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TREE - Q1 2020 LendingTree Inc Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the LendingTree, Inc. First Quarter 2020 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Trent Ziegler, Head of Investor Relations.

Trent Ziegler - *LendingTree, Inc. - VP of Finance & IR*

Great. Thanks, Raquel. Good morning, and thanks, everyone, for joining the call this morning to discuss LendingTree's First Quarter 2020 Financial Results. I'm joined on the call today by LendingTree's Chairman and CEO, Doug Lebda; and CFO, J. D. Moriarty.

Before I hand the call over to Doug, I'll just remind everyone that during today's call, we may discuss LendingTree's expectations for future performance. These forward-looking statements are subject to risks and uncertainties, and LendingTree's actual results could differ materially from the views expressed today. Many but not all of the risks we face are described in LendingTree's periodic reports filed with the SEC. We will also discuss a variety of non-GAAP measures on the call today, and I refer you to today's press release and shareholder letter, both available on our website at investors.lendingtree.com for the comparable GAAP measures, definitions and full reconciliations of non-GAAP measures to GAAP.

And with that, I'll turn it to Doug.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Thanks, Trent, and thanks, everyone, for joining the call today. I hope you and your loved ones remain safe and healthy during these difficult times. Before we get started, I want to point out that we're adjusting the format of our call. As you've hopefully seen, we published a detailed shareholder letter to our Investor Relations website earlier this morning and linked to it from our press release. We think the letter provides a better platform for us to share our thoughts and make our conference calls more efficient, predominantly focused on Q&A. So with that, I'll give some brief opening remarks, and we'll get right into your questions.

First, I'm incredibly proud of our first quarter results, particularly in light of everything that has gone on. Our team has responded quickly and decisively to the rapid changing conditions that we have all experienced over the last several weeks, enabling us to meet our original adjusted EBITDA guidance. This is a testament not only to our -- to the strength of our team but to the resiliency and strength of our business model. The flexibility of our model and the diversification we've put in place enable us to strengthen partner relationships, accelerate product innovation and drive market share gains.

We're encouraging our team to remain on the offensive and look for opportunities to further strengthen our competitive position in the quarters and years ahead. I'm particularly happy with the progress we've made against 2 critical strategic initiatives involving our mortgage experience and scaling My LendingTree. We've discussed these in more detail in our shareholder. And in the case of mortgage, the progress is very evident in our results. Before going to Q&A, I'd just add that, in our 24 plus years as a company, we've successfully managed through periods like this, time and again. While it doesn't necessarily feel good in the moment, times like these always create opportunities, and they always drive change, and they separate the winners from the losers.

I am as confident as I've ever been, that our business model is proven and that will emerge from this period a better, stronger company. And with that, operator, we can open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Eric Wasserstrom with UBS.

Eric Edmund Wasserstrom - *UBS Investment Bank, Research Division - MD & Consumer Finance Analyst*

Can you hear me okay, Doug? Can you guys hear me?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

We can hear you. Yes. We can hear.

Eric Edmund Wasserstrom - *UBS Investment Bank, Research Division - MD & Consumer Finance Analyst*

Okay. Great. All right. Great. The -- just 2 questions. Doug or J. D., could you give us maybe a quick update on what you're seeing in terms of lender health if it's changed at all versus what you highlighted in the shareholder letter, particularly in the small business and personal and card, any change in conditions in those end markets?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Jay, why don't you take personal and card, and I'll talk small business?

John David Moriarty - *LendingTree, Inc. - CFO*

Sure. So Eric, I guess what it is -- we've highlighted 3 businesses that are most profoundly affected here, obviously: card, personal and small business. Personal and small business, let me put this in context. In personal loans, we've gotten the high 30s number of lenders on the network. And those lenders, like small business, and Doug will touch on small business, like small business, they, in many cases, rely on access to the capital markets to make loans. And so right away in March when that -- when the capital markets' activity started to become challenging for them, they started to seize up. So we had a quicker reaction from personal loan lenders and from small business lenders than we did from credit card. Having said that, card issuers have pulled back as well.

So is anything different than what's in the letter? No, it's a little bit of a different driver, right? If you think about the incentive for a card issuer to issue a new card, what are they after? One, they want to obviously know that it's a good credit, but two, they want a consumer who's going to spend. And so right now, as you know all too well, right? So they are not enthusiastic about either. So the underwriting standards in card will go up but their desire to acquire new customers is diminished because the spend simply is not there. Now in personal loans, we have lenders who don't have access to capital. So that one side of the marketplace is impaired, as we talked about, and we referred to 60% to 80% reduction in lender capacity in those businesses, and that remains the case. That's lender capacity.

Now interestingly, we also, in personal loans, don't have as much interest on the part of consumers, which might not sound intuitive. You would think in this environment, people need money. But think about the reasons why people take out a personal loan. There's an event in their life or they're going on vacation or they're doing a home repair, all those things that are positive economic things that people just aren't focused on today. So if you Google LendingTree personal loan index, you'll see some great data that we publish on a regular basis about the personal loan industry. It's very useful, and I encourage you to do it, and it will show you on weekly basis the desire of consumers to take out personal loans. We're just not seeing it right now because of the economic situation. That will come back as the economy comes back, and we hope that the lender side of the equation will as well. In the case of credit cards, as I said, they need to see a positive ROI from issuing a new card to a consumer. And so we've seen the card issuers step to the sidelines. Initially, we saw some issuers using it as a period of time where they thought they could take market share in card, some of that has tapered off. So again, in card, we see a real diminishment of very diminished capacity. And so that's really the driver there. I'll let Doug address it with respect to small business.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

With respect to small business, it's a similar story to personal loans. And if you think overall about the marketplace, again, we're basically balancing supply and demand. So first off, on a high level, the fact that we're diversified and not dependent on credit card or not dependent on mortgage, et cetera, it helps. We are always in business until the capital air hose gets closed off. When that happens, the good news is, we don't have to do marketing. So both things balance out. In terms of lender health, though, in card, obviously, card issuers are healthy. They're just being appropriately pulling in the reins a little bit, personal loan lenders as their capital sources come back will be healthy. They sell all their loans. Obviously, we saw that companies have been doing way off in that area, but expect that as capital comes back, they're healthy. And on small business, the issue -- not the issue, our lenders were non-SBA lenders, doing mostly working capital loans with capital that comes from investors. As that capital goes away, that goes away. The pivot there was, we opened up an SBA marketplace, signed up several lenders and we're using that as an opportunity to further expand there.

So overall, I think lenders are healthy and they're making appropriate -- which I like, giving appropriate decisions to pull back in times of economic and underwriting uncertainty.

Eric Edmund Wasserstrom - *UBS Investment Bank, Research Division - MD & Consumer Finance Analyst*

Okay. And if I can just follow-up on the OpEx point that you just mentioned. How should we think about the sort of the cadence of operating expense over the next 3 quarters? The 2Q guidance would imply that it's maybe coming down but at a lesser pace than the contraction of revenue. But how should we think about how you're thinking about discretionary and strategic investment and sort of the cadence of VMM and EBITDA over the remainder of this year, if you can give us any points of guidance on that.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

J.D., you want to hit that first one?

John David Moriarty - *LendingTree, Inc. - CFO*

Yes. Yes, absolutely. So Eric, we obviously go into the year with quite a few hires that we're going to make throughout the year, and we refer to those as strategic cards that we're going to play in our business. And so we -- each business puts forward how they intend to grow the business. Obviously, some of the costs associated with that is hedged. When we go through a period like right now, we reevaluate that, but we're very mindful to make sure that we're not simply saying 'freeze all hiring' because this is exactly the time when we want to play some of those cards. The cards are going to be -- the strategic initiatives are going to be different based on this environment. But we're actually going through a process right now where we've gone back out to each business owner and said, "Okay, what's the right strategic move right now? We actually want to take advantage of our competitive position." And in some areas, we're going to press on the gas. Now is that going to drive OpEx? No, it's going to be down relative to what our plans were for sure. We're cognizant of the revenue opportunity. But we are strategically investing in certain businesses. As Doug points out, the nice thing is, we can do the right thing for 2021 in this environment and that everybody's mandate.

How should you think about how OpEx comes in? I think, first of all, we're in a good position to have 75% of our cost structure be variable. And so in all these businesses where revenue has come in -- come down -- the revenue opportunity has come down, the good news is that the cost to acquire customers has actually dropped faster, which is great. And so that's the first cost that we're able to address, and that's just the healthy thing about the model.

Then there's OpEx, and we're reevaluating all of the incremental hiring for this year and adjusting it for the most strategic priorities. And so what you'll see is -- what typically happens for us is OpEx steps up in Q1, as we've talked about and then it kind of is leveled throughout the year. I think what you'll see is probably, you'll see it come down. It won't come down as much as revenue because, candidly, we're making those hires, the headcount piece of it, for 2021 and 2022 and to build the business and to be aggressive. We go into this period relatively underlevered and able to do that, and we're thrilled that we are.

Operator

Your next question comes from the line of Jed Kelly with Oppenheimer.

Jed Kelly - *Oppenheimer & Co. Inc., Research Division - Director and Senior Analyst*

Can you hear me okay?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes, Jed.

Jed Kelly - *Oppenheimer & Co. Inc., Research Division - Director and Senior Analyst*

Good. I hope everyone is safe. Just a couple of questions. First, on the insurance segment, can you kind of talk about how demand trends have sort of trended lately versus March and your ability to stimulate demand to get consumers to think about shopping? And then on the Stash investment, any reason why you chose to invest in one platform versus creating a marketplace for all the challenger banks that are in the industry?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

J. D., do you want to take the first, I'll take the second?

John David Moriarty - *LendingTree, Inc. - CFO*

Yes, absolutely. So Jed, the first question on insurance, you have to kind of look at a time line, and as I think Trent pointed out, if you look at January and February, insurance was doing great. You typically have a period of time in the insurance industry, which is tax refund season, right? So for people who are getting a tax refund, they file quickly get that money back, and it typically results in some car purchase activity and insurance tends to correlate with that somewhat. This year, that was a short-lived period. Typically, that would be from mid-February to mid-March. That was a short-lived period this year, and it ended somewhat abruptly, if you look at auto sales, in and around March 10. And so I think the way that you would characterize it in terms of the consumer, the consumer was to steal from our insurance team, they would say that the view of the carrier was that the insurer -- the consumer was looking, but didn't have high intent. Okay? And that's because there wasn't a lot of auto sale activity going on. And so the carriers were reluctant to spend a lot for that traffic if it didn't have high intent. We've seen an improvement in that. Since the kind of mid-March/late-March period, and so we're happy with the improvement. And we're also cognizant of the environment in insurance, which is obviously, you've seen the headlines around Allstate and others returning money to consumers. And now much can be made of that. In some cases, those are policies that are based on, obviously, driving activity, driving activity is down there, returning money, et cetera, but we're also conscious of the fact that accidents are down because of the diminished economic activity. So claims are down. And so if the carriers are making money in this period longer term, we're hopeful that, that will be very good for what we do. But -- so I guess I would say to you, it has certainly improved from March, and we're happy with that. What we can do to stimulate activity and interest? That's candidly there are a few areas there, right? We obviously write a lot of valuable content on insurance. That's one area in SEO where we write content around what you need to know about insurance. We're also doing a good job. One of the things we're happy with is, actually, we've talked to you about the integration of insurance with My LendingTree, and that's something that we are happy within the quarter as well. So there are things that we can do on the execution side, but they are probably dwarfed by the macro trend, which is auto sales. So we're going to continue to execute and be in a good position for when the carriers want to find new customers in a more aggressive -- more normalized way is how I should characterize it.

The second question around Stash, I'll turn to Doug, and he can certainly talk about this. I guess I would just say before we do, part of it was the Stash team that we were so impressed with. And so there's obviously a strategic question there, which is why one provider versus a marketplace approach. And I'll let Doug comment on that.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes. So first off with Stash, in addition to the team, what we really like about the company is multiple revenue streams. Second thing is an amazing customer experience. And then the third thing, third thing really is them plus us. So Stash has a user base of members, and they would like to improve their monetization, obviously, and improve their customer experience, and they can do that through alerts with loans, hopefully through us. My LendingTree context, the same thing applies, which is right now, you're a member of My LendingTree, you're getting alerts on all your loans. Wouldn't it be great if you also had functionality that Stash has, where you can also save and invest in budget, et cetera, in a very light way. And we think that their consumer experience and we also like the revenue model and that it's not just a trading model. It's not just an assets under management model. It's actually a very, very pro-consumer making-the-right-decision model. And we thought it was the right thing to do at the right time. And doing a meta in a My LendingTree context, once you're already a member, we don't think you'd have to do that. We would still retain that option, however, but we really think that these 2 products integrated will be great for the customer, great for lenders, and obviously, very profitable for us. The only other thing I would add is the Stash investment, looking back to Eric's comment, if you think about how things get done at LendingTree and J. D. talked about the variabilization of it, everything comes through as a project or an investment. And if we can invest $100 to make $200, we're going to continue to do that. However, given -- if you think about just what happens to the economic environment in each of our businesses, some of them lenders aren't demanding things, so you pull back on some of those investments, right, because your monetization is down, some of them are doing better. So push into those. But overall, your -- as the economics of the business change, the profitable projects, some of the profitable projects drop away, and that's where you see this slowering of operating cost is just natural with the business. It's just the way the business runs and the way we do it. And Stash is basically the same thing that runs through its same process, so if we can build it, can we guide, can we partner, and made the decision here to do this. And strategically, if we can get the right products integrated with each other, we think it's a homerun.

Operator

Your next question comes from the line of Mark Mahaney with RBC.

Mark Stephen F. Mahaney - *RBC Capital Markets, Research Division - MD & Lead Internet Research Analyst*

Doug, could you talk about what the curve of the recovery could look like? And I know you can't -- I know you don't have an economic forecast. But if you assume that we do have a slow, jagged recovery in the back half of the year that some time in the first half of '21, we get back to kind of regular GDP growth, but we're talking about a solid 9 months, maybe 12 months recovery. Which of the segments do you think -- in that kind of outlook, which of the segments do you think recovers fastest and which will be leading, which we'll be lagging?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

That's a -- well, I'm going to let J. D. add on to that because it's -- I'll comment a little high level. It's going to be wherever the capital is. And the good news for us in this environment is that, a, we're profitable, where if you think broadly about our competitors, many of them are not, many of them are not diversified, and many of them are hurting. So as long as lenders lend -- want to lend and borrowers want to borrow, we'll do just fine sitting in the middle of those things. And you need to make sure, obviously, the consumer is healthy enough. So I would -- it would be my expectation that personal loans would probably -- well, credit card will come back as bank balance sheets are fine and card companies want to put on more issuers, which I would think as long as they're businesses are solid, they're going to want to be doing that. And then the personal loan lenders, which are more of the online players, you guys would know that business almost better than me. But as hedge funds and other people who invest in those platforms, the lending club prospers and the same thing in small business. Then I would be expecting that those come back as that capital comes back. And when that happens is anybody's guess, but the good news is, we're better positioned than everybody else in our market. And quite frankly, in some ways, the longer it goes, the more our competitors hurt and the more share we can gain. So from that standpoint, it's probably pretty good for us. J. D., what do you want to add.

John David Moriarty - *LendingTree, Inc. - CFO*

Mark, yes, yes. I would just say, Mark, our numbers assume no recovery in capacity, okay? In the affected businesses that we've highlighted, we've really assumed no recovery in capacity until late in Q3. Okay? And so if lenders have paused, we've presumed that they are paused. Now why late Q3? Well, to the extent that you get some recovery in Q4 and in 2021 to your point, we would anticipate that there should be some enthusiasm on the part of lenders to begin stepping back in. Now we're not assuming that they come back to full capacity in September and in Q4, it's gradual, but that's when we've assumed that there's some recovery in capacity. In terms of the businesses, I think card, you have to think that card is the one that comes back quicker. And I say that just because those balance sheets are there and they're going to anticipate spend as people leave their homes and start going to dinner again and planning trips, et cetera. So I would think card, I would think then personal loan, but again, you've got the lender health issue there. So it's going to take a little longer for those balance sheets to be back and available. Now longer term, we really do like the small business lending business. And I think regardless of administration, you're going to have a very friendly environment for small business. And it doesn't -- I mean, it's very, very likely that you see a lot of private capital go in the direction of lending to small business because of that tenure from any -- from the government. So much like where does private capital flock post the financial crisis in a way, I would imagine that there's a lot of private capital that will become available to small business over time. And so that's a business that we like. Whether it comes back quickly in the fourth quarter and early 2021, it's a different question, but we think there will be a whole new group of small-business-focused lenders. And so that's a business that we want to move in to.

Operator

Your next question comes from the line of John Campbell with Stephens Inc.

John Robert Campbell - *Stephens Inc., Research Division - MD*

Congrats on the Stash investment. On the Stash investment, you guys have talked a little bit about that. That seems like a really kind of compelling long-term opportunity for you guys. I mean, it sounds like that's probably going to be a good investment even if it doesn't do a single theme for the LendingTree core. But Doug, I mean, obviously, it sounds like there is some integration work in the days ahead. If you could maybe talk to us about how that might look within My LendingTree? And then higher level, if you could maybe help us frame up the synergies over time?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes. If you -- their company and our companies are so aligned about being focused on helping the consumer with wherever the consumer has a need to make a decision. And I also believe that little changes can add up to a lot of big change in your life. The integration ahead, if you think about it, is -- and we're going to work through this piece of IP. So we have some ideas, and I'm not going to say a lot because of competitive things. Overall, if you think of, LendingTree has a membership service, if you will, that gives you free credit reports and alerts on all of your loans and helps you improve your credit score so that you can access the credit markets. They have something which helps you save budget and invest, which is really obviously the asset side of it. When you put those 2 things together and then you throw in insurance and a couple of other things, you've got a product that could surround the customer and help them achieve whatever goals they have, buying house, getting a car, retiring, making sure they get -- whatever it is, they've got a platform that can do that. And they'll have a platform called My LendingTree, that you can do that in a platform called LendingTree where you can do that. And then over on Stash on their brand, where they've got exactly the flip side, they've got an amazing product of personalization, around investing, saving, et cetera. And what they don't have is anything related to loans. So their people are going to want it -- their customers are going to get mortgages and personal loans and credit cards that makes sense and save the money and they'd love to get free credit scores, et cetera. And as we add products into their area, they -- obviously, their monetization goes up and then they can market into it. And the other thing I would say that we really like about them versus a lot of the other FinTech companies is that they've got the same philosophy around, 'we invest in our business and it produces returns and it's not just a throw money at things,' and they're very, very disciplined and they're very, very smart, and they kind of see the world in the same way, which a lot of other startups and valuations, Zoom, et cetera, don't necessarily see it that way. And so all of those things, philosophically, product, et cetera, it just is a great fit.

John Robert Campbell - *Stephens Inc., Research Division - MD*

Okay. That makes a lot of sense. I've got to do a lot more work on Stash. But do they have their own, I guess, platform, so to speak? Or will -- or I guess, will some of those users be able to come over to My LendingTree? Is it a My LendingTree play as well?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

It definitely is My LendingTree. So please go download the Stash app. And so Stash has a -- you have a subscription. So you're paying a subscription to -- which will access you to a bank account and a debit card and investment advice as well as fractional investing. So for example, every time you make a purchase, you basically rebate some of the interchange back in fractional shares. And so then you're constantly always sort of building up this portfolio as you even go through your day and then they've got some light budgeting on top of that. It's all you -- it can help you with your budgeting. But the nice thing about -- and this is the difference when you look at the so-called neo banks or new banks or whatever you want to call, they -- many of them are using the banking to make money. Stash is using it to see your activity and make recommendations to you, more than they're doing it to try to make interchange fees or try to get assets under management. And -- so we like that model much, much more. I think it's better for the consumer and better for the providers.

John Robert Campbell - *Stephens Inc., Research Division - MD*

Makes sense. Last one for me. A quick question again on My LendingTree. I mean, obviously, a lot of that rev comes from partial loans and credit cards. It looks like you grew My LendingTree revenue at a little bit better rate than those products. Obviously, you're seeing gains out of other products on the platform or maybe you're just seeing a share shift to more of that personal loans and credit cards revenue going on to My LendingTree? So what -- how would you characterize kind of that better growth out of My LendingTree?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

So it's interesting. And J. D., you should add on to this, too? So most of the revenue from My LendingTree does come from personal loans. And a lot of those people are somewhat subprime, and therefore, that gets harder. However, My LendingTree is now over 20%, I believe, of our total EBITDA of the company and continues to scale. And our unit economics -- so if you think about just us versus competitors there, our unit economics, we now have very good read on it, very solid. We're going to -- we have a lower member base because it's more of a high-intent thing that -- you've come through it, mostly through the LendingTree channel, at a high-intent purchase. We're not just coming in to get a free credit score. Let's just see what happens here, and then we try to sell you a credit card. So we're going to have a lower member base. However, our monetizations can be good and/or better. And now actually, we've shifted some of our marketing into marketing that. And we're now at a place where we can market and continue the product growth that we've still done. So I'm thrilled with our progress. I wish it would have happened sooner, as I always do. But the model is solid, and now we can lean into it.

John David Moriarty - *LendingTree, Inc. - CFO*

Yes, John, your -- I mean, that's -- if I look at what you should anticipate with My LendingTree in this period, we have this great -- that's one of the reasons why the personal loan business is so strategic, right? Is it feeds My LendingTree, and to give everybody context, right, in any given period, 55% to 60% of our My LT revenue is personal loans. So obviously, in this environment, that's going to challenge My LendingTree a bit. The good news is the integration points of My LendingTree, the consumer experience, everything else, all of that, I'd say, is ahead of schedule this year. The integration with insurance has gotten off to a nice start. Some of the third-party integrations like ID -- identity theft and that sort of thing that we're very happy with. So there are a lot of really good things going on under the hood with My LendingTree. And then what you're also seeing is, we've talked about My LendingTree should benefit card and mortgage and insurance, and we're executing on those things.

Operator

Your next question comes from the line of Mayank Tandon with Needham.

Mayank Tandon - *Needham & Company, LLC, Research Division - Senior Analyst*

Doug or J. D., could you talk a little bit more about the insurance segment in terms of the quote-request volumes that you're seeing versus the monetization rates? Just wanted to kind of see how that is going to trend line over the next several quarters? And then also speaking of just the ad spend, I would think that you'd get a nice benefit given that the ad market has softened? Maybe just talk about the profitability as well on the insurance side.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

I'll take the ad piece first and then J. D., you can take the other one. On the ad side, absolutely, and that's a natural product of what happens in these markets. So typically, again, back to marketplace, then you'll see whatever loan type -- if lender demand is typically going down on average, whether price quantity or coverage, that typically also means that those same lenders and/or marketplaces are not advertising on Google, et cetera. And we pulled back our advertising, but we still market to the last profitable dollar. So yes, there is definitely benefit on the -- as there is a detriment on the lender supply side, where that decreases, there is a benefit on the marketing side. And typically, they even out over the years. Sometimes they go better. So for example, in the event of mortgage right now, we are seeing -- and this is fantastic, I think, for us. We are seeing that overall, the lender demand is still -- we're getting more of a benefit from lender -- we're getting less of a detriment from lender demand and we're getting a bigger benefit from the marketing side of mortgage right now. And that means that lenders who would typically be advertising directly inside of Google and anywhere else online are pulling that back and they're not pulling back their ad spend on LendingTree (inaudible) there buys from LendingTree as much. So that's a very, very good sign for us. So if I'm a lender and I go, "All right, where am I making money today guys?" They go, "Well, Google is at this margin. We're spending this much money in Google today. But over here at LendingTree, we're spending this much per lead or close on or whatever it is, and our ROI over there is better than over here." "Okay, pull back Google, keep LendingTree on." And so they market to the last profitable dollar or two. They're making the same marketing decisions that we are. And when they decide to leave LendingTree on instead of something else, that basically shows us that the market is strong, that our business is strong.

John David Moriarty - *LendingTree, Inc. - CFO*

There was a second part to your question. You were -- yes, yes. Doug, it does. I just want to -- remind me the second part of the question, I apologize.

Mayank Tandon - *Needham & Company, LLC, Research Division - Senior Analyst*

Sure. J. D., I was just trying to dive into a little bit on the insurance side, in terms of what you're seeing, in terms of the court request versus the monetization rate so far? Or how do you expect that to trend line over the next few quarters?

John David Moriarty - *LendingTree, Inc. - CFO*

Yes. We've seen it -- well, one of the nice things that's occurred during this period of time is our agent business has done well. So you worry about in a work-from-home environment what happens to businesses that are so people-intensive, right? And what we've seen is actually a strong demand for our product. They are on the agent side of the business. So that's been a nice highlight in insurance. In terms of traffic, as Trent pointed out, in the month of March, it was obviously down with auto sales being problematic, and so carriers reacted to that. We've seen somewhat of a recovery in terms of both consumer interest. We don't publish a specific stat ourselves. Obviously, you can look at Google data with respect to keywords around auto insurance and that sort of thing, and you can see what those trends are. But we've seen a recovery in the month of April and our carrier demand has increased with that. And as I said before, carriers will be reluctant to pay for traffic that they deem to be lookers, which is if you look at our other businesses, we talk about levels of intent. How serious is the consumer about converting, about actually needing a new policy, switching their auto insurance or being a new auto insurance customer? So carriers need to get confidence that the consumer today wants that. And as we get a little stronger economic environment, as people get back to work, I think you'll see the carriers come back online. They are rightly being cautious about bidding up in our marketplace if they don't think that the consumer intent is there. The traffic trends would suggest to you that, that intent is coming back.

Operator

Your next question comes from the line of -- I'm sorry, Mike Grondahl with Northland Securities.

Michael John Grondahl - *Northland Capital Markets, Research Division - Head of Equity Research & Senior Research Analyst*

Guys, just a follow-up on insurance. What percent of that business is from new and used-car purchases? And then secondly, the $50 million of brand investment that you're kind of reevaluating, how much of that was spent in 1Q? And what sort is embedded in your 2Q guidance?

John David Moriarty - *LendingTree, Inc. - CFO*

Sure. So...

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

I'll take the first, then I'll comment a little. Go ahead.

John David Moriarty - *LendingTree, Inc. - CFO*

Yes. So Mike, in insurance, it's about 80% auto. I don't know that can give you a specific as to what's new versus used, but it's about 80% auto. And with respect to brand, it was about $8.3 million in Q1, and we have -- so you should basically assume of the $50 million, we will end up spending, I think, this year roughly 50% of what we kind of set out the year intending to spend. So we spent $8.3 million, and you can -- we spent $8.3 million in Q1, and we will judiciously spend roughly $25 million throughout the year.

Michael John Grondahl - *Northland Capital Markets, Research Division - Head of Equity Research & Senior Research Analyst*

Okay. Great. And I guess on the insurance question...

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Sorry. And just to pause there real quick. If you think -- when we say brand, that is still moneymaking advertising for us. You can't track it as precisely. However, it's a moneymaking proposition for us, not always in quarter but definitely, you spend $1, you get more than $1 back.

Michael John Grondahl - *Northland Capital Markets, Research Division - Head of Equity Research & Senior Research Analyst*

Got it. And then, just a follow-up on the new and used-car purchases. I was a little bit more curious. I know auto insurance is 80% of your insurance area. Do you know what percent of that 80% comes from new and used-car purchases?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

No, I know that's what I'm saying. I can't give you a number on that. I can track it down separately. I don't have a number on that.

Michael John Grondahl - *Northland Capital Markets, Research Division - Head of Equity Research & Senior Research Analyst*

Okay.

John David Moriarty - *LendingTree, Inc. - CFO*

Yes. I understood. I understood your question. We'll get it around the number. My guess is, it's people who are not buying a car, but who already have a car. And who are shopping for new insurance based on saving money. And the nice thing in that product is that on TV, if you look at all the carriers independently, they're all advertising against each other. And that obviously just translates onto -- so it raises the profile in consumers' minds that, hey, maybe I should go try to save money on insurance.

Operator

Your next question comes from the line of Youssef Squali with SunTrust.

Youssef Houssaini Squali - *SunTrust Robinson Humphrey, Inc., Research Division - MD & Senior Analyst*

And thank you guys for the shareholder letter, it was super helpful. Doug, in that letter, you talked about how you've been obviously making improvement to the mortgage product and the mortgage experience, which have helped offset some of the weakness. I was wondering if you can be a little more specific as to what changes have helped and kind of how that differentiates you guys from peers. And then J. D., I just want to dig a little deeper into your Q2 guide. So we're halfway into the quarter. I was wondering and considering some of the commentary you provided, positive commentary you provided around home, around insurance, some of the negative commentary you provided around the consumer. If you can help us maybe parse out the 2. Kind of what's baked into your Q2 guidance as far as growth rates for these 3 different segments are concerned considering the year-on-year decline in the high 30s? What I'm trying to really get to is, how realistic potentially is it to see maybe a home and insurance segments that are somewhat flattish on a year-on-year basis with most of the weakness coming from the consumer segment? Any color there would be super helpful.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Let me take the first one, J. D. you can do the second. On the mortgage experience, we've spent the last several years talking about and experimenting with changes in our mortgage product. If you think about LendingTree mortgage 1.0, it is filling out a form, aka search query, us running some analytics internally, credit, filters, et cetera, and then sending you to 4 to 5 lenders and then having those lenders both respond back to you with offers on our website as well as phone calls from those lenders directly to you. What we've done over the past couple of years is figured out, after you fill out that form -- and by the way, those forms vary a little bit based on very smart data analytics. So really, the data has helped to drive so that the forms vary. And then on the results page, the results page is always the same, however -- generally, the same -- however, one of the things that we've learned is that so-called exclusive leads to a lender, which we had known. If you give transparency in price and you reduce the fact that 5 lenders need to do the exact same thing to try to barrage each other to get this borrower. We clean that up so that the -- that the consumer is basically hearing from the best lender in many instances. And either they select it or we're saying, "Hey, of these, here are the five, but among this one, you should take this one." And that is showing improvements in conversion rate. It's also showing improvements in lender efficiencies because they're not doing -- the sales -- the competitiveness, if you will, is happening on the website as opposed to on the telephone, and therefore, the lenders are more efficient. Their conversion rates are going up. Their profitability is better and then the volume that we can send them sticks a little better. So that's the biggest change. In addition to that, it's just ongoing personalization, ongoing CRM to really focus on how we can help lenders improve conversion rates because they focus on cost per fund as well. And versus competitors, which was the second part of that, I don't know any other company that has the depth and quality of lender relationships that go back years and what we're seeing in the mortgage business is that lenders shut us off last, and that is tremendously helpful for us.

John David Moriarty - *LendingTree, Inc. - CFO*

Just with your second question, with regard to the 3 segments, let me just give you a framework because we obviously suspended our full year guide. And we did so because it is -- in this environment, obviously, a full year guide is only valuable if you can do it with great accuracy. And we want to be able to convey as much as we can now for Q2, but recognize that when we did that, we were cognizant of the fact that the consumer business that I gave you were what we assume in terms of when we start to get some recovery there. And we think that's probably not until through the summer and September it starts to come back a little bit. We also did haircut our expectations for home and insurance, just in light of a recessionary environment. Now the good news is that since we did that, both of those businesses are trending better than we would have expected. We were thrilled with mortgage and the performance in March despite a really difficult backdrop, and insurance and home are performing very well, here, in April. Now the consequence is, obviously, with consumer flagging because of the capacity issue that we talked about, we are more dependent on those businesses for sure. So in terms of the growth rates in them, implied in them, we're monitoring that on a daily and weekly basis. And our guidance reflects some of the strength, but mostly reflects the fact that we did haircut those projections for the remainder of the year internally in light of a recessionary environment, right? We're trying to give you as much of a real-time assessment of Q2, but we're not giving a full year projection because the environment obviously is incredibly fluid right now.

Youssef Houssaini Squali - *SunTrust Robinson Humphrey, Inc., Research Division - MD & Senior Analyst*

Okay. That's helpful.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

And again, if you think about it, and I think Trent might have a comment to say here, too, but each of these reacts minute by minute, day by day. And you -- again, you've got the lender issue -- you've have the lender dynamics and the consumer dynamics. And as lenders want to lend, they're going to get customers from the platforms that are most easy for them, right? So the first one is your existing customers. The second one is go get new customers. So you want to shore up your existing customers then you're getting new ones, as long as they want to go get new customers. And as long as consumers want to borrow, we'll be fine. And then when we're not, we're still winning, but it's just smaller. Because the market's gotten smaller, but as long as we're gaining wallet share and market share, which we're seeing in mortgage, big wallet share gains among our lenders, and that's winning the game and that's okay. That's actually great. Because that volume, that capacity sticks. So for example, if you've got a lender that goes from spending 20% of their revenue or their at expense on LendingTree to 40% on LendingTree during this time because they're getting smart about their chanels, too, that increase in spend on us will typically stick as volume comes back. So now we're getting 40% of a bigger pie as that comes back. And then that further that improves our economics, our monetization versus our competitors, which enables us to go out in the market more than they can do, which gets the flywheel spinning.

Make your comment about the -- you had made earlier about this area in mortgage. Your percentage? Is it mortgage, specifically?

John David Moriarty - *LendingTree, Inc. - CFO*

Go ahead, Doug.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes, you're 80% 40%, sorry?

John David Moriarty - *LendingTree, Inc. - CFO*

Yes, Youssef. If I understood your question, you were just trying to triangulate kind of the breakdown of the segments within the Q2 guide. Is that fair?

Youssef Houssaini Squali - *SunTrust Robinson Humphrey, Inc., Research Division - MD & Senior Analyst*

Yes. Yes, exactly.

John David Moriarty - *LendingTree, Inc. - CFO*

Yes. If you kind of piece together our comments, right, we had basically 40% of our business, right, which is credit cards, personal loans and small business lending, those make up 40% of our revenue. If you lose somewhere between 60% and 80% of that, right, your starting point is sort of down 30%. And then as our Q2 guide implies, we've got, at the midpoint, 40% year-over-year decline, that leaves some room for some softness in the home segment outside of mortgage because that segment is -- most of our lenders are focused on refinance right now. And so things like purchase and home equity are going to be a little bit softer. But then when you move down to the VMM line, obviously, we've got pretty significant margin expansion that goes along with that, right? And so even though there's a little bit of a headwind on the top line in mortgage, the profitability is pretty strong. And so I think that all hangs together to answer your question.

Operator

Your next question comes from the line of James Friedman with Susquehanna.

James Eric Friedman - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

Doug, in your prepared remarks, you talked a little bit about the changing mix in SMB and you talked about -- you haven't -- previously you had non-bank investors and now you have signed up some SBA lenders. I was just wondering about that. Are those lenders qualified for PPP distributions, like, are they formal banks? That's the first one. I'll just do the second one, too. In the mortgage side, a couple of your competitors, I assume, call it, competitor, but companies in the ecosystem have talked about the rise of credit unions in mortgage in this environment. I was just wondering if you had any perspective on that, like, are the credit unions more meaningful, you're seeing them all. So the first on SMB and the second on mortgage.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes. Great. So first question on small business, yes, these new lenders are PPP related. So what we did is when we saw this happening, and we put out a number of press releases and announcements about this, too, we saw -- this was both helping people and helping our business, which is what we always try to do. So typically having SBA lenders on a marketplace, the SBA process is pretty, let's call it, not that efficient. With PPP, they've obviously made it more efficient. So what we did is, we pretty much immediately stood up a PPP marketplace, started signing up lenders. I think we have 3 or 4 we have to look on the site. I know we've got Live Oak, for example, which is the largest, and they're doing great. And we've already gotten a lot of customers flowing in. What we were seeing in the market, which is well publicized on T.V. is that the PPP loans we're going to people with 2 "small businesses," many of them with 400, 500, 600 employees are getting millions of dollars, whereas the (inaudible) wasn't getting it yet. And we want to step into that breach but also use it as a way to sign up small business lenders that will help us going forward. And I think -- and so that's been -- and last time I checked, I think we had over $50 million in loans in the first few days that people had requested and we're working that through. So that's -- I was really -- it's not going to be a huge revenue driver, but I was really thrilled with how our company, how the people particularly in the small business reacted so quickly to get that up and running. And it's a short run, not that much effort, but long run, we got a whole new marketplace now which is SBA lenders. So it's great.

On credit unions, they're there. I don't think today -- they would have the chops to, like banks would, market to their existing customers in mortgage, but they're not going to have the CRM and customer relationship chops to compete with likes of the LendingTree's loanDepot, Wyndham et cetera, et cetera, et cetera. So they're there. However, the lenders who have been operating on the Internet for a while would still do a lot better. So the answer to that one is no, I don't see credit unions having a major impact, particularly in refinance mortgage. We've got purchase mortgage, but we don't see it a lot, but it's there.

Operator

Our next question comes from the line of Rob Wildhack with Autonomous Research.

Robert Henry Wildhack - *Autonomous Research LLP - Analyst of Payments and Financial Technology*

You touched on a little earlier some of the friction in the mortgage market during March. Can you just give us a bit more detail on what happened there, how you and your lenders reacted? And then how that looks today as the plumbing behind the mortgage business?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

J. D., why don't you talk about friction in March

Robert Henry Wildhack - *Autonomous Research LLP - Analyst of Payments and Financial Technology*

Secondary -- he's referring to the secondary market. Yes, sure. Right. I think what you're referring to is the secondary market, which in March is really challenging for all of our lenders. And you've got -- you had difficulty -- yes, go head.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

So what you had in March for a very, very brief period in time, keep in mind that most mortgage lenders are correspondents. They're selling their loans, and they have to -- when they lock it alone, they have to hedge their pipeline for the 30, 60, 90 days before that loan closes. And so you're basically shorting the mortgage market. When treasury started to buy inside of the mortgage-backed securities market, it drove up the value of the mortgage-backed securities and mortgage lenders were met with a temporary cash flow problem, where they had originated a whole bunch of new loans which as they close and get sold off will have tremendously high-value, but their existing pipelines because of the treasury buying mortgage backs basically had lenders getting millions and millions and millions and tens and sometimes hundreds of millions of dollars, margin calls on their hedging. Treasury ceased or slowed that down and that corrected itself very, very quickly, but there was a -- there were a few days in March, where we were going, "Oh my gosh. Like, this may have unintended -- what the government tried to do may have unintended consequences and the very, very good news is they fixed it right away and it corrected itself and mortgage companies right now are incredibly healthy.

Robert Henry Wildhack - *Autonomous Research LLP - Analyst of Payments and Financial Technology*

That's great. Really helpful...

John David Moriarty - *LendingTree, Inc. - CFO*

Let me put that in context for you, Rob. That's when we refer to capacity in each of our markets. In mortgage, we would tell you that, we probably in the month of March were operating about half the capacity that we were lender capacity in January and February because some of the weaker lenders, I should say, weaker smaller, right, they couldn't deal with that cash flow issue, right? And so they were less likely to take on new customers or look for new customers in light of this concern. What we've seen in April is some of that capacity come back online. And so that's been really encouraging.

Robert Henry Wildhack - *Autonomous Research LLP - Analyst of Payments and Financial Technology*

That's really helpful. Just hoping you could also square up a couple of numbers for us on My LendingTree. Press release called out 14.7 million sign-ups this quarter. I think that was 14.3 million last quarter, but also mentioned 887,000 users added this quarter. Is that just a net gross difference? And if so, is that attrition rate normal?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Just one second if we have discrepancy in those numbers. 14.7 million is certainly the end-of-period number that I know. Yes, the operation rate is not normal. Go ahead, Jay.

John David Moriarty - *LendingTree, Inc. - CFO*

Yes. I was going to say, Rob, we've historically given that number, like, as of the announcement date. This quarter, we moved to as of the end of the period, just to try to bring more standardization to it. So I think that might be driving the discrepancy. We can connect on it offline if you like.

Operator

My apologies. Your next question comes from the line of Melissa Wedel with JPMorgan.

Melissa Marie Wedel - *JP Morgan Chase & Co, Research Division - Analyst*

First of all, I wanted to reiterate appreciation for the managed shareholder letter. I thought that was very helpful. I also wanted to dig into just some of the margin trends that we're seeing at the segment level. I want to make sure I'm thinking about this the right way. Is it fair to say that you would expect some of the year-over-year trends in margin to sort of persist similar to what we had seen in Q1 of this year versus Q1 of last year. Expect that to sort of persist directionally until we see revenue recovery late this year or early into next year?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes. I think there's a little bit of noise in here in consumer, in particular, with respect to margin, and I'd say that because recognize that one of the businesses that we were operating at a thinner margin last year than normal is our card business. And that was largely strategic to grow that card business. We were happy to make it $200 million -- north of $200 million revenue business last year. But as you know, in the fourth quarter, and this persisted in the first quarter, we did have some marketing challenges in cards specifically. And so that does weigh on the margin profile within consumer in aggregate, even though you're seeing the segment profit of 36%. That was mostly within card. Now I do think absent COVID in these capacity challenges, I do think we've remedied those marketing challenges for card. We were in the process of doing so in quarter when all of this hit. So I think there's a little bit of noise within consumer.

In terms of -- so I think your year-over-year comparisons are candidly a little bit challenging on the margin side, partially because we're also going through this nice benefit of reduced cost of acquisition in many of our businesses. So like as Trent just pointed out, within home, we've obviously seen our ability to acquire customers accelerate in this environment. And so I think there's just -- there's some noise in there when you look year-over-year that's going to miss what's going on in the backdrop.

John David Moriarty - *LendingTree, Inc. - CFO*

The only thing I would add to that, which, at least the way I always look at the business, margin percentages in my opinion aren't very indicative, and we could debate that. However, VMD, variable margin dollars, is the test of the business because in every one of these marketplaces and every product, you market to the last profitable dollar. And so you could have a situation, for example, where you have very low lender demand. And therefore, we're not marketing at all, and we're just taking free traffic, and you would have extremely high margins, percentages, but very low dollars. The flip side is, you could have lender demand being enormous, and therefore, you go market into it. And my favorite example used to be, if I spent $1 billion on marketing and got $100 million of VMD, that $100 million, that would be a good investment. However, it's at a 10% margin. And so I always encourage people to look at the VMD dollars line and to see where that's trending. And then underneath that, it's basically the supply and demand dynamics of each loan type.

Melissa Marie Wedel - *JP Morgan Chase & Co, Research Division - Analyst*

Yes. Understood. I know you've always talked about the focus on VMD specifically. I guess follow-up question 2 around some capital allocation opportunities. I know you guys have just virtually been opportunistic on share repurchase. And curious about how you think about the attractiveness of shares now relative to sort of organic or inorganic opportunities?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes. Let me just say, we obviously have and we're generally thrilled with when we've been able to buy back our stock during periods of volatility. We've also, though, we have to consider always what our cash balance is. We obviously have -- if you look at our balance sheet, as I mentioned before, relatively underlevered, but we are a company who has been acquisitive. We did, for a period of time, have a considerable cash balance after we did the convert in 2017, and we're constantly evaluating potential acquisitions. We've acquired 9 companies since 2016. While we didn't do anything in '19, that's not because we weren't looking at things closely and always considering what we might do. So that does factor into it. I wish it were -- obviously, we're -- obviously, we are evaluating buying our own stock versus inorganic opportunities and acquisitions. And I wish it all played out in as real-time as a given quarter and looking at it and saying, "Okay, they bought their stock. They think it's cheap." It's -- we always have to preserve that option value. That's particularly true when we don't have a huge cash balance. We're very happy with our utilization of our revolver. As a reminder, we use cash on hand in the revolver to buy QuoteWizard and Valuepenguin at the end of '18 and early '19, and we paid that down very, very well. And then we just used our revolver again to make the Stash investment. So we're constantly evaluating acquisitions and being mindful of what our potential balance sheet might look like if we go through with one of them. That does influence how we think about buying back our stock. As much as we'd like to be opportunistic, we have to consider our flexibility. And so sometimes that factors into it, and it doesn't give you quite as pure of a read as to whether we think our stock is cheap or not. But we were constantly evaluating it relative to those other alternatives. Fortunately, for us, in this environment as a company that's been acquisitive, we're very conscious of the fact that a number of interesting opportunities are going to come our way. And they're probably going to be cheaper than they would have been 6 months ago, and we want to have the flexibility to do this.

John David Moriarty - *LendingTree, Inc. - CFO*

Yes. I was going to say something very similar. In this environment, particularly what we've seen before where some were unprofitable business models, which could be profitable as part of us and maybe can't raise capital that we need dry powder to be able to be opportunistic there more than I think we need to be opportunistic in our own stock. Now that could change month-by-month, quarter-by-quarter, but that's -- we evaluate them all. And right now, we want to keep some dry powder around. That doesn't mean that we don't think our stock is attractive. We just think there's other opportunities versus that at the moment.

Operator

Your next question comes from the line of Chris Gamatoni with Compass Point.

Edward Christopher Gamaitoni - *Compass Point Research & Trading, LLC, Research Division - MD & Head of Research*

Most of my questions have been asked. Just wanted to clarifying point on how you think about My LendingTree. You obviously noted there's personal loan challenges from, call it, investment dollar capacity on the other side. But it doesn't seem like you're changing any of your thoughts on the longer term of leaning in, building the ecosystem. So I just wanted to clarify that. In the near term, you're kind of willing to give up some of that profitability for a longer-term vision or fix my comment if I missed what you're saying?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes. Well, there's definitely not a short-term sacrifice, and we are absolutely committed to continuing to build the ecosystem because we see the Net Promoter Scores of My LendingTree users. Anybody who's a member of LendingTree, we see the NPS very high. Obviously, the parking cost is extremely low. And the alerts continue to get better. So no change in the LendingTree posture except we are more and more confident about our product and our positioning and our ability to win. In a market where you're trying to acquire a consumer and then surround them with all the products to help them make smart financial decisions. And we think we're on our way, and so no change in that except maybe going a little faster.

Operator

Your next question comes from the line of Kunal Madhukar with Deutsche Bank.

Kunal Madhukar - *Deutsche Bank AG, Research Division - Research Associate*

A couple, if I could. One with regard to insurance, I wanted to understand for the auto insurance. How much of that is you peak business? So people coming back in shopping for a different insurance provider, get some savings and what have you. So how much of the revenue typically is repeat? And then on the SBA side, the small business loan side. I wanted to get some color in terms of how you're seeing the market with regard to both capacity as well as risk appetite? And how that dovetails into some of the industries that are more heavily affected by COVID, say, restaurants, theaters, bars? What percentage of your revenue comes from these kind of businesses? And how are they kind of -- what kind of support levels are they going to really get ultimately through the SBA initiatives?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Let me take the SBA one and then Trent and/or J. D. can do the repeat one. On the SBA side, this is -- we put out a survey to this result, we're not seeing just in the market money flowing to the types of businesses that you talked about. So we're hoping to rectify that just as a public policy initiative. However, just for doing good, however, it also helps us in the longer term because we can sign up those SBA lenders. In terms of risk appetite, those SBA lenders aren't thinking about that really because the risk is being borne by the federal government. So under the PPP program, lenders basically make very nice origination fees, I believe it's 400 basis points for originating a loan that the government takes all the risks. So that is merely how many can you process through the system. And then for the other -- the online platforms, they'll take as much risk as their capital providers want them to take risk. But on the SBA side, they're not thinking about risk, they're just thinking about capacity right now. And the -- if you think about it from a lender perspective on just like a mortgage, you make more money on a bigger mortgage than a smaller mortgage. So if you're a lender, you're going to do your existing customers first because they convert, you're going to do your bigger loans first because they're more profitable. And then unfortunately, you move to smaller and smaller loans, and that's what's creating a challenge in the U.S. economy, I think, and we hope to play a small part in helping to rectify that. Does that answer your question? And then J. D., do you want to hit repeat customer insurance?

John David Moriarty - *LendingTree, Inc. - CFO*

Yes. Kunal, I wish I had a statistic for you, I just don't. In insurance, recognize that we're not this is actually some of the value of integrating it into My LendingTree. We'll start to get more of a lending thing into that, and we'll get more information as to somebody's current insurance. But right now, no, we don't -- I don't have a statistic for you in terms of what percentage of the customers that come through Quotewizard are repeat customers? We don't publish a stat nor do I have one on top of my head.

Operator

I am showing no further questions at this time. I would like to turn the call back to Doug Lebda, CEO, for closing remarks.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Thank you, all, and thank you for being here during very interesting times in our world. What I always like to say during times like these is when the tide goes out, you see what's left under the water. And sometimes, you got rocks, you got shells, you got trash, and sometimes there's some treasure in there, too. What we're going to -- what I believe we're going to see coming out of this is a change in behavior at multiple levels. And I think we're willing -- we're able to capitalize on it. The consumer is going to change. In my opinion, they're going to spend less. They're going to be more conscious about money. They're going to be more conscious about savings, and we're uniquely positioned there. We think lenders are going to change. As I've talked about already, we see lenders making smart decisions, just as they've done in the past. About getting the right types of customers that they can approve, they can underwrite easily, et cetera. We're also seeing lender behavior changing in terms of adopting technology and being more open to technology because that releases their capacity constraints. And then the next one is, we're going to see change in competitors. If you've got a money-losing business model, you're going to see people pulling their horns back in. You're going to see -- and we're going to see their weaknesses or we're going to see their strengths and we already are. Then the last one is internally, things change internally. We've been able to change our processes, our bonus process, the way we evaluate employees, putting in new processes to be more disciplined? And then the last thing I would say is that LendingTree is so well positioned that instead of having to raise capital, like many companies are having to do today to shore up businesses that are losing money, we have the unique opportunity to invest our positive cash flow back into profitable projects and initiatives during this time when most of our competitors cannot. And then it's a major strategic competitive advantage, and we intend to use this time to double down and create those opportunities. So as behavior changes across each of those areas, we think we are better positioned than anybody else to capitalize on it, and we intend to do that. So thank you all very much. We look forward to talking to you soon.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.
