# Earnings Presentation | Q2 2021

August 2021

# Disclaimer

**Forward-Looking Statements**

This presentation includes “forward-looking statements” within the meaning of the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995. The actual results of Finance of America Companies Inc., together with its subsidiaries and affiliates, “Finance of America” may differ from its expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Words such as “expect,” “estimate,” “project,” “budget,” “forecast,” “anticipate,” “intend,” “plan,” “may,” “will,” “could,” “should,” “believes,” “predicts,” “potential,” “continue,” and similar expressions (or the negative versions of such words or expressions) are intended to identify such forward-looking statements.

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**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 in the Appendix. 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 EBTIDA outlook to net income 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.

# The Finance of America Difference

***A highly differentiated, diversified consumer lending platform producing cycle-resistant earnings***

- **The business is built around multiple products that are distributed through multiple channels**
  - Our three lending segments, Mortgage Originations, Reverse Originations and Commercial Originations are complemented by a fee for service segment (Lender Services)
  - In addition, our Portfolio Management segment manages a variety of financial assets on balance sheet and for third party investors
- **This diversification was built to provide resiliency in varying rate and economic environments**
  - The unique tailwinds supporting our diverse businesses are uncorrelated, thereby mitigating cycle volatility
- **We have built a sophisticated capital markets capability with deep investor relationships**
  - This allows us to efficiently transfer risk from the balance sheet and manage liquidity
  - It also provides a window into the market to optimize our origination strategy
  - We completed three securitizations in the quarter totaling over $1.1B in UPB, including our inaugural non-owner occupied securitization

***Customer First, Last and Always***

[1] Current equity of $2,379 million or $12.44 per share

# Q2 2021 Highlights[1]

## Diversified model mitigated mortgage impacts

- Mortgage revenue decreased $102 million, or 32%, in line with industry trends
- Record volumes in Reverse and Lender Services businesses drove revenue increase of $32 million, or 22%, for those segments
- Non-mortgage revenue accounted for 44% of total revenue compared to 37% in prior quarter

## Sustained high levels of Adjusted EBITDA

- Adjusted EBITDA[2] of $87 million down $67 million, or 44%, as increased revenues in Reverse, Commercial, and Lender Services partially offset $102 million mortgage revenue drop
- Substantial non-recurring items related to the "De-SPAC" transaction[3] resulted in a loss of $15 million after tax

## Per share metrics

- Adjusted Diluted Earnings per Share[2] of $0.30
- Book Equity per Diluted Share[2] of $12.44

[1] Highlights relative to prior quarter results
[2] Please refer to the reconciliation of Net (loss) income to Non-GAAP financial measures on slide 6. Per share metrics calculated on an if-converted basis.
[3] For additional information regarding the impact of the business combination on the company's financials, please see slide 13.

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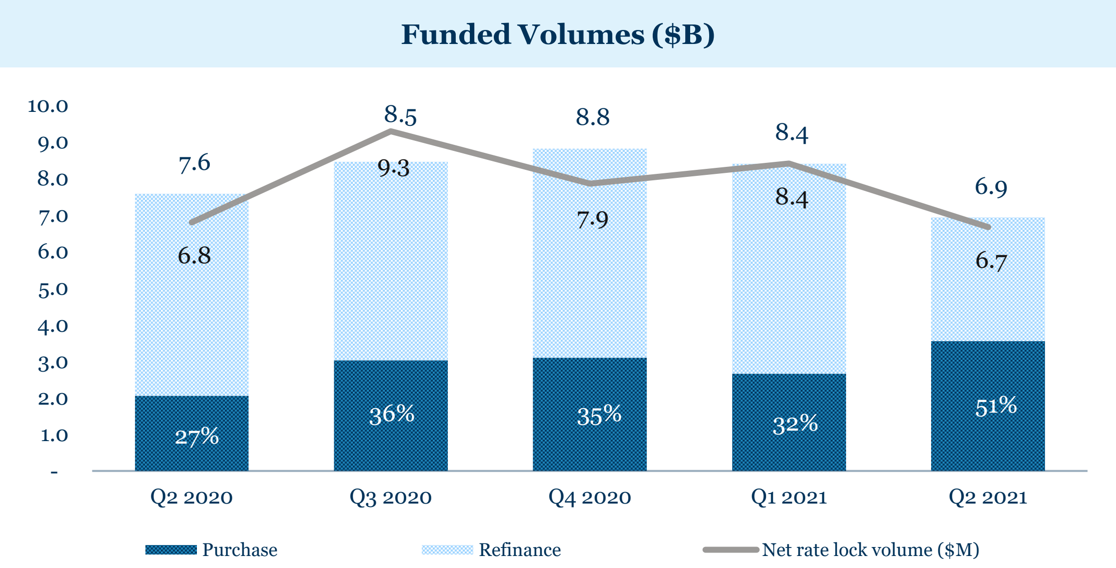
# Segment Results

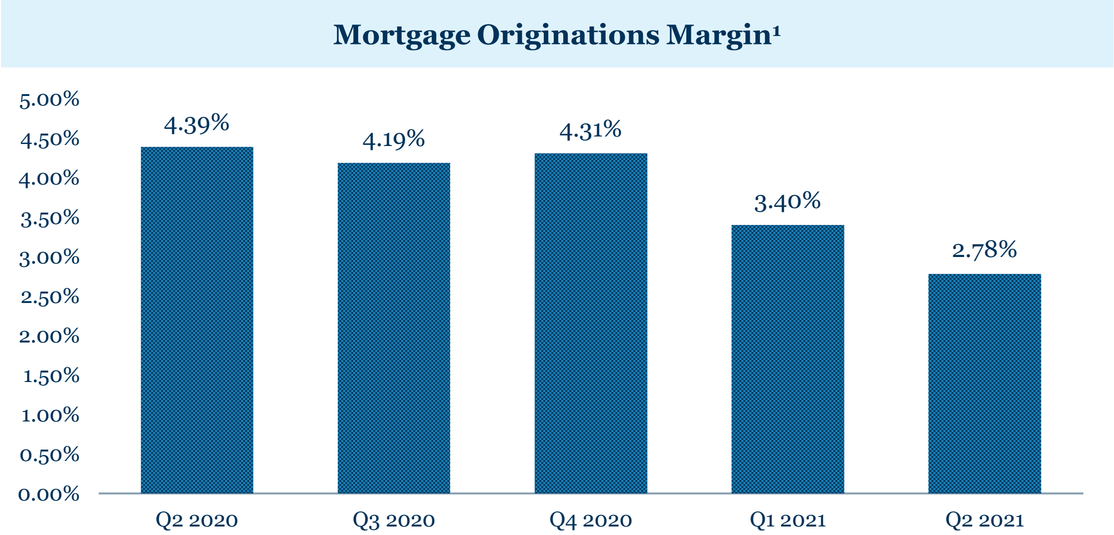
# Q2 Summary Financials and Non-GAAP Reconciliation

| $ millions | Q2 2021 | Q1 2021 | Q2 2020 |
|---|---|---|---|
| Mortgage | ($6) | $96 | $117 |
| Reverse | 53 | 45 | 33 |
| Commercial | 3 | 1 | (6) |
| Lender Services | 8 | 13 | 5 |
| Portfolio Management | (27) | 6 | 18 |
| Corporate | (45) | (36) | (19) |
| **Pre-tax income** | **($14)** | **$125** | **$146** |
| Income tax (expense) benefit | (1) | (1) | (0) |
| **Net income (loss)** | **($15)** | **$124** | **$146** |
| Change in fair value of loans and securities HFI | 20 | 2 | 0 |
| Other fair value changes | 4 | 9 | (0) |
| Amortization and impairment of intangibles | 13 | 1 | 1 |
| Share-based compensation | 11 | - | - |
| Non-recurring costs | 43 | 7 | 2 |
| Tax effect of adjustments attributable to FOAC Inc | (5) | - | - |
| Tax effect of net (income) loss attributable to NCI | 4 | (31) | (38) |
| Tax effect of adjustments attributable to NCI | (18) | (5) | (1) |
| **Adjusted net income** | **$57** | **$107** | **$110** |
| Effective income taxes | 21 | 37 | 39 |
| Depreciation | 2 | 2 | 2 |
| Interest expense on non-funding debt | 7 | 8 | 2 |
| **Adjusted EBITDA** | **$87** | **$154** | **$153** |

| $ millions, except per share data | Q2 2021 | Q1 2021 | Q2 2020 |
|---|---|---|---|
| **Other Key Metrics** | | | |
| Cash taxes paid | 2 | - | - |
| Provision for income taxes | 1 | 1 | - |
| **GAAP per share measures** | | | |
| Net income attributable to controlling interest | 2 | - | - |
| Average outstanding share count | 60 | - | - |
| **Basic earnings per share** | **$ 0.04** | **n/a** | **n/a** |
| If-converted method net (loss) income | ($10) | $120 | $148 |
| Weighted average diluted share count | 191.2 | 191.2 | 191.2 |
| **Diluted earnings per share** | **$(0.05)** | **$0.63** | **$0.78** |
| Book Equity | $2,379 | $844 | $775 |
| Weighted average diluted share count | 191.2 | 191.2 | 191.2 |
| **Book Equity per diluted share** | **$12.44** | **$4.42** | **$4.05** |
| **Non-GAAP per share measures** | | | |
| Adjusted net income | $57 | $107 | $110 |
| Weighted average diluted share count | 191.2 | 191.2 | 191.2 |
| **Adjusted earnings per diluted share** | **$0.30** | **$0.56** | **$0.58** |

# Mortgage revenue impacted by industry trends



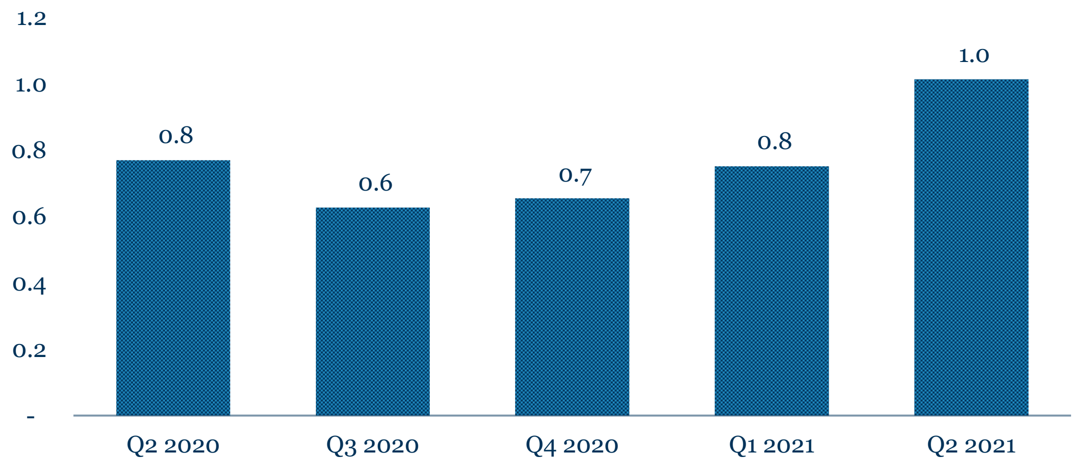

## Highlights

- Pre-tax loss of $6 million for the quarter driven by 32% decline in revenue, non-recurring expense items, and impacts from recent acquisitions. For Q2, the latter two totaled $14 million
- Funded volume of $6.9 billion compared to $7.6 billion in the second quarter of 2020 and $8.4 billion in the prior quarter as refinance volumes slowed
- Similarly, net rate lock volume of $6.7 billion compared to $6.8 billion in the second quarter of 2020, and $8.4 billion in the prior quarter
- Purchase mix increased from 32% in prior quarter to 51%; an increase of $0.8 billion to $3.5 billion
- Mortgage originations margin trended lower reflecting tighter spreads across the industry as a result of normalizing operational capacity

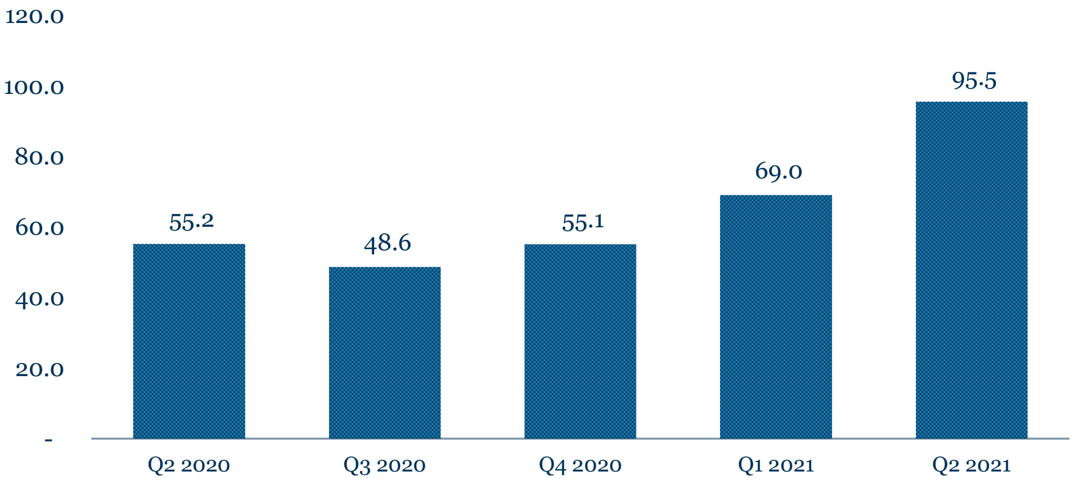
[1] Calculated for each period as gain on sale and other income from mortgage loans held for sale, net, divided by net rate lock volume.

# Reverse volume and revenue led to record quarter

**Funded Volumes ($B)[1]**




**Revenue ($M)**



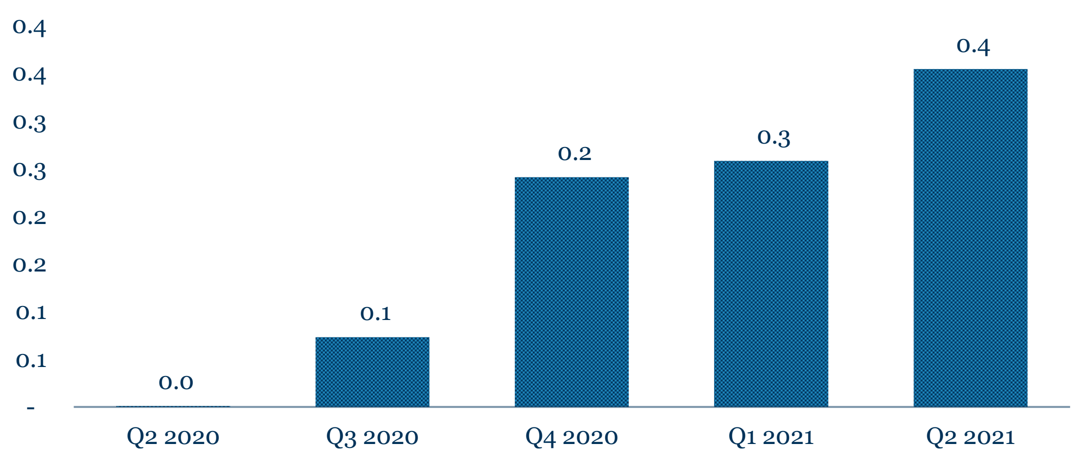

[1] Excludes tail volumes

## Highlights

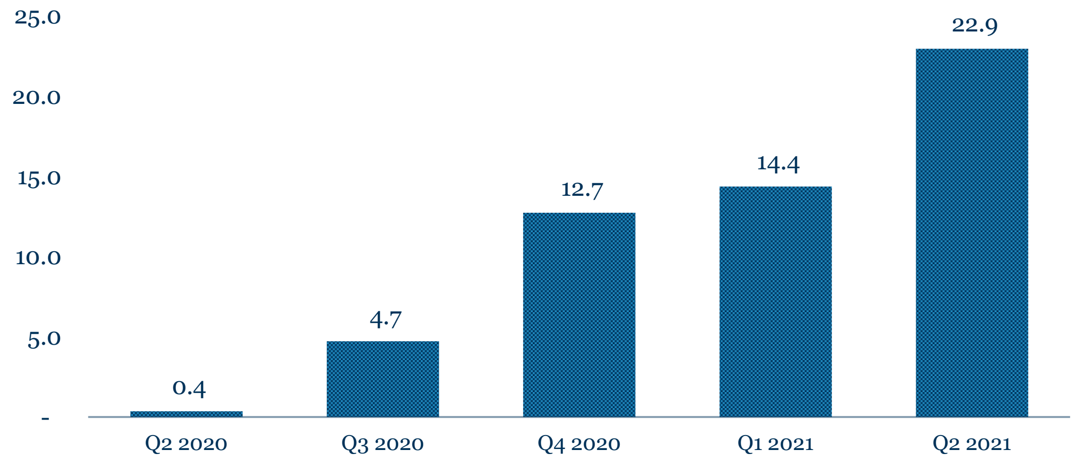
- Pre-tax income of $53 million for the quarter driven by record revenue
- Record quarterly funded volume in Reverse of $1.0 billion, up 32% year over year
- Reverse originations growth driven by home price appreciation
- Revenue increased 38% on a sequential quarter basis

# Commercial Originations continued to build momentum

**Funded Volumes ($B)[1]**




**Revenue ($M)**

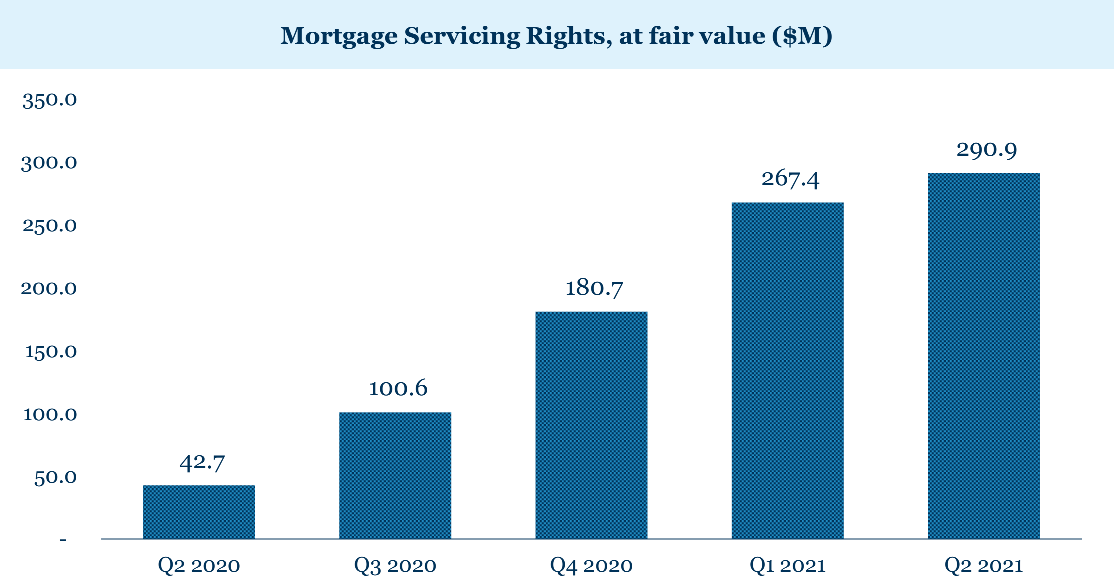


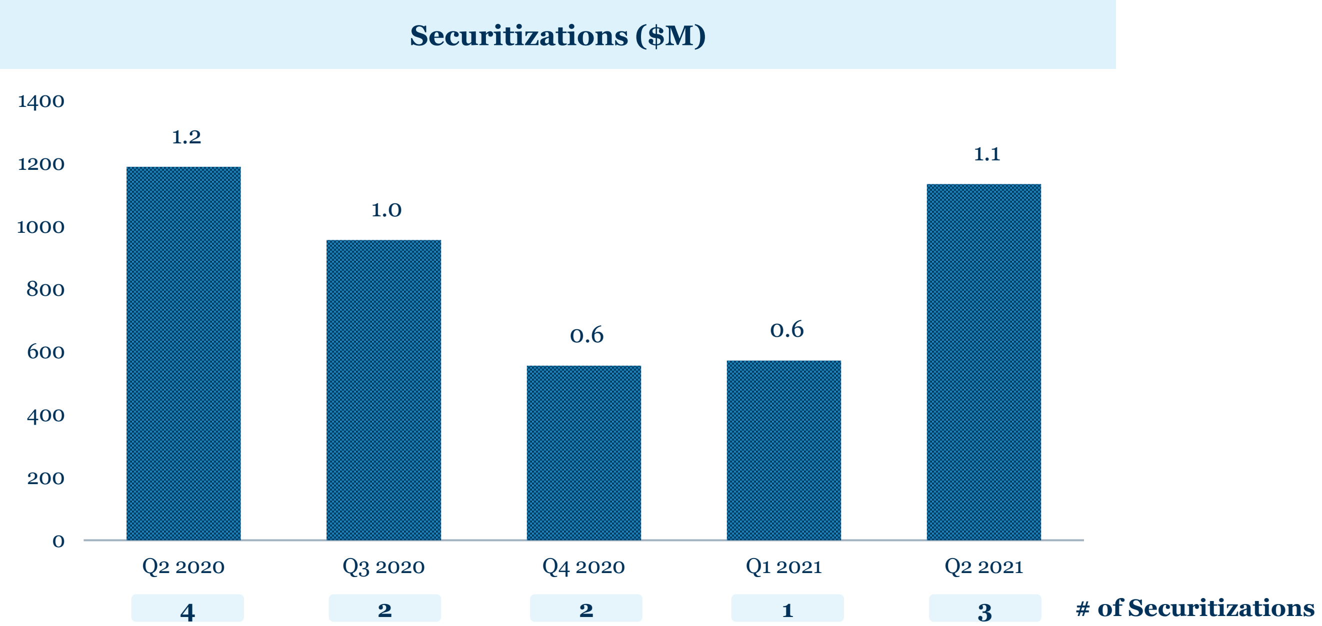

[1] Excludes Agricultural funded volumes

## Highlights

- Pre-tax income of $3 million for the quarter
- Funded volume increased 37% on a sequential-quarter basis as borrower and investor demand remains robust
- Current pipeline exceeds pre-pandemic levels
- Revenue increased 64% on a sequential-quarter basis

# Capital markets activity remained strong

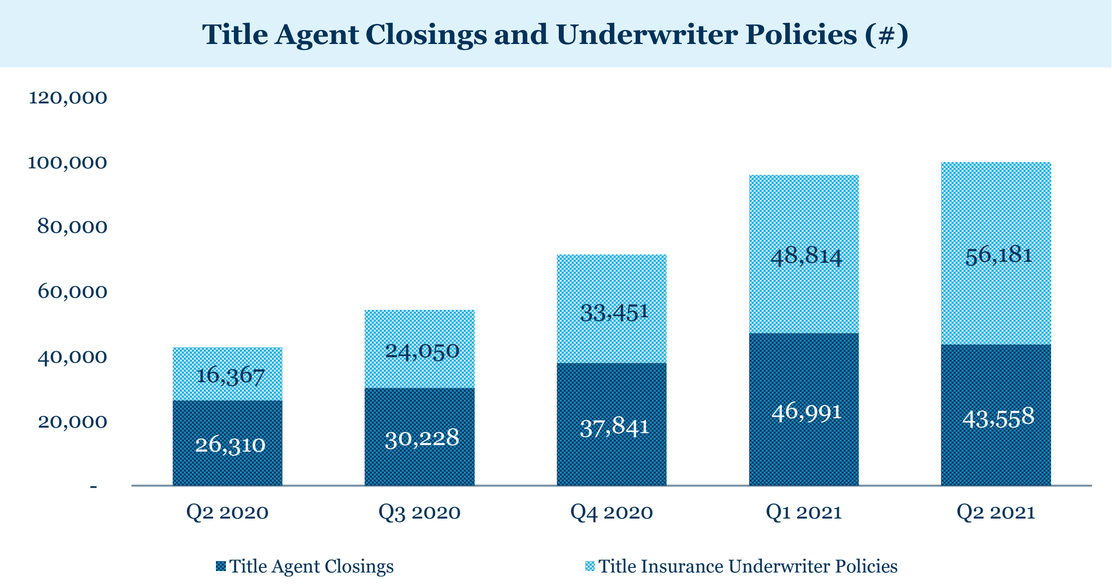


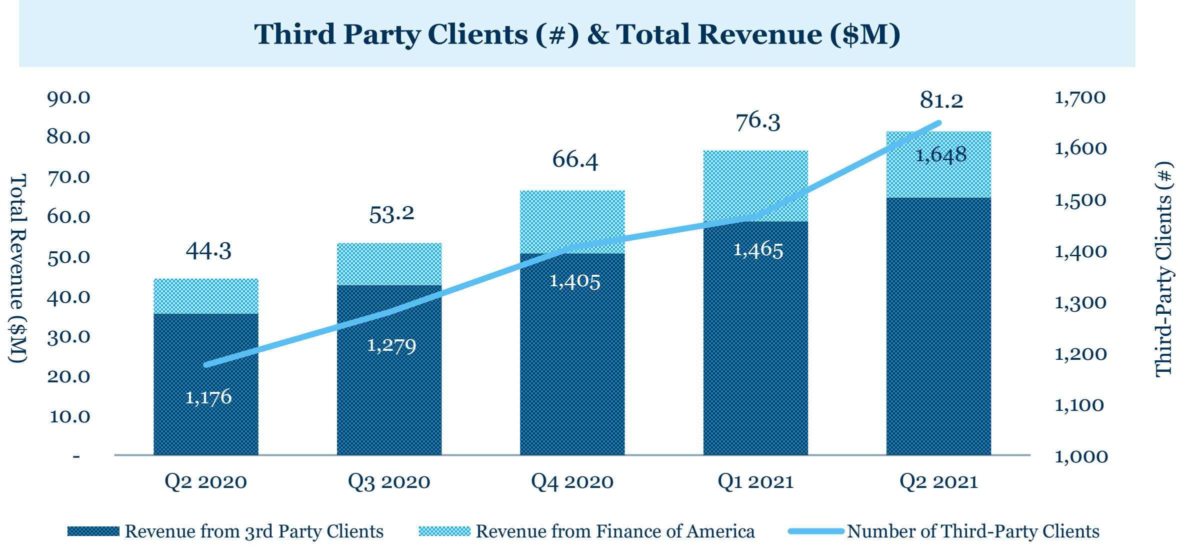




## Highlights

- Pre-tax loss of $27 million in the quarter was negatively impacted by fair value adjustments and non-recurring expenses related to the Business Combination
- Continued growth in Mortgage Servicing Rights.
- During the quarter, the business completed three securitizations totaling $1.1 billion
- Securitizations spanned multiple asset classes including our first securitization of Non-Owner Occupied loans
- Our capabilities and investor relationships allow our businesses to originate non-GSE products (eg. Non-Owner Occupied after the agencies capped their acquisition limits) rather than competing on GSE refinance volume

# Growing client base fueled Lender Services growth




## Highlights

- Pre-tax income of $8 million for the quarter as non-recurring expenses related to the Business Combination offset 7% quarter over quarter revenue growth
- Segment earnings driven by strong title agency and underwriting revenue
- Ongoing focus on expanding business lines to deepen cross-sell and onboarding new third-party customers across our businesses
- Third-party clients up to 1,648 as of June 30, 2021, contributing 80% of quarterly segment revenue

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# Business Combination Impacts

# What happened?

- Some of our peers have recently gone public, either via traditional IPO or SPAC merger
- In a traditional IPO, there is no business combination to evaluate, and as a result, no purchase accounting is required
- In a SPAC merger, there are various reasons why the accounting treatment of such SPAC transactions may differ, including, for example, control arrangements
- On April 1, 2021, Finance of America Equity Capital LLC ("FOAEC" or the predecessor company) completed its business combination transaction with Replay Acquisition Corp. which resulted in Finance of America Companies Inc. ("FOA"), a newly formed Delaware corporation, becoming a publicly traded company ("the Business Combination")
- According to GAAP, FOA (the newly formed public company) was determined to be the accounting acquirer in the Business Combination
- This required the following accounting entries as of the acquisition date:
  - The assets and liabilities of the predecessor company were recorded at fair value
  - The assets and liabilities of FOA were recorded at carrying value
  - The excess purchase price over the value of acquired net assets was recognized as goodwill
- As a result, FOA was allowed to book an incremental $1.1 billion of goodwill and $688 million of intangible assets
- In addition, FOA also incurred several other non-recurring expenses

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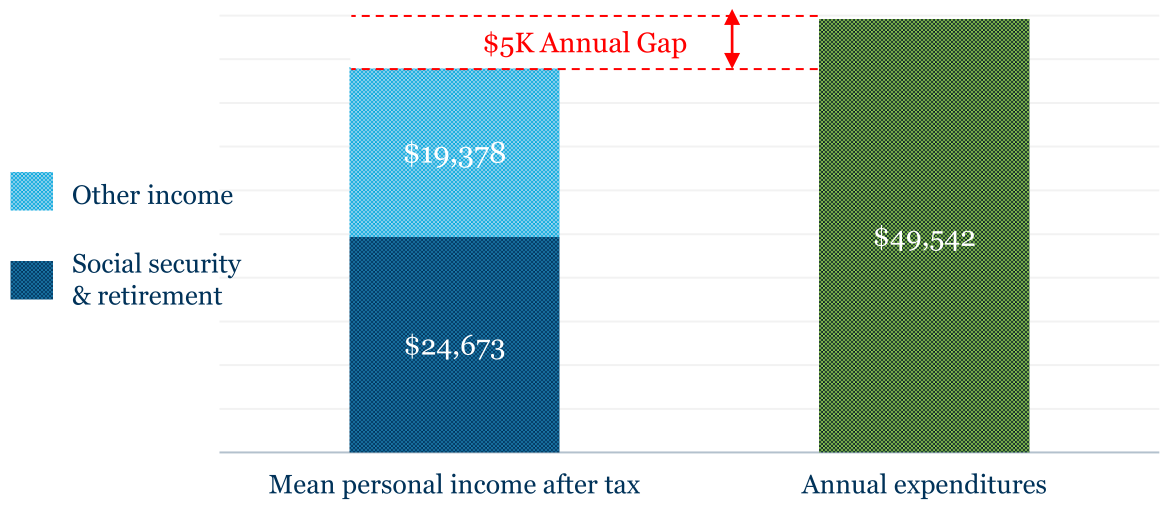
# Segment Spotlight: Finance of America Reverse

# **Fact:** Seniors have inadequate savings for retirement

## Annual Cash Flow Shortfall [1]



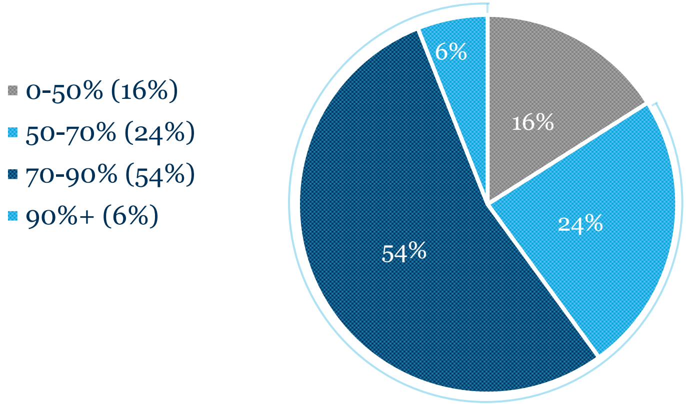

## Savings Depletion Over Time [2]


- A growing senior population has not saved enough for retirement
- Given senior households have a median retirement savings of ~$17K and are underfunded by over $5K annually, they will need a new source of funds after three years

[1] Source: AARP and Bureau of Labor Statistics data
[2] Source: CNBC 'How much the average family has saved for retirement at every age'

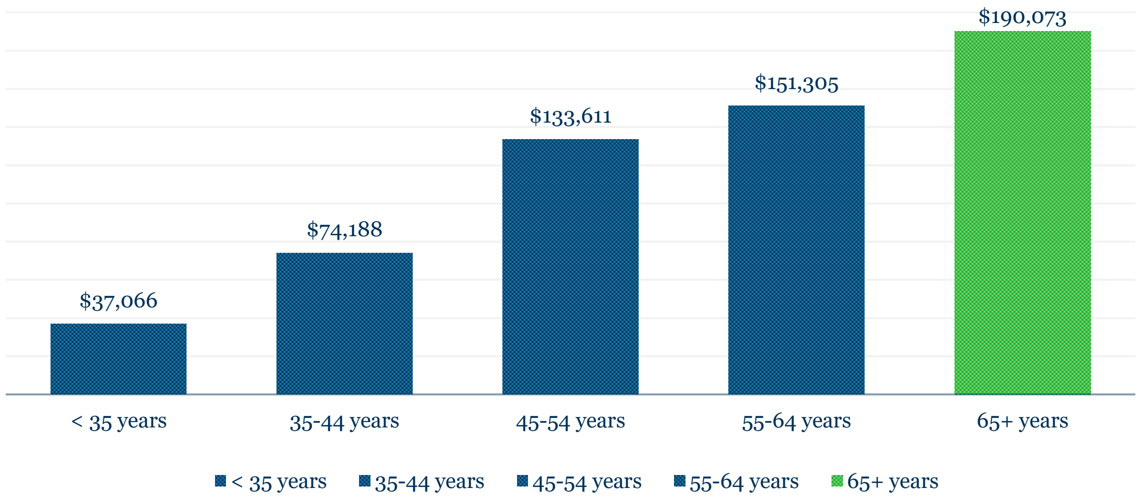
# **Fact:** Seniors have substantial untapped home equity

**Seniors' home equity as a % of wealth[1]**




***84%** of senior homeowners hold more than 50% of their wealth in home equity*

**Average equity in owned homes by age cohort[2]**




## Our experience has shown that:

- **Many seniors are unclear how to access home equity as part of their retirement plan**
- **Many seniors believe the only way to access the equity in their home is to sell the home however most consumers prefer to age in place**
- **Education and advice from third parties to this demographic has been poor**

[1] Source: Urban Institute 2016 Senior Survey
[2] Source: U.S. Census Bureau data

# **Solution:** A Reverse Mortgage can monetize untapped home equity to mitigate savings shortfalls

**Reverse mortgages** are flexible financial products, that allow seniors who are typically 62 years or older to convert the equity in their home to cash

## Typical Reverse Borrower

- **62 years or older**
- Significant home equity built up in primary residence
- **Desires to reside at home for foreseeable future**
- Common use of proceeds:
  - **Eliminate monthly mortgage payments**
  - Lower monthly bills
  - Improve or upgrade home, add features to make aging in place easier
  - **Improve lifestyle**
  - **Increased cash flow needs**

## Financial Planning Tool

- Flexible disbursement options including:
  - **Lump sum payment**
  - **Line of credit**
  - **Tenure**
  - **Term**
- Risk and cash management retirement tool
- **Long-term care funding tool**
- Allows ability to delay social security and pension payouts

## Mortgage Mechanics

- **No monthly mortgage payments;** borrower may have lump sum or Line of Credit
- Borrower is obligated to pay T&I (unless there is a LESA[1]) and HOA dues, if applicable
- Loan balance grows over time
- Loan amount repaid from final property sale proceeds and/or FHA insurance (HECM only)

## Loan Repayment

- Loan is not repayable until an uncured default of failure to pay real estate taxes or homeowners' insurance occurs or six months after the last surviving borrower moves out or passes away
- **Non-recourse** to borrowers and heirs if proceeds from the sale of the home is less than loan balance
- If borrower or heirs sell property, they retain equity after payoff of loan

[1] LESA is Life Expectancy Set Aside

# **Our Competitive Advantage:** FOA has built an industry leading platform to address this problem

*Background*

- Finance of America Reverse has been originating reverse mortgages since 2003
- Management team averages 15 years of **reverse** mortgage experience; ~300 FTEs across the country
- Licensed to originate and service HECMs in 50 states, Washington D.C., and Puerto Rico

## INNOVATION

- Launched non-agency reverse product in 2014, four years prior to the competition; offering most comprehensive suite of private reverse products for the growing population of seniors.
- Leading capital markets capabilities to securitize both proprietary and agency products.

## DISTRIBUTION

- Opportunity to work with industry peers and partners to increase awareness of product benefits leading to greater adoption
- Largest wholesale lender in the industry for 11 years running, with opportunity tied to large distributed retail footprint.

## CREDIBILITY

Preferred Partner of the Financial Planning Association (FPA) and Corporate Affiliate of the Stanford Center on Longevity

## MARKETING

**Make home equity an accepted part of a prudent, sustainable retirement plan**

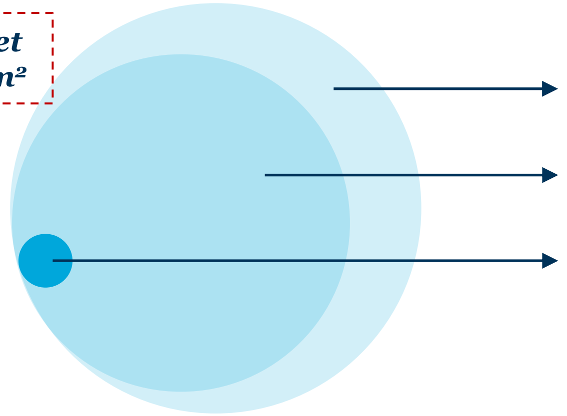
- Strategy
  - Customers As Celebrities – Real life customer success stories
  - Alignment to the Lifestyles of our target segments
  - Advertising that is surprisingly fresh and distinct from our category
  - Through the select endorsement of respected institutions
- Early Results
  - **93% net sentiment score versus 54% for the industry[1]**

[1] Source: Q2 2021 FAR NetSentiment Report in partnership with Human Design and NetBase Solutions, Inc.

# **FOA Opportunity:** Along with our peers, to grow the market as opposed to compete for share

## Seniors have substantial untapped home equity[1]

***<2% Market Penetration[2]***

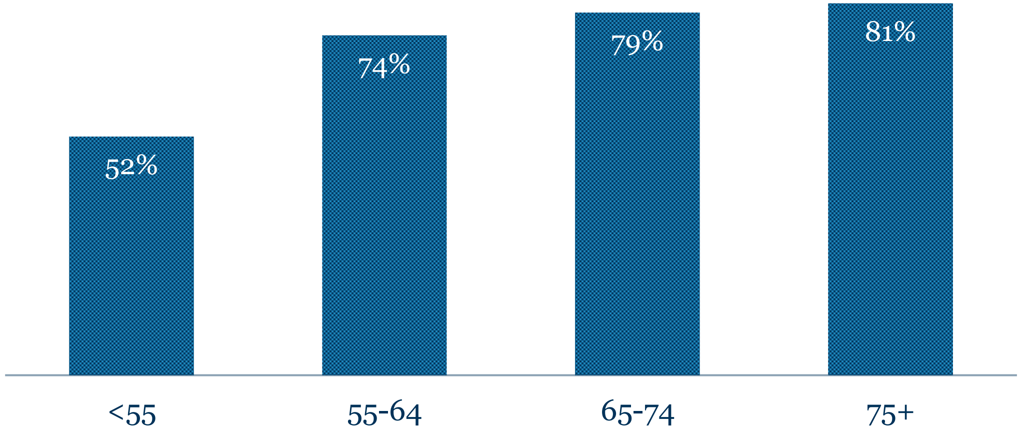


Senior home value[1]
**$10tn**

Senior home equity[1]
**$8tn**

Reverse mortgage loans outstanding[3]
**$105bn**

## Home Ownership Rate By Age[4]




## Growing Senior Population With a Desire to Age In Place

***3.2%***
**Annual Growth** [5]

*Growing Senior Population*

***90%***
**Want to Stay in Current Home** [6]

*Strong Desire to Age In-Place*

[1] Source: National Reverse Mortgage Lenders Association, Q4 2020 RMMI
[2] Source: The Brookings Institution Report – Unlocking housing wealth for older Americans, 2019
[3] Source: Industry data of the sum of the maximum claim amounts of the remaining insured HECM loans
[4] Source: Center for Retirement Research at Boston College, 2016
[5] Source: Source: U.S. Census Bureau
[6] Source: AARP Survey, 2017

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# Appendix

# The Reverse Industry has gone through significant change

*Substantial consumer protections have been mandated to the reverse mortgage market in the past decade*

| Activity | 2013 | 2014 | 2015 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| 60% cap on upfront draws | | | | | | | |
| Reduced PLF (the reverse LTV): reduced percentage of borrowers who qualified, reducing overall industry production | | | | | | | |
| Introduction of Financial Assessment:<br>• All borrowers required to complete reverse mortgage counseling through HUD Approved Independent 3rd party counselor<br>• All borrower's complete financial assessment to assess creditworthiness and ability to pay tax and insurance obligations<br>• If required, life expectancy set-aside ("LESA") created to cover taxes and hazard insurance payment for life of loan | | | | | | | |
| Provisions which grant a surviving, non-borrowing spouse the right to continue to occupy the property subject to the terms of the original loan agreement | | | | | | | |
| Changes to upfront and ongoing mortgage insurance premiums and update of PLFs/LTVs, reducing interest rate floor from 5.06% to 3% | | | | | | | |
| Introduction of collateral risk assessment of HECM appraisals to ensure proper valuations were being used in the origination of HECMs | | | | | | | |

| Finance of America Reverse | Pre-Financial Assessment (as of 3/2015) | Post Financial Assessment (as of 3/2020) |
|---|---|---|
| T&I Default | 5.9% | 1.2% |

**80% improvement in T&I Default at Finance of America Reverse since financial assessment was implemented**

# Finance of America Reverse goes above and beyond

## We are heavily invested to support our customers in their time of need

**FOA has established a Borrower Care team (independent of our sub-servicer) who:**

- Provides, at FOA's expense, access to assistance with property claims or repair needs
- Provides "Cash for Keys" exits even to non-borrowers to avoid foreclosure and/or eviction
- May fund mortgagee-cure of taxes and insurance if all other options are exhausted and borrower or authorized representative can confirm willingness to maintain the home

**Additional steps taken to avoid negative outcomes (FC, Eviction and associated headline risk):**

- FOA begins monitoring loans and regularly contacting borrowers when the balance reaches 90% of the original maximum claim amount to ensure borrower welfare as well as their continued ability to pay property charges and maintain the property
- HUD provides options to delay foreclosure that many servicers only use if they are financially advantageous to the servicer. FOA's policy is to utilize them 100% of the time, regardless of whether the outcome results in increased carry costs to FOA

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Homeowner Help

**Finance of America Foundation (Established in 2016)**

- Offers support, education and relief to distressed borrowers that stretch beyond traditional industry approaches
- Leveraging partnerships from Finance of America and Former Congressman Barney Frank
- Website: https://homeownerhelp.org

**FOA's strategies are working. In the past year, FOA's reverse business has had:**

- ✓ A **245% increase** in Optional Delays, providing adequate time to work with the borrower to achieve the right solution[1]
- ✓ A **154% increase** in borrowers on Repayment Plans in lieu of foreclosure [1]
- ✓ No evictions of a living borrower or non-borrowing spouse [2]

[1] Optional Delays and Repayment Plans as of Jul'20 LTM
[2] Eviction data as of Mar '20 LTM; no evictions due to Covid-19

# Reverse Mortgage Research

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