclosure process could increase the amount of servicing advances that we are required to make, lengthen the time it takes for us to be reimbursed for such advances and increase the costs incurred during the foreclosure process. While we have in the past utilized prepayments and payoffs to make advances, such sources, and other sources of liquidity available to us, may not be sufficient in the future, and our business, financial condition and results of operations could be materially and adversely affected as a result. As of June 30, 2021, loans representing approximately 2.1% of the loans in our servicing portfolio were in forbearance.

If we are unable to attract, integrate and retain qualified personnel, our ability to develop and successfully grow our business could be harmed.

Our business depends on our ability to retain our key executives and management and to hire, develop and retain qualified loan officers and other employees. Our ability to expand our business depends on our being able to hire, train and retain sufficient numbers of employees to staff our in-house servicing centers, as well as other personnel. Our success in recruiting highly skilled and qualified personnel can depend on factors outside of our control, including the strength of the general economy and local employment markets and the availability of alternative forms of employment. Furthermore, the spread of COVID-19 may adversely affect our ability to recruit and retain personnel. If the services of any of our key personnel should become unavailable for any reason, we may not be able to identify and hire qualified persons on terms acceptable to us, which could have a material and adverse effect on our business, operating results, financial condition and prospects.

A substantial portion of our assets are measured at fair value. From time to time our estimates of their value prove to be inaccurate and we are required to write them down.

We record the value of our MSRs, interest rate lock commitments (“IRLCs”), mortgage loans held for sale (“MLHS”), the contingent liabilities related to our completed acquisitions and our inventory of loans for which we have repurchase rights at fair value. Fair value determinations require many assumptions and complex analyses for which we cannot control many of the underlying factors. From time to time our estimates prove to be incorrect and we are required to write down the value of these assets, which could adversely affect our earnings, financial condition and liquidity.

In particular, our estimates of the fair value of our MSRs are based on the cash flows projected to result from the servicing of the related mortgage loans and continually fluctuate due to a number of factors, including prepayment rates and other market conditions that affect the number of loans that ultimately become delinquent or are repaid or refinanced. These estimates are calculated by a third party using complex financial models that account for a high number of variables that drive cash flows associated with MSRs and anticipate changes in those variables over the life of the MSR. As such, the accuracy of our estimates of the fair value of our MSRs are highly dependent upon the reasonableness of the results of such models and the variables and assumptions that we build into them. If loan delinquencies or prepayment speeds are higher than anticipated or other factors perform worse than modeled, the recorded value of certain of our MSRs may decrease, which could adversely affect our business, financial condition and results of operations.

We may from time to time be subject to litigation, which may be extremely costly to defend, could result in substantial judgment or settlement costs and could subject us to other remedies.

From time to time, we have been, and may continue to be, involved in various legal proceedings, including, but not limited to, actions related to our lending and servicing practices as well as alleged violations of the local, state and federal laws to which our business is subject. See "*Part II, Item 1 – Legal Proceedings*." Claims may be expensive to defend and may divert management's time away from our operations, regardless of whether they are meritorious or ultimately lead to a judgment against us. We cannot assure you that we will be able to successfully defend or resolve any current or future litigation matters, and the resolution of such matters may result in significant financial payments by, or penalties imposed upon, us, restrictions on our business and operations, or other remedies, in which case those litigation matters could have a material and adverse effect on our business, operating results, financial condition and prospects.

The success and growth of our business will depend upon our ability to adapt to and implement technological changes.

The mortgage industry is continually undergoing rapid technological change with frequent introductions of new products and services. We seek to differentiate ourselves by the range of mortgage programs we offer and rely on our internally-developed technology to make our platform available to our loan officers, evaluate mortgage applicants and service loans. Our future success and growth depend, in part, upon our ability to develop new products and services that satisfy changing client demand and use technology to provide a desirable client experience and to create additional efficiencies in our operations. If we fail to predict demand and develop, commercially market and achieve acceptance of attractive products and services, our business and prospects could be adversely affected. In addition, the implementation of technological changes and upgrades to maintain current systems and integrate new ones may also cause service interruptions, transaction processing errors and system conversion delays, may cause us to fail to comply with applicable laws, and may cause us to incur additional expenses, which may be substantial. Failure to keep pace successfully with technological change affecting the mortgage industry and avoid interruptions, errors and delays could have material adverse effect on our business, financial condition or results of operations.

Adverse events to our clients could occur, which can result in substantial losses that could adversely affect our financial condition.

A client's ability or willingness to repay his or her mortgage may be adversely affected by numerous factors, including a loss of or change in employment or income, weak macro-economic conditions, increases in payment obligations to other lenders and deterioration in the value of the home that serves as collateral for the loan. Increases in delinquencies or defaults related to these and other factors may adversely affect our business, financial condition, liquidity and results of operations and may also cause decreased demand in the secondary market for loans originated through Guild. In addition, higher risk loans incur greater servicing costs because they require more frequent interaction with clients and closer monitoring and oversight. We may not be able to pass along these additional servicing costs associated with higher-risk loans to our clients and they could result in substantial losses that could adversely affect our financial condition.

Our business could be materially and adversely affected by a cybersecurity breach or other vulnerability involving our computer systems or those of certain of our third-party service providers.

Our systems and those of certain of our third-party service providers could be vulnerable to hardware and cybersecurity issues. Our operations depend upon our ability to protect our computer equipment against damage from fire, power loss, telecommunications failure or a similar catastrophic event. We could also experience a breach by intentional or negligent conduct on the part of employees or other sources. Any damage or failure that causes an interruption in our operations or those of our third-party service providers could have an adverse effect on our business, operating results, financial condition and prospects. In addition, our operations depend upon our ability to protect the computer systems and network infrastructure we use against damage from cybersecurity attacks by sophisticated third parties with substantial computing resources and capabilities and other disruptive problems caused by the internet or other users. These disruptions could jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, including personal or confidential information of our clients, employees and others, which may result in significant liability and damage our reputation.

It is difficult or impossible to defend against every risk being posed by changing technologies as well as criminals intent on committing cyber-crime and any measures we employ may not be successful in preventing, detecting or stopping attacks. The increasing sophistication and resources of cyber criminals and other non-state threat actors and increased actions by nation-state actors make keeping up with new threats difficult and could result in a breach of security. Controls employed by our information technology department and our third-party service providers, including cloud vendors, could prove inadequate. A breach of our security that results in unauthorized access to our data could expose us to a disruption or challenges relating to our daily operations, as well as to data loss, litigation, damages, fines and penalties, significant increases in compliance costs and reputational damage, any of which could have a material and adverse effect on our business, operating results, financial condition and prospects.

A number of the states, counties and cities in which we maintain branch offices have issued shelter-in-place and similar orders in response to the COVID-19 pandemic. As a result, a significant portion of our employees has been working remotely. This transition to a remote work environment may exacerbate certain risks to our business, including increasing the stress on, and our vulnerability to disruptions of, our technology infrastructure and computer systems, increased risk of phishing and other cybersecurity attacks, and increased risk of unauthorized dissemination of personal or confidential information.

To the extent we or our systems rely on third-party service providers, through either a connection to, or an integration with, those third-parties' systems, the risk of cybersecurity attacks and loss, corruption or unauthorized publication of our information or the confidential information of our clients, employees and others may increase. Third-party risks may include ineffective security measures, data location uncertainty and the possibility of data storage in inappropriate jurisdictions where laws or security measures may be inadequate.

Any or all of the issues described above could adversely affect our ability to attract new clients and continue our relationship with existing clients and could subject us to governmental or third-party lawsuits, investigations, regulatory fines or other actions or liability, thereby harming our business, operating results, financial condition and prospects.

Operating and growing our business may require additional capital, and if capital is not available to us, our business, operating results, financial condition and prospects may suffer.

Operating and growing our business is expected to require further investments in our technology and operations. We may be presented with opportunities that we want to pursue, and unforeseen challenges may present themselves, any of which could cause us to require additional capital. If our cash needs exceed our expectations or we experience rapid growth, we could experience strain in our cash flow, which could adversely affect our operations in the event we were unable to obtain other sources of liquidity. If we seek to raise funds through equity or debt financing, those funds may prove to be unavailable, may only be available on terms that are not acceptable to us or may result in significant dilution to you or higher levels of leverage. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, operating results, financial condition and prospects could be materially and adversely affected.

We are subject to certain operational risks, including, but not limited to, employee or customer fraud, the obligation to repurchase sold loans in the event of a documentation error, and data processing system failures and errors.

Employee errors and employee and client misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include, among other things, improper use of confidential information and fraud. It is not always possible to prevent employee errors and misconduct or documentation errors, and the precautions we take to prevent and detect this activity may not be effective in all cases. In addition, we rely heavily upon information supplied by third parties, including the information contained in credit applications, property appraisals, title information and valuation, employment and income documentation, in deciding which loans we will originate, as well as the terms of those loans. If any of the information upon which we rely is misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to the mortgage being funded, the value of that mortgage may be significantly lower than expected, or we may fund a mortgage that we would not have funded or on terms we would not have extended. Whether a misrepresentation is made by the mortgage applicant or another third party, we generally bear the risk of loss associated with such misrepresentation. A loan subject to a material misrepresentation is typically unsellable or subject to repurchase if it is sold prior to detection of the misrepresentation. The sources of the misrepresentations are often difficult to identify, and it is often difficult to recover any of the monetary losses we may suffer. These risks could adversely affect our business, results of operation, financial condition and reputation.

We are periodically required to repurchase mortgage loans that we have sold, or indemnify purchasers of our mortgage loans, if these loans fail to meet certain criteria or characteristics or under other circumstances.

At the time a loan is sold to an investor, we make certain representations and warranties. If defects are subsequently discovered in these representations and warranties that cause a loan to no longer satisfy the applicable investor eligibility requirements, we may be required to repurchase that loan. We are also required to indemnify several of our investors for borrowers' prepayments and defaults. In addition, with respect to delinquent Ginnie Mae mortgage loans that we service, we are required to repurchase such loans prior to foreclosing and liquidating the mortgaged properties securing such loans. For the period ended June 30, 2021, Ginnie Mae accounted for 31.2% of the UPB of our servicing portfolio.

As of June 30, 2021, we have a reserve of $16.8 million for repurchase and indemnification obligations. Actual repurchase and indemnification obligations could materially exceed the reserves we have recorded in our financial statements. There can be no guarantee that future losses will not be in excess of the recorded liability.

Seasonality may cause fluctuations in our financial results.

The mortgage origination industry can be seasonal. We typically experience an increase in our mortgage origination activity during the second and third quarters and reduced activity in the first and fourth quarters as homebuyers tend to purchase their homes during the spring and summer in order to move to a new home before the start of the school year. Accordingly, our loan origination revenues varies from quarter to quarter and comparisons of sequential quarters may not be meaningful.

If we fail to protect our brand and reputation, our ability to grow our business and increase the volume of mortgages we originate and service may be adversely affected.

Maintaining strong brand recognition and a reputation for trustworthiness and for delivering a superior client experience is important to our business. If we fail to protect our brand and deliver on these expectations, or if negative public opinion relating to Guild or other mortgage industry participants resulting from actual or alleged conduct in mortgage origination, servicing or other activities, government oversight or regulation, litigation or other matters should occur, these events could harm our reputation and damage our ability to attract and retain clients or maintain our referral network, which could adversely affect our business.

We could be forced to incur greater expense marketing our brand or maintaining our reputation in the future to preserve our position in the market and, even with such greater expense, we may not be successful in doing so. Many of our competitors have more resources than we do and can spend more advertising their brands and services. If we are unable to maintain or enhance consumer awareness of our brand cost-effectively and maintain our reputation, or otherwise experience negative publicity, our business, operating results, financial condition and prospects could be materially and adversely affected.

Failure to comply with fair lending laws and regulations could lead to a wide variety of sanctions that could have a material adverse effect on our business, financial condition and results of operations.

Antidiscrimination statutes, such as the Fair Housing Act, the Equal Credit Opportunity Act (the "ECOA") and other fair lending laws and regulations prohibit creditors from discriminating against loan applicants and borrowers based on certain characteristics, such as race, religion and national origin. The Department of Justice and other federal agencies, including the CFPB, are responsible for enforcing these laws and regulations. The Supreme Court has held that the Fair Housing Act applies not just to intentional discrimination, but also to neutral practices that have a disparate impact on protected classes. Enforcement agencies have taken a similar position in connection with the applicability of ECOA. Compliance with anti-discrimination prohibitions, and particularly the disparate impact theory, creates a significant administrative burden and potential liability for failure to comply. A successful regulatory challenge to our performance under these fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties. Such sanctions could have a material adverse effect on our business, financial condition and results of operations.

We are subject to certain risks associated with investing in real estate and real estate related assets, including risks of loss from adverse weather conditions, man-made or natural disasters, pandemics, terrorist attacks and the effects of climate change and, which may cause disruptions in our operations and could materially and adversely affect the real estate industry generally and our business, financial condition, liquidity and results of operations.

Weather conditions and man-made or natural disasters such as hurricanes, tornadoes, earthquakes, pandemics, floods, droughts, fires and other environmental conditions can adversely impact properties that we own or that collateralize loans we own or service, as well as properties where we conduct business. Future adverse weather conditions and man-made or natural disasters could also adversely impact the demand for, and value of, our assets, as well as the cost to service or manage such assets, directly impact the value of our assets through damage, destruction or loss, and thereafter materially impact the availability or cost of insurance to protect against these events. Terrorist attacks and other acts of violence may cause disruptions in U.S. financial markets and negatively impact the U.S. economy in general.

Potentially adverse consequences of global warming and climate change, including rising sea levels and increased intensity of extreme weather events, could similarly have an impact on our properties and the local economies of certain areas in which we operate. Although we believe the properties collateralizing our loan assets or underlying our MSR assets are appropriately covered by insurance, we cannot predict at this time if we or our borrowers will be able to obtain appropriate coverage at a reasonable cost in the future, or if we will be able to continue to pass along all of the costs of insurance. There also is a risk that one or more of our property insurers may not be able to fulfill their obligations with respect to claims payments due to a deterioration in its financial condition or may even cancel policies due to increasing costs of providing insurance coverage in certain geographic areas.

Certain types of losses, generally of a catastrophic nature, that result from events described above such as earthquakes, floods, hurricanes, tornados, terrorism, acts of war and pandemics, may also be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, also might make the insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. Under these circumstances, the insurance proceeds received might not be adequate to restore our economic position with respect to the affected real property. Any uninsured loss could result in the loss of cash flow from, and the asset value of, the affected property, which could have an adverse effect on our business, financial condition, liquidity and results of operations.

Risks Related to Regulatory Environment

Our mortgage loan origination and servicing activities are subject to a highly complex legal and regulatory framework, and non-compliance with or changes in laws and regulations governing our industry could harm our business, operating results, financial condition and prospects.

The mortgage industry is subject to a highly complex legal and regulatory framework. In addition to the licensing requirements for each of the jurisdictions in which we originate or service loans, we must comply with a number of federal, state and local consumer protection and other laws including, among others, the Truth in Lending Act, the Real Estate Settlement Procedures Act, the ECOA, the Fair Credit Reporting Act, the Fair Housing Act, the Telephone Consumer Protection Act, the Gramm-Leach-Bliley Act, the Electronic Fund Transfer Act, the Servicemembers Civil Relief Act, the Military Lending Act, the Homeowners Protection Act, the Home Mortgage Disclosure Act, the SAFE Act, the Federal Trade Commission Act, the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"), the CARES Act, federal, state and local laws designed to discourage predatory lending and servicing practices, prohibit unfair, deceptive, or abusive acts or practices, protect customer privacy, and regulate debt collection and consumer credit reporting, and state foreclosure laws. These and other laws and regulations directly affect our business and require constant compliance monitoring and internal and external audits and examinations by federal and state regulators. Changes to the laws, regulations and guidelines relating to the origination and servicing of mortgages, including those already adopted and those that may be adopted in response to the COVID-19 pandemic, their interpretation or the manner in which they are enforced could render our current business practices non-compliant or make compliance more difficult or expensive.

As a non-depository lending and servicing institution, we are subject to the regulatory authority of the CFPB, including, without limitation, its authority to conduct investigations, bring enforcement actions, impose monetary penalties, require remediation of practices, pursue administrative proceedings or litigation, and obtain cease and desist orders for violations of applicable federal consumer financial laws. The CFPB has been active in investigations and enforcement actions and has issued civil money penalties to parties when the CFPB has determined that such parties have violated the laws and regulations it enforces. Our failure to comply with the federal consumer protection laws and regulations to which we are subject, whether that failure is actual or alleged, could expose us to enforcement actions or potential litigation liabilities.

It is possible that we are not, and will not in the future be, in full compliance with current and future laws and regulations, or interpretations of the foregoing. Our failure, or the failure of our loan officers, other employees, correspondent sellers or others with whom we have business relationships, to operate in compliance with any of the laws, regulations and guidelines relating to the origination, servicing and collection of mortgages could result in, among other things, the loss of licenses and approvals required for us to engage in the business of originating, servicing and collecting mortgage loans, governmental investigations and enforcement actions, damage to our brand and reputation, civil and criminal liability and administrative penalties, which could have a material and adverse effect on our business, operating results, financial condition and prospects.

The Financial Stability Oversight Council ("FSOC") has recommended that federal and state regulators strengthen the prudential regulation of nonbank mortgage origination and servicing companies. The FSOC has also been conducting a review of the secondary-mortgage market focused on the regulation of Fannie Mae and Freddie Mac. Additionally, the Conference of State Bank Supervisors ("CSBS") has issued a proposal for enhancing regulatory prudential standards for nonbank mortgage servicers subject to licensing and supervision by state financial regulators. The CSBS prudential regulatory proposal includes standards for capital, liquidity, risk management, data standards and integrity, data protection/ cyber risk, corporate governance, servicing transfer requirements, and change of control requirements. To the extent that the FSOC and other regulators move forward with new prudential reforms of nonbank mortgage originators or servicers (including designating nonbank mortgage companies for heightened prudential regulation by the Federal Reserve), the markets they serve, or the secondary-mortgage market, it could materially affect the operating costs, competitiveness, business plan, and prospects of our business.

We are subject to state licensing and operational requirements. Our failure to obtain and maintain the appropriate state licenses would prohibit us from originating or servicing mortgages in those states and adversely affect our operations.

Because we are not a federally chartered depository institution, we do not benefit from exemptions to state mortgage lending, loan servicing or debt collection licensing and regulatory requirements. In most states in which we operate, a regulatory agency or agencies regulates and enforces laws relating to mortgage servicing companies and mortgage origination companies such as us. These rules and regulations generally require that we seek and maintain certain licenses and comply with certain business practice standards, including requirements as to the form and content of contracts and other documentation and the licensing of our employees. As a non-bank mortgage lender, we are subject to licensure, regulation and supervision by every state and district in which we do business. States examine non-bank mortgage lenders and servicers periodically, depending on state law requirements and other factors such as the lender's size and compliance history. These examinations may include a review of the non-bank lender's compliance with all federal and state consumer protection laws, compliance management system and internal controls. Complying with this regulatory framework requires a meaningful dedication of management and financial resources. Changes to existing state legislation or the adoption of new state legislation, as well as our entry into new markets in states in which we had not previously operated, could increase our compliance costs. This could render business in any one state or states cost-prohibitive and could materially affect our business and our growth strategy. Any failure to comply with these licensing and operational requirements could have a material and adverse effect on our business, operating results, financial condition and prospects.

Changes in the guidelines of the GSEs, FHA, VA, USDA and Ginnie Mae could adversely affect our business.

We are required to follow specific guidelines and eligibility standards that impact the way we service and originate GSE and U.S. government agency loans, including guidelines and standards with respect to credit standards for mortgage loans, our staffing levels and other servicing practices and the servicing and ancillary fees that we may charge. In addition, we are required to meet certain minimum financial requirements relating to our net worth, capital ratio and liquidity in order to sell the loans that we originate to certain investors, including the GSEs. A change in these guidelines could require us to expend additional resources to originate and service mortgages or make it more difficult for us to do so profitably or at all and a failure to meet applicable financial requirements could materially impair our ability to originate and service loans, any of which could have a material and adverse effect on our business, operating results, financial condition and prospects.

In addition, changes in the nature or extent of the guarantees provided by Fannie Mae, Freddie Mac, Ginnie Mae, the USDA or the VA, or the insurance provided by the FHA, or coverage provided by private mortgage insurers, could also have broad adverse market implications. Any future increases in guarantee fees or changes to their structure or increases in the premiums we are required to pay to the FHA or private mortgage insurers for insurance or to the VA or the USDA for guarantees could increase mortgage origination costs and insurance premiums for our clients. These industry changes could result in reduced demand for our mortgage services, resulting in reduced origination volume and profitability for us, which could materially and adversely affect our business, operating results, financial condition and prospects.

Risks Related to Our Organization and Structure

We are controlled by McCarthy Capital Mortgage Investors, LLC ("MCMI"), and MCMI's interests may conflict with our interests and the interests of our other stockholders.

MCMI holds all of our issued and outstanding Class B common stock and controls approximately 95% of the combined voting power of our outstanding common stock. As a result, MCMI controls any action requiring the general approval of our stockholders, including the election of our Board of Directors, the adoption of amendments to our certificate of incorporation and bylaws and the approval of any merger or sale of substantially all of our assets. So long as MCMI continues to directly or indirectly own a significant amount of our equity, even if such amount is less than a majority of the combined voting power of our outstanding common stock, MCMI will continue to be able to substantially influence the outcome of votes on all matters requiring approval by the stockholders. The interests of MCMI could conflict with or differ from our interests or the interests of our other stockholders. For example, the concentration of ownership held by MCMI could delay, defer or prevent a change of control of our Company or impede a merger, takeover or other business combination that may otherwise be attractive to us or our other stockholders.

We are a "controlled company" within the meaning of the NYSE rules and, as a result, we are permitted, and elect, to rely on exemptions from certain corporate governance requirements that provide protection to stockholders of other companies.

Because MCMI controls a majority of the combined voting power of our outstanding common stock, we are considered a controlled company under the applicable rules of the NYSE. As a controlled company, we are permitted to elect not to comply with certain corporate governance requirements of the NYSE, including the requirements that:

- a majority of our Board of Directors consist of independent directors;
- we have a nominating and corporate governance committee that is composed entirely of independent directors; and
- we have a compensation committee that is composed entirely of independent directors.

These requirements will not apply to us as long as we remain a controlled company. Accordingly, investors in our Class A common stock may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the NYSE.

Our directors and executive officers have significant control over our business.

Our directors and executive officers beneficially own, directly or indirectly, in the aggregate, approximately 36.5% of the outstanding shares of our Class A common stock and 100% of the outstanding shares of our Class B common stock (to the extent the Chairman of our Board of Directors may be deemed to beneficially own all of the shares of our Class B common stock beneficially owned by MCMI), representing an aggregate of approximately 97.1% of the combined voting power of our outstanding common stock. As a result, in addition to their day-to-day management roles, our executive officers and directors will be able to exercise significant influence on our business as stockholders, including influence over election of members of the Board of Directors and the authorization of other corporate actions requiring stockholder approval.

We are a holding company and depend upon distributions from Guild Mortgage Company LLC ("GMC") to meet our obligations.

We are a holding company with no material assets other than our ownership of equity interests in GMC, which is our wholly owned subsidiary. Our ability to pay dividends and to pay taxes and cover other expenses depends on the financial results and cash flows of GMC. As the sole member of GMC, we intend to cause GMC to make distributions to us in amounts sufficient to meet our obligations. Certain laws and regulations, however, may result in restrictions on GMC's ability to make distributions to us. To the extent that we need funds and GMC is restricted from making such distributions under applicable law or regulation or under the terms of any of its financing arrangements, we may not be able to obtain funds on terms acceptable to us or at all and as a result could suffer an adverse effect on our liquidity and financial condition.

Risks Related to Being a Public Company

We have incurred, may incur additional, significant costs and expenses, including costs and expenses associated with obligations relating to being a newly public company, which requires significant resources and management attention and may divert focus from our business operations, and we may generate losses in the future.

We incur significant expenses in developing our technology, marketing and providing the products and services we offer and acquiring clients, and our costs may increase due to our continued new product development and general administrative expenses, such as legal and accounting expenses related to becoming and being a newly public company. Prior to our initial public offering, we were not required to comply with the requirements of the SEC, to file periodic reports with the SEC or to have our consolidated financial statements completed, reviewed or audited and filed within a specified time. As a public company, we are required to file periodic reports containing our consolidated financial statements with the SEC within a specified time following the completion of quarterly and annual periods. As a public company, we have incurred, and will continue to incur, significant legal, accounting, insurance and other expenses. Compliance with these reporting requirements and other rules of the SEC and the rules of the NYSE has increased our legal and financial compliance costs and made some activities more time-consuming and costly. Furthermore, the need to continue to establish the corporate infrastructure demanded of a public company may divert management's attention from implementing our growth strategy, which could prevent us from successfully implementing our strategic initiatives and improving our business, operating results, financial condition and prospects. If we fail to manage these additional costs or increase our revenue, we may incur losses in the future.

Our quarterly operating results or other operating metrics may fluctuate significantly and may not meet expectations of research analysts, which could cause the trading price of our Class A common stock to decline.

Our quarterly operating results and other operating metrics have fluctuated in the past and may in the future fluctuate as a result of a number of factors, many of which are outside of our control and may be difficult to predict. Period-to-period variability or unpredictability of our results could result in our failure to meet our expectations or those of any analysts that cover us or investors with respect to revenue or other operating results for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our Class A common stock could decline significantly, and we could face litigation, including securities class action litigation.

If we fail to correct any material weakness that we identify in our internal control over financial reporting or otherwise fail to maintain effective internal control over financial reporting, we may not be able to report our financial results accurately and timely, in which case our business may be harmed, investors may lose confidence in the accuracy and completeness of our financial reports and the price of our Class A common stock may decline.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on our system of internal control. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. As a public company, we are required to comply with the Sarbanes-Oxley Act and other rules that govern public companies. In particular, we will be required to certify our compliance with Section 404 of the Sarbanes-Oxley Act beginning with our second annual report on Form 10-K, which will require us to furnish annually a report by management on the effectiveness of our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to report on the effectiveness of our internal control over financial reporting, beginning as of that second annual report. If we identify material weaknesses in our internal control over financial reporting in the future, if we cannot comply with the requirements of the Sarbanes-Oxley Act in a timely manner or attest that our internal control over financial reporting is effective, or if our independent registered public accounting firm cannot express an opinion as to the effectiveness of our internal control over financial reporting when required, we may not be able to report our financial results accurately and timely. As a result, investors, counterparties and consumers may lose confidence in the accuracy and completeness of our financial reports. As a result, access to capital markets and perceptions of our creditworthiness could be adversely affected, and the market price of our Class A common stock could decline. In addition, we could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources. These events could have a material and adverse effect on our business, operating results, financial condition and prospects.

If we fail to implement and maintain effective disclosure controls and procedures, we may not be able to meet applicable reporting requirements, which could materially and adversely affect us.

We are subject to the informational requirements of the Exchange Act and are required to file reports and other information with the SEC. As a publicly-traded company, we are required to maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file with, or submit to, the SEC is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. They include controls and procedures designed to ensure that information required to be disclosed in reports filed with, or submitted to, the SEC is accumulated and communicated to management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosure. Effective disclosure controls and procedures are necessary for us to provide reliable reports, effectively prevent and detect fraud, and to operate successfully as a public company. Designing and implementing effective disclosure controls and procedures is a continuous effort that requires significant resources and devotion of time. We may discover deficiencies in our disclosure controls and procedures that may be difficult or time consuming to remediate in a timely manner. Any failure to maintain effective disclosure controls and procedures or to timely effect any necessary improvements thereto could cause us to fail to meet our reporting obligations (which could affect the listing of our Class A common stock on the NYSE). Additionally, ineffective disclosure controls and procedures could also adversely affect our ability to prevent or detect fraud, harm our reputation and cause investors to lose confidence in our reports filed with, or submitted to, the SEC, which would likely have a negative effect on the trading price of our Class A common stock.

Risks Related to our Class A Common Stock

Sales of a substantial number of shares of our common stock by our existing stockholders in the public market could cause the price of our Class A common stock to fall.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could significantly reduce the market price of our Class A common stock. If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock (including shares of our Class B common stock that would convert to Class A common stock in connection with such sales) in the public market, the trading price of our Class A common stock could substantially decline. Furthermore, if MCMI or our executive officers and directors were to sell a substantial portion of the shares they hold, it could cause our the price of our Class A common stock to decline.

Our issuance of capital stock in connection with financings, acquisitions, investments, our equity incentive plans or otherwise would dilute all other stockholders.

We may issue capital stock in the future. Any such issuance would result in dilution to all other stockholders. In the future, we may issue stock, including as a grant of equity awards to employees, directors and consultants under our equity incentive plans, to raise capital through equity financings or to acquire or make investments in companies, products or technologies for which we may issue equity securities as consideration or for financing purposes. Any such issuances of capital stock in the future may cause stockholders to experience significant dilution of their ownership interests and the per share value of our Class A common stock to decline.

We do not intend to pay dividends in the foreseeable future.

We do not anticipate declaring or paying regular cash dividends on our Class A common stock in the foreseeable future. Instead, we anticipate that most or all of our future earnings will be retained to support our operations and finance the growth and development of our business. Any future determination to declare and pay cash dividends, if any, will be made at the discretion of our Board of Directors and will depend on a variety of factors, including applicable laws, our financial condition, results of operations, contractual restrictions, capital requirements, business prospects, general business or financial market conditions, and other factors our Board of Directors may deem relevant. Investors should not purchase our Class A common stock with the expectation of receiving cash dividends.

Certain provisions in our certificate of incorporation and bylaws and of Delaware law may prevent or delay an acquisition of Guild, which could decrease the trading price of our Class A common stock.

Our certificate of incorporation, bylaws and Delaware law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the bidder and to encourage prospective acquirers to negotiate with our Board of Directors rather than to attempt a hostile takeover. These provisions include, among others, those establishing:

- a dual class common stock structure, which provides MCMI with the ability to control the outcome of matters requiring stockholder approval, even if it beneficially owns significantly less than a majority of the shares of our outstanding common stock;
- the division of our Board of Directors into three classes of directors, with each class serving a staggered three-year term, which could have the effect of making the replacement of incumbent directors more time-consuming and difficult;
- the inability of our stockholders to call a special meeting;
- the inability of our stockholders to act by written consent after MCMI and its affiliated private equity funds cease to beneficially own a majority of the combined voting power of our capital stock;
- rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings;
- the right of our Board of Directors to issue preferred stock without stockholder approval;
- the inability of stockholders to remove directors without cause after MCMI, any other investment funds affiliated with MCMI, and any company or other entity controlled by, controlling or under common control with MCMI or any such investment fund (other than any portfolio company)cease to beneficially own a majority of the combined voting power of our capital stock; and
- the ability of our directors, not our stockholders, to fill vacancies on the Board of Directors.

In addition, because we have not elected to be exempt from Section 203 of the Delaware General Corporation Law (the “DGCL”), this provision could also delay or prevent a change of control that stockholders may favor. Section 203 of the DGCL provides that, subject to limited exceptions, a person that acquires, or is affiliated with a person that acquires, more than 15% of the outstanding voting stock of a Delaware corporation (an “interested stockholder”) must not engage in any business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which the person became an interested stockholder, unless (i) prior to such time, the board of directors of such corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of such corporation at the time the transaction commenced (excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) the voting stock owned by directors who are also officers or held in employee benefit plans in which the employees do not have a confidential right to tender or vote stock held by the plan); or (iii) on or subsequent to such time the business combination is approved by the board of directors of such corporation and authorized at a meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock of such corporation not owned by the interested stockholder.

We believe these provisions protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our Board of Directors and by providing our Board of Directors with more time to assess any acquisition proposal. These provisions are not intended to make Guild immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our Board of Directors determines is not in the best interests of Guild and its stockholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

Our Board of Directors has the ability to issue blank check preferred stock, which may discourage or impede acquisition attempts or other transactions.

Our Board of Directors has the power, subject to applicable law, to issue series of preferred stock that could, depending on the terms of the series, impede the completion of a merger, tender offer or other takeover attempt. For instance, subject to applicable law, a series of preferred stock may impede a business combination by including class voting rights, which would enable the holder or holders of such series to block a proposed transaction. Our Board of Directors will make any determination to issue shares of preferred stock based on its judgment as to our and our stockholders' best interests. Our Board of Directors, in so acting, could issue shares of preferred stock having terms which could discourage an acquisition attempt or other transaction that some, or a majority, of the stockholders may believe to be in their best interests or in which stockholders would have received a premium for their stock over the then-prevailing market price of the stock.

Our certificate of incorporation contains an exclusive forum provision that may discourage lawsuits against us and our directors and officers.

Our certificate of incorporation provides that, unless the Board of Directors otherwise determines, the state courts in the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal court for the District of Delaware, will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of Guild, any action asserting a claim of breach of a fiduciary duty owed by any director or officer of Guild to Guild or Guild's stockholders, any action asserting a claim against Guild or any director or officer of Guild arising pursuant to any provision of the DGCL or Guild's certificate of incorporation or bylaws, or any action asserting a claim against Guild or any director or officer of Guild governed by the internal affairs doctrine under Delaware law (collectively, the "covered actions"). This exclusive forum provision applies to all covered actions, including any covered action in which the plaintiff chooses to assert a claim or claims under federal law in addition to a claim or claims under Delaware law, although stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. This exclusive forum provision does not apply to actions that do not assert any covered Delaware state law claims, such as, for example, any action asserting solely federal securities law claims, and the enforceability of similar choice of forum provisions in other companies' organizational documents has been challenged in legal proceedings and it is possible that, in connection with claims arising under federal securities laws or otherwise, a court could find this exclusive forum provision to be inapplicable or unenforceable.

This exclusive forum provision may limit the ability of Guild's stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with Guild or Guild's directors or officers, which may discourage such lawsuits against Guild and Guild's directors and officers. Alternatively, if a court were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, Guild may incur additional costs associated with resolving such matters in other jurisdictions or forums, which could materially and adversely affect Guild's business, financial condition or results of operations.

The dual class structure of our common stock may adversely affect the trading market for our Class A common stock.

We cannot predict the potential effects our dual class structure may have on our Class A common stock, such as a lower or more volatile market price. In 2017, S&P Dow Jones and FTSE Russell announced that they would begin excluding most newly public companies with multiple classes of shares of common stock from being added to certain indices, including the Russell 2000, the S&P 500, the S&P MidCap 400 and the S&P SmallCap 600. As a result, our dual class capital structure would make us ineligible for inclusion in any of these indices, and mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track these indices likely will not invest in our stock. Furthermore, we cannot assure you that other stock indices will not take a similar approach to S&P Dow Jones or FTSE Russell in the future. It is unclear what effect, if any, these policies will have on the valuations of publicly traded companies excluded from these indices. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, however, it is possible that exclusion from such indices could make our Class A common stock less attractive to investors. As a result, the market price of our Class A common stock could be adversely affected.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

As previously disclosed, the Company’s acquisition of RMS was financed with a combination of cash and the issuance of 996,644 shares of the Company’s Class A common shares on July 1, 2021. Such shares were issued pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act of 1933, as amended.

Purchases of Equity Securities by the Issuer and affiliated Purchasers

None

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit	Description
2.1	Merger Agreement, dated May 10, 2021, by and among Guild Mortgage Company LLC, Project Regal Merger Sub, Inc., Residential Mortgage Services Holdings, Inc., RMS Shareholder Representative, LLC, and as to certain sections identified therein, Guild Holdings Company (incorporated herein by reference to the Company's Current Report on Form 8-K (File No. 001-39645) filed on May 14, 2021)
3.1	Amended and Restated Certificate of Incorporation of Guild Holdings Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-39645) filed on October 26, 2020)
3.2	Amended and Restated Bylaws of Guild Holdings Company (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-39645) filed on October 26, 2020)
10.1	Registration Rights Agreement by and among Guild Holdings Company and the other holders named therein (incorporated herein by reference to the Company's Current Report on Form 8-K (File No. 001-39645) filed on May 14, 2021)
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1#	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

\# This certification is not deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended or the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant caused this Quarterly Report to be signed on its behalf by the undersigned, thereunto duly authorized.

		GUILD HOLDINGS COMPANY
Dated: August 13, 2021	By:	/s/ Mary Ann McGarry
	Name:	Mary Ann McGarry
	Title:	Chief Executive Officer
Dated: August 13, 2021	By:	/s/ Desiree A. Elwell
	Name:	Desiree A. Elwell
	Title:	Chief Financial Officer

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mary Ann McGarry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Guild Holdings Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2021	By:	/s/ Mary Ann McGarry
		Mary Ann McGarry Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Desiree A. Elwell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Guild Holdings Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2021 By: /s/ Desiree A. Elwell

Desiree A. Elwell
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Guild Holdings Company (the “Company”) for the period ending June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 13, 2021	By:	/s/ Mary Ann McGarry
		Mary Ann McGarry Chief Executive Officer
Date: August 13, 2021	By:	/s/ Desiree A. Elwell
		Desiree A. Elwell Chief Financial Officer