FINAL TRANSCRIPT

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TREE - Q3 2009 Tree.com, Inc. Earnings Conference Call

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PRESENTATION

Operator

Good day, everyone, and welcome to Tree.com third-quarter 2009 earnings conference call. Today's conference is being recorded.

Now it is my pleasure to turn the conference over to Mr. Doug Lebda, Chairman and CEO. Please go ahead, sir.

Doug Lebda - *Tree.com - Chairman & CEO*

Thanks, operator, and thank you to everyone for joining us today for Tree.com's Q3 2009 earnings conference call.

First, a quick disclaimer. During this call we may discuss Tree.com's plans, expectations, outlook, or forecast for future performance. These forward-looking statements typically are preceded by words such as we expect, we believe, we anticipate, we are looking to, or similar statements. These forward-looking statements are subject to risks and uncertainties and Tree.com's actual results could differ materially from the views expressed today.

Some of the risks we have have been set forth in our earnings release and more in our periodic reports filed with the SEC. We will also discuss certain non-GAAP measures such as EBITDA. I refer you to our press release from all of the comparable GAAP measures, definitions, and full reconciliations of adjusted EBITDA and EBITDA to operating income.

Overall, we are extremely enthusiastic with the progress we have made to date this year, and particularly this quarter, with the goal always being to work towards achieving a sustained level of top-line and bottom-line growth for Tree.com. This quarter we accomplished several initiatives to set the stage for that growth including adding a new $75 million warehouse line providing our business with financial stability and even more capacity to expand our LTL business.

We have also gained significant traction in our new exchange verticals, including education and home services. In the core lending exchange we are seeing very significant increases in lender demand for leads and not significant monetization improvements.

Clearly, our unanticipated increases in legal costs and our increase in the loan loss reserve masked some of the progress of this quarter, and of course we are happy to fully address those issues. But, overall, we believe that these and other growth initiatives, coupled with our ongoing cost rationalization efforts, will enable us to achieve both sustained long-term growth and significant profitability.

Before I turn the call over to Matt let me provide some detail on our individual lines of business. First, I will start with our mortgage business. Obviously the big news here was the warehouse line, which was the result of an exhaustive and long process. We had several lenders willing to provide this increased level of financing for LendingTree Loans. At the end of the day we selected Chase and feel great about the decision and the relationship with them.

Even securing financing in this business at this time of tight credit in the mortgage industry is a testament to the great business we have built at LendingTree Loans. Our margins are very solid, we are operationally extremely efficient, and our secondary marketing and capital markets function is world-class.

Most importantly, our customer satisfaction is fantastic and beats our lending exchange consistently. And after an exhaustive due diligence process by warehouse lenders, our bullish views have been validated by others.

Additionally, this quarter we further refined our consumer Web portal to provide better consumer insight into the complicated process of getting a loan funded and began the rollout of a paperless loan processing system. Both are showing very solid success and increasing the efficiency of our operation, and more importantly giving consumers a better experience.

Net, I am extremely encouraged by LTL's ability to thrive and produce positive EBITDA in a very tough market. Expect to see us grow this business now that we have got the capital we need and our technology investments are mostly behind us.

Within the core lending exchange, changes in interest rates have driven up lender demand which is significantly greater than the supply of leads and the expected values of our loan requests have increased as a result. Our revenue per home loan request is up by more than 20% quarter-over-quarter as the number of matches per loan request have increased and overall network capacity has expanded.

For Q4 we are focused on simplifying and enhancing our exchange technology platform which will allow us to better optimize our borrower and lender matching process, driving even higher revenue per QF in future quarters. And with improved monetization and the technology to give us a view into lender demand, we have confidently returned to online and off-line marketing at solidly profitable levels enabling us to add fuel to grow this business going forward.

Let me highlight some of our consumer-facing initiatives on our LendingTree site that we rolled out this quarter. As you know, last quarter we launched the new LendingTree website that introduced added content and tools for users who might not be ready to initiate a mortgage transaction. There was a lot new that we put in front of consumers and the good news is that it's gaining traction.

We have already seen a 15% increase in My LendingTree log ons with no additional marketing costs, allowing us to deliver targeted product offers to more consumers than in the past. And we are seeing that users who read lender reviews with our new lender review process are converting at a rate almost two times that of our non-lender review readers. Again, for no additional marketing spend.

In order -- to measure the impact of these new tools we have developed an innovative new metric called engagement score which tracks and monitors how consumers are interacting with our site across all of the various new areas of content and tools. We think this will significantly help us better tune the site going forward.

As we have mentioned before, growing our non-mortgage businesses is always a continued focus. Q3 was a quarter of integration and we are gaining traction in our new verticals through our recent acquisitions. In fact, 11% of our exchange revenue this quarter was generated by our new education and home service verticals. We are actively adding new clients and customers in both of those businesses and we are also expanding our marketing channels for these business lines.

In Q4 we expect to continue our diversification strategy by adding a focus on auto insurance and insurance in general as a part of the longer-term plan.

Last week we also launched a new dealer referral service at LendingTreeAutos.com where we have a listing inventory of new and used cars, and consumers can ask for more information and quotes directly from a selection of dealers enabling us to better monetize dealer referrals.

For our real estate business our strategy to build an easier-to-use website and open community with access to local info and listings is proving successful as our key site metrics are improving. All measures of user engagement have improved since the new RealEstate.com website was launched in Q2. These include repeat visitors, page views per visitor, duration on the site, and visitor to an inquiry conversion.

Obviously, we are making great strides in executing our overall strategy. And as we look forward to 2010 LendingTree loans is poised for success, EDU is growing at a nice pace, expected value on the exchange are on the rise, and RealEstate is approaching profitability. We will be working on our 2010 plan this quarter and we will structure guidance for you as soon as we have that plan approved by the Board.

And now let me turn it over to Matt to take you through the detailed financial results.

Matt Packey - *Tree.com - SVP & CFO*

Thanks, Doug, and good morning to everyone.

Operator

Mr. Packey, this is the operator. We aren't able to hear you, sir. (Operator Instructions)

Matt Packey - *Tree.com - SVP & CFO*

Thank you, operator. Good morning to everyone on the line today. As you see in our release that went out earlier this morning, certain unanticipated charges related to the loan loss provisions and legal fees prevented us from meeting our breakeven goal. All other aspects of our business results were generally in line with our expectations and we are encouraged so far by the October results as we start Q4.

Coming off a high point in Q2 that was driven by macro market factors of low interest rates and low lead acquisition costs LendingTree Loans revenue decreased by 34% in Q3 with funded loans decreasing 30%. As we indicated our second-quarter call, due to the relatively higher interest rates in Q3 and the associated lower consumer demand it was necessary for us to begin increasing our advertising.

As a result, the Q3 marketing costs for LTL increased about $1.7 million and increased as a percentage of revenue from 11% to 24%, which was in line with our expectations and slightly better than the same quarter last year.

In Q3, and even into October, we were negatively surprised by the pace of loan loss settlement requests being made by the buyers of our loans from the '05 to '07 vintages. Although we have not experienced actual losses on all of these requests, we know from past experience that we eventually will on a portion of them. As such, in calculating our reserves for the quarter end we took into account the magnitude of these open requests and the anticipated loss severity and added a $4.2 million provision to our reserves.

As in the past we will be providing you with detailed information on our loan loss experience, requests in the pipeline, and the range of potential exposure in our 10-Q. As a result of the lower revenue and increased loan loss provisions, the LTL adjusted EBITDA decreased $10.5 million quarter-over-quarter but increased $2.5 million year-over-year.

Interest rates will continue to be a big driver of LTL results in Q4 impacting both revenue and cost per funded loan. So far in October rates are moving in our favor, so if rates were to continue in this current range and barring any other further loan loss surprises, we would expect a slight improvement in Q4 over Q3 results for the LTL.

On to our exchanges. The exchange segment adjusted EBITDA improved $400,000 quarter-over-quarter and $3.9 million year-over-year. Our exchange revenue increased by 16% quarter-over-quarter and, as Doug mentioned, two of our new verticals accounted for $2.6 million of that increase with the lending exchange accounting for the remaining $400,000.

We are particularly pleased with performance of the EDU service offering so far where we are matching potential students with educational institutions at a monthly average pace in the mid-20,000.

On the lending exchange side, slight increases in mortgage rates in Q3 over Q2 abated some of our consumer demand but this was somewhat offset by improved conversion metrics. Total match requests, excluding EDU, were down 17% quarter-over-quarter, yet we still achieved flat match revenue for the lending exchanges. This was due to an overall increase in the number of matches per refi loan request, which was up 20% quarter-over-quarter as the exchange lenders continued to increase their demand.

Closed units were down 20% quarter-over-quarter as fewer consumers transacted in a generally higher rate environment. As we noted in our Q2 call, increasing interest rates and the lower levels of media attention caused us to increase our ad spending to drive consumers to our sites. Marketing expenses as a percentage of revenue increased from 60% to 65% in the quarter in line with our expectations, but this was significantly better than the 82% of revenue from Q3 of '08.

In the current interest rate environment we would expect to continue to increase our ad spending to meet the higher lender demand. Coupling that with normal Q4 seasonal downturn pressure on volume, we would expect Q4 marketing expense to increase as a percentage of revenue over the Q3 levels by a few points. This will squeeze our exchange EBITDA margin slightly compared to Q3.

In our RealEstate segment revenue increased $200,000 in Q3 but continues to lag last year down $1.8 million. The improvement since Q2 can be attributed to a 6.5% increase in average home value, moving up to about $236,000 on 5% fewer closings. We remain encouraged by the progress RealEstate is making towards getting to breakeven, especially in this very tough market.

We have continued to trim costs in this business and with some stability or even improvement in housing prices we can see positive EBITDA for RealEstate in the very near future.

Corporate operating expenses increased $1.7 million or 27% quarter-over-quarter and 36% year-over-year. Both the quarter-over-quarter and year-over-year increase reflect increased professional fees associated with a variety of corporate matters including the Mortech legal dispute. Additionally, on a year-over-year basis we began incurring public commodity costs in August of '08.

I will briefly turn to the balance sheet where we ended the quarter with $99 million in cash, including $12.8 million of restricted cash. Overall, our cash was up $10.9 million from the end of last year.

We met all of our warehouse line covenants in the quarter and as you have seen and heard Doug mention, we entered into a new $75 million line that gives us additional flexibility. Our loans held for sale and our warehouse lines both decreased about

27% over the prior quarter, both reflecting the decreased level of fundings at LTL. We continue to originate only the loans we can sell into the secondary market, primarily conforming product and some FHA, and we continue to see these items turn very quickly.

Our impaired loans on the balance sheet improved quarter-over-quarter from 56 units to 40 with a net value of $2.1 million. And we ended the quarter with 10.9 million common shares issued and outstanding, another 1.2 million in options, 745,000 RSUs, and I will provide all the normal detailed breakdown of those items in our 10-Q that we will file in the next week or so.

And with that I would like to hand it back to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) George Askew, Stifel Nicolaus.

George Askew - *Stifel Nicolaus - Analyst*

Really just two questions from my end. The $4.2 million loan loss reserve in the quarter, I think of loan loss reserves as non-cash primarily. Obviously some of it was cash, some of it was not it sounds like. Can you give us a little bit of a better break down there? And how much of it impacted the adjusted EBITDA loss this quarter?

Matt Packey - *Tree.com - SVP & CFO*

Yes, George, you are correct. When we book a provision, such as we did this quarter and last quarter, it is really an estimate of what we are going to pay out in some future period. So the $4.2 million hit this quarter really represents cash we expect to pay at some future point.

And I think as we have discussed before, the tail on these things is a number of years so that cash outflow could be spread over 12 months, 24 months, and so on. So it's just a current estimate right now of what we expect to pay out in the future for our '05 to '07 loans that we sold, primarily stated income loans that are coming back to us over time.

Doug Lebda - *Tree.com - Chairman & CEO*

This is Doug. Just a little bit on the process of how this works. So these are, as Matt said, these are loans that were underwritten several years ago, particularly in stated income loans. And as we get put back requests on these we are then estimating, based on the level of activity, we are estimating what the future losses might be and that is how this works.

So today, though, what we are originating now are only conforming and FHA loans. We are doing very well. We have got great processes in place so hopefully this storm will pass from several years ago and this will be --this is a much different area going forward because there aren't stated income loans.

George Askew - *Stifel Nicolaus - Analyst*

Right, okay. And then the second question is today Google is out with the ad conversion -- they are calling it ad conversion product -- that you obviously have talked to Mortech about, that whole topic. Can you give us kind of a quick view of what markets is Google in, how might that affect you? What your current thinking about that competitive challenge?

Matt Packey - *Tree.com - SVP & CFO*

Great question. I think a few things on this. One is I think everybody knew we have no issue with Google in this. Our issue was purely with Mortech and providing data from them, and we have settled that -- we have settled that dispute with Mortech.

We have a great relationship with Google. We continue to be a very large customer of theirs. I have seen the product. The way it works is it's sort of an enhanced search product that comes up based on certain mortgage queries and then gives a rate table sort of experience for the consumer.

I feel pretty good about it, honestly. I don't -- it's certainly not directly competitive with what we do. It's certainly a very short set of information that the consumer is going to fill in. They are obviously still going to have their paid search business and we are going to continue to be a big customer of theirs.

And, quite frankly, this enhanced data offering could be a great new marketing channel for us as well, too. So there is no reason we couldn't advertise in there and show consumers and get leads from consumers that way. If you think about it, from the perspective of an advertiser in Google it's a way to get people who have selected your institution over others. And we think the LendingTree brand could do quite well in that product.

George Askew - *Stifel Nicolaus - Analyst*

Okay, good deal. Thank you.

Operator

Brian Gonick, Senvest.

Brian Gonick - *Senvest International - Analyst*

Good morning. Just to clarify on this loan loss provision of $4 million, $4.2 million, where does that run through the segment data? Is that a hit to revenue or --?

Matt Packey - *Tree.com - SVP & CFO*

Yes, Brian, it's a hit to revenue within the LendingTree Loan segment.

Brian Gonick - *Senvest International - Analyst*

Okay. In the language in the press release you say that LendingTree Loans' revenue decreased 34% on 30% fewer funded units, which was partly offset by a 25% decrease in provision for loan losses quarter-over-quarter. So is this $4 million a quarter-to-quarter change or year-over-year change?

Doug Lebda - *Tree.com - Chairman & CEO*

That is a great question, Brian. Thank you. The 25% decrease is quarter-over-quarter. The $4.2 million is an explanation of why we missed our breakeven goal for Q3. We didn't anticipate having to take the $4.2 million -- all of the $4.2 million charge in Q3. So the $4.2 million isn't a comparison, it's just an indication of why we missed our indicated breakeven for the quarter.

Matt Packey - *Tree.com - SVP & CFO*

Basically, Brian, it came very late in the quarter and we booked it.

Brian Gonick - *Senvest International - Analyst*

So the provision in loan losses would have been -- the decrease would have been much higher?

Matt Packey - *Tree.com - SVP & CFO*

Yes, that is correct.

Brian Gonick - *Senvest International - Analyst*

Is that the way to think about it? Okay.

Matt Packey - *Tree.com - SVP & CFO*

Yes, quarter-over-quarter it would have been much higher.

Brian Gonick - *Senvest International - Analyst*

Okay, okay. The exchange segment EBITDA was $3.6 million, $3.7 million adjusted. Can you quantify the new businesses that are now in this segment? Were they at a loss this quarter? Were they a contributor to EBITDA?

Doug Lebda - *Tree.com - Chairman & CEO*

Yes, they were a contributor. We actually don't measure those all the way down to EBITDA. They are a product for us, so we measure them at the marketing margin level. And they were positive -- they had a positive marketing margin in the mid to high teens.

Matt Packey - *Tree.com - SVP & CFO*

Which, by the way, just to call out on that, I am extremely encouraged by that. So whenever you launch a new lead gen product you, many times, will have investment spend at the marketing level while you get it going. Certainly not much margin.

Really because we have got great service provider coverage, both inside the EDU business but also in the home services business, we have been able to kind of out of the gates -- and, by the way, the people we brought over with those acquisitions are fantastic -- we have been able to have really good margins out of the gate there. And I think it bodes well for the future.

Brian Gonick - *Senvest International - Analyst*

Okay, great. So is it fair to say that putting aside RealEstate.com, the new initiatives so far are contributing to EBITDA as opposed to being a drag on EBITDA?

Doug Lebda - *Tree.com - Chairman & CEO*

Yes, absolutely fair.

Brian Gonick - *Senvest International - Analyst*

Great.

Doug Lebda - *Tree.com - Chairman & CEO*

A small contributor, but a contributor.

Brian Gonick - *Senvest International - Analyst*

Thank you. That is it for me.

Doug Lebda - *Tree.com - Chairman & CEO*

Brian, I can't believe you didn't ask me about buybacks this time. You have got to be kidding.

Brian Gonick - *Senvest International - Analyst*

What is the point?

Matt Packey - *Tree.com - SVP & CFO*

Well, honestly, who knows? I got to tell you I feel with the warehouse line behind us and our cash position very solid and a lot of improvements, particularly on the legal front with a lot of these lawsuits that you can see, you know it's something at some point the Board I think really needs to consider.

Brian Gonick - *Senvest International - Analyst*

See, unprompted I am glad that you now are addressing the concept. With the stock trading where it is, certainly down significantly from where you were last quarter when we had this conversation, and with all those other things behind you as you mentioned you know the way I see it you are basically trading today for no enterprise value. And buying back stock at these levels I think would be highly accretive to the intrinsic value of the Company.

Doug Lebda - *Tree.com - Chairman & CEO*

I think it's something we got to take a hard look at. We obviously are investing for growth in certain areas and we want to be a growth company. But at the same time, given my -- I am certainly more with you this quarter than I was last quarter, and I think it's something we have to take a hard look at.

Brian Gonick - *Senvest International - Analyst*

Well, I am glad to hear that. Thank you.

Operator

Mark Mahaney, Citi.

Mark Mahaney - *Citi - Analyst*

Good morning. A couple of quick questions please, just the outlook for legal expenses. So is the -- in terms of correct interpretation that that incremental million that was just a Q3 event and that legal expenses should taper down materially going forward?

Secondly, Matt, I think you referred to some nice positive signs in the month of October. Could you be more specific? Were you just referring to the LTL segment?

And then, finally, Doug, on the EDU and the home services verticals, any comments on where you think that could go even qualitatively over the next 12 months, how big that segment could be? Thank you very much.

Matt Packey - *Tree.com - SVP & CFO*

Mark, I will chime in first. On the legal front, yes, what were trying to indicate is with the Mortech issue behind us -- that was an item we didn't plan on in Q3 and it is now complete, so we don't expect to incur those types of costs. We always have some form of legal fees. The legal guys won't ever leave us alone. And as Doug will elaborate, some of the ongoing litigation that you see in the 10-Qs and 10-Ks is starting to move a bit in our favor, so we are encouraged by that.

As far as October goes, I would say both LendingTree Loans and the exchanges are showing positive signs so far in Q4. On the exchanges, particularly on the number of transmits we can make to the lender network, what typically happens is as we move away from a period of high, high volume like we had in Q1 and Q2 the lender network increases their demand.

So there is lenders out there that have capacity now. They have loan officers who need volumes, so that demand increases our transmits per which is increasing our ability to sell those leads and perhaps even increase price.

Doug Lebda - *Tree.com - Chairman & CEO*

On the education and home services, I think I wouldn't yet want to give any specific guidance on where it can go in terms of revenue. The thing that I would say though is as you look at the major players in the space, either in the home services vertical or in the education vertical, these are areas where there are tens-plus million dollars of EBITDA by several companies in each of these spaces. And we are not seeing any reason long term that they -- we don't see what they have that we don't.

We have very solid products in both of these and there is really only two things you got to do, which is, one, you have got to sign up the advertisers which we have been very effective at doing in the education side. And on the home services side as well, we have ramped back up into sales there.

Then you have got to get the marketing down on the other side. Right now we are doing that through online efforts, but when you start to layer in cross-sells from LendingTree, when we get Tree.com launched which will be kind of lead gen across all the categories, there is no reason that this shouldn't be a significant driver going forward.

I think overall strategically, I mean what we are basically trying to do here is build a bridge -- as we talked about before, build a bridge from mortgage into other verticals. Anywhere there is a big lead gen vertical online we want to have a play in and mortgage will giveth and taketh away depending on the market. And then -- we have got to get these other things up and ramped, but I think the early signs are extremely encouraging.

Mark Mahaney - *Citi - Analyst*

Thank you, Doug. Thank you, Matt.

Operator

(Operator Instructions) [Brian Gaines], [Springhouse Capital].

Brian Gaines - *Springhouse Capital - Analyst*

Just a couple follow-ups on provisions. You had mentioned in your prepared remarks just that it came late in the quarter. Is that just one servicer showing up with a large pile of stuff?

And then maybe as a follow-up to that can you talk about if there is any kind of cadence to this? Like, I know it's not a long-standing phenomenon, but just either seasonality over the year or even intra-quarter?

Matt Packey - *Tree.com - SVP & CFO*

Yes, Brian, this is Matt. I wish I could see some cadence or some pattern to it that I could then leverage to predict what is going to happen a little bit more. That is why it was such a surprise to us. We thought after some big hits in Q2 that we had a lot of this behind us, but we had a couple of good months in Q3 and then September and, frankly, early in October caught us by surprise.

It doesn't appear to be one servicer, one investor. We have principally four main investors, people who have bought our loans and because we have sold these stated income loans to each of them they all have the same types of issues. As unemployment continues to rise people can't pay their mortgages. That causes the investors to open up the loan files, take a look at it and see if there is anything that they can use to push back to us.

They give us time to negotiate on them of course. We will be able to push some of them back to the investor and say, nope, this is not our issue. And then other ones it's clearly something that we should have done a better job of crossing the Ts or dotting the Is, and that is where the losses come in. Because we saw enough activity in October and late September, we went ahead and took that $4 million hit.

Doug Lebda - *Tree.com - Chairman & CEO*

This is Doug. Let me just elaborate a little bit, just a bit of education for everybody on the process and how this works and what the issue is really with stated income loans. So keep in mind we are only really on the hook when we sell a loan to an investor for early payment default, an underwriting issue if we didn't underwrite it according to their guidelines, or if there is what is called borrower fraud, that the borrower lied to you.

The problem with a stated income loan is borrowers many times stated their income higher and what is happening is lenders are saying well, gee, the borrower didn't tell you the right income and so technically that is an issue of borrower fraud. Many instances we are able to say as we negotiate these, say, wait a minute. The guy made his payments for three years.

The issue is not his income statement, the issue is the guy lost his job or he is upside down in his house or he just went into foreclosure. It's not -- and a lot of times, by the way, these are second lien positions. So the issue is really around stating the income and the lenders putting those back for fraud purposes.

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Overall, our underwriting has been very, very good and we feel really good about it particularly going forward. And then these investors, by the way, they come, they look at your underwriting -- they continue to buy loans from us and feel very good about where we are. We have got very, very good reviews and what is called the scorecard with each of these investors.

Brian Gaines - *Springhouse Capital - Analyst*

Okay. Thanks, guys.

Operator

(Operator Instructions) Reed Meyer, Stifel Nicolaus.

Reed Meyer - *Stifel Nicolaus - Analyst*

Hey, guys. Good morning. A couple follow-up questions; on the borrower fraud issue is there a statute of limitations or does that run the life of the loan?

Doug Lebda - *Tree.com - Chairman & CEO*

It runs the life of the loan, except that these things typically refinance obviously after some period of time. So, no, generally loans don't last forever.

Reed Meyer - *Stifel Nicolaus - Analyst*

Got you. And then a couple follow-ups to the warehouse lines of credit. Your current BofA line requires that you sell 50% of total production to that lender. Does the Chase line have a similar requirement?

Matt Packey - *Tree.com - SVP & CFO*

It does not. However, we do get a little bit better price when we do sell to Chase.

Reed Meyer - *Stifel Nicolaus - Analyst*

Got you. Doug, you mentioned expanding the origination business. Are there good leads hitting the floor today? Will you be fully able to capitalize on the new warehouse line? And would you take as much as credit lines as you could get?

Doug Lebda - *Tree.com - Chairman & CEO*

When you say credit lines what do you mean?

Reed Meyer - *Stifel Nicolaus - Analyst*

Warehouse lines of credit.

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Doug Lebda - *Tree.com - Chairman & CEO*

So on the -- are there good leads hitting the floor today? Yes. Here is really what are going to do with LendingTree Loans going forward, and I am thrilled with this.

We basically have -- we took the call center in LendingTree and the LendingTree Loans business had it report to a new president about two years ago, a guy named Dave Norris. And what he has really done is developed call-center-based methodologies and applied call-center-based technology to the whole business, which has made it much more efficient, much more trackable, and much more coachable to the actual sales person on the phone.

He has also done something really innovative. We call it the call center mortgage model where for smaller loan amounts, maybe higher loan to values, people who aren't right in the sweet spot of a lead that's easy to convert, we outbound dial those using predictive dialing. They are good solid customers that are great people and we bring them into a call center. When they are -- when they want to proceed forward we then transfer them to a more experienced loan officer.

And that has that -- expanding that customer service call center model is really where we think there is a lot of opportunity both in purchased mortgages, which is obviously much more sustainable than refinance, and in -- and for the broader population of other leads. So if you look at the normal lender network lender they are going to focus on refinance. They are going to focus on lower loan to value and they are going to focus on bigger loans.

This enables us to play outside of -- in a much broader segment of the sweet spot of leads and that is what it helps. It also helps you; by the way, this type of model lends itself very, very well to short-form leads. Both the LendingTree short-form leads and short-form leads from other aggregators. So if we can make short form and these other types of leads work that significantly expands the number of at-bats we can have in LTL.

Reed Meyer - *Stifel Nicolaus - Analyst*

Sure.

Doug Lebda - *Tree.com - Chairman & CEO*

Do we full use the warehouse line, when we --?

Matt Packey - *Tree.com - SVP & CFO*

Reed, we don't currently have a need to leverage all of the lines we have available with this extra $75 million. Obviously we would hope to be able to grow in that direction, probably not likely in Q4 with the normal seasonal downturn. The PNC NatCity line is still not renewed at this point so that will expire at the end of December if we don't take any other action, which we continue to try to do.

Reed Meyer - *Stifel Nicolaus - Analyst*

Great, thanks. One last question; this is sort of a macro question for Tree.com. Any time frame on how long you expect to take for the transition where a customer goes to Tree.com and they can really get into all the verticals -- mortgage, insurance, cars, tuition -- and where that really becomes the door, the front door? Any timing on that?

Doug Lebda - *Tree.com - Chairman & CEO*

One thing is LendingTree will always be its own front door.

Reed Meyer - *Stifel Nicolaus - Analyst*

Right.

Doug Lebda - *Tree.com - Chairman & CEO*

So the brand strategy is that LendingTree needs to be a great consumer website for everything about lending. Money rights, which is our re-brand of Thrive.com, will enable LendingTree to cross-sell other products and bring other recommendations for saving you money. So that will always exist.

Tree.com will really be your front door, as you said, into all of these categories. I don't have a specific launch date for Tree.com yet for you. When we give our guidance for 2010 I will make a note that we will have that for you then. We are working behind the scenes right now and the issue is -- it's not a big issue but it's -- the reason you don't launch it with a couple of articles is really basically this.

We want Tree.com to be a destination site for consumers who are searching for comparison shopping about all types of services and we need a good -- we need a very solid depth of content and depth of partners there to be able to do that. So we need partner -- in areas where we don't own a business we need partnerships that span lots of other categories and we are working on that now.

The technology for the site is largely done, but we don't want to launch a site that says, hey, it's for every decision in your life and you can only use it if it's a school or insurance. And so we are working on some of those partnerships right now and then we would hope to launch certainly next year. The question is how early in the year; I will get back to you soon.

Reed Meyer - *Stifel Nicolaus - Analyst*

Got you. All right, thank you very much.

Operator

George Askew.

George Askew - *Stifel Nicolaus - Analyst*

I was struck by the comment mid-20,000 -- what I wrote down is mid-20,000s matching loan, student loan requests. Matt, I think you had mentioned that.

Matt Packey - *Tree.com - SVP & CFO*

Yes. To clarify, George, it's not student loan requests. It's students who are pursuing additional education, higher education or another degree.

George Askew - *Stifel Nicolaus - Analyst*

Okay. So that is DegreeTree?

Matt Packey - *Tree.com - SVP & CFO*

Yes.

George Askew - *Stifel Nicolaus - Analyst*

Yes. And is that a monthly number or quarterly?

Matt Packey - *Tree.com - SVP & CFO*

Yes, that was monthly.

George Askew - *Stifel Nicolaus - Analyst*

Interesting. It kind of begs --

Matt Packey - *Tree.com - SVP & CFO*

The business is getting a lot -- it's getting good traction.

George Askew - *Stifel Nicolaus - Analyst*

Okay. Yes, my question is this. Looking at all of your properties, when people, when a consumer comes to any of your properties their initial engagement is to give you something, some level of personal data or information. Looking at a monthly or quarterly basis, how many of those kinds of engaged consumers do you have in a month or a quarter? I mean, do you have 100,000 people giving you something personal every month?

Matt Packey - *Tree.com - SVP & CFO*

I would say easily 100,000 in a month.

Doug Lebda - *Tree.com - Chairman & CEO*

Really it's the number of leads across every one of your verticals, whether it's a LendingTree mortgage, credit card. It's easily that and probably more.

And that is where -- and the strategy, by the way, over time -- I don't want to use the word cross-sell as if it's some sort of click on website. But once we get that profile -- this is why the My Account strategy is so critically important for us and really a big differentiator, which is once you have given up that personal information for that first product you now have a LendingTree account.

When you have a LendingTree account you are going to log back in and we are going to take the opportunity to show you other ways of saving money, whether it's insurance or another type of loan product or a school you want to go to, etc. And you can just expand that across the categories.

Matt Packey - *Tree.com - SVP & CFO*

George, just to maybe give you a little bit of reassurance on the number. If you look in the release for today and go to the exchange segment results, we always disclose the number of matched requests. And this past quarter it was 340,000 requests. So just generically if you divide that by three that number is above 100,000 matched requests.

George Askew - *Stifel Nicolaus - Analyst*

Right. Now, but one request might --

Matt Packey - *Tree.com - SVP & CFO*

It's just matched.

George Askew - *Stifel Nicolaus - Analyst*

Okay, but one request could be matched multiple times, right?

Matt Packey - *Tree.com - SVP & CFO*

Yes, those are the unique matched requests, George.

Doug Lebda - *Tree.com - Chairman & CEO*

So you take 300-and-some-thousand, you divide that by three and you get back to over 100,000 individuals who are matched. By the way, then there are a whole bunch of individuals who are unmatched because of the current credit --

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George Askew - *Stifel Nicolaus - Analyst*

Exactly.

Doug Lebda - *Tree.com - Chairman & CEO*

-- numbers and so you take that number up by a lot and that is kind of the number of new profiles you are creating.

George Askew - *Stifel Nicolaus - Analyst*

Got you. Okay, good. All right, that is very useful. Thank you.

Matt Packey - *Tree.com - SVP & CFO*

Thank you.

Operator

Gentlemen, we have no further questions. So Mr. Lebda and Mr. Packey, I will turn it back to you for closing or additional remarks.

Doug Lebda - *Tree.com - Chairman & CEO*

Thank you very much, everybody. Thank you for coming. As we said before, we feel very good about the quarter, feel very good about the progress we are making in all of our businesses. I certainly wish the bottom-line EBITDA were something that we could stand up and cheer about. It's not this quarter for the two reasons we noted.

However, we are progressing -- this is a -- we are progressing very well against our long-term strategy of having a diversified growth business across all areas of lead gen, whether it's mortgage, education, home services, and many others. We feel great about our cash position, great about our capitalization, feel great about this new warehouse line getting done, and we look forward to sharing more exciting news with you in the future.

Operator

Thank you. And, again, ladies and gentlemen, that concludes our conference for today. We thank you all for you participation. Enjoy the rest of your day.
