UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):July 1, 2021

GUILD HOLDINGS COMPANY

(Exact name of Registrant as Specified in Its Charter)

Commission file number: 001-39645

Delaware **(State of Incorporation)**	**85-2453154** **(IRS Employer Identification No.)**
5887 Copley Drive, **San Diego, California** **(Address of Principal Executive Offices)**	**92111** **(Zip Code)**

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol	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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

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. ☐

EXPLANATORY NOTE

Guild Holdings Company (the "Company") is filing this Current Report on Form 8-K/A ("Amendment No. 1") to amend its Current Report on Form 8-K filed with the Securities and Exchange Commission on July 2, 2021 (the "Original Report"), which disclosed the completion of the acquisition of Residential Mortgage Services Holdings, Inc. ("RMS").

The sole purpose of this Amendment No. 1 is to provide the financial statements required by Item 9.01 that were not previously filed with the Original Report and does not amend the Original Report in any manner other than such Item 9.01.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The (i) audited financial statements of RMS including the audited balance sheets of RMS at December 31, 2020 and 2019 and the audited statements of operations, changes in stockholders' equity, and cash flows for RMS for each of the years ended December 31, 2020 and 2019, the notes related thereto and the report of RSM US LLP, independent auditor, and (ii) the unaudited interim financial statements of RMS, including the unaudited balance sheet of RMS at June 30, 2021 and the unaudited statements of operations, changes in stockholders' equity, and cash flows for RMS for each of the six month periods ended June 30, 2021 and 2020 and the notes related thereto, are filed as Exhibit 99.1 and Exhibit 99.2, respectively, to this Amendment No. 1 and incorporated herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma combined financial information of the Company and RMS, including a pro forma balance sheet at June 30, 2021 and pro forma statements of income for the six months ended June 30, 2021 and the year ended December 31, 2020, giving effect to the Company's acquisition of RMS, is filed as Exhibit 99.3 to this Amendment No. 1 and incorporated herein by reference.

(d) Exhibits

Exhibit Number	Description of Exhibit
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)
23.1	Consent of RSM US LLP
99.1	Audited financial statements of RMS as of and for the years ended December 31, 20 20 and 2019.
99.2	Unaudited condensed financial statements of RMS as of and for the six months ended June 30, 2021 and 2020.
99.3	Unaudited pro forma condensed combined financial information of Guild Holdings Company and RMS as of June 30, 2021, for the six months ended June 30, 2021, and for the year ended December 31, 2020.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GUILD HOLDINGS COMPANY

Date: September 16, 2021	By:	/s/ Desiree A. Elwell
		Desiree A. Elwell
		Chief Financial Officer

Exhibit 23.1

Consent of Independent Auditor

We consent to the use in this Amendment No. 1 to Form 8-K of Guild Holdings Company of our report dated March 31, 2021, relating to the consolidated financial statements of Residential Mortgage Services Holdings, Inc. and Subsidiary, appearing in this Amendment No. 1 to Form 8-K.

/s/ RSM US LLP

New York, New York
September 16, 2021

Independent Auditor's Report

Stockholders
Residential Mortgage Services Holdings, Inc. and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Residential Mortgage Services Holdings, Inc. and Subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial positions and results of operations of the individual companies and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ RSM US LLP

New York, New York
March 31, 2021

Residential Mortgage Services Holdings, Inc. and Subsidiary

Consolidated Balance Sheets
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 74,777,346	$ 32,752,591
Restricted cash	7,484,324	7,345,408
Mortgage loans held for sale, at fair value	411,282,272	305,580,368
Construction loans	31,397,955	16,660,290
Derivative assets, at fair value	30,817,656	1,326,245
Accounts receivable and other loans receivable	1,676,224	1,356,034
Prepaid expenses	1,224,792	842,621
Loans held for investment, net	5,055,449	7,834,190
Income tax receivable	7,422,157	1,689,615
Due from related parties	2,355,471	2,493,009
Other real estate owned, net	188,580	80,363
Property and equipment, net	4,386,995	5,447,465
Mortgage servicing rights, net	5,370,975	3,359,054
Other assets	512,805	533,414
Total assets	$ 583,953,001	$ 387,300,667
Liabilities and Stockholders' Equity		
Liabilities:		
Warehouse lines of credit	$ 417,728,917	$ 304,870,752
Derivative liabilities, at fair value	4,236,188	324,221
Accounts payable	1,135,828	1,708,699
Accrued compensation and related expenses	23,931,656	10,499,433
Accrued interest and other expenses	5,254,833	2,403,946
Escrow amounts on funded loans	5,555,744	5,989,462
Notes payable	297,133	436,992
Capital lease obligations	195,192	39,897
Deferred taxes	8,915,422	2,195,815
Total liabilities	467,250,913	328,469,217
Commitments and contingencies (Notes 2, 8, 10 and 13)		
Stockholders' equity:		
Preferred stock, redeemable:		
Series A, $.001 par value per share, 35,000 shares authorized; 0 shares issued and outstanding at December 31, 2020 ($0 liquidation preference) and 20,000 shares issued and outstanding at December 31, 2019 ($41,875,559 liquidation preference)	-	20,000,000
Preferred stock, convertible:		
Series B, $.001 par value per share, 30,000 shares authorized, issued and outstanding at December 31, 2020 ($70,876,572 liquidation preference) and 30,000 shares issued and outstanding at December 31, 2019 (liquidation preference $62,813,338)	30,000,000	30,000,000
Common stock, $.001 par value per share, 86,800 shares authorized; 30,120 shares issued and outstanding at December 31, 2020 and 2019	30	30
Additional paid-in capital	1,408,823	1,276,775
Retained earnings	85,293,235	7,554,645
Total stockholders' equity	116,702,088	58,831,450
Total liabilities and stockholders' equity	$ 583,953,001	$ 387,300,667

See notes to consolidated financial statements.

Residential Mortgage Services Holdings, Inc. and Subsidiary

Consolidated Statements of Operations
Years Ended December 31, 2020 and 2019

	2020	2019
Revenue:		
Loan production income:		
Gain on sale of mortgage loans	$ 312,853,837	$ 150,810,299
Origination fees	7,507,724	4,433,092
Processing fees	37,071,171	22,389,487
Interest income on mortgage loans held for sale	10,367,505	10,836,911
Total loan production income	367,800,237	188,469,789
Servicing income:		
Servicing fee income	1,461,084	723,931
Subservicing fees	(420,502)	(373,798)
Total servicing income	1,040,582	350,133
Total revenue	368,840,819	188,819,922
Loan production expense:		
Commission salaries and benefits	106,830,290	68,625,950
Underwriting fees	11,454,524	5,522,141
Investor fees	5,892,047	4,927,179
Warehouse fees	1,520,583	1,036,470
Interest expense on warehouse lines of credit	7,586,979	10,487,313
Total loan production expense	133,284,423	90,599,053
Net loan production income	235,556,396	98,220,869
Operating expenses:		
Salaries and benefits	65,167,402	45,189,904
Occupancy	9,331,495	10,427,650
Depreciation	2,295,432	2,759,615
Professional fees	2,195,223	2,277,073
Office expense	8,834,258	7,185,461
Bank fees	346,092	292,851
Dues and licenses	854,126	1,189,353
Gifts and sponsorships	795,927	277,778
Travel and entertainment	608,018	967,462
Advertising	1,008,318	828,842
Taxes and insurance	980,724	962,951
Conference and meetings	1,040,897	701,676
Other	2,962,306	2,122,818
Total operating expenses	96,420,218	75,183,434
Net operating income	139,136,178	23,037,435
Other income (expense):		
Interest income on loans held for investment and other	1,531,247	1,223,031
Interest expense on notes payable	(45,564)	(190,058)
Other	(196,654)	(589,620)
Total other expense	1,289,029	443,353
Income before income taxes	140,425,207	23,480,788
Income tax expense	(36,369,152)	(6,888,889)
Net income	$ 104,056,055	$ 16,591,899

See notes to consolidated financial statements.

Residential Mortgage Services Holdings, Inc. and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2020 and 2019

	Preferred Stock in RMS Holdings, Inc. Redeemable, Series A	Preferred Stock in RMS Holdings, Inc. Redeemable, Series B	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Total Stockholders' Equity
Balances, December 31, 2018	$ 20,000,000	$ 30,000,000	$ 30	$ 1,447,944	$ (9,037,254)	$ 42,410,720
Stock compensation income	-	-	-	(171,169)	-	(171,169)
Net income	-	-	-	-	16,591,899	16,591,899
Balances, December 31, 2019	20,000,000	30,000,000	30	1,276,775	7,554,645	58,831,450
Stock compensation expense	-	-	-	132,048	-	132,048
Dividends on Series A Preferred Stock				-	(26,317,465)	(26,317,465)
Liquidation of preferred stock	(20,000,000)	-	-	-	-	(20,000,000)
Net income	-	-	-	-	104,056,055	104,056,055
Balances, December 31, 2020	**$ -**	**$ 30,000,000**	**$ 30**	**$ 1,408,823**	**$ 85,293,235**	**$ 116,702,088**

See notes to consolidated financial statements.

Residential Mortgage Services Holdings, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Reconciliation of net income to net cash provided by (used in) operating activities:		
Net income	$ 104,056,055	$ 16,591,899
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation expense	2,295,432	2,759,615
Mortgage servicing rights amortization	1,780,264	163,229
Mortgage servicng rights valuation allowance	663,957	568,773
Stock compensation expense (income)	132,048	(171,169)
Fair value adjustment on derivatives	(25,579,444)	(1,985,682)
Provision for losses on loans held for investment	(221,985)	886,317
Provision for losses on other real estate owned	35,784	100,000
Proceeds from sale of mortgage loans held for sale and construction	8,428,884,389	4,845,338,799
Origination of mortgage loans held for sale and construction	(8,600,674,969)	(4,996,242,827)
Change in operating assets and liabilities:		
Deferred income taxes	6,719,607	3,160,377
Due from related parties	137,538	216,543
Prepaid expenses	(382,171)	448,692
Mortgage servicing rights retained	(4,456,142)	(2,521,897)
Accounts receivable and other loans receivable	8,178,690	(4,621,760)
Income tax receivable	(5,732,542)	(1,250,699)
Other assets	20,609	12,512
Accounts payable	(572,871)	(204,131)
Accrued interest and other expenses	2,850,887	1,589,252
Escrow amounts on funded loans	(433,718)	3,450,023
Accrued compensation and related expenses	13,432,223	4,124,558
Net cash used in operating activities	**(68,866,359)**	(127,587,576)
Cash flows from investing activities:		
Net change in loans held for investment	(15,359,106)	(10,570,260)
Net change in construction loans	48,790,167	19,579,948
Proceeds from sale of loans held for investment	12,421,796	16,854,079
Net change in other real estate owned	(144,001)	276,087
Purchases of property and equipment	(1,412,581)	(706,285)
Disposal of property and equipment	177,619	314,478
Net cash provided by investing activities	**44,473,894**	25,748,047
Cash flows from financing activities:		
Liquidation of preferred stock	(20,000,000)	-
Dividends on Series A Preferred Stock	(26,317,465)	-
Capital lease acquisitions	274,768	-
Net advances on lines of credit	112,858,165	118,626,132
Proceeds from notes payable	-	159,263
Payments on notes payable	(139,859)	(371,312)
Payments on capital lease obligations, net	(119,473)	(49,916)
Net cash provided by financing activities	**66,556,136**	118,364,167
Net increase in cash and cash equivalents	**42,163,671**	16,524,638
Cash, cash equivalents and restricted cash:		
Beginning of period	40,097,999	23,573,361
End of period	$ 82,261,670	$ 40,097,999
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 7,715,402	$ 10,706,686
Cash payments for income taxes, net of refunds of $91,420 and $120,051 in 2020 and 2019, respectively	$ 35,378,278	$ 4,859,000
Non-cash transaction:		
Reclass from loans held for sale to loans held for investment	$ 5,938,036	$ 9,006,719

See notes to consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

Principles of consolidation and nature of business: The consolidated financial statements include the accounts of Residential Mortgage Services Holdings, Inc. (Holdings) and its wholly owned subsidiary Residential Mortgage Services, Inc. (RMSI) (collectively, the Company). All significant intercompany balances and transactions have been eliminated in consolidation.

Holdings, a Delaware corporation, was formed in September 2013 to affect the recapitalization of RMSI.

RMSI, a Maine corporation incorporated in 1991 as a mortgage company, is the Company's operating unit. RMSI originates residential loans for the purpose of selling such loans along with servicing rights to permanent investors in the secondary market. Loans are funded through warehouse lines of credit and are sold to investors generally within 30 days of origination. RMSI's primary market areas are Southern Maine, New Hampshire, Massachusetts, Rhode Island, Connecticut and the mid-Atlantic region. For the years ended December 31, 2020 and December 31, 2019, 66% and 60%, respectively, of RMSI's loans originated for sale were sold to four investors.

The Company is subject to supervision and examination by state and federal regulatory authorities. Failure to comply with regulatory guidelines could subject the Company to various sanctions and penalties.

In the normal course of business, companies in the mortgage banking industry encounter certain economic and regulatory risks. Economic risks include interest rate risk and credit risk. The Company is subject to interest rate risk to the extent that in a rising interest rate environment, the Company may experience a decrease in loan production, as well as decreases in the value of mortgage loans held for sale and in commitments to originate loans, which may negatively impact the Company's operations. Credit risk is the risk of default that may result from the borrowers' inability or unwillingness to make contractually required payments during the period in which loans are being held for sale.

Basis of presentation: The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are susceptible to material change in the near term include the fair value estimates for loans held for sale and derivative financial instruments.

Mortgage loans held for sale: Mortgage loans held for sale to permanent investors are stated at aggregate fair value using current secondary market prices for loans with similar coupons, maturities, and credit quality. Changes in fair value are recognized in earnings and fees and costs associated with origination of loans held for sale are recognized in earnings as incurred. Management believes that accounting for mortgage loans held for sale at fair value is consistent with industry practices.

Transfer of financial assets: Mortgage loans held for sale are considered de-recognized, or sold, when the Company surrenders control over the financial assets. Control is considered to have been surrendered when the transferred assets have been isolated from the Company, beyond the reach of the Company and its creditors; the purchaser obtains the right (free of conditions that constrain it from taking advantage of the right) to pledge or exchange the transferred assets; and the Company does not maintain effective control over the transferred assets through an agreement that both entitles and obligates the

Note 1. Summary of Significant Accounting Policies (Continued)

Company to repurchase or redeem the transferred assets before their maturity or the ability to unilaterally cause the holder to return specific assets.

If the criteria above are not met, such transfers are accounted for as secured borrowings, in which the assets remain on the balance sheet, and the proceeds from the transaction are recognized as a liability.

Revenue recognition: Gains and losses from the sale of mortgages are recognized based upon the difference between the sales proceeds and carrying value of the related loans upon sale and is recorded in gain on mortgage loans held for sale in the statement of operations. The sales proceeds reflect the cash received. Gain on mortgage loans held for sale also includes the unrealized gains and losses associated with the mortgage loans held for sale.

Derivative instruments and hedging activities: The Company utilizes certain derivative instruments in the ordinary course of business to manage exposure to changes in interest rates. These derivative instruments include “to be announced mortgage-backed securities” (TBAs). The Company also issues interest rate lock commitments (IRLCs) to borrowers in connection with mortgage loan originations, which are also considered derivatives. All derivative instruments are recorded at fair value. The estimated fair values of TBAs and forward sale commitments are based on the prices of similar instruments observed in the market and are recorded as derivative assets or liabilities in the consolidated balance sheets. The changes in fair value of TBAs and forward sale commitments are recorded in current earnings. The estimated fair values of IRLCs are based on internal valuation models. Fair value amounts of IRLCs are adjusted for expected execution of outstanding loan commitments with changes in fair value recorded in current earnings (see Note 2).

Construction loans: The Company in 2018 began extending residential real estate construction loans to customers. The Company funds the construction loans with the intent to sell the term loan upon completion of the construction process. The underwriting process for construction loans is similar to mortgage loans held for sale and requires a credit analysis, employment history and an analysis of the secured real estate process.

Loans held for investment and allowance for loan losses: Loans held for investment are recorded at the principal amount outstanding, net of an allowance for loan losses. The Company reviews its loan portfolios to determine whether an allowance is necessary to absorb losses that are estimated to have occurred. Loans are charged-off when deemed uncollectible. Loans are evaluated for delinquency based on payment terms. The Company has reviewed its loan portfolio and has determined that a $738,794 and $960,779 allowance for loan losses on loans held for investment is required at December 31, 2020 and 2019, respectively.

Loans are considered impaired when it is probable the Company will be unable to collect all amounts due according to the contractual terms. Impairment is measured based on the discounted expected future cash flows or the fair value of the collateral securing the loan if the loan is collateral dependent.

Interest income on loans is recognized on the accrual basis of accounting when interest is probable of collection. Management stops accruing interest when it is determined that collection is not assured.

There was one impaired loan with an unpaid balance of $144,001 at December 31, 2019, which was foreclosed on in 2020 and added to the other real estate owned portfolio, with a loan loss reserve related to that loan of $35,784 which was included in the total reserve of $960,779. At December 31, 2020, there

Note 1. Summary of Significant Accounting Policies (Continued)

were no impaired loans. The applied reserve is based on the fair value of the property held in portfolio. There were no charge offs incurred at December 31, 2020 and 2019.

Property and equipment: Property and equipment is stated at cost, less accumulated depreciation. Routine repairs and maintenance are charged against income. Expenditures which increase values, change capacities or extend useful lives are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Assets held under capital lease arrangements are amortized over the term of the lease or the useful life if shorter.

Mortgage servicing rights: The Company sells residential mortgage loans in the secondary market and retains the right to service certain loans sold. Mortgage servicing rights (MSRs) retained are initially measured at fair value and have been recognized as a separate asset and are being amortized in proportion to and over the period of estimated net servicing income.

Mortgage servicing rights are periodically evaluated for impairment based on the fair value of those rights. Impairment is evaluated by discounting the expected future cash flows, taking into consideration the estimated level of repayments based on current industry expectations and the predominant risk characteristics of the underlying loans, including loan type, note rate and loan term. Impairment losses are recorded as a component of income, thereby establishing a new cost basis of the MSRs. The Company has recorded impairment losses on the MSRs of $663,957 and $568,773 for the year ended December 31, 2020 and 2019, respectively.

Other real estate owned: Other real estate owned is recorded at estimated fair value, less estimated costs to sell, based on outside appraisals performed on the properties. Expenditures which increase values are capitalized. The Company has recorded an allowance for losses on other real estate owned of $268,251 and $232,467 for December 31, 2020 and 2019, respectively.

Advertising: The Company expenses the costs of advertising as incurred.

Cash and cash equivalents, restricted cash and certificates of deposit: Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less. At December 31, 2020 and December 31, 2019, cash equivalents consist of $64,088,036 and $28,301,068, respectively, invested in an overnight sweep account.

The Company maintains its cash and cash equivalents, restricted cash, which, at times, may exceed federally insured limits. The Company has recorded cash and cash equivalents, restricted deposits and a certificate of deposit amounting to $82,261,670 and $40,097,999 as of December 31, 2020 and 2019, respectively. The Company has not experienced any losses in such accounts and the Company believes it is not exposed to any significant risk. At December 31, 2020 and 2019, the Company had cash on deposit, including restricted cash, at 14 institutions in the amount of $83,981,484 and $40,971,514 respectively, which exceeds the federally insured limits of $250,000 per institution. Differences between the amounts in the bank and the balances recorded in the accompanying consolidated balance sheets are due to outstanding checks and deposits in-transit.,

At December 31, 2020 and December 31, 2019, restricted cash deposits of $7,484,324 and $7,345,408, respectively, were maintained in bank deposit accounts to serve as cash reserves under warehouse lines of credit agreements.

Note 1. Summary of Significant Accounting Policies (Continued)

The following table provides a reconciliation of the cash, cash equivalents and restricted cash reported within the consolidated statement of cash flows.

	2020	2019
Cash and cash equivalents	$ 74,777,346	$ 32,752,591
Restricted cash	7,484,324	7,345,408
	$ 82,261,670	$ 40,097,999

Long-lived assets: Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that an asset may not be recoverable. Management determined that no events or circumstances have occurred which would require an evaluation of impairment of such assets during the years ended December 31, 2020 and 2019.

Income taxes: Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are provided for the temporary differences between the tax basis of the Company's assets and liabilities and their reported amounts. Deferred tax assets and liabilities are determined based on the enacted rates that are expected to be in effect when these differences are expected to reverse. Deferred tax expense or benefit is the result of the changes in the deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position. Estimated interest and penalties, if applicable, related to uncertain tax positions are included as a component of income tax expense. Management of the Company has evaluated the positions taken on its tax returns filed and the potential impact on its tax status as of December 31, 2020 and 2019. The Company has concluded no uncertain income tax positions exist at December 31, 2020 and 2019. The Company's tax years from 2015 to 2019 are open and subject to examination.

Stock-based compensation: Stock-based compensation is measured at the grant date based on the fair value of the award as estimated by management and is recognized as expense over the requisite service period or vesting period of the award using the straight-line method. The Company estimates the grant date fair value using the Black-Scholes option pricing model. This option valuation model requires the input of several subjective assumptions.

The Company has a 2013 Stock Incentive Plan (the Plan) which provides for granting of options to purchase shares of the Company's common stock to employees, consultants, advisors and directors at the discretion of the Board of Directors. The Company has authorized 6,680 shares for grant under the Plan. There were 4,743 options outstanding at December 31, 2020 and 2019. There were 1,136 options that became vested, and no options exercised during the year ended December 31, 2020. The total compensation expense recorded was $132,048 during the year ended December 31, 2020. The compensation expense recorded of ($171,169) for the year ended December 31, 2019 is comprised of $172,956 of compensation expense related to the vesting of outstanding options during 2019 and the reversal of ($344,125) of compensation expense related to the forfeiture of options awarded to a former employee of the Company. These amounts are recorded within the salaries and benefits operating expense line item on the consolidated income statement. Total unrecognized compensation expense

Note 1. Summary of Significant Accounting Policies (Continued)

related to non-vested options as of December 31, 2020 and 2019 amounts to $19,840 and $151,888, respectively.

In March 2020, the World Health Organization recognized COVID-19 as a pandemic and the President of the United States declared the COVID-19 outbreak a national emergency. Stringent measures were implemented by countries and local municipalities to help control the spread of the virus, followed by phased regulations and guidelines for reopening communities and economies. The pandemic and resulting measures have had a significant impact on national and global economies. COVID-19 has not had a material adverse impact on the Company's operations, cash flows, financial position or the amount or availability of its liquidity.

Recent accounting pronouncements:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *"Leases (Topic 842)"*, which requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset to not recognize lease assets and lease liabilities. In transition, lessees are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. This guidance is effective for fiscal years beginning after December 15, 2021, with early application permitted. The Company is currently evaluating the effect that this guidance will have on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, " *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments .*" The ASU applies to all financial instruments carried at amortized cost, including loans held for investment. The new accounting standard does not apply to loans held for sale or for financial assets for which the fair value option has been elected. This standard is effective for private companies to years beginning after December 15, 2022. The Company is currently evaluating the effect that this guidance will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *"Fair Value Measurement (Topic 820)."* The ASU eliminates disclosures such as the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. This standard is effective for all entities for fiscal years beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The adoption of ASU 2018-13 did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*, aligns the accounting for costs to implement a cloud computing arrangement that is a service with the guidance on capitalizing costs for developing or obtaining internal-use software. The Company adopted 2018-15 on January 1, 2021, with no material impact on the consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, " *Reference Rate Reform (Topic 848).*" The interest rate of the variable-rate indebtedness and the interest rate on the adjustable rate loans we originate and service is based on LIBOR. U.S.-dollar LIBOR is expected to be replaced with the Secured Overnight Financing

Note 1. Summary of Significant Accounting Policies (Continued)

Rate ("SOFR"), a new index calculated by reference to short-term repurchase agreements for U.S. Treasury securities. The ASU contains guidance designed to simplify how entities account for contracts that are modified to replace LIBOR. The guidance will not apply to any contract modification made after December 31, 2022.

Note 2. Mortgage Loans Held for Sale

At December 31, 2020 and 2019, the Company had $411,282,272 and $305,580,368 outstanding in residential mortgage loans held for sale, respectively. The principal due upon maturity of mortgage loans held for sale at December 31, 2020 and 2019 is $399,133,510 and $296,808,947, respectively, which is $12,148,762 and $8,771,421 less than fair value, respectively. Mortgage loans held for sale serve as collateral for the Company's lines of 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 commitment 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.

At December 31, 2020 and 2019, the Company had outstanding IRLCs of $950,565,759 and $312,223,858 to customers, respectively. The Company expects to fund these commitments through the sale of the mortgage loans and borrowings under the Company's lines of credit.

The Company's policy is to hedge its loans held for sale and IRLC's at various rates depending on market conditions. The Company economically hedges the changes in fair value of mortgage loans held for sale and IRLCs with TBAs and by entering into forward sale commitments with investors. At December 31, 2020 and 2019, the Company had commitments to deliver $666,992,364 and $250,601,666, respectively, in mortgage loans at specific rates and prices for TBA mortgage backed securities. The Company is exposed to credit loss in the event of nonperformance by the other parties to the TBAs and forward sale commitments; however, the Company does not anticipate nonperformance by the counterparties. In the years ended December 31, 2020 and 2019, the fair value adjustment on derivatives amounted to a net gain of $25,579,444 and $1,985,683, respectively. The Company also has forward sale commitments with specific investors to deliver specific loans held for sale at a specified price on a best efforts basis.

In certain cases, the Company may be required to repurchase loans and return fees received on loans sold that entirely prepay, default within a specified period after they are sold or if there is subsequent discovery that underwriting standards were not met. A liability of $1,130,542 and $716,467 has been recorded at December 31, 2020 and December 31, 2019, respectively.

Note 3. Property and Equipment

Property and equipment, including amounts recorded under capital leases, at December 31, 2020 and 2019, consists of the following:

	2020	2019
Leasehold improvements	$ 3,249,806	$ 3,645,683
Furniture and fixtures	6,934,121	6,184,484
Equipment and other	9,068,782	8,809,108
Software	2,027,973	2,085,101
Vehicles	919,990	972,601
	22,200,672	21,696,977
Less accumulated depreciation	(17,813,677)	(16,249,512)
	$ 4,386,995	$ 5,447,465

The net carrying value of assets held under capital lease arrangements at December 31, 2020 and December 31, 2019, was $238,381 and $74,607, respectively.

Depreciation and amortization expense was $2,295,432 and $2,759,615 for the years ended December 31, 2020 and 2019, respectively, which includes amortization of assets under capital leases.

Note 4. Mortgage Servicing Rights

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of these loans at December 31, 2020 and 2019, consists of the following:

	2020	2019
FHLMC	$ 50,826,287	$ 67,912,899
FNMA	729,381,425	340,872,497
	$ 780,207,712	$ 408,785,396

Mortgage servicing rights, net of valuation allowance, are summarized as follows:

	2020	2019
Balance at beginning of period	$ 3,359,054	$ 1,569,159
Additions	4,456,142	2,850,727
Sale of mortgage servicing rights	-	(328,830)
Amortization	(1,780,264)	(163,229)
Valuation allowance	(663,957)	(568,773)
Balance at end of period	$ 5,370,975	$ 3,359,054
Estimated fair value at December 31	$ 5,610,474	$ 3,482,034

Estimated amortization expense of the mortgage servicing rights for the next five years is as follows:

Years ending December 31:	
2021	$ 705,370
2022	908,991
2023	869,034
2024	739,986
2025	631,503

Note 5. Warehouse Lines of Credit

The Company has a warehouse line of credit for mortgage loans with Bangor Savings Bank for $11,000,000, which expires on June 30, 2021. As of December 31, 2020, borrowings accrue interest at the 1 month LIBOR plus 1.85%. The principal balances owed on the line of credit as of December 31, 2020 and December 31, 2019 were $549,500 and $970,657, respectively.

Note 5. Warehouse Lines of Credit (Continued)

The Company has a special purpose line of credit agreement (Hospital Line) with Bangor Savings Bank for $5,000,000, which expires on June 30, 2021. As of December 31, 2020, borrowings accrue interest at the Wall Street Journal prime rate plus 0%. The principal balance owed on the line as of December 31, 2020 and December 31, 2019 was $0 for each year.

The Company has a warehouse line of credit for mortgage loans with Truist Bank, formerly Branch Banking and Trust Company for $200,000,000, which expires on December 17, 2021. As of December 31, 2020, borrowings accrue interest at the greater of 1-month LIBOR or .75% LIBOR floor plus 1.75%. The principal balance owed on the line of credit as of December 31, 2020 and December 31, 2019 were $148,211,185 and $105,611,129, respectively.

The Company has a warehouse line of credit for mortgage loans with Wells Fargo Bank, N.A. (Wells Fargo) for $200,000,000, which expires 30 days after written notice has been delivered by either RMSI or Wells Fargo. As of December 31, 2020, borrowings accrue interest at 1-month LIBOR floor plus 1.75%. The principal balance owed on the line of credit as of December 31, 2020 and December 31, 2019 were $140,807,434 and $118,900,623, respectively.

The Company has a warehouse line of credit for mortgage loans with Flagstar Bank for $30,000,000, which expires on upon demand of either RMSI or Flagstar Bank. As of December 31, 2020, borrowings accrue interest at 1-month LIBOR floor plus 2%. The principal balance owed on the line of credit as of December 31, 2020 and December 31, 2019, was $11,890,114 and $4,182,746, respectively. The line also has a sublimit of up to $10,000,000 for construction loan advances and these borrowings accrue interest at 1-month LIBOR plus 2.5%. The principal balance owed on construction borrowings was $7,251,053 and $4,490,538 as of December 31, 2020 and December 31, 2019, respectively.

The Company has a warehouse line of credit for mortgage loans with US Bank National Association (US Bank) for $100,000,000, which expires on July 28, 2021. As of December 31, 2020, borrowings accrue interest at the greater of 1-month LIBOR or .50% LIBOR floor plus 1.75%. The principal balance owed on the line of credit as of December 31, 2020 and December 31, 2019 were $76,830,464 and $32,486,321, respectively.

The Company has a warehouse line of credit for mortgage loans with Comerica Bank for $75,000,000, which expires on March 16, 2022. As of December 31, 2020, borrowings accrue interest at LIBOR plus 1.75 percent. The principal balance owed on the line of credit as of December 31, 2020 and 2019 were $16,910,487 and $20,557,444, respectively. The line also has a sublimit of up to $20,000,000 for construction loan advances. These accrue interest at 1 month LIBOR plus 2.625%. The principal balance
owed on construction borrowings as of December 31, 2020 and 2019 was $15,278,680 and $10,874,582, respectively.

The Company has a warehouse line of credit for mortgage loans with First Horizon Bank, formerly First Tennessee Bank, for $25,000,000, which was terminated on September 30, 2020. As of December 31, 2019, borrowings accrued interest at 1-month LIBOR plus 2%. The principal balance owed on the line of credit as of December 31, 2020 and 2019 were $0 and $6,796,711. This line included a sublimit of up to $5,000,000 for construction loan advances. Borrowings accrued interest at 1-month LIBOR plus 2.5%. The principal balance owed on construction borrowings for both December 31, 2020 and 2019 was $0. The lines were paid off and closed upon termination.

The lines of credit are collateralized by assignments of the mortgages and notes funded by the lines of credit. Advance rates on the lines of credit range from 95% to 100% of the mortgage loan amount funded.

Note 5. Warehouse Lines of Credit (Continued)

Lines of credit contain customary covenants, including, but not limited to, minimum levels of net worth, liquidity and profitability, and maximum levels of leverage. If the Company fails to comply with any of these covenants or otherwise defaults under a facility, the lender has the right to terminate the facility and require immediate repayment that may require the sale of the collateral at less than optimal terms.

In addition, if the Company defaults under one facility, it would generally trigger a default under the Company's other facilities.

Note 6. Notes Payable

Notes payable at December 31, 2020 and 2019, consists of the following:

	2020	2019
Revolving credit note with several interest options, due in monthly installments of principle and interest, through June 2021, secured by various vehicles	$ 98,701	$ 131,646
Various vehicle notes, due in monthly installments aggregating $9,364, including interest at rates ranging from 0.00% – 6.99%, maturity dates ranging from March 2021 – January 2025 and secured by vehicles	198,432	305,346
	$ 297,133	$ 436,992

Maturities on notes payable are as follows for the years ending December 31:

	Amount
2021	$ 182,411
2022	54,158
2023	29,618
2024	29,458
2025	1,487
Thereafter	-
	$ 297,133

Note 7. Stockholders' Equity

Holdings is authorized to issue 161,800 shares of all classes of capital stock, consisting of 86,800 shares of common stock, $0.001 par value per share, 75,000 shares of preferred stock, $0.001 par value per share, 35,000 of which are designated as Series A Preferred Stock and 30,000 of which are designated as Series B Preferred Stock, and 10,000 shares of which are available for designation in one or more classes as defined.

Note 7. Stockholders' Equity (Continued)

The Series A Redeemable Preferred Stock is senior to all classes of stock and junior to all existing debt, and bears 12 percent cumulative dividends, compounded quarterly. No dividend is permitted to be paid or declared on the junior stock until payment in full of the Series A Preference Amount, as defined, to the holders of the Series A stock. The Series A shares are non-voting, redeemable at the discretion of the Company and mandatorily redeemable upon specified events. Series A holders have priority payment over Series B shares and common shares. In 2020, dividends totaling $26,317,465 were paid to holders of Series A Preferred Stock. In December 2020, the Company liquidated the Series A shares. The Series A liquidation preference was $0 and $41,875,559 at December 31, 2020 and 2019, respectively.

The Series B Convertible Preferred Stock is convertible into the common stock of Holdings at the option of the holder or at the time of a qualifying event, as defined, is junior to the Series A Redeemable Preferred Stock but senior to the common stock (unless converted) and bears 12 percent cumulative dividends, compounded quarterly. The number of shares of common stock to be issued upon conversion is based on the conversion price as defined. At December 31, 2020 and 2019, the Series B Convertible Preferred Stock is convertible into 30,000 shares of common stock. No dividend shall be paid or declared on any other series or class of junior stock until the Series B dividends are paid in full. The Series B liquidation preferences was $70,876,572 and $62,813,338 at December 31, 2020 and 2019, respectively.

The Series B shares have voting rights in proportion to the number of common shares into which they are convertible.

Pursuant to the Stockholders' Agreement, the preferred stockholders are entitled to representation on the Board of Directors and have other rights as described in the Stockholders' Agreement. If a management stockholder is terminated by the Company, the Company has the right but not the obligation to purchase any or all of such stockholder's common shares at fair market value.

Note 8. Leases

The Company leases sales offices throughout its primary market areas, as well as certain office equipment and vehicles under noncancelable operating leases expiring at various dates in 2021 through 2028.

During the years ended December 31, 2020 and 2019, rent expense was $6,220,443 and $6,748,644, respectively. Rent expense attributable to related party leases was $693,675 and $730,425 for the years ended December 31, 2020 and 2019, respectively.

The Company leases certain computer equipment and software under capital lease arrangements which expire at various times until 2023. At December 31, 2020 and 2019, the outstanding balance related to the capital leases was $195,192 and $39,897, respectively.

Note 8. Leases (Continued)

Future minimum obligations under all noncancelable leases are as follows:

	Operating Leases	Capital Leases
Years ending December 31:		
2021	$ 5,293,968	$ 90,088
2022	3,337,819	90,088
2023	1,915,058	15,016
2024	1,024,298	-
2025	718,949	-
Thereafter	1,162,390	-
	$ 13,452,482	$ 195,192

Note 9. Retirement Plan

The Company sponsors a 401(k) plan covering all employees who meet minimum age and service requirements. Employees may contribute up to 100 percent of compensation. The Company matches 100 percent of contributions up to 4 percent of compensation. The Company recorded expense of $3,459,365 and $2,583,934, respectively, related to the plan for the years ended December 31, 2020 and 2019.

Note 10. Related Party Transactions

The Company periodically grants loans to stockholders and employees. Unsecured loans to stockholders and employees totaled $1,080,700 and $1,218,238 at December 31, 2020 and 2019, respectively.

The majority common stockholder is a partner in J.R. Seely Company, LLC and Seely & Vogel, LLC. The Company leases office space from J.R. Seely Company, LLC and Seely & Vogel, LLC under month-to-month lease arrangements. Rent expense for these arrangements were $607,425 and $674,625 in the years ended December 31, 2020 and 2019, respectively.

The Company leases office space and executive units from J.R. Seely Company, LLC and Seely & Vogel, LLC and rent expense attributable to the leases was $693,675 and $730,425 in the years ended December 31, 2020 and 2019, respectively. The future minimum lease obligations are $628,088 and $693,225 at December 31, 2020 and 2019, respectively.

The Company periodically advances funds to J.R. Seely Company, LLC and Seely Vogel, LLC. At December 31, 2020 and 2019, $1,274,771 was advanced and outstanding.

Note 10. Related Party Transactions

The Company executed an advisory services agreement for an annual fee of $500,000 payable monthly in advance to Eos Management, L.P., an affiliate of Eos Partners, L.P. and Eos Capital Partners, preferred stockholders of the Company. For both the years ended December 31, 2020 and 2019, the Company incurred advisory fees totaling $500,000, which are included in professional fees on the consolidated statement of operations.

Note 10. Related Party Transactions (Continued)

The Company executed a consulting services agreement payable to a preferred stockholder of the Company. For the years ended December 31, 2020 and 2019, the Company incurred consulting fees totaling $360,253 and $247,127, respectively, which are included in professional fees on the consolidated statement of operations.

Note 11. Income Taxes

The current and deferred components of income tax expense were as follows for the years ended December 31, 2020 and 2019:

	Current	Deferred	Total
December 31, 2020:			
Federal	$ 21,479,297	$ 4,806,872	$ 26,286,169
State	8,170,248	1,912,735	10,082,983
	$ 29,649,545	$ 6,719,607	$ 36,369,152
	Current	Deferred	Total
December 31, 2019:			
Federal	$ 2,569,151	$ 2,211,095	$ 4,780,246
State	1,159,361	949,282	2,108,643
	$ 3,728,512	$ 3,160,377	$ 6,888,889

The items giving rise to the deferred income tax items in the consolidated balance sheet at December 31, 2020 and 2019, are as follows:

	2020	2019
Deferred tax assets:		
Allowance for loan losses	$ 247,663	$ 260,326
Impairment write-downs on other real estate owned	72,341	62,988
Accrued liabilities and other	896,237	901,877
Deferred income tax assets	1,216,241	1,225,191
Deferred tax liabilities:		
Mortgage servicing rights	(1,448,434)	(909,593)
Prepaid expenses	(187,815)	(102,828)
Property and equipment	(448,499)	(813,140)
Forward delivery commitments	(7,168,439)	(271,501)
Loans held for sale	(878,476)	(1,323,944)
Deferred income tax liabilities	(10,131,663)	(3,421,006)
Net deferred income tax liabilities	$ (8,915,422)	$ (2,195,815)

Note 12. Fair Value of Financial Instruments

The Company's consolidated financial statements include assets and liabilities that are measured based on their estimated fair values. The application of fair value estimates may be on a recurring or nonrecurring basis depending on the accounting principles applicable to the specific asset or liability or whether management has elected to carry the item at its estimated fair value as discussed in the following paragraphs.

Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Fair value on a recurring basis: The table below presents the balances of assets and (liabilities) carried at fair value on a recurring basis at December 31, 2020 and 2019:

	Total	Level 1	Level 2	Level 3
December 31, 2020:				
Mortgage loans held for sale	$ 411,282,272	$ -	$ 411,282,272	$ -
Interest rate lock commitments	30,817,656	-	-	30,817,656
TBAs	(4,236,188)	-	(4,236,188)	-
December 31, 2019:				
Mortgage loans held for sale	$ 305,580,368	-	305,580,368	-
Interest rate lock commitments	1,326,245	-	-	1,326,245
TBAs	(324,221)	-	(324,221)	-

The following are descriptions of the valuation methodologies for instruments measured at fair value:

Mortgage loans held for sale and IRLCs: The fair value of the Company's IRLCs and loans held for sale are based on the following assumptions:

- The assumed gain on the expected loan sale to the buyer using estimated prices observed in the market for loans with similar characteristics, mainly interest rate, term, and type of loan product (Level 2).
- The estimated premiums observed in the market for loans sold servicing-released (Level 2).
- The origination fee income, commission expense, and other conversion costs expected to be received or incurred for the resulting loans related to IRLCs (Level 3).

Note 12. Fair Value of Financial Instruments (Continued)

- An estimate of the fall out expected from IRLCs that will not ultimately result in funded loans (Level 3).

TBAs and forward sale commitments: The fair value of TBAs and forward sale commitments is estimated based on the market price movement of similar instruments from the trade date to the reporting period-end date (Level 2).

Note 13. Commitments and Contingencies

The Company is party to litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such litigation and claims will not be material to the consolidated financial statements.

Note 14. Subsequent Events

Management has evaluated subsequent events through March 31, 2021, which is the date the consolidated financial statements were available to be issued.

Subsequent to December 31, 2020, the Board of Directors of Holdings approved dividends of $18,500,532, payable to the Preferred Stock, Series B Holders in the first quarter of 2021.

Subsequent to December 31, 2020, the Board of Directors of Holdings approved dividends of $18,574,534, payable to the common stockholders in the first quarter of 2021.

Supplementary Information

Residential Mortgage Services Holdings, Inc. and Subsidiary

Consolidating Balance Sheet
December 31, 2020

	Residential Mortgage Services Inc.	Residential Mortgage Services Holdings, Inc.	Eliminations	Consolidated Residential Mortgage Services Holdings, Inc.
Assets				
Cash and cash equivalents	$ 74,771,856	$ 5,490	$ -	$ 74,777,346
Restricted cash	7,484,324	-	-	7,484,324
Mortgage loans held for sale, at fair value	411,282,272	-	-	411,282,272
Construction loans	31,397,955	-	-	31,397,955
Derivative assets, at fair value	30,817,656	-	-	30,817,656
Accounts receivable and other loans receivable	1,676,194	30	-	1,676,224
Prepaid expenses	1,224,792	-	-	1,224,792
Loans held for investment, net	5,055,449	-	-	5,055,449
Income tax receivable	7,422,157	-	-	7,422,157
Due from related parties	2,355,471	-	-	2,355,471
Due from Residential Mortgage Services Holdings, Inc.	559,128	-	(559,128)	-
Investment in Residential Mortgage Services, Inc.	-	117,255,696	(117,255,696)	-
Other real estate owned, net	188,580	-	-	188,580
Property and equipment, net	4,386,995	-	-	4,386,995
Mortgage servicing rights, net	5,370,974	-	-	5,370,975
Other assets	512,805	-	-	512,805
Total assets	$ 584,506,608	$ 117,261,216	$ (117,814,824)	$ 583,953,001
Liabilities and Stockholders' Equity				
Warehouse lines of credit	$ 417,728,917	$ -	$ -	$ 417,728,917
Derivative liabilities, at fair value	4,236,188	-	-	4,236,188
Accounts payable	1,135,828	-	-	1,135,828
Due to Residential Mortgage Services, Inc.	-	559,128	(559,128)	-
Accrued compensation and related expenses	23,931,654	-	-	23,931,656
Accrued interest and other expenses	5,254,833	-	-	5,254,833
Escrow amounts on funded loans	5,555,744	-	-	5,555,744
Notes payable	297,133	-	-	297,133
Capital lease obligations	195,192	-	-	195,192
Deferred taxes	8,915,422	-	-	8,915,422
Total liabilities	467,250,911	559,128	(559,128)	467,250,913
Stockholders' equity:				
Preferred stock, redeemable:				
Series A, $.001 par value per share, 35,000 shares authorized; 0 shares issued and outstanding ($0 liquidation preference)	-	-	-	-
Preferred stock, convertible:				
Series B, $.001 par value per share, 30,000 shares authorized, issued and outstanding ($70,876,572 liquidation preference)	-	30,000,000	-	- 30,000,000
Common stock, $.001 par value per share, 86,800 authorized; 30,120 shares issued and outstanding	23,325	30	(23,325)	- 30
Additional paid-in capital	29,106,906	1,408,824	(29,106,905)	1,408,823
Retained earnings	88,125,466	85,293,234	(88,125,466)	85,293,235
Total stockholders' equity	117,255,697	116,702,088	(117,255,696)	116,702,088
Total liabilities and stockholders' equity	$ 584,506,608	$ 117,261,216	$ (117,814,824)	$ 583,953,001

Residential Mortgage Services Holdings, Inc. and Subsidiary

Consolidating Statement of Operations
Year Ended December 31, 2020

	Residential Mortgage Services Inc.	Residential Mortgage Services Holdings, Inc.	Eliminations	Consolidated Residential Mortgage Services Holdings, Inc.
Revenue:				
Loan production income:				
Gain on sale of mortgage loans	$ 312,853,837	$ -	$ -	$ 312,853,837
Origination fees	7,507,724	-	-	7,507,724
Processing fees	37,071,171	-	-	37,071,171
Interest income on mortgage loans held for sale	10,367,505	-	-	10,367,505
Total loan production income	367,800,237	-	-	367,800,237
Servicing income:				
Servicing fee income	1,461,084	-	-	1,461,084
Subservicing fees	(420,502)	-	-	(420,502)
Total servicing income	1,040,582	-	-	1,040,582
Total revenue	368,840,819	-	-	368,840,819
Loan production expense:				
Commission salaries and benefits	106,830,290	-	-	106,830,290
Underwriting fees	11,454,524	-	-	11,454,524
Investor fees	5,892,047	-	-	5,892,047
Warehouse fees	1,520,583	-	-	1,520,583
Interest expense on warehouse lines of credit	7,586,979	-	-	7,586,979
Total loan production expense	133,284,423	-	-	133,284,423
Net loan production income	235,556,396	-	-	235,556,396
Operating expenses:				
Salaries and benefits	65,035,353	132,049	-	65,167,402
Occupancy	9,331,495	-	-	9,331,495
Depreciation	2,295,432	-	-	2,295,432
Professional fees	2,195,223	-	-	2,195,223
Office expense	8,834,258	-	-	8,834,258
Bank fees	346,092	-	-	346,092
Dues and licenses	854,126	-	-	854,126
Gifts and sponsorships	795,927	-	-	795,927
Travel and entertainment	608,018	-	-	608,018
Advertising	1,008,318	-	-	1,008,318
Taxes and insurance	980,724	-	-	980,724
Conference and meetings	1,040,897	-	-	1,040,897
Other	2,962,306			2,962,306
Total operating expenses	96,288,169	132,049	-	96,420,218
Net operating income (loss)	139,268,227	(132,049)	-	139,136,178
Other income (expense):				
Interest income on loans held for investment and other	1,531,247	-	-	1,531,247
Interest expense on notes payable	(45,564)	-	-	(45,564)
Other	(196,654)	-	-	(196,654)
Total other expense	1,289,029	-	-	1,289,029
Income before income taxes	140,557,256	(132,049)	-	140,425,207
Income tax expense	(36,369,152)	-	-	(36,369,152)
Net income (loss) before equity in income of subsidiary	104,188,104	(132,049)	-	104,056,055
Equity in income of subsidiary	-	104,188,104	(104,188,104)	-
Net Income	$ 104,188,104	$ 104,056,055	$ (104,188,104)	$ 104,056,055

Exhibit 99.2

Residential Mortgage Services Holdings, Inc. and Subsidiary
Condensed Consolidated Balance Sheets (unaudited)
June 30, 2021 and December 31, 2020

	June 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 84,746,044	$ 74,777,346
Restricted cash	2,021,322	7,484,324
Mortgage loans held for sale, at fair value	420,209,942	411,282,272
Construction loans	36,915,397	31,397,955
Derivative assets, at fair value	17,058,567	30,817,656
Accounts receivable and other loans receivable	1,110,358	1,676,224
Prepaid expenses	883,489	1,224,792
Loans held for investment, net	7,129,128	5,055,449
Income tax receivable	4,488,398	7,422,157
Due from related parties	—	2,355,471
Other real estate owned, net	188,580	188,580
Property and equipment, net	3,996,104	4,386,995
Mortgage servicing rights, net	4,815,448	5,370,975
Other assets	454,172	512,805
Total assets	$ 584,016,949	$ 583,953,001
Liabilities and Stockholders' Equity		
Liabilities:		
Warehouse lines of credit	$ 431,181,016	$ 417,728,917
Derivative liabilities, at fair value	1,018,736	4,236,188
Accounts payable	1,121,029	1,135,828
Accrued compensation and related expenses	13,128,624	23,931,656
Accrued interest and other expenses	17,039,613	5,254,833
Escrow amounts on funded loans	8,978,591	5,555,744
Notes payable	223,838	297,133
Capital lease obligations	286,510	195,192
Due to related parties	7,856	—
Deferred taxes	4,596,134	8,915,422
Total liabilities	477,581,947	467,250,913
Commitments and contingencies (Notes 2, 8, 10 and 13)		
Stockholders' equity:		
Preferred stock, convertible: Series B, $.001 par value per share, 30,000 shares authorized; 30,000 issued and outstanding at June 30, 2021 ($55,850,337 liquidation preference) and December 31, 2020 ($70,876,572 liquidation preference)	30,000,000	30,000,000
Common stock, $.001 par value per share, 86,800 shares authorized; 30,120 shares issued and outstanding at June 30, 2021 and December 31, 2020	30	30
Additional paid-in capital	1,428,661	1,408,823
Retained earnings	75,006,311	85,293,235
Total stockholders' equity	106,435,002	116,702,088
Total liabilities and stockholders' equity	$ 584,016,949	$ 583,953,001

See notes to condensed consolidated financial statements

Residential Mortgage Services Holdings, Inc. and Subsidiary
Condensed Consolidated Statements of Operations (unaudited)
Six Months Ended June 30, 2021 and 2020

	Six Months Ended	
	June 30, 2021	June 30, 2020
Revenue:		
Loan production income:		
Gain on sale of mortgage loans	$ 144,484,588	$ 108,457,576
Origination fees	4,576,592	2,638,052
Processing fees	17,715,158	14,723,532
Interest income on mortgage loans held for sale	4,384,207	4,920,013
Total loan production income	171,160,545	130,739,173
Servicing income:		
Servicing fee income	869,887	552,657
Subservicing fees	(234,464)	(167,230)
Total servicing income	635,423	385,427
Total revenue	171,795,968	131,124,600
Loan production expense:		
Commission salaries and benefits	55,437,391	44,168,572
Underwriting fees	6,518,026	5,022,563
Investor fees	3,023,505	2,360,489
Warehouse fees	952,043	586,286
Interest expense on warehouse lines of credit	3,638,275	3,613,431
Total loan production expense	69,569,240	55,751,341
Net loan production income	102,226,728	75,373,259
Operating expenses:		
Salaries and benefits	36,409,755	26,434,943
Occupancy	4,488,330	4,536,913
Depreciation	1,075,992	1,170,762
Professional fees	1,021,498	1,116,818
Office expense	4,941,368	4,153,747
Bank fees	187,361	166,581
Dues and licenses	505,108	330,457
Gifts and sponsorships	220,986	114,071
Travel and entertainment	317,865	326,201
Advertising	540,529	517,126
Taxes and insurance	501,127	454,737
Conference and meetings	485,243	612,666
Total operating expenses	50,695,162	39,935,022
Net operating income	51,531,566	35,438,237
Other income (expense):		
Interest income on loans held for investment and other	1,125,503	671,673
Interest expense on notes payable	(7,669)	(28,760)
One time transaction expense	(12,255,354)	(63,000)
Other	(1,679,908)	(1,073,218)
Total other expense	(12,817,428)	(493,305)
Income before income taxes	38,714,138	34,944,932
Income tax expense	(11,925,995)	(10,170,249)
Net income	$ 26,788,143	$ 24,774,683

See notes to condensed consolidated financial statements

Residential Mortgage Services Holdings, Inc. and Subsidiary

Condensed Consolidated Statements of Changes in Stockholders' Equity (unaudited)
Six Months Ended June 30, 2021 and 2020

	Preferred Stock in RMS Holdings, Inc. Redeemable, Series A	Preferred Stock in RMS Holdings, Inc. Redeemable, Series B	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Total Stockholders' Equity
Balances, December 31, 2020	$ —	$ 30,000,000	$ 30	$ 1,408,823	$ 85,293,235	$ 116,702,088
Stock compensation expense	—	—	—	19,838	—	19,838
Dividends on Series B Preferred Stock	—	—	—	—	(37,075,067)	(37,075,067)
Net income	—	—	—	—	26,788,143	26,788,143
Balances, June 30, 2021	$ —	$ 30,000,000	$ 30	$ 1,428,661	$ 75,006,311	$ 106,435,002
Balances, December 31, 2019	$ 20,000,000	$ 30,000,000	$ 30	$ 1,276,775	$ 7,554,645	$ 58,831,450
Stock compensation expense	—	—	—	68,760	—	68,760
Dividends on Series A Preferred Stock	—	—	—	—	(2,500,000)	(2,500,000)
Net income	—	—	—	—	24,774,683	24,774,683
Balances, June 30, 2020	$ 20,000,000	$ 30,000,000	$ 30	$ 1,345,535	$ 29,829,328	$ 81,174,893

See notes to condensed consolidated financial statements

Residential Mortgage Services Holdings, Inc. and Subsidiary
Condensed Consolidated Statements of Cash Flows (unaudited)
Six Months Ended June 30, 2021 and 2020

	Six Months Ended	
	June 30, 2021	**June 30, 2020**
Cash flows from operating activities:		
Reconciliation of net income to net cash provided by (used in) operating activities:		
Net income	$ 26,788,143	$ 24,774,683
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation expense	1,075,992	1,170,762
Mortgage servicing rights amortization	988,617	801,793
Mortgage servicing rights valuation allowance	(453,923)	957,591
Stock compensation expense	19,838	68,760
Fair value adjustment on derivatives	10,541,637	(19,158,173)
Provision for losses on loans held for investment	707,595	(79,290)
Provision for losses on other real estate owned	—	35,784
Proceeds from sale of mortgage loans held for sale and construction	4,269,427,944	3,229,387,160
Origination of mortgage loans held for sale and construction	(4,288,105,604)	(3,403,357,222)
Changes in operating assets and liabilities:		
Due from related parties	2,363,327	151,588
Deferred income taxes	(4,319,288)	—
Prepaid expenses	341,303	(20,938)
Mortgage servicing rights retained	20,831	(2,102,200)
Accounts receivable and other loans receivable	(747,266)	(7,196,719)
Income tax receivable	2,933,759	8,104
Other assets	58,633	(2,743)
Accounts payable	(14,799)	1,214,439
Accrued interest and other expenses	11,784,782	9,322,344
Escrow amounts on funded loans	3,422,847	1,932,122
Accrued compensation and related expenses	(10,803,031)	3,016,312
Net cash provided by (used in) operating activities	26,031,337	(159,075,843)
Cash flows from investing activities:		
Net change in loans held for investment	(5,031,571)	(5,451,105)
Net change in construction loans	4,619,670	15,742,675
Proceeds from sale of loans held for investment	3,176,306	10,430,141
Net change in other real estate owned	—	(144,001)
Purchases of property and equipment	(775,981)	(694,093)
Disposal of property and equipment	90,880	—
Net cash provided by investing activities	2,079,304	19,883,617
Cash flows from financing activities:		
Dividends on Preferred Stock	(37,075,067)	(2,500,000)
Capital lease acquisitions	151,377	205,705
Net advances on lines of credit	13,452,099	152,175,637
Payments on notes payable	(73,295)	(76,022)
Payments on capital lease obligations, net	(60,059)	—
Net cash (used in) provided by financing activities	(23,604,945)	149,805,320
Net increase in cash and cash equivalents	4,505,696	10,613,094
Cash, cash equivalents and restricted cash:		
Beginning of period	82,261,670	40,097,999
End of period	$ 86,767,366	$ 50,711,093
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 3,655,364	$ 3,735,116
Cash payments for income taxes, net of refunds	$ 13,308,201	$ 693,644
Non-cash transaction:		
Reclass from loans held for sale to loans held for investment	$ 926,009	$ 4,169,785

See notes to condensed consolidated financial statements

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1. Summary of Significant Accounting Policies

Principles of consolidation and nature of business: The condensed consolidated financial statements include the accounts of Residential Mortgage Services Holdings, Inc. (Holdings) and its wholly owned subsidiary Residential Mortgage Services, Inc. (RMSI) (collectively, the Company). All significant intercompany balances and transactions have been eliminated in consolidation.

Holdings, a Delaware corporation, was formed in September 2013 to affect the recapitalization of RMSI.

RMSI, a Maine corporation incorporated in 1991 as a mortgage company, is the Company's operating unit. RMSI originates residential loans for the purpose of selling such loans along with servicing rights to permanent investors in the secondary market. Loans are funded through warehouse lines of credit and are sold to investors generally within 30 days of origination. RMSI's primary market areas are Southern Maine, New Hampshire, Massachusetts, Rhode Island, Connecticut and the mid-Atlantic region. For the six months ended June 30, 2021 and 2020, 65% and 60%, respectively, of RMSI's loans originated for sale were sold to four investors.

The Company is subject to supervision and examination by state and federal regulatory authorities. Failure to comply with regulatory guidelines could subject the Company to various sanctions and penalties.

In the normal course of business, companies in the mortgage banking industry encounter certain economic and regulatory risks. Economic risks include interest rate risk and credit risk. The Company is subject to interest rate risk to the extent that in a rising interest rate environment, the Company may experience a decrease in loan production, as well as decreases in the value of mortgage loans held for sale and in commitments to originate loans, which may negatively impact the Company's operations. Credit risk is the risk of default that may result from the borrowers' inability or unwillingness to make contractually required payments during the period in which loans are being held for sale.

Basis of presentation: The accompanying condensed consolidated financial statements and related notes have been prepared by the Company in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to U.S. GAAP relating to interim financial statements. The December 31, 2020 balances reported herein are derived from the audited consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and related notes for the year ended December 31, 2020. The Company follows the same accounting policies for preparing interim and annual reports. In the opinion of management, these condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to fairly state the condensed consolidated financial statements.

The results of operations for any interim period are not necessarily indicative of the results that may be expected for a full fiscal year or for any other future period.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are susceptible to material change in the near term include the fair value estimates for loans held for sale and derivative financial instruments.

Loans held for investment and allowance for loan losses: Loans held for investment are recorded at the principal amount outstanding, net of an allowance for loan losses. The Company reviews its loan portfolios to determine whether an allowance is necessary to absorb losses that are estimated to have occurred. Loans are charged-off when deemed uncollectible. Loans are evaluated for delinquency based on payment terms. The Company has reviewed its loan portfolio and has determined that a $1,446,389 and $738,794 allowance for loan losses on loans held for investment is required at June 30, 2021 and December 31, 2020, respectively.

Loans are considered impaired when it is probable the Company will be unable to collect all amounts due according to the contractual terms. Impairment is measured based on the discounted expected future cash flows or the fair value of the collateral securing the loan if the loan is collateral dependent.

Interest income on loans is recognized on the accrual basis of accounting when interest is probable of collection. Management stops accruing interest when it is determined that collection is not assured.

At June 30, 2021 and December 31, 2020, there were no impaired loans or charge offs incurred.

Other real estate owned: Other real estate owned is recorded at estimated fair value, less estimated costs to sell, based on outside appraisals performed on the properties. Expenditures which increase values are capitalized. The Company has recorded an allowance for losses on other real estate owned of $268,251 for June 30, 2021 and December 31, 2020.

Cash and cash equivalents, restricted cash and certificates of deposit: In January, 2021, the Company opened operating, investment and restricted cash accounts at Wells Fargo Bank. The Company has invested $31,554,030 at June 30, 2021 in highly liquid money market funds, primarily invested in U.S. Treasury notes. These investments consist of excess, non-restricted cash funds. The Company can draw on these funds at any time without restriction. At June 30, 2021 and December 31, 2020, there was $7,088,071 and $64,088,036, respectively, invested in an overnight sweep account.

The Company maintains its cash and cash equivalents, restricted cash, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and the Company believes it is not exposed to any significant risk. At June 30, 2021 and December 31, 2020, the Company had cash on deposit, including restricted cash, at 12 institutions in the amount of $87,004,471 and $83,981,484 respectively, which exceeds the federally insured limits of $250,000 per institution. Differences between the amounts in the bank and the balances recorded in the accompanying consolidated balance sheets are due to outstanding checks and deposits in-transit.

The following table provides a reconciliation of the cash, cash equivalents and restricted cash reported within the consolidated statement of cash flows:

	June 30, 2021	December 31, 2020
Cash and cash equivalents	$ 84,746,044	$ 74,777,346
Restricted cash	2,021,322	7,484,324
	$ 86,767,366	$ 82,261,670

Restricted cash consists of cash reserves under warehouse lines of credit agreements.

Income taxes: Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are provided for the temporary differences between the tax basis of the Company's assets and liabilities and their reported amounts. Deferred tax assets and liabilities are determined based on the enacted rates that are expected to be in effect when these differences are expected to reverse. Deferred tax expense or benefit is the result of the changes in the deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position. Estimated interest and penalties, if applicable, related to uncertain tax positions are included as a component of income tax expense. Management of the Company has evaluated the positions taken on its tax returns filed and the potential impact on its tax status as of June 30, 2021 and December 31, 2020. The Company has concluded no uncertain income tax positions exist at June 30, 2021 and December 31, 2020. The Company's tax years from 2016 to 2020 are open and subject to examination.

Stock-based compensation: There were 4,743 options outstanding at June 30, 2021. There were 1,135 options that became vested, and no options exercised during the six months ended June 30, 2021. The total compensation expense recorded, including the reversal of compensation expense related to forfeitures, was $19,838 and $68,760 during the six months ended June 30, 2021 and 2020, respectively. These amounts are recorded within the salaries and benefits operating expense line item on the condensed consolidated income statements. Total unrecognized compensation expense related to non-vested options as of June 30, 2021 amounts to $0.

Covid-19 Pandemic: In March 2020, the World Health Organization recognized COVID-19 as a pandemic and the President of the United States declared the COVID-19 outbreak a national emergency. Stringent measures were implemented by countries and local municipalities to help control the spread of the virus, followed by phased regulations and guidelines for reopening communities and economies. The pandemic and resulting measures have had a significant impact on national and global economies. COVID-19 has not had a material adverse impact on the Company's operations, cash flows, financial position or the amount or availability of its liquidity.

Recent accounting pronouncements:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *"Leases (Topic 842)"*, which requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset to not recognize lease assets and lease liabilities. In transition, lessees are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. This guidance is effective for fiscal years beginning after December 15, 2021, with early application permitted. The Company is currently evaluating the effect that this guidance will have on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, " *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ."* The ASU applies to all financial instruments carried at amortized cost, including loans held for investment. The new accounting standard does not apply to loans held for sale or for financial assets for which the fair value option has been elected. This standard is effective for private companies to years beginning after December 15, 2022. The Company is currently evaluating the effect that this guidance will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*, aligns the accounting for costs to implement a cloud computing arrangement that is a service with the guidance on capitalizing costs for developing or obtaining internal-use software. The Company adopted 2018-15 on January 1, 2021, with no material impact on the consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, " *Reference Rate Reform (Topic 848)."* The interest rate of the variable-rate indebtedness and the interest rate on the adjustable rate loans we originate and service is based on LIBOR. U.S.-dollar LIBOR is expected to be replaced with the Secured Overnight Financing Rate ("SOFR"), a new index calculated by reference to short-term repurchase agreements for U.S. Treasury securities. The ASU contains guidance designed to simplify how entities account for contracts that are modified to replace LIBOR. The guidance will not apply to any contract modification made after December 31, 2022.

Note 2. Mortgage Loans Held for Sale

At June 30, 2021 and December 31, 2020, the Company had $420,209,942 and $411,282,272 outstanding in residential mortgage loans held for sale, respectively. The principal due upon maturity of mortgage loans held for sale at June 30, 2021 and December 31, 2020 is $406,748,047 and $399,133,510, respectively, which is $13,461,895 and $12,148,762 less than fair value, respectively. Mortgage loans held for sale serve as collateral for the Company's lines of 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 commitment 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.

At June 30, 2021 and December 31, 2020, the Company had outstanding IRLCs of $821,667,232 and $950,565,759 to customers, respectively. The Company expects to fund these commitments through the sale of the mortgage loans and borrowings under the Company's lines of credit.

The Company's policy is to hedge its loans held for sale and IRLC's at various rates depending on market conditions. The Company economically hedges the changes in fair value of mortgage loans held for sale and IRLCs with TBAs and by entering into forward sale commitments with investors. At June 30, 2021 and December 31, 2020, the Company had commitments to deliver $617,978,189 and $666,992,364, respectively, in mortgage loans at specific rates and prices for TBA mortgage backed securities. The Company is exposed to credit loss in the event of nonperformance by the other parties to the TBAs and forward sale commitments; however, the Company does not anticipate nonperformance by the counterparties. In the six months ended June 30, 2021 and 2020, the fair value adjustment on derivatives amounted to a net loss of $10,541,637 and net gain of $19,158,173, respectively. The Company also has forward sale commitments with specific investors to deliver specific loans held for sale at a specified price on a best efforts basis.

In certain cases, the Company may be required to repurchase loans and return fees received on loans sold that entirely prepay, default within a specified period after they are sold or if there is subsequent discovery that underwriting standards were not met. A liability of $1,010,420 and $1,130,542 has been recorded at June 30, 2021 and December 31, 2020, respectively.

Note 3. Property and Equipment

Property and equipment, including amounts recorded under capital leases, consists of the following:

	June 30, 2021	December 31, 2020
Leasehold improvements	$ 3,251,855	$ 3,249,806
Furniture and fixtures	6,842,021	6,934,121
Equipment and other	9,739,905	9,068,782
Software	2,027,973	2,027,973
Vehicles	704,651	919,990
	22,566,405	22,200,672
Less accumulated depreciation	(18,570,301)	(17,813,677)
	$ 3,996,104	$ 4,386,995

The net carrying value of assets held under capital lease arrangements at June 30, 2021 and December 31, 2020, was $339,899 and $238,381, respectively.

Depreciation and amortization expense was $1,075,992 and $1,170,762 for the six months ended June 30, 2021 and 2020, respectively, which includes amortization of assets under capital leases.

Note 4. Mortgage Servicing Rights

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of these loans consists of the following:

	June 30, 2021	December 31, 2020
FHLMC	$ 38,123,545	$ 50,826,287
FNMA	616,305,223	729,381,425
	$ 654,428,768	$ 780,207,712

Mortgage servicing rights, net of valuation allowance, are summarized as follows:

	June 30, 2021	December 31, 2020
Balance at beginning of period	$ 5,370,975	$ 3,359,054
Additions	116,162	4,456,142
Sale of mortgage servicing rights	(136,995)	—
Amortization	(988,617)	(1,780,264)
Recovery/(Impairment)	453,923	(663,957)
Balance at end of period	$ 4,815,448	$ 5,370,975
Estimated fair value at end of period	$ 5,369,347	$ 5,610,474

The Company has recorded a reversal of impairment losses on the MSRs of $453,923 and recorded an impairment loss of $957,591 for the six months ended June 30, 2021 and 2020, respectively. The valuation allowance at June 30, 2021 and December 31, 2020 was $210,034 and $663,957, respectively.

Estimated amortization expense of the mortgage servicing rights for the next five years is as follows:

The remainder of 2021	$ 314,425
2022	749,711
2023	722,583
2024	605,501
2025	505,490

Note 5. Warehouse Lines of Credit

The Company had a warehouse line of credit for mortgage loans with Bangor Savings Bank for $11,000,000, which expires on September 30, 2021. As of June 30, 2021, borrowings accrue interest at the 1 month LIBOR plus 1.85%. The principal balances owed on the line of credit as of June 30, 2021 and December 31, 2020 were $396,437 and $549,500, respectively.

The Company has a warehouse line of credit for mortgage loans with Truist Bank, formerly Branch Banking and Trust Company for $200,000,000, which expires on December 17, 2021. As of June 30, 2021, borrowings accrue interest at the greater of 1-month LIBOR or .75% LIBOR floor plus 1.75%. The principal balance owed on the line of credit as of June 30, 2021 and December 31, 2020 were $182,109,567 and $148,211,185, respectively.

The Company has a warehouse line of credit for mortgage loans with Wells Fargo Bank, N.A. (Wells Fargo) for $200,000,000, which expires 30 days after written notice has been delivered by either RMSI or Wells Fargo. As of June 30, 2021, borrowings accrue interest at 1-month LIBOR floor plus 1.75%. The principal balance owed on the line of credit as of June 30, 2021 and December 31, 2020 were $157,919,527 and $140,807,434, respectively.

The Company has a warehouse line of credit for mortgage loans with Flagstar Bank for $30,000,000, which expires on upon demand of either RMSI or Flagstar Bank. As of June 30, 2021, borrowings accrue interest at 1-month LIBOR floor plus 2% with a 3.5% interest floor. The principal balance owed on the line of credit as of June 30, 2021 and December 31, 2020, was $10,008,312 and $11,890,114, respectively. The line also has a sublimit of up to $10,000,000 for construction loan advances and these borrowings accrue interest at 1-month LIBOR plus 2.5%. The principal balance owed on construction borrowings was $8,249,367 and $7,251,053 as of June 30, 2021 and December 31, 2020, respectively.

The Company has a warehouse line of credit for mortgage loans with US Bank National Association (US Bank) for $100,000,000, which expired on July 28, 2021. As of June 30, 2021, borrowings accrue interest at the greater of 1-

month LIBOR or .50% LIBOR floor plus 1.75%. The principal balance owed on the line of credit as of June 30, 2021 and December 31, 2020 were $0 and $76,830,464, respectively.

The Company has a warehouse line of credit for mortgage loans with Comerica Bank for $75,000,000, which expires on March 16, 2022. As of June 30, 2021, borrowings accrue interest at the greater of 1-month LIBOR or .75% LIBOR floor plus 1.75%. The principal balance owed on the line of credit as of June 30, 2021 and December 31, 2020 were $54,158,370 and $16,910,487, respectively. The line also has a sublimit of up to $20,000,000 for construction loan advances. These accrue interest at the greater of 1-month LIBOR or 1.0% LIBOR floor plus 2.65%. The principal balance owed on construction borrowings as of June 30, 2021 and December 31, 2020 was $18,339,436 and $15,278,680, respectively.

The lines of credit are collateralized by assignments of the mortgages and notes funded by the lines of credit. Advance rates on the lines of credit range from 95% to 100% of the mortgage loan amount funded.

Lines of credit contain customary covenants, including, but not limited to, minimum levels of net worth, liquidity and profitability, and maximum levels of leverage. If the Company fails to comply with any of these covenants or otherwise defaults under a facility, the lender has the right to terminate the facility and require immediate repayment that may require the sale of the collateral at less than optimal terms.

In addition, if the Company defaults under one facility, it would generally trigger a default under the Company’s other facilities.

Note 6. Notes Payable

Notes payable consists of the following:

	June 30, 2021	December 31, 2020
Revolving credit note, due in monthly installments of principal and interest, through September 28, 2021, secured by various vehicles	$ 81,537	$ 98,701
Various vehicle notes, due in monthly installments aggregating $9,364, including interest at rates ranging from 0.00% – 6.99%, maturity dates ranging from November 2021 – January 2025 and secured by vehicles	142,301	198,432
	$ 223,838	$ 297,133

Maturities on notes payable are as follows:

The remainder of 2021	$ 52,946
2022	83,098
2023	56,849
2024	29,458
2025	1,487
	$ 223,838

Note 7. Stockholders’ Equity

Holdings is authorized to issue 161,800 shares of all classes of capital stock, consisting of 86,800 shares of common stock, $0.001 par value per share, 75,000 shares of preferred stock, $0.001 par value per share, 35,000 of which are designated as Series A Preferred Stock and 30,000 of which are designated as Series B Preferred Stock, and 10,000 shares of which are available for designation in one or more classes as defined. The Series A Preferred Stock was retired at December 31, 2020.

The Series B Convertible Preferred Stock is convertible into the common stock of Holdings at the option of the holder or at the time of a qualifying event, as defined, is junior to the Series A Redeemable Preferred Stock but senior to the common stock (unless converted) and bears 12 percent cumulative dividends, compounded quarterly.

The number of shares of common stock to be issued upon conversion is based on the conversion price as defined. The Series B Convertible Preferred Stock is convertible into 30,000 shares of common stock. No dividend shall be paid or declared on any other series or class of junior stock until the Series B dividends are paid in full. The Series B liquidation preferences was $55,850,337 and $70,876,572 at June 30, 2021 and December 31, 2020, respectively.

The Series B shares have voting rights in proportion to the number of common shares into which they are convertible.

Pursuant to the Stockholders' Agreement, the preferred stockholders are entitled to representation on the Board of Directors and have other rights as described in the Stockholders' Agreement. If a management stockholder is terminated by the Company, the Company has the right but not the obligation to purchase any or all of such stockholder's common shares at fair market value.

Note 8. Leases

The Company leases sales offices throughout its primary market areas, as well as certain office equipment and vehicles under noncancelable operating leases expiring at various dates in 2021 through 2028.

During the six months ended June 30, 2021 and 2020, rent expense was $2,941,870 and $3,130,798, respectively. Rent expense attributable to related party leases was $279,485 and $359,963 for the six months ended June 30, 2021 and 2020, respectively.

The Company leases certain computer equipment and software under capital lease arrangements which expire at various times until 2023. At June 30, 2021 and December 31, 2020, the outstanding balance related to the capital leases was $286,510 and $195,192, respectively.

Future minimum obligations under all noncancelable leases are as follows:

	Operating Leases	Capital Leases
The remainder of 2021	$ 2,562,458	$ 49,563
2022	3,775,391	148,686
2023	2,659,121	73,612
2024	1,807,922	14,649
2025	1,346,206	—
Thereafter	1,309,495	—
	$ 13,460,593	$ 286,510

Note 9. Retirement Plan

The Company sponsors a 401(k) plan covering all employees who meet minimum age and service requirements. Employees may contribute up to 100 percent of compensation. The Company matches 100 percent of contributions up to 4 percent of compensation. The Company recorded expense of $2,359,673 and $1,842,785, respectively, related to the plan for the six months ended June 30, 2021 and 2020.

Note 10. Related Party Transactions

The Company periodically grants loans to stockholders and employees. Due to an overpayment of a loan, the balance at June 30, 2021 reflected a refund payable to stockholders and employees of $7,856. As of December 31, 2020, unsecured loans to stockholders and employees totaled $1,080,700.

The majority common stockholder is a partner in J.R. Seely Company, LLC and Seely & Vogel, LLC. The Company leases office space from J.R. Seely Company, LLC and Seely & Vogel, LLC under month-to-month lease arrangements. Rent expense for these arrangements in the six months ended June 30, 2021 and 2020, were $45,000 and $248,812, respectively. Effective January 1, 2021, three of the four related party office space leases that were previously month-to-month had an update to the lease agreement to extend the maturity to 2025.

The Company leases office space and executive units from J.R. Seely Company, LLC and Seely & Vogel, LLC and rent expense attributable to the leases was $234,485 and $111,151 in the six months ended June 30, 2021 and 2020, respectively. The future minimum lease obligations are $1,815,372 at June 30, 2021.

The Company executed an advisory services agreement for an annual fee of $500,000 payable monthly in advance to Eos Management, L.P., an affiliate of Eos Partners, L.P. and Eos Capital Partners, preferred stockholders of the Company. For the six months ended June 30, 2021 and 2020, the Company incurred advisory fees totaling $250,000, which are included in professional fees on the condensed consolidated statements of income.

The Company executed a consulting services agreement payable to a preferred stockholder of the Company. For the six months ended June 30, 2021 and 2020, the Company incurred consulting fees totaling $210,000 and $215,847, respectively, which are included in professional fees on the condensed consolidated statements of income.

Note 11. Income Taxes

The current and deferred components of income tax expense were as follows for the period ended June 30, 2021:

	Current	Deferred	Total
Federal	$ 11,611,378	$ (3,082,339)	$ 8,529,039
State	4,633,906	(1,236,950)	3,396,956
	$ 16,245,284	$ (4,319,289)	$ 11,925,995

The items giving rise to the deferred income tax items in the consolidated balance sheet at June 30, 2021 and December 31, 2020, are as follows:

	June 30, 2021	December 31, 2020
Deferred tax assets:		
Allowance for loan losses	$ 552,373	$ 247,663
Impairment write-downs on other real estate owned	71,842	72,341
Accrued liabilities and other	1,259,905	896,237
Deferred income tax assets	1,884,120	1,216,241
Deferred tax liabilities:		
Mortgage servicing rights	(1,289,657)	(1,448,434)
Prepaid expenses	(51,076)	(187,815)
Property and equipment	(407,585)	(448,499)
Forward delivery commitments	(4,295,731)	(7,168,439)
Loans held for sale	(436,205)	(878,476)
Deferred income tax liabilities	(6,480,254)	(10,131,663)
Net deferred income tax liabilities	$ (4,596,134)	$ (8,915,422)

Note 12. Fair Value of Financial Instruments

The Company's condensed consolidated financial statements include assets and liabilities that are measured based on their estimated fair values. The application of fair value estimates may be on a recurring or nonrecurring basis depending on the accounting principles applicable to the specific asset or liability or whether management has elected to carry the item at its estimated fair value as discussed in the following paragraphs.

Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Fair value on a recurring basis: The table below presents the balances of assets and (liabilities) carried at fair value on a recurring basis:

	Total	Level 1	Level 2	Level 3
June 30, 2021:				
Mortgage loans held for sale	$ 420,209,942	$ —	$ 420,209,942	$ —
Interest rate lock commitments	17,058,567	—	—	17,058,567
TBAs	(1,018,736)	—	(1,018,736)	—

	Total	Level 1	Level 2	Level 3
December 31, 2020:				
Mortgage loans held for sale	$ 411,282,272	$ —	$ 411,282,272	$ —
Interest rate lock commitments	30,817,656	—	—	30,817,656
TBAs	(4,236,188)	—	(4,236,188)	—

The following are descriptions of the valuation methodologies for instruments measured at fair value:

Mortgage loans held for sale and IRLCs: The fair value of the Company's IRLCs and loans held for sale are based on the following assumptions:

- The assumed gain on the expected loan sale to the buyer using estimated prices observed in the market for loans with similar characteristics, mainly interest rate, term, and type of loan product (Level 2).
- The estimated premiums observed in the market for loans sold servicing-released (Level 2).
- The origination fee income, commission expense, and other conversion costs expected to be received or incurred for the resulting loans related to IRLCs (Level 3).
- An estimate of the fall out expected from IRLCs that will not ultimately result in funded loans (Level 3).

TBAs and forward sale commitments: The fair value of TBAs and forward sale commitments is estimated based on the market price movement of similar instruments from the trade date to the reporting period-end date (Level 2).

Note 13. Commitments and Contingencies

The Company is party to litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such litigation and claims will not be material to the condensed consolidated financial statements.

Note 14. Subsequent Events

Management has evaluated subsequent events through September 16, 2021 which is the date the condensed consolidated financial statements were available to be issued.

As of July 31, 2021, management has re-evaluated the subsequent events and noted on May 10, 2021, the Company and publicly traded retail mortgage lender, Guild Holdings (Guild), announced the signing of a definitive merger agreement under which Guild will acquire RMS. The transaction was finalized on July 1, 2021. The June 30, 2021 financial statements include the significant accruals related to the transaction. RMS management team will continue to manage the business.

Exhibit 99.3

PRO FORMA FINANCIAL INFORMATION

On July 1, 2021, Guild Holdings Company, a Delaware corporation (the “Company”, “Guild”) and Guild Mortgage Company LLC, a wholly-owned subsidiary of the Company, consummated the previously announced business combination pursuant to a definitive merger agreement (the “merger agreement”), dated May 10, 2021, by and among the Company, Guild Mortgage Company LLC, Project Regal Merger Sub, Inc., a Delaware corporation, Residential Mortgage Services Holdings, Inc., a Delaware corporation (“Holdings” or “RMS”), and RMS Shareholder Representative, LLC, a Delaware limited liability company (the “acquisition”).

As a result of the acquisition, Project Regal Merger Sub Inc. merged with and into Holdings in accordance with the terms of the merger agreement and the Delaware General Corporation Law. Accordingly, upon consummation of the acquisition, Project Regal Merger Sub, Inc. ceased to exist and Holdings became a wholly-owned subsidiary of Guild Mortgage Company LLC.

The unaudited pro forma combined balance sheet gives effect to the acquisition as if it had been completed on June 30, 2021 and was prepared using the unaudited consolidated balance sheet of Guild and RMS as of June 30, 2021.

The unaudited pro forma combined statements of income for the year ended December 31, 2020 and the six months ended June 30, 2021 give effect to the acquisition as if it had been consummated on January 1, 2020. The unaudited pro forma combined statements of income include adjustments that give effect to events that are directly attributable to the acquisition, that are expected to have a continuing impact, and that are factually supportable. The notes to the unaudited pro forma combined financial information describe the pro forma amounts and adjustments. In addition, the unaudited pro forma combined financial information does not reflect any cost savings or integration costs.

The unaudited pro forma combined financial statements are being presented for illustrative purposes only and, therefore, are not necessarily indicative of the operating results that might have been achieved had the transaction occurred as of an earlier date, nor are they necessarily indicative of the operating results that may be achieved in the future.

The unaudited pro forma combined financial statements, including the notes thereto, should be read in conjunction with Guild’s audited historical consolidated financial statements for the year ended December 31, 2020 included in its Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 24, 2021, Guild's unaudited condensed consolidated financial statements for the six months ended June 30, 2021 included in its Form 10-Q filed with the SEC on August 13, 2021, as well as RMS's audited financial statements for the years ended December 31, 2020 and 2019 included in Exhibit 99.1 to this Current Report on Form 8-K/A and RMS’s unaudited condensed financial statements for the six months ended June 30, 2021 and 2020 included in Exhibit 99.2 to this Current Report on Form 8-K/A.

GUILD HOLDINGS COMPANY
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
JUNE 30, 2021
(In thousands)

	Guild Historical	RMS Historical	Reclassification Adjustments (Note 3)		Pro Forma Adjustments (Note 4)		Pro Forma Combined
Assets							
Cash and cash equivalents	$ 322,005	$ 84,746	$ (496)	3(a)(c)	$ (185,786)	Note 2	$ 220,469
Restricted cash	4,511	2,021	(712)	3(c)	—		5,820
Mortgage loans held for sale	2,153,990	464,254	766	3(b)	—		2,619,010
Ginnie Mae loans subject to repurchase right	1,037,266	—	—		—		1,037,266
Accounts and interest receivable	41,256	1,110	—		—		42,366
Derivative asset	47,893	17,059	—		—		64,952
Mortgage servicing rights, net	578,690	4,815	—		—		583,505
Goodwill	62,834	—	—		102,111	Note 2	164,945
Intangible assets	—	—	—		44,600	4(a)	44,600
Other assets	144,931	10,012	—		13,484	4(b)(h)	168,427
Total assets	$ 4,393,376	$ 584,017	$ (442)		$ (25,591)		$ 4,951,360
Liabilities and stockholders' equity							
Warehouse lines of credit	$ 1,883,665	431,181	—		$ —		$ 2,314,846
Notes payable	165,000	510	—		—		165,510
Ginnie Mae loans subject to repurchase right	1,037,640	—	—		—		1,037,640
Accounts payable and accrued expenses	45,329	27,139	—		(11,263)	4(i)	61,205
Accrued compensation and benefits	68,691	13,129	(1,508)	3(d)	—		80,312
Investor reserves	16,827	—	1,508	3(d)	—		18,335
Income taxes payable	8,717	—	—		—		8,717
Contingent liabilities due to acquisitions	20,416	—	—		63,956	Note 2	84,372
Derivative liability	4,430	1,019	(442)	3(a)(b)	—		5,007
Operating lease liabilities	88,816	—	—		12,364	4(b)	101,180
Note due to related party	3,634	8	—		—		3,642
Deferred compensation plan	98,528	—	—		—		98,528
Deferred tax liability	103,060	4,596	—		—		107,656
Total liabilities	3,544,753	477,582	(442)		65,057		4,086,950
Commitments and contingencies							
Stockholders' equity							
Common stock	600	—	—		10	4(c)	610
Preferred stock		30,000	—		(30,000)	4(e)	—
Additional paid-in capital	22,571	1,429	—		14,348	4(c)(e)	38,348
Retained earnings	825,452	75,006	—		(75,006)	4(e)	825,452
Total stockholders' equity	848,623	106,435	—		(90,648)		864,410
Total liabilities and stockholders' equity	$ 4,393,376	$ 584,017	$ (442)		$ (25,591)		$ 4,951,360

See accompanying notes to Unaudited Pro Forma Combined Financial Statements

GUILD HOLDINGS COMPANY
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In thousands, except per share amounts)

	Guild Historical	RMS Historical	Reclassification Adjustments (Note 3)		Pro Forma Adjustments		Pro Forma Combined
Revenue							
Loan origination fees and gain on sale of loans, net	$ 777,347	$ 157,235	$ 1,349	3(e) (f)(g)	$ —		$ 935,931
Loan servicing and other fees	92,851	635	—		—		93,486
Valuation adjustment of mortgage servicing rights	(49,046)	—	(534)	3(e)	—		(49,580)
Interest income	29,734	5,510	—		—		35,244
Interest expense	(30,720)	(4,785)			—		(35,505)
Other income (expense), net	130	(13,935)	(188)	3(e)(f)(i)	—		(13,993)
Net revenue	820,296	144,660	627		—		965,583
Expenses							
Salaries, incentive compensation and benefits	499,287	92,068	273	3(k)	—		591,628
General and administrative	58,701	3,371	1,216	3(g)(l)	(250)	4(f)	63,038
Occupancy, equipment and communication	29,494	9,431	(868)	3(k)(l)	—		38,057
Depreciation and amortization	3,262	1,076	—		3,942	4(a)	8,280
Provision for foreclosure losses	2,019	—	6	3(i)	—		2,025
Total expenses	592,763	105,946	627		3,692		703,028
Income before income tax expense (benefit)	227,533	38,714	—		(3,692)		262,555
Income tax expense (benefit)	57,991	11,926	—		(986)	4(g)	68,931
Net income	$ 169,542	$ 26,788	—		$ (2,707)		$ 193,624
Net income per share attributable to Class A and Class B Common Stock:							
Basic	$ 2.83						$ 3.17
Diluted	$ 2.81						$ 3.16
Weighted average shares outstanding of Class A and Class B Common Stock:							
Basic	60,000				997	4(d)	60,997
Diluted	60,234				997	4(d)	61,231

See accompanying notes to Unaudited Pro Forma Combined Financial Statements

GUILD HOLDINGS COMPANY
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(In thousands, except per share amounts)

	Guild Historical	RMS Historical	Reclassification Adjustments (Note 3)		Pro Forma Adjustments (Note 4)		Pro Forma Combined
Revenue							
Loan origination fees and gain on sale of loans, net	$ 1,759,871	$ 340,086	$ 1,861	3(e)(f)(g)	$ (2,100)	4(h)	$ 2,099,718
Loan servicing and other fees	160,237	1,041	—		—		161,278
Valuation adjustment of mortgage servicing rights	(296,307)	—	(2,444)	3(e)	—		(298,751)
Interest income	57,649	11,899			—		69,548
Interest expense	(60,168)	(9,499)	120	3(h)	—		(69,547)
Other income (expense), net	765	(3,160)	1,437	3(e)(f)(i)	—		(958)
Net revenue	1,622,047	340,367	974		(2,100)		1,961,288
Expenses							
Salaries, incentive compensation and benefits	953,758	172,794	487	3(j)(k)	—		1,127,039
General and administrative	101,948	6,687	2,007	3(g)(j)(l)(m)	(500)	4(f)	110,142
Occupancy, equipment and communication	57,070	18,166	(1,531)	3(h) (k)(l) (m)	—		73,705
Depreciation and amortization	7,501	2,295	—		7,883	4(a)	17,679
Provision for foreclosure losses	7,700	—	11	3(i)	—		7,711
Total expenses	1,127,977	199,942	974		7,383		1,336,276
Income before income tax expense (benefit)	494,070	140,425	—		(9,483)		625,012
Income tax expense (benefit)	123,493	36,369	—		(1,971)	4(g)	157,891
Net income	370,577	104,056	—		$ (7,512)		467,121
Net income per share attributable to Class A and Class B Common Stock:							
Basic	$ 6.18						$ 7.66
Diluted	$ 6.17						$ 7.65
Weighted average shares outstanding of Class A and Class B Common Stock:							
Basic	60,000				997	4(d)	60,997
Diluted	60,056				997	4(d)	61,053

See accompanying notes to Unaudited Pro Forma Combined Financial Statements

GUILD HOLDINGS COMPANY
NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation

The unaudited pro forma combined balance sheet as of June 30, 2021, and the unaudited pro forma combined statements of income for the year ended December 31, 2020 and six months ended June 30, 2021, presented herein were prepared in accordance with Article 11 of Regulation S-X. The unaudited pro forma combined balance sheet gives effect to the acquisition as if it had been completed on June 30, 2021 and combines the unaudited consolidated balance sheet of Guild and the assets acquired and liabilities assumed from RMS. The unaudited pro forma combined statements of income for the year ended December 31, 2020 and six months ended June 30, 2021 give effect to the acquisition as if it had occurred on January 1, 2020.

Certain financial information of RMS, as presented in its historical consolidated financial statements, has been reclassified to conform to the historical presentation in Guild's consolidated financial statements for the purpose of preparing the pro forma financial information. Refer to Note 3 for explanations of these reclassifications.

The unaudited pro forma combined financial information should be read in conjunction with the accompanying notes to the unaudited combined financial statements and is not necessarily indicative of the combined financial condition ore results of operations had the acquisition been completed as of the dates indicated. In addition, the unaudited pro forma combined financial information does not reflect any cost savings or integration costs. The unaudited pro forma combined financial information does not purport to project the future financial position or results of operations of the combined company. The pro forma adjustments are based on preliminary estimates of the fair values of assets acquired and liabilities assumed and information available as of the date of this Current Report on Form 8-K/A. Certain valuations are currently in process. Actual results may differ from the amounts reflected in the unaudited pro forma combined financial statements and the differences may be material.

Accounting Policies

The unaudited pro forma combined financial information has been compiled in a manner consistent with the accounting policies of Guild, including to align with the Company's policy of accounting for leases under ASC 842 as well as certain reclassifications (see Note 3). Following the acquisition, the combined company will conduct a review of accounting policies of RMS in an effort to determine if differences in accounting policies require further reclassification of assets or liabilities or reclassification of results of operations to conform to Guild's accounting policies and classifications. As a result of that review, the combined company may identify differences in the accounting policies of the companies that, when conformed, could have a material impact on the unaudited pro forma combined financial information.

Note 2 - Transaction and Purchase Price Consideration

On July 1, 2021, Guild acquired all of the outstanding shares of capital stock of RMS pursuant to the merger agreement.

The acquisition date fair value of the consideration transferred totaled $265.5 million. The following table summarizes the estimated fair values of the identifiable assets acquired and liabilities assumed as of the acquisition date. These estimates of fair value of identifiable assets acquired and liabilities assumed are preliminary, pending completion of a valuation, and thus are subject to revisions that may result in adjustment to the values presented below:

		Amount
Cash paid at acquisition close on July 1, 2021	$	185,786
Fair value of Guild's Class A common stock issued		15,787
Estimated fair value of earn-out		63,956
Total allocable purchase price	**$**	**265,529**
Fair value of assets acquired		
Cash, cash equivalents, restricted cash	$	84,746
Mortgage loans held for sale		464,254
Acquired intangible assets		44,600
Right of use assets		11,384
Other		37,117
Total assets acquired	$	642,101
Fair value of liabilities assumed		
Warehouse lines of credit	$	431,181
Accounts payable and accrued expenses		29,004
Lease liabilities		12,364
Deferred taxes		4,596
Other		1,538
Total liabilities assumed	$	478,683
Fair value of net assets acquired		**163,418**
Goodwill		102,111
Total preliminary purchase price allocation	**$**	**265,529**

Goodwill represents the excess of the purchase price over the fair values of the underlying tangible and intangible assets acquired and liabilities assumed. In accordance with ASC Topic 350, Intangibles – Goodwill and Other, goodwill will not be amortized, but instead will be tested for impairment at least annually and whenever an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. In the event management determines that the value of goodwill is impaired, the combined company will record an expense in earnings for the amount of the impairment during the period in which the determination is made. Goodwill recorded in the acquisition will not be deductible for tax purposes.

Note 3 - Reclassification Adjustments

Certain reclassification adjustments have been made to RMS's historical financial statements presented within the pro forma financial information to align with Guild's historical balances.

The following reclassification adjustments were made to the unaudited pro forma combined balance sheet as of June 30, 2021:

(a) Reclassification of accounts for margin calls out of cash and cash equivalents to derivative liability to conform with Guild's financial statement line item presentation.

(b) Reclassification of pair offs from mortgage loans held for sale to to derivative liability to conform with Guild's financial statement line item presentation (c) Reclassification of collateral, escrow and T&I accounts from restricted cash to cash and cash equivalents to conform with Guild's financial statement line item presentation.

(d) Reclassification of investor reserves out of accrued compensation and benefits to investor reserves to conform with Guild's financial statement line item presentation.

The following reclassification adjustments were made to the unaudited pro forma combined statements of income:

(e) Reclassification of valuation adjustments of mortgage servicing rights from Loan origination fees and gain on sale of loans, net to Valuation adjustment of mortgage servicing rights and from Other income (expense), net to Valuation adjustment of mortgage servicing rights to conform with Guild's financial statement line item presentation.

(f) Reclassification of provision for investor losses from Other income (expense), net to Loan origination fees and gain on sale of loans, net to conform with Guild's financial statement line item presentation.

(g) Reclassification of post-closing and quality control expenses to General and administrative from Loan origination fees and gain on sale of loans, net to conform with Guild's financial statement line item presentation.

(h) Reclassification of 3rd party payroll service provider fees from Interest expense to Occupancy, equipment and communication to conform with Guild's financial statement line item presentation.

(i) Reclassification of foreclosure losses from Other income (expense), net to Provision for foreclosure losses to conform with Guild's financial statement line item presentation.

(j) Reclassification of sponsorships and charitable contributions from Salaries, incentive compensation and benefits to General and administrative to conform with Guild's financial statement line item presentation.

(k) Reclassification of training and education, relocation expenses and recruiting expenses from Occupancy, equipment and communication to Salaries, incentive compensation and benefits to conform with Guild's financial statement line item presentation.

(l) Reclassification of office supplies, postage, subscriptions and other miscellaneous expenses from Occupancy, equipment and communication to General and administration to conform with Guild's financial statement line item presentation.

(m) Reclassification of real estate and personal property tax from General and administration to Occupancy, equipment and communication to conform with Guild's financial statement line item presentation.

Note 4 - Pro Forma Adjustments

(a) Adjustment to reflect the preliminary allocation of the purchase price to identifiable intangible assets and goodwill acquired in the transaction. The following table sets forth the finite-lived intangible amortization adjustment for the year ended December 31, 2020 and the six months ended June 30, 2021:

Acquired intangible assets	**Estimated Fair Value**	**Estimated Useful Life (years)**	**Annual 2020 Amortization Expense**	**Six Months Ended June 30, 2021 Amortization Expense**
Referral network	$ 41,900	6	$ 6,983	$ 3,492
Non-compete agreements	2,700	3	900	450
Total pro forma adjustment (increase to amortization)			$ 7,883	$ 3,942

(b) To record leases upon acquisition, including right-of-use assets of $11.4 million and $12.4 million in operating lease liabilities related to the present value of remaining lease payments. The right-of-use assets was offset by a $1.0 million unfavorable lease liability due to the current rent amount being higher than current market rates.

(c) To record the issuance of 996,644 shares of the Guild's Class A common stock issued as consideration.

(d) Represents the increase in the weighted average shares resulting from the issuance of shares of Guild's Class A common stock in connection with the acquisition.

	Six Months Ended June 30, 2021	Year Ended December 31, 2020
Guild historical weighted-average number of shares outstanding, basic	60,000	60,000
Total common shares issued by Guild	997	997
Pro forma weighted-average common shares outstanding, basic	60,997	60,997
Pro forma weighted-average common shares outstanding, basic	60,997	60,997
Guild historical weighted-average number of dilutive shares	234	56
Pro forma weighted-average common shares outstanding, diluted	61,231	61,053

(e) Elimination of RMS' historical equity accounts not assumed in the acquisition.

(f) Represents a management fee that RMS paid to the previous owners which would not be recurring under Guild's ownership structure.

(g) For purposes of these unaudited pro forma combined financial statements, an estimated income tax rate of approximately 25.0% has been used to calculate the income tax expense (benefit) related to the unaudited pro forma adjustments.

(h) Represents $2.1 million of unlocked pipeline recognized in other assets and the amortization of the unlocked pipeline within loan origination fees and gain on sale of loans, net as those loans move from unlocked to locked status.

(i) Transaction costs paid in connection with the closing of the transaction.