



FINANCE *of* **AMERICA**
COMPANIES®

Earnings Presentation | Q2 2022

August 2022

Disclaimer

Forward-Looking Statements

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All subsequent written and oral forward-looking statements concerning Finance of America or other matters and attributable to Finance of America or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above. Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Such forward-looking statements are subject to various risks and uncertainties which include, but are not limited to, the following risks: the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors in our markets; our ability to obtain sufficient capital to meet the financing requirements of our business; our ability to finance and recover costs of our reverse servicing operations; changes in our business relationships or changes in servicing guidelines with Fannie Mae, Freddie Mac and Ginnie Mae; the COVID-19 pandemic and its unique challenges to our business, which could adversely impact our ability to originate and service mortgages, manage our portfolio of assets and provide lender services, and could also adversely impact our counterparties, liquidity and employees; our business is significantly impacted by interest rates, and changes in prevailing interest rates or U.S. monetary policies that affect interest rates may have a detrimental effect on our business; our geographic concentration could materially and adversely affect us if the economic conditions in our current markets should decline or we could face losses in concentrated areas due to natural disasters; use of estimates in measuring or determining the fair value of the majority of our assets and liabilities; if our estimates prove to be incorrect, we may be required to write down the value of these assets or write up the value of these liabilities, which could adversely affect our business, financial condition and results of operations; our ability to obtain sufficient capital to meet the financing requirements of our business, or if we fail to comply with our debt agreements, our business, financing activities, financial condition and results of operations will be adversely affected; a disruption in the secondary home loan market, including the mortgage-backed securities market, could have a detrimental effect on our business; Finance of America Reverse LLC’s status as an approved non-supervised Federal Housing Administration mortgage and an approved Government National Mortgage Association issuer; Finance of America Mortgage LLC’s status as an approved seller servicer for Federal National Mortgage Association and Federal Home Loan Mortgage Corp., an approved Ginnie Mae issuer and an approved non-supervised FHA and U.S. Department of Veterans Affairs mortgage, are subject to compliance with each of their respective guidelines and other conditions they may impose, and the failure to meet such guidelines and conditions could have a material adverse effect on our overall business and our financial position, results of operations and cash flows; the engagement of our Lender Services business by our loan originator businesses may give appearance of a conflict of interest; third party customers of our Lender Services businesses and concerns regarding conflicts of interest within our Lender Services Businesses, due to their affiliation with the Company; our Lender Services business has operations in the Philippines that could be adversely affected by changes in political or economic stability or by government policies; we operate in heavily regulated industries, and our mortgage loan origination and servicing activities (including lender services) expose us to risks of noncompliance with an increasing and inconsistent body of complex laws and regulations at the U.S. federal, state and local levels; various legal proceedings, federal or state governmental examinations and enforcement investigations we are subject to from time to time, which may be highly complex and slow to develop, and results are difficult to predict or estimate; unlike competitors that are national banks, our lending subsidiaries are subject to state licensing and operational requirements that result in substantial compliance costs; our substantial leverage could adversely affect our financial condition, our ability to raise additional capital to fund our operations, our ability to operate our business, our ability to react to changes in the economy or our industry or our ability to pay our debts, and could divert our cash flow from operations to debt payments; the Company is a holding company and its only material asset is its interest in Finance of America Equity Capital LLC, and it is accordingly dependent upon distributions from Finance of America Equity Capital LLC to pay taxes, make payments under the tax receivable agreements and pay dividends; due to the listing of the Company’s Class A Common Stock on the New York Stock Exchange (“NYSE”), the Company is a “controlled company” within the meaning of NYSE rules and, as a result, qualifies for exemptions from certain corporate governance requirements, and, accordingly, the stockholders of the Company do not have the same protections afforded to stockholders of companies that are subject to such requirements; we have a substantial number of shares of common stock issuable upon conversion of Finance of America Equity Capital LLC Units, which may dilute your investment, and the sale of which could cause significant downward pricing pressure on our stock; the brief trading history of our common stock has been characterized by low trading volume, which may result in an inability to sell your shares at a desired price, if at all; and other risks and uncertainties set forth in the section entitled “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2021, originally filed with the Securities and Exchange Commission (the “SEC”) on March 15, 2022, as such factors may be amended and updated from time to time in the Company’s subsequent periodic filings with the SEC, which are accessible on the SEC’s website at www.sec.gov.

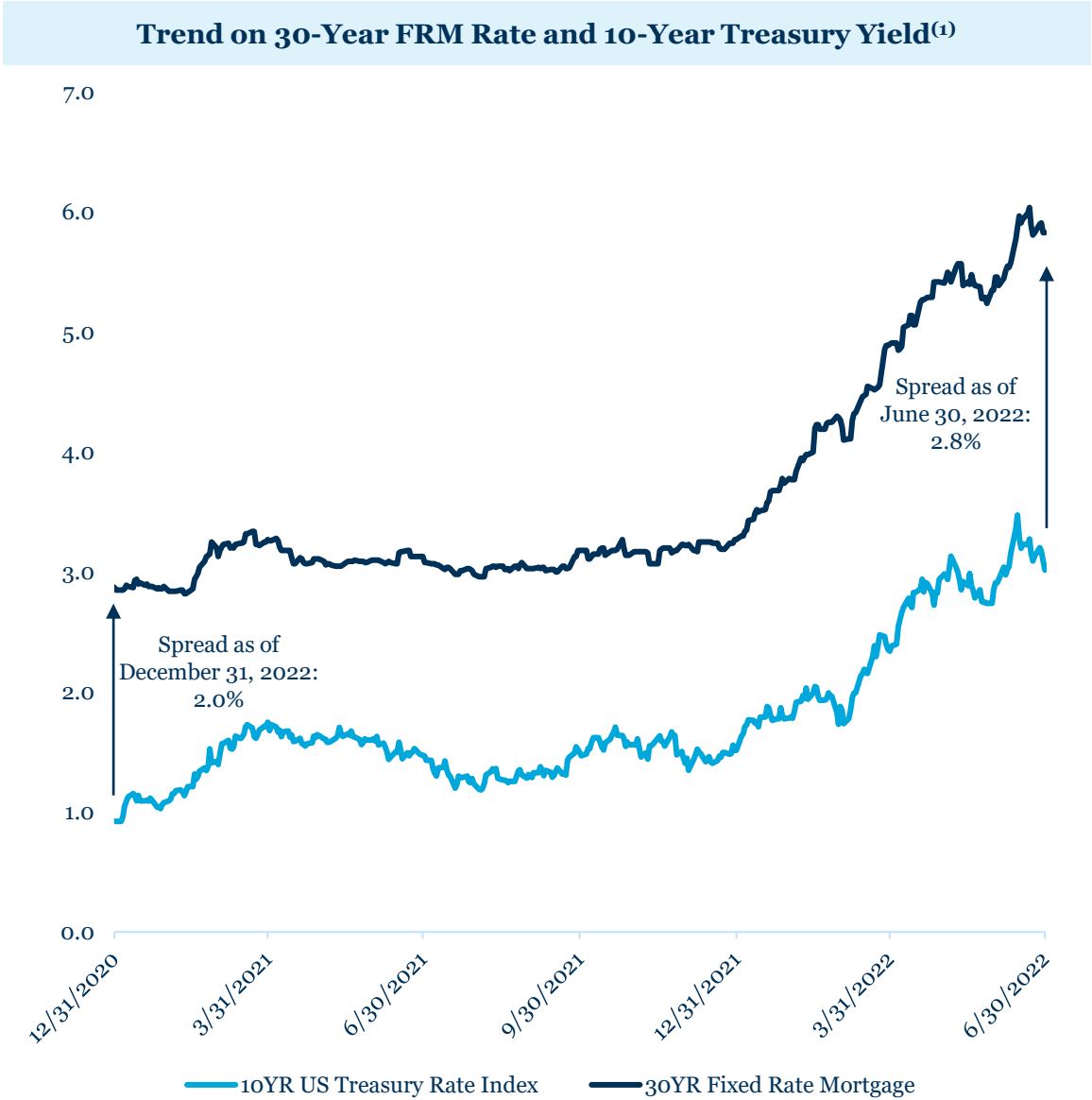
Statement Regarding Non-GAAP Financial Measures

This presentation also contains non-GAAP financial information. Management uses this information in its internal analysis of results and believes that this information may be useful to investors in assessing Finance of America’s operating performance. Such non-GAAP financial information, including Finance of America’s definitions and methods of calculation, are not necessarily comparable to similarly titled measures of other companies. Reconciliations of these non-GAAP financial measures to their most directly comparable GAAP measures are set forth on slide 10. Certain non-GAAP financial measures presented herein exclude items that are significant in understanding and assessing Finance of America’s financial results or position. Therefore, these measures should not be considered in isolation or as an alternative to net income, cash flows from operations or other measures of profitability, liquidity or performance under GAAP.

A reconciliation of our forward-looking Adjusted Net Income and Adjusted Net Income Margin outlook to net income and net income margin cannot be provided without unreasonable effort because of the inherent difficulty of accurately forecasting the occurrence and financial impact of the various adjusted items necessary for such reconciliation that have not yet occurred, are out of our control, or cannot be reasonably predicted. For the same reasons, the company is unable to assess the probable significance of the unavailable information, which could have a material impact on its future GAAP financial results.



Rates and spreads on mortgage assets have increased at a rapid pace in 2022

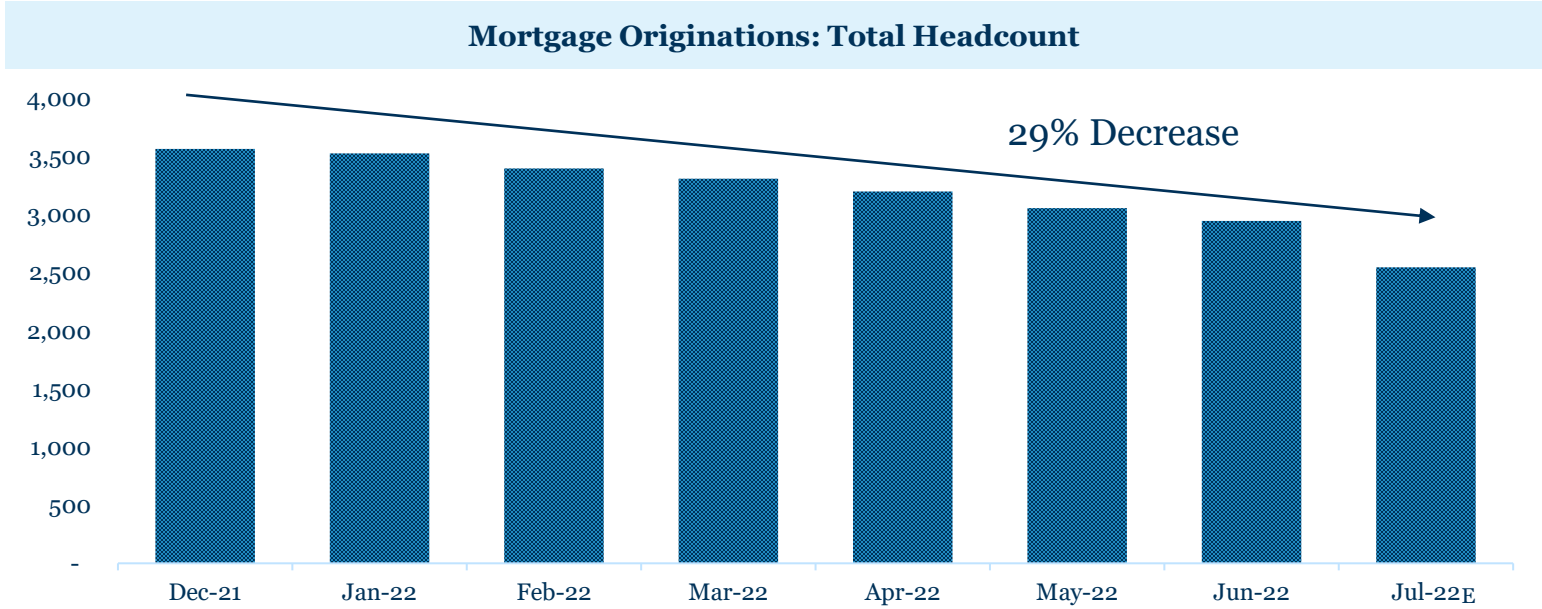
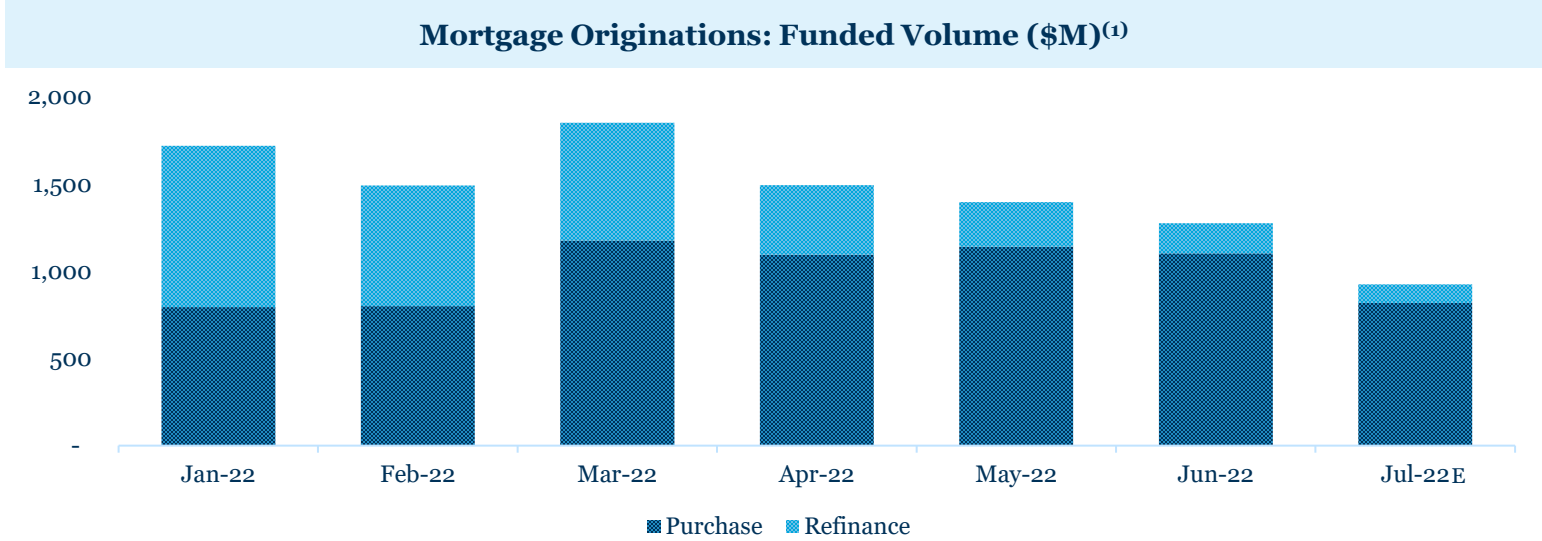


⁽¹⁾Data sourced from St. Louis Fed website, <https://fred.stlouisfed.org/>

Commentary

- The 30-year fixed rate to the consumer doubled from 2.9% in December 2020 to 5.8% by June 2022
- This comprised of a 2.1% increase in the 10-year Treasury Yield and a 0.8% increase in credit spreads
- These increases have had a dramatic impact on volumes, mix and margins over this time frame

The rapid increase in rates and spreads outpaced our efforts to cut costs in Mortgage

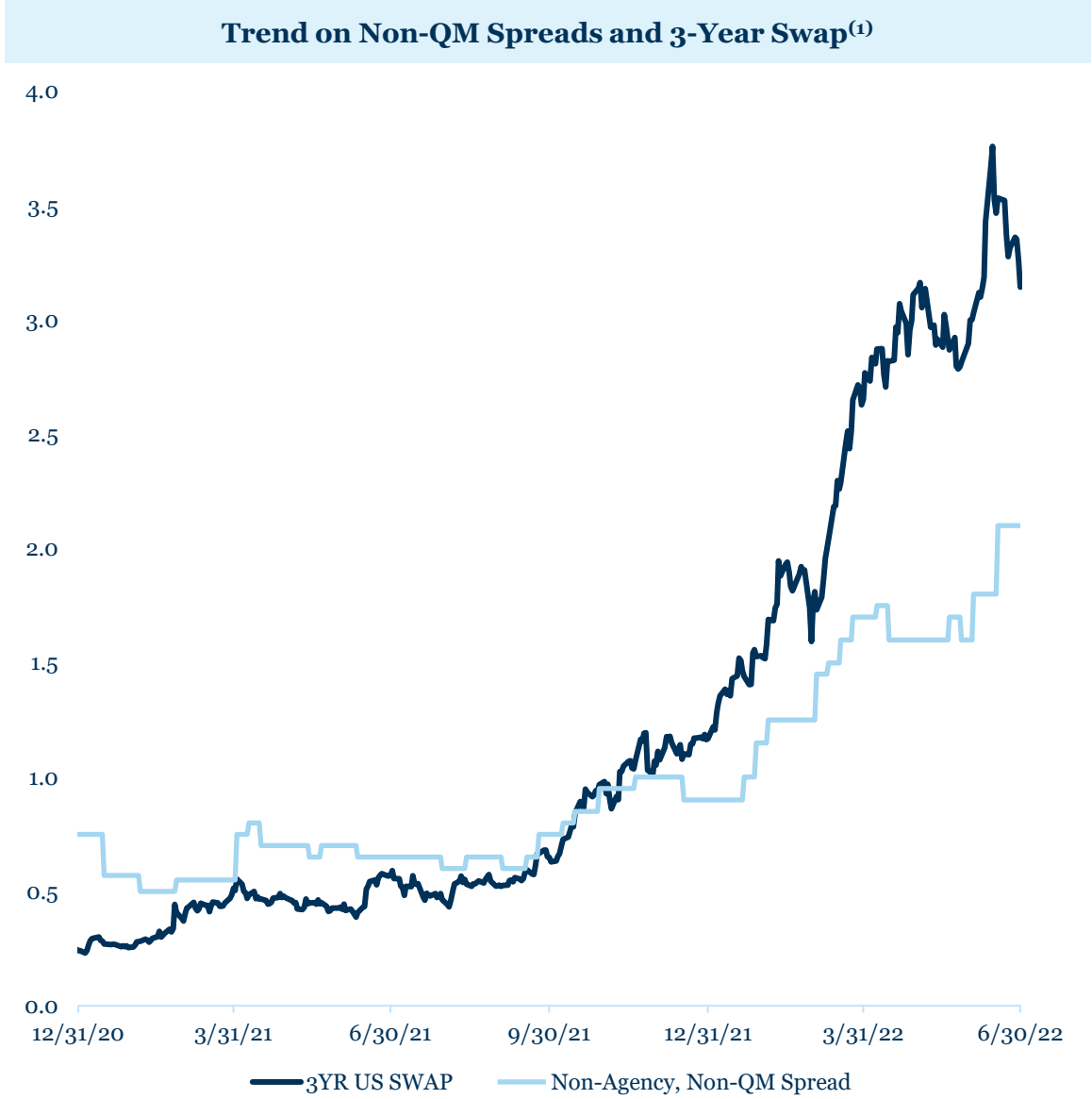


⁽¹⁾Funded volume excludes Home Improvement loans

- The rapid increase in rates and spreads caused refinance volume to drop 64% between Q1 and Q2 2022
- The drop in refinance was partially offset by 21% quarter over quarter growth in Purchase volumes
- This drop in refinance volume outpaced our efforts to cut costs in Q2
- We initiated another round of expense reductions in early Q3 that we expect to improve profitability throughout the second half of 2022



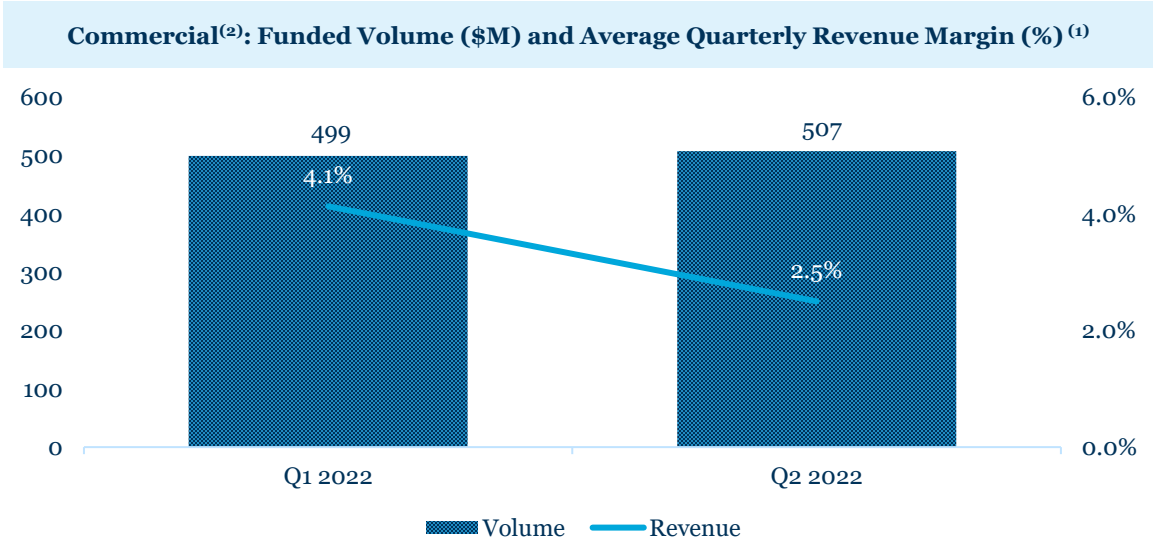
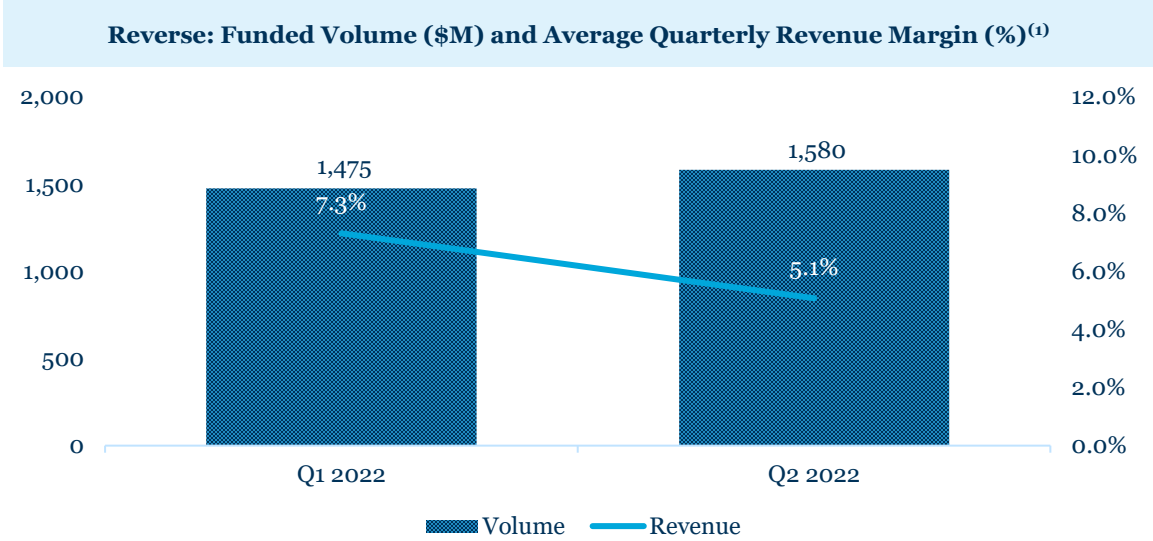
As a proxy for our Reverse and Commercial businesses, Non-QM, Non-Agency rates and spreads have similarly risen at a rapid pace



⁽¹⁾Data sourced from Bank of America Global Research and Bloomberg.

- Commentary**
- In 2022, underlying Non-QM rates increased at an extreme pace and spreads widened to new highs
 - In Q2 alone, 3-year swaps increased by 40 bps to 3.1% after peaking at 3.8% during the quarter
 - During that same period, spreads widened by 40 bps to new highs. Since the end of 2020, spreads have increased over 130 bps
 - This caused margins on these products to decrease as we were unable to reprice loans at the same velocity that the market moved

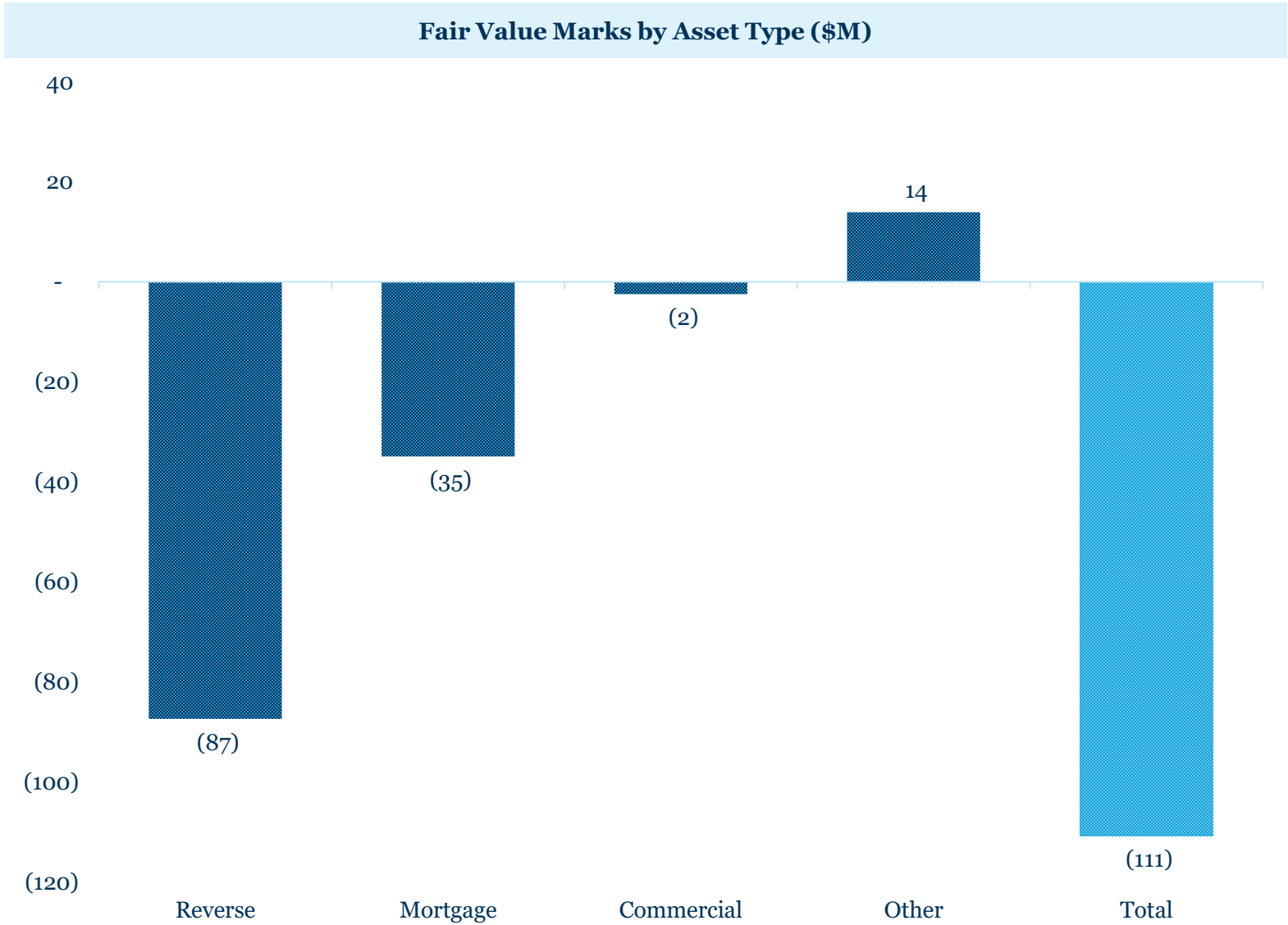
Our inability to raise rates at the same pace led to compressed margins in our Reverse and Commercial businesses



- Commentary**
- Record volumes in Reverse and flat quarter over quarter volumes for Commercial
 - Rapid rise in spreads negatively impacted margins in Reverse and Commercial despite raising loan rates multiple times
 - Assuming rates and spreads stabilize at these levels, we expect to see improved margins in Q3
 - In early Q3, we initiated expense reductions in both businesses that we expect to improve profitability for the remainder of the year

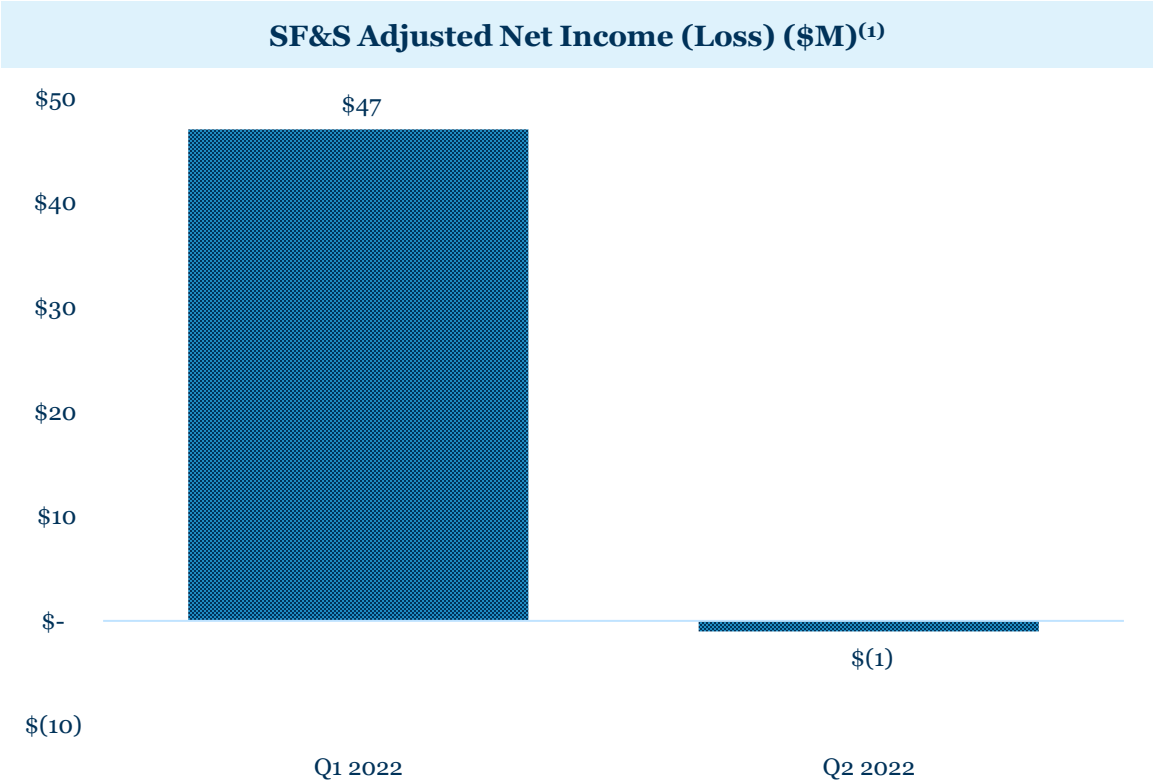
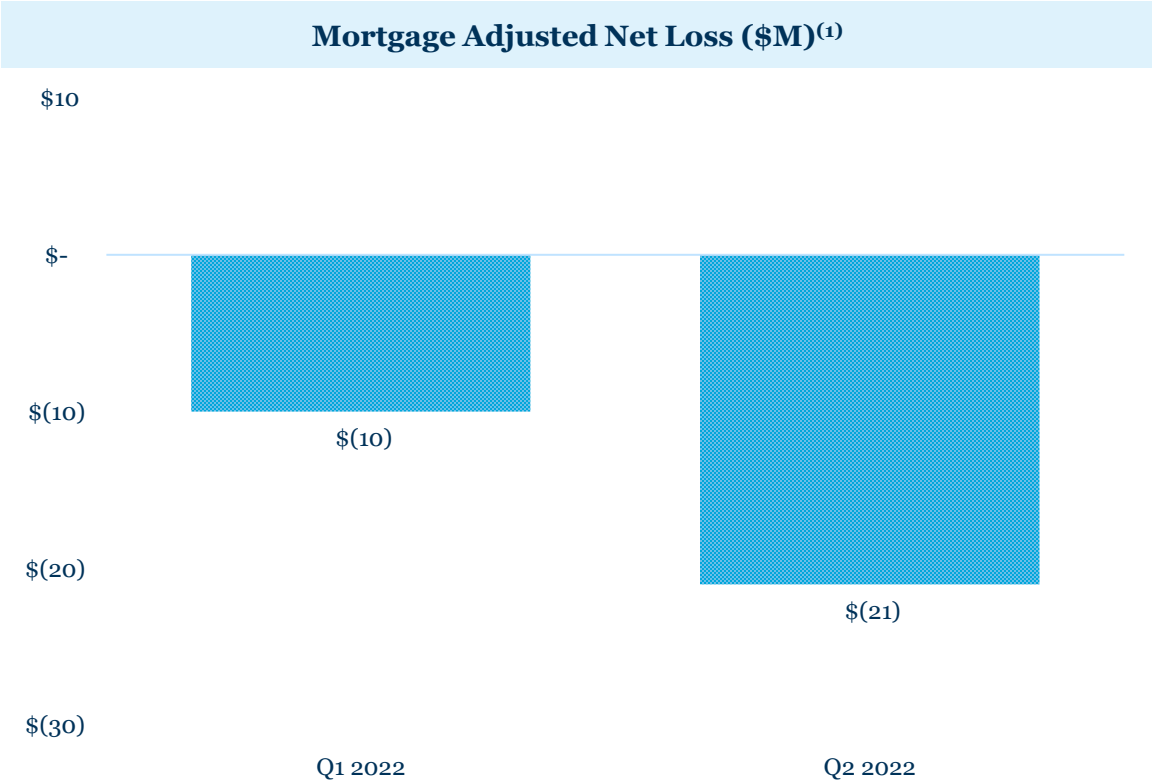
⁽¹⁾Revenue Margin calculated as Total Revenue divided by Funded Volume for each quarter
⁽²⁾Excludes agricultural funded volumes

The rapid rise in rates and spreads also impacted the fair values of our balance sheet



- The balance sheet was hedged against rate increases which generated substantial cash gains; used to pay off secured debt
- However, we are unable to efficiently hedge against spread increases
- We changed fair value model assumptions, which is a non-cash event, to reflect lifetime spread impacts on assets and liabilities
- We did not revert spread to mean; if this occurs, we will recoup these losses

Q3 2022 Guidance



Extreme market volatility makes segment projections unreliable

Assuming markets stabilize at current levels, we expect our rate increases and cost measures to be fully realized by the latter half of Q3 2022

- This should result in Adjusted Net Income (Loss) for Q3 to fall between Q1 and Q2 for each of Mortgage and SF&S
- We anticipate 2023 earnings should be at or above our Q1 2022 run rate

⁽¹⁾Please refer to the reconciliation of Net income (loss) (GAAP) to Adjusted net income (Non-GAAP financial measures) on Slide 10.

SUPPORTING MATERIALS



Non-GAAP Reconciliation for Mortgage and SF&S

Mortgage		
All values in \$ millions	Q1 2022	Q2 2022
Net loss before taxes	\$(22)	\$(35)
Adjustments for:		
Changes in fair value ⁽¹⁾	-	-
Amortization and impairment of goodwill and intangible assets ⁽²⁾	2	2
Share-based compensation ⁽³⁾	2	2
Certain non-recurring costs ⁽⁴⁾	4	3
Adjusted net loss before taxes	(14)	(28)
Benefit for income taxes ⁽⁵⁾	4	7
Adjusted net loss	\$(10)	\$(21)

Specialty Finance & Services		
All values in \$ millions	Q1 2022	Q2 2022
Net loss before taxes	\$(55)	\$(134)
Adjustments for:		
Changes in fair value ⁽¹⁾	96	111
Amortization and impairment of goodwill and intangible assets ⁽²⁾	12	12
Share-based compensation ⁽³⁾	7	5
Certain non-recurring costs ⁽⁴⁾	4	6
Adjusted net income before taxes	64	-
Provision for income taxes ⁽⁵⁾	(17)	(1)
Adjusted net income (loss)	\$47	\$(1)

⁽¹⁾ Changes in fair value include changes in fair value of loans and securities held for investment, deferred purchase price obligations, warrant liability, and minority investments.

⁽²⁾ Successor period amortization includes amortization of intangibles recognized from the business combination with Replay.

⁽³⁾ Funded 85% by the non-controlling shareholders.

⁽⁴⁾ Certain non-recurring costs relate to various one-time expenses and adjustments that management believes should be excluded as these do not relate to a recurring part of the core business operations. These items include certain one-time charges including amounts recognized for settlement of legal and regulatory matters, acquisition related expenses and other one-time charges.

⁽⁵⁾ We applied an effective combined corporate tax rate to adjusted consolidated pre-tax income (loss) for the respective period to determine the tax effect of adjusted consolidated net income (loss).

Numbers may not sum perfectly due to rounding.

