

EDITED TRANSCRIPT

loanDepot, Inc.

Q4 and 2020 Earnings Conference Call

February 18, 2021

CORPORATE PARTICIPANTS

Nicole Carrillo, *Executive Vice President, Chief Accounting Officer*

Anthony Hsieh, *Founder, Chairman & Chief Executive Officer*

Patrick Flanagan, *Chief Financial Officer*

Jeff DerGurahian, *Chief Capital Markets Officer*

John Lee, *Chief Analytics Officer*

Jeff Walsh, *Chief Revenue Officer*

CONFERENCE CALL PARTICIPANTS

Timothy Chiodo, *Credit Suisse*

Trevor Cranston, *JMP Securities*

Bob Napoli, *William Blair*

Arren Cyganovich, *Citi*

Kevin Barker, *Piper Sandler*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the loanDepot, Inc. Q4 and 2020 Earnings Conference Call.

I would now like to hand the conference over to your speaker today, Nicole Carrillo, Chief Accounting Officer at loanDepot. Thank you. Please go ahead.

Nicole Carrillo

Thanks, Lindsay. Good morning, everyone, and thank you for joining our first earnings call as a public company. Today, we will discuss loanDepot's fourth quarter and full year 2020 results. We are excited to share the financial information and other highlights of the quarter with you.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Before we begin, I would like to remind everyone that this conference call may include forward-looking statements regarding the Company's operating and financial performance in future periods. These statements are based on the Company's current expectations and available information. Actual results for future periods may differ materially from these forward-looking statements due to risks or other factors that are described in the “Risk Factors” sections of our filings with the SEC.

On today's all, we have loanDepot Founder, Chairman and CEO, Anthony Hsieh, and our Chief Financial Officer, Patrick Flanagan, to provide an overview of the quarter as well as our financial and operational results. To answer your questions, we're also going to be joined by Chief Capital Markets Officer, Jeff DerGurahian; our Chief Analytics Officer, John Lee; and our Chief Revenue Officer, Jeff Walsh.

With that, I would like to turn it over to Anthony to get us started. Anthony?

Anthony Hsieh

Thank you, Nicole, and good morning, everyone.

I want to start by thanking all of you for your interest in loanDepot. It really is an honor to be newly listed on the New York Stock Exchange and we look forward to building long-term value for all of our stakeholders including our new shareholders. I also want to thank Team loanDepot, now 10,000 strong. The team has gone above and beyond during this unprecedented period, working remotely and remarkably, further improving their efficiency as consumer demand steadily grew during this time. I am proud of and humbled by the team's performance, their innovative spirit and their commitment to the individuals and families that rely upon us each day.

For our first earnings call as a public company, I would like to highlight how our differentiated assets enabled us to respond to the unprecedented consumer demand in 2020 across all of our lines of business.

Later on, our CFO, Pat Flanagan, will provide a deeper dive into the Q4 and full year 2020 numbers.

As I mentioned, loanDepot has a set of proprietary assets that deliver our financial results, but also enable us to grow through all mortgage market cycles. Our diversified operating model is different from most others in the industry and it allows us to drive volumes in all market conditions. This entails a combination of a retail strategy, including direct-to-consumer and in-market mortgage professionals, as well as partner strategy consisting of a network of joint venture and referral partnerships. We have established relationships with key industry partners, including some of the largest homebuilders in the nation, real estate brokerage firms, and independent mortgage brokers.

These strategies resulted in more than 50% growth, and our purchase loan volume, that’s three times faster than the market grew, and 170% growth in our refinance loan volume, more than 1.5 times faster than the market grew. This emphasis on purchase market growth has been a long-term focus of both our retail and partner strategies. During 2020, we achieved a number of new partnerships, notably including our joint venture with Brookfield Residential recently announced, adding to some of the vast and largest homebuilders in the nation, including Meritage Homes, TRI Pointe Homes and LGI Homes. Today, loanDepot currently is the largest new homebuilder lender in the country.

This growth in both of our strategies across both purchase and refinance was powered by mello®, our proprietary technology. mello® powers our top-of-funnel prowess by utilizing predictive analytics, machine learning, and artificial intelligence to ensure our customers are quickly and intelligently routed across our diversified channel suite and matched with the right loan officer and the right product, at the right price .at the right time. mello® powers additional operational efficiencies throughout our customers' mortgage

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

journey, which not only increases our customers' satisfaction, but increases our profitability, decreases costs and allows us to scale to meet consumer demand more efficiently.

At loanDepot, everything we do is centered upon helping our customers and making the mortgage journey as seamless and straightforward as possible.

Our goal at loanDepot is to ensure the customer wins. We know customers want and expect the ease of bundled services in all aspects of their lives, including the home financing transaction. When, and I say when, not if, it makes sense for us to make acquisitions, our proprietary mello® technology and the way in which we approach data, will ensure that we are able to integrate quickly with other platforms and origination models.

Another key asset is loanDepot's national brand. We are the second most recognized brand in the mortgage industry. We are focused on building additional brand strength through a combination of broad market and targeted campaigns to increase brand awareness and consideration. In addition to generating new customers, our positive brand strength allows us to retain more of our servicing customers and help drive repeat and referral business.

When customers are in the market for the next loan, we want our brand awareness to drive high consideration for our products. Our ability to convert that customer is a key asset that loanDepot possesses and is a major barrier to entry for others. Our mello® database of over 40 million unique individuals and almost 10 billion data points, allows us to optimize lead conversion and better understand market and competitor performance. Our model give us the visibility to create strategies, to take share from competitors and to maintain that share as market conditions change.

We continue to invest in our brand through, among other things, our "Home Means Everything" national ad campaign, which has delivered more than 7 billion households impressions between May and December 2020. This significant reach is in addition to a monthly average of 1.6 million website visits and 330 million online media exposures during the fourth quarter of 2020.

Our brand awareness is further poised to grow with our recently announced multi-year partnership agreement with Major League Baseball. Partnering with the nation's preeminent sport league, a league which holds a special place in the hearts of American families, as our national pastime, is a natural fit for us. loanDepot is now the "Official Mortgage Provider" of Major League Baseball, which further extends our brand reach and reinforces our brand promise with millions of fans across the country.

We expect to continue to deploy these types of investments to expand loanDepot's brand awareness and market presence.

We should also note that loanDepot's very focused on its various stakeholders across all communities in which we operate. During the quarter, we continued our tradition of servicing or serving our communities by supporting individuals and families impacted by COVID-19, as well as several key charitable organizations through a donation on behalf of our employees. The spirit of service, unity and community from Team loanDepot to our customers and to each other during this time of remote work is something truly special to see. I'm grateful and proud to work alongside with what I believe to be the best team in the industry.

We founded loanDepot to transform the industry and to create intuitive, seamless experiences designed to satisfy customers. Our strong results reflect our dedication to the customer experience and to our goal of fulfilling the dream of home ownership for individuals and families across the country. We are confident that our proprietary assets will enable us to continue our momentum, further grow our business and

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

enhance our position as an industry leader regardless of shifts in the mortgage market as we move further ahead into 2021.

I'd now like to turn things over to our CFO, Pat Flanagan, who will take you through our financial results in more detail. Pat?

Patrick Flanagan

Thanks, Anthony, and good morning, everyone.

We spoke to many of you recently during our IPO roadshow about our strong business model and the financial advantage created by our platform and cutting-edge technology. More importantly, our growth and profitability during the last 12 months is further evidence of our scalability of our platform and validates the investments that we continue to make in brand and technology.

As Anthony mentioned, in the fourth quarter, our excellent financial performance was highlighted by record loan origination volume of $37 billion, representing an increase of 38% from the third quarter of 2020. For the full year ended December 31, 2020, loan origination volume totalled $101 billion, an increase of 122% year-over-year.

Our digital-first approach across our retail and partner strategies have created a strong direct-to-consumer network and helped us build deep relationships across our partnership channels.

Our retail channel accounted for $30 billion, or 79%, of our loan originations, and our partner channel accounted for $8 billion, or 21%, of our loan originations in the fourth quarter. For the full year ended December 31, 2020, our retail and partnership channels accounted for 80% and 20% of loan originations, respectively, and within our partner channel, our joint ventures contributed income of $4 million in the fourth quarter and $10 million for the year.

Our record rate lock volume of $50 billion during the fourth quarter of 2020 resulted in total quarterly revenues of $1.3 billion, a decrease of $71 million, or 5%, from the third quarter of 2020, primarily due to gain on sale margins returning to a more normalized level of 338 basis points during the fourth quarter of 2020 from record highs of 498 basis points in the third quarter. For the full year ended December 31, 2020, our rate lock volume totalled $161 billion resulting in total revenues of $4 billion and gain on sale margin of 427 basis points, as the demand for mortgages remained strong throughout the year.

We reported Adjusted EBITDA of $530 million and adjusted net income of $376 million as compared to $745 million and $525 million in the third quarter of 2020. The decrease is driven by the decline in gain on sale margin and increased expenses from higher loan origination volume. For the year ended December 31, 2020, net income totalled $2 billion, an increase of over 5,749% from 2019.

With the unprecedented growth in our business, as mentioned earlier, we also continued to simultaneously invest in our brand, people and technology. Our total expenses for the fourth quarter of 2020 increased by $110 million, or 17% from the third quarter of 2020, due to higher direct expenses on loan originations, but this increase in expenses supported significantly larger growth in loan origination volume demonstrating the scalability of our platform.

The unpaid balance of our servicing portfolio grew by $67 billion throughout the year, with $26 billion, or 39%, of that growth coming from the fourth quarter driven by originations.

Our servicing income increased by 57% to $186 million for the year and increased by 33% to $64 million for the fourth quarter of 2020.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

We are exceptionally well-positioned for 2021 and beyond and as we look at the impacts of the COVID-19 pandemic. Only 2.4%, or $2.4 billion, of our servicing portfolio was in active forbearance as of December 31, 2020, representing a decline from 3.4%, or $2.6 billion, at the end of the third quarter 2020. We're optimistic and continue to see improvements in the forbearance trend into the first quarter 2021.

The fair value of our mortgage servicing rights increased by 45%, or $347 million, during the fourth quarter to a record $1.1 billion, driven by $411 million of new additions, partially offset by a runoff of $80 million.

Our total funding capacity increased to $8.1 billion at year-end from $5.5 billion at September 30, 2020, due to the addition of two new longer-term facilities and increases to our existing facilities.

We have historically maintained liquidity levels that allow us to fund our loan origination business, manage our day-to-day operations and protect us against foreseeable market risks. Our unrestricted cash and cash equivalents balance was $284 million at December 31, 2020. The decrease in cash from September 30, 2020 was primarily due to earnings being offset by tax distributions of $71 million as required and profit distributions of $454 million as allowed under the Company's operating agreement.

While our focus will always remain on the long term, we are committed to providing transparency to our analysts and investors about the trends we are seeing in our business and the broader industry in the near term as well. We look forward to providing guidance on our Q1 performance in the near future.

Now let me turn it back over to Anthony.

Anthony Hsieh

Thank you, Pat.

We've gotten to where we are today by thinking and doing differently. We've done this by building and harnessing data and technology in a way that leads to customer satisfaction and loyalty. We're just one click away from millions of customers at all times and to be able to intelligently and nimbly match them with the right loan officer and the right product at the right price and at the right time.

In terms of the road ahead, we'll continue to make investments into our brand and our technology. These include specific ongoing enhancements to our mello® platform, improve the user experience and reduce cost over time. We're excited to be able to deliver these results to this group and look forward to engaging with you as we move forward.

With that, we are ready to turn it back to the Operator for Q&A. Operator?

Operator

Our first question comes from the line of Timothy Chiodo of Credit Suisse. Your line is open.

Timothy Chiodo

Great. Thanks a lot for taking the question. I wanted to touch really on a combination of factors that could be really supporting your market share. In terms of the growing service book and also the increasing recapture, it seems to be a pretty good combination. Maybe you could talk about how that might support some of your market share gains potentially over the next few years, and also how that might also be supportive of your marketing efficiency.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Anthony Hsieh

Great question. Let me address that holistically and perhaps either Jeff DerGurahian or Pat can talk about some of the recapture and how that plays overall into marketing, as well as John Lee.

Our direct lending operation, in my opinion, is one of only two scaled, sophisticated direct lending fulfillment engines in the country. What makes our direct lending operations unique is the fact that we play both offense and defense well. When I say offense, I'm talking about new customer acquisition strategies that allows us to leverage our brand, allow us to produce leads at the top-of-the-funnel, and sophistication on converting those leads until there is a tracking mechanism for return on marketing with customer acquisition cost.

We use the exact same fulfillment and model to play defense, which is to defend our servicing portfolio with recapture, and currently we're above 60% recapture rate. That is significant for a number of reasons. Number one, is the second bite of the apple has zero marketing cost. So it really fuels our original top-of-the-funnel marketing leverage. Number two, it allows us to generate additional volume as well as increase and defend our market share.

I will turn it over to the team here for any additional comments.

Jeff DerGurahian

Thanks, Anthony. This is Jeff DerGurahian. I think Anthony covered that pretty thoroughly. We are focused on trying to enhance our surveillance of the servicing portfolio going forward and being nimble as market trends change so that we can continue to support the recapture rate that we've seen here throughout 2020.

Timothy Chiodo

That's excellent. Thank you so much for all that context. Really appreciate it. Then also, as to my follow-up here, fully respectful of the fact that you mentioned you won't provide any guidance today, but just for the sake of investors, is there anything you could at least comment directionally around how things have been trending thus far this quarter, or perhaps maybe just around exit rates coming out of Q4, how things trended into the earlier part of 2021? Any directional context I'm sure would be very much appreciated.

Anthony Hsieh

Yes. I don't think we'll comment on specific trends, but what I will tell you is this is my 36th year of being in this industry. We started this organization a little over 11 years ago, and this diversified model is built for this industry. So we are the most diverse originator in today's marketplace. We've worked very hard over the last 11 years to set up retail, both with in-market loan officers and direct lending, in our partnership channel with joint ventures, other financial institutions, as well as the wholesale mortgage broker channel.

We are prepared, fully prepared, for the next 11 years as the industry continues to adjust as it always has and always will.

Timothy Chiodo

Excellent. Well thank you for taking both of those questions. Really appreciate it.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Anthony Hsieh

Thank you.

Operator

Our next question comes from Trevor Cranston with JMP Securities. Your line is now open.

Trevor Cranston

Great. Thanks. Good morning. Congratulations on completing the IPO, and an exceptionally strong 2020. I guess first question, you guys mentioned that the employee count, which I think was up about 15% in the fourth quarter. Can you comment on how we should think about that going into 2021, given that I think even though it should be a strong origination year again, it seems like the pace of growth in terms of origination volume may slow down some. Is the employee count at the end of the year sort of where you want it to be or are you continuing to add more employees in the first quarter?

Anthony Hsieh

Yes. Thanks for that question, Trevor. We are still aggressively onboarding full-time employees, and of course the majority, I think 98-plus percent, are working from home. Keep in mind that year-over-year we're one of only two non-banks that grew over 100% because of our efficient technology, innovation and brand. So, the fact that we continue to be very bullish and growing into this market share, we will continue to add full-time employees. We are still under 3% market share, although we are clearly the number two retail focused non-bank lender in the country. There's lots of green field for us to run, particularly knowing that we have set up diversified origination channels so we are fishing from multiple ponds as compared to some of our competitors.

So, as the market continues to change, as we continue to witness what is happening in our economy and our housing cycle, we are still very bullish on growing into this market because of our diversified strategy.

Trevor Cranston

Great. Okay, that's helpful. Second question, you guys had talked a lot about brand awareness and your strength in the brand of loanDepot. I was curious if you could provide some sort of big picture thoughts around how that's evolved over the course of 2020 given how many customers you guys had been able to touch and how strong the originations space has been, and if you feel like the brand of loanDepot and the number one lender has sort of solidified itself and increased the gap between yourselves and the smaller players. Any commentary around sort of how that perception of the brand value has evolved over the course of the year.

Anthony Hsieh

Yes. We've got to rewind a little bit to the financial crisis of 12 - 13 years ago, 2007/2008. Obviously, no reminder to everyone that the prominent brand at the time was Countrywide and that brand went away. Since then, housing continues to grow, we have household formation. So the number of homes continue to be added and the average loan amount continues to climb. And today, there's just not a lot of brands in the marketplace. Our number one competitor - we're rooting for - because we are drafting off the bumper of the number one brand as the logical other solution as consumers are performing their diligence of selecting a contemporary mortgage brand today. We like that fact. We like the Coke and Pepsi mix. At the same time, because of our young history, being 11 years old, I will tell you that the brand is building faster

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

than our ability to hire. So, most recently, we have made an adjustment to our brand and ad spend as the top-of-the-funnel has been very healthy and we're starting to reduce the top-of-the-funnel incoming data.

But I would like John Lee to chime in. John, if you can speak to some of the third-party indications and endorsements of our current brand awareness, I think that would be helpful.

John Lee

Yes. Good morning. We—actually, we partner with YouGov to monitor our brand health on a daily basis. We utilize their brand index to monitor metrics. Obviously, two of the major metrics we measure are brand awareness at the top-of-the-funnel. What we have seen over the last six months is we solidified our position as the clear number two mortgage lender after Rocket/Quicken. We do see that gap continue to narrow and widen against the other competitors. We also measure brand consideration at the lower funnel. So as customers are looking for mortgage products we want to make sure we're in consideration. We've also, through our targeted and national marketing campaigns, we've been able to clearly establish that number two leadership position there as well. But this is something we monitor very actively. We have multiple really brand health and brand index monitoring components out there and we are going to continue to build into the brand strength that we generated in 2020.

Trevor Cranston

Okay. Great. Appreciate the color. Thank you.

Operator

Our next question comes from Bob Napoli with William Blair. Your line is now open.

Bob Napoli

Yes, thank you. Appreciate the questions. Congratulations, Anthony, on the IPO and great year as well, and Pat. There obviously had been a number of players in the market that have become public recently one way or another. A number of people want to gain market share and appreciating your technology and brand, the market still has cyclical elements and competitive elements. What is—Anthony, how do you view managing this business through those cycles, the market share versus profitability balance? Maybe I'll leave it there.

Anthony Hsieh

Hey, Bob. The way we look at it is the total TAM continues to grow. Right? We're looking at $11 trillion of annual originations based on housing and economic trends and cycles, as well as interest rates. The industry is highly cyclical and because of GOS and margin pressure overall revenue of the industry moves and can move dramatically and sometimes violently. But that said, although we are in a cyclical business, we are in a predictable business. Most of the time you can see what is about to happen, and what you need to do is to maintain a strategy where you can go and explore new revenue opportunities. The fact that the number one and two retail players today have less than 15% market share is a great opportunity for us to grow into any market.

Our long-term outlook, Bob, is about market penetration - increasing our market share with our origination, diversity and the fact that we continue to grow into these markets regardless of interest rate cycles. When rates are low, we use the opportunity to make profit, and when rates rise that is the opportunity to increase market share. Certainly, short-term trends are important and we will always remain focused to look at opportunities for the low hanging fruit that's in front of us. But make no mistake,

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

we are here to build a long-term organization, a long-term success. The way to do that is to maintain focus on a diversified origination strategy.

So as this year unfolds, we expect another great year. We expect some margin pressures, and at the end of the day if you have scale, if you have technology savings and you have the lowest in fulfillment cost on an individual loan funding basis and you have the lowest customer acquisition cost because you have invested into your brand, it really puts the Company at a great position to compete.

Bob Napoli

Thank you. That's very helpful. How do you think about—what is the right level of profitability on average over time? Where are the right returns for this business, understanding you're going to have a year like last year where it's off the charts and other years where it's more challenging?

Patrick Flanagan

Hi, Bob. It's Pat Flanagan. Thanks for the question. I think as we think about it, largely the top line will revert back to normalized means. We saw that with gain on sale margins compressing in the fourth quarter. So, our focus will continue to be gaining efficiency through technology advances and improvement in our marketing and big data platform and an increasing portion of our originations coming from recapture of our servicing book. So, it largely is—the profit comes out the other side of that or largely how successful we are at driving that cost down.

So, we do look at that view and with our current run rate of expenses, on a normalized revenue basis, we're somewhere around 100 basis points pre-tax operating margins as a result of that. We think that that's a level that's both attractive from a return standpoint and a level that we can build on with efficiencies over time.

Bob Napoli

Thank you. Just maybe a last quick question. Do you expect the servicing portfolio over the long run to drive an important part of the earnings stream, or is it really driving the retention rate that drives the origination business?

Anthony Hsieh

All of us want to climb on this one, Bob. Our primary focus and value here is to build a contemporary business model led by technology and brand. I think the servicing portfolio is a function of math for us, it's not a function of strategy. I'm not discounting that at all, but we need to understand that that's not our differentiation point. The math will work and lifts marketing—it helps delight our customers.

But I'll let the rest of the folks chime in on this question.

Patrick Flanagan

Sure. Thanks, Anthony. Bob, the way we look at it, there's two reasons for retaining servicing. One is to control and improve and build relationships with customers through the customer experience. The second, we sort of look at servicing—so we think the return is good but if we're allocating capital between growth and servicing, we ordinarily would choose the growth, but the enhancement we get through recapture makes it extremely attractive. So we look at servicing in some ways as almost a prepaid pool of marketing where you get paid to wait to do another transaction with a customer. But when you eliminate,

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

or vastly reduce, the marketing expense of doing a second transaction for a customer that we've already acquired, that's what makes it a really compelling business model for us going forward.

So, as we measure the returns in servicing, we try to put the revenue for recapture in and look at it on a combined basis rather than just servicing on a standalone basis.

Bob Napoli

Thank you. Appreciate it.

Operator

Our next question comes from the line of Arren Cyganovich with Citi. Your line is now open.

Arren Cyganovich

Thanks. If you could just a little bit about your customer acquisition strategy and what you're seeing in terms of the competitive environment for cost of acquisition for new customers?

Anthony Hsieh

Yes. Hi, Arren. It's Anthony. I'll let John Lee chime in after my comments. You know, creating a brand over time and understanding marketing leverage and creating that top-of-the-funnel is really a skill set that loanDepot addresses. Over the course of our last 11 years, as well as my previous experience, myself and this management team, it really has been a long ride since internet mortgages started on day one in the 90s. My last post being at LendingTree, part of IAC, really gave me a bird's eye view of this changing landscape. So, understanding brand and producing leads at top-of-the-funnel is a unique skill set, but more importantly a top-of-the-funnel conversion of a fatiguing online lead is both an art and science. This is a combination that creates a barrier to entry of a contemporary business model in a traditional industry, such as the mortgage industry.

So, this is where disruption happens. Many of our competitors are great, great operators, but some of them do not have some of these contemporary skill sets and this one of the reasons why we are highly bullish as we continue to move our brand.

But I'll let John Lee sort of chime in. John, if you have anything to that?

John Lee

Yes, absolutely. We maintain a very wide funnel in terms of both our lead generation capabilities and our branding capabilities. And we use both. The way we do this is we use brand—we look at a brand-to-demand model and we use brand to drive that top-of-the-funnel awareness and that lower funnel consideration. We couple that with a very broad strategy around lead gen. We connected our AI machine learning models and the data that comes out of that to our ad tech partners and ad tech integration. This allows us to really refine our activations in paid media and our digital marketing strategies. We also have a very wide reach within our lead gen partners, as well as our affiliate marketing network.

So, we use a combination of organic and online digital marketing media. We also have very strong partnerships with lead generation partners and affiliates. The way we make it work very efficiently is by putting on top of that really our connected ad tech platform where we're utilizing data from the very beginning to when leads are generated and as prospects are managed through our platform. We've seen—we continue to see very positive trends in terms of lead generation.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Arren Cyganovich

Thank you.

Operator

Our next question comes from Kevin Barker with Piper Sandler. Your line is now open.

Kevin Barker

Good morning. Congrats on becoming a public company as well. I wanted to follow-up on some of your comments about the distributed framework that you have with your mortgage professionals across the U.S. and that competitive advantage. Can you talk about how that—what's going to happen when we start to see a purchase dominated market and how those loan officers are going to be able to address that type of market as the refi wave starts to slow down? We've noticed that refis have been a larger share of your overall originations throughout most of 2020. Can you explain how we're going to see that shift play out as we move through the next year or two?

Anthony Hsieh

Hey, Kevin. It's Anthony. It's a great question. Let me sort it out because this is an answer that could get really long-winded.

The diversified retail strategy, and I think we're approaching 80% or close to high 70%, is our retail balance these days. I'm not discounting our partnership strategy whatsoever. The partnership strategy in both wholesale as well as joint venture partners is a significant growth area for us and we have worked very hard to maintain the optionality to grow both of those segments.

Now, back to retail. We have a very unique retail structure. At the top is mello® and the brand and the data. The fulfillment, the diversified in-market loan officers, as well as our direct lending loan officers, we look at that as the same species. How John Lee looks at it is how he routes a particular customer or lead to our 2,300 employee licensed loan officers, is what we continue to evaluate.

No one in the marketplace is building this type of learning. We are new at it too. This is all new for the industry. So, this allows us to penetrate both purchase and refinances differently. But understand that the parts are completely interchangeable. The industry right now has a good problem, and that is there's not enough capacity.

We will look at our direct lending fulfillment and drive the type of customers, product and use into our direct lending platform to maximize profitability and to maximize efficiency. Once the refinance market lifts, and if it does, and when it does, then we can make the decision whether or not we want to drive purchase leads and purchase activity into our direct lending platform. Understanding that purchase is a longer sales cycle, purchases are slightly less efficient product, but right now we have the luxury of selecting what type of loans and what type of profitability that we can inject into our direct lending operation. That is one of the advantages of having direct lending.

Now, in-market loan officers. This is where one plus one equals three. That is. in-market loan officers have established relationships. They work in the communities in which they live. They have existing relationships with realtors, financial partners, builders, etc. Many of these loan officers are feeling the disruption. Many of them are working for companies that lack brand, that lack tech tools, that lack marketing and they lack leads. By joining loanDepot, these loan officers immediately get our brand. They

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

get brand recognition. They add it to their personal brand that they've developed over sometimes decades in the community. They also get lead delivery from John Lee top-of-the-funnel lead engine and they have all of the user tools and digital-first strategy along with the Company brand. This really differentiates us and it's completely enhanced through our direct lending operation. There's almost zero overlap.

So when I say that we're fishing in multiple ponds, this is exactly what I'm talking about. This strategy goes back to 2012. We started the Company in 2010. We made a decision to be in-market in 2012. It's been a lot of work. There's no other model like this today. But we're glad that we did the work and we're glad that we're well-positioned today.

Kevin Barker

Thank you for taking the question.

Operator

There are no further questions in queue at this time. I'll turn the call back over to Anthony Hsieh for closing comments.

Anthony Hsieh

Well, thank you all again for joining us and taking the time to ask questions. We look forward to getting to know each of you better and deepening our relationship with you over the long term. Thank you and have a great rest of the day. Bye-bye.

Operator

This concludes today's conference call. You may now disconnect.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com