

Prospectus Supplement No. 2
(to prospectus dated June 4, 2021)



Finance of America Companies Inc.

**186,461,906 Shares of Class A Common Stock offered by Selling Securityholders
Up to 14,374,971 Shares of Class A Common Stock offered by Finance of America Companies Inc.**

This prospectus supplement is being filed to update and supplement the information contained in the prospectus dated June 4, 2021 (as it may be supplemented or amended from time to time, the “Prospectus”), with the information contained in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, which we filed with the Securities and Exchange Commission on November 12, 2021 (the “Quarterly Report”). Accordingly, we have attached the Quarterly Report to this prospectus supplement.

The Prospectus and this prospectus supplement relate to: (a) the offer and sale from time to time by the selling securityholders named in the Prospectus (the “Selling Securityholders”) of up to 186,461,906 shares of our Class A Common Stock, including up to 131,318,286 shares of Class A Common Stock that we may issue from time to time to the Selling Securityholders upon exchange of an equal number of limited liability company interests (“FoA Units”) in Finance of America Equity Capital LLC (“FoA”), held by them; and (b) the offer and sale by us of up to an aggregate of 14,374,971 shares of our Class A Common Stock that are issuable upon the exercise of 14,374,971 Warrants originally issued in the initial public offering of Replay Acquisition LLC (f/k/a/ Replay Acquisition Corp.).

This prospectus supplement updates and supplements the information in the Prospectus and is not complete without, and may not be delivered or utilized except in combination with, the Prospectus, including any amendments or supplements thereto. This prospectus supplement should be read in conjunction with the Prospectus and if there is any inconsistency between the information in the Prospectus and this prospectus supplement, you should rely on the information in this prospectus supplement.

Our Class A Common Stock and our Warrants are listed on the New York Stock Exchange, or NYSE, under the symbols “FOA” and “FOA.WS,” respectively. On November 11, 2021, the closing price of our Class A Common Stock was \$5.85 and the closing price for our Warrants was \$0.7226.

We are an “emerging growth company” as defined under the federal securities laws and, as such, may elect to comply with certain reduced public company reporting requirements for future filings. See “Summary—Implications of Being an Emerging Growth Company” in the Prospectus.

See the section entitled “[Risk Factors](#)” beginning on page 7 of the Prospectus to read about factors you should consider before buying our securities.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of the Prospectus or this prospectus supplement. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is November 12, 2021.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-40308

FINANCE OF AMERICA COMPANIES INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

85-3474065
(I.R.S. Employer
Identification No.)

Street Address 909 Lake Carolyn Parkway,
Suite 1550, Irving Texas
(Address of Principal Executive Offices)

75039
(Zip Code)

(972) 999-1833

Registrant's telephone number, including area code

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.0001 per share	FOA	The New York Stock Exchange
Warrants to purchase shares of Class A Common Stock	FOA.WS	The New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, anon-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of November 12, 2021, 58,936,744 of the registrant's Class A common stock, par value \$0.0001 per share, were issued and outstanding.

**Finance of America Companies Inc.
and Subsidiaries**

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes “forward-looking statements” within the meaning of the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts or statements of current conditions, but instead represent only management’s beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside of the Company’s control. It is possible that our actual results, financial condition and liquidity may differ, possibly materially, from the anticipated results, financial condition and liquidity in these forward-looking statements. The Company’s actual results 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. The Company cautions readers not to place undue reliance upon any forward-looking statements, which are current only as of the date of this report. Results for any specified quarter are not necessarily indicative of the results that may be expected for the full year or any future period. The Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in its expectations or any change in events, conditions, or circumstances on which any such statement is based, except as required by law. Such forward-looking statements are subject to various risks and uncertainties including, among others; the effect of the COVID-19 pandemic on the Company’s business; changes in prevailing interest rates or U.S. monetary policies that affect interest rates that may have a detrimental effect on our business; 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; the use estimates in measuring or determining the fair value of the majority of our assets and liabilities; the possibility of disruption in the secondary home loan market, including the mortgage-backed securities market; and other risks and uncertainties set forth in the section entitled “Risk Factors” included in our Registration Statement on Form S-1 originally filed with the SEC on May 25, 2021, as such factors may be further updated from time to time in the Company’s periodic filings with the SEC, which are accessible on the SEC’s website at www.sec.gov. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in the Company’s other filings with the SEC.

Website Disclosure

The Company may use its website as a distribution channel of material company information. Financial and other important information regarding the Company is routinely posted on and accessible through the Company’s investor relations website at <https://www.financeofamerica.com/investors>. In addition, you may automatically receive email alerts and other information about the Company when you enroll your email address by visiting “Email Alerts” under the “News & Events” tab of our investor relations website. Information on the Company’s website is not incorporated by reference herein and is not a part of this Form 10-Q.

Part I - Financial Information

Item 1. Financial Statements

Finance of America Companies Inc. and Subsidiaries
 Consolidated Statements of Financial Condition
 (In thousands, except share data)

	September 30, 2021	December 31, 2020
	Successor	Predecessor
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 191,736	\$ 233,101
Restricted cash	325,226	306,262
Reverse mortgage loans held for investment, subject to HMBS related obligations, at fair value	10,347,459	9,929,163
Mortgage loans held for investment, subject to nonrecourse debt, at fair value	5,939,651	5,396,167
Mortgage loans held for investment, at fair value	1,077,670	730,821
Mortgage loans held for sale, at fair value	2,047,015	2,222,811
Debt securities	7,317	10,773
Mortgage servicing rights, at fair value, \$96,073 and \$14,088, subject to nonrecourse MSR financing liability, respectively	340,949	180,684
Derivative assets	54,993	92,065
Fixed assets and leasehold improvements, net	29,503	24,512
Goodwill	1,298,796	121,233
Intangible assets, net	692,676	16,931
Other assets, net	315,102	300,632
TOTAL ASSETS	\$ 22,668,093	\$ 19,565,155
LIABILITIES, CONTINGENTLY REDEEMABLE NONCONTROLLING INTEREST (“CRNCI”) AND EQUITY		
HMBS related obligation, at fair value	\$ 10,216,310	\$ 9,788,668
Nonrecourse debt, at fair value	5,831,083	5,271,842
Other financing lines of credit	3,325,156	2,973,743
Payables and other liabilities	509,803	400,058
Notes payable, net	353,567	336,573
TOTAL LIABILITIES	20,235,919	18,770,884
Commitments and Contingencies (Note 21)		
CRNCI	—	166,231
EQUITY (Note 30)		
FoA Equity Capital LLC member’s equity	—	628,176
Class A Common Stock (Successor), \$0.0001 par value; 6,000,000,000 shares authorized; 58,936,744 shares issued and outstanding at September 30, 2021	6	—
Class B Common Stock (Successor), \$0.0001 par value; 1,000,000 shares authorized, 6 shares issued and outstanding at September 30, 2021	—	—
Additional paid-in capital (Successor)	821,316	—
Accumulated deficit (Successor)	(48,164)	—
Accumulated other comprehensive (loss) income	(92)	9
Noncontrolling interest	1,659,108	(145)
TOTAL EQUITY	2,432,174	628,040
TOTAL LIABILITIES, CRNCI AND EQUITY	\$ 22,668,093	\$ 19,565,155

See accompanying notes to unaudited consolidated financial statements

Finance of America Companies Inc. and Subsidiaries
Consolidated Statements of Financial Condition
(In thousands)

The following table presents the assets and liabilities of the Company's consolidated variable interest entities, which are included on the Consolidated Statements of Financial Condition above, and excludes intercompany balances, retained bonds and beneficial interests that eliminate in consolidation.

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
	<u>Successor</u>	<u>Predecessor</u>
	<u>(unaudited)</u>	
ASSETS		
Restricted cash	\$ 306,615	\$ 293,580
Mortgage loans held for investment, subject to nonrecourse debt, at fair value	5,939,651	5,396,167
Other assets	69,947	79,528
TOTAL ASSETS	<u>\$ 6,316,213</u>	<u>\$ 5,769,275</u>
LIABILITIES		
Nonrecourse debt, at fair value	\$ 5,735,010	\$ 5,257,754
Payables and other liabilities	117	291
TOTAL LIABILITIES	<u>\$ 5,735,127</u>	<u>\$ 5,258,045</u>
Net fair value of assets subject to nonrecourse debt	<u>\$ 581,086</u>	<u>\$ 511,230</u>

See accompanying notes to unaudited consolidated financial statements

Finance of America Companies Inc. and Subsidiaries
Consolidated Statements of Operations
(In thousands, except share data)
(Unaudited)

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor			Predecessor	
REVENUES					
Gain on sale and other income from mortgage loans held for sale, net	\$ 210,095	\$ 397,672	\$ 291,334	\$ 407,926	\$ 836,901
Net fair value gains on mortgage loans and related obligations	122,509	253,660	76,663	95,955	221,638
Fee income	145,725	236,589	161,371	119,375	266,002
Net interest expense:					
Interest income	15,862	29,013	12,661	9,937	29,615
Interest expense	(37,691)	(71,317)	(34,366)	(25,935)	(93,165)
Net interest expense	(21,829)	(42,304)	(21,705)	(15,998)	(63,550)
TOTAL REVENUES	456,500	845,617	507,663	607,258	1,260,991
EXPENSES					
Salaries, benefits and related expenses	262,000	536,731	238,530	240,381	615,034
Occupancy, equipment rentals and other office related expenses	8,283	15,003	7,597	8,184	22,795
General and administrative expenses	141,595	260,896	127,217	113,804	273,584
TOTAL EXPENSES	411,878	812,630	373,344	362,369	911,413
OTHER, NET	9,928	7,825	(8,862)	(2,470)	(2,514)
NET INCOME BEFORE INCOME TAXES	54,550	40,812	125,457	242,419	347,064
Provision for income taxes	4,440	5,526	1,137	808	1,574
NET INCOME	50,110	35,286	124,320	241,611	345,490
CRNCI	—	—	4,260	(4,953)	(22,959)
Noncontrolling interest	28,726	11,637	201	276	1,076
NET INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	\$ 21,384	\$ 23,649	\$ 119,859	\$ 246,288	\$ 367,373
EARNINGS PER SHARE (Note 28)					
Basic weighted average shares outstanding	59,861,171	59,871,386			
Basic net income per share	\$ 0.36	\$ 0.39			
Diluted weighted average shares outstanding	191,161,431	191,180,610			
Diluted net income per share	\$ 0.22	\$ 0.17			

See accompanying notes to unaudited consolidated financial statements

Finance of America Companies Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(Dollars in thousands)
(Unaudited)

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor			Predecessor	
NET INCOME	\$ 50,110	\$ 35,286	\$ 124,320	\$ 241,611	\$ 345,490
COMPREHENSIVE LOSS ITEM:					
Impact of foreign currency translation adjustment	(65)	(92)	(11)	26	37
TOTAL COMPREHENSIVE INCOME	50,045	35,194	124,309	241,637	345,527
Less: Comprehensive income (loss) attributable to the noncontrolling interest and CRNCI	28,681	11,573	4,461	(4,677)	(21,883)
COMPREHENSIVE INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	\$ 21,364	\$ 23,621	\$ 119,848	\$ 246,314	\$ 367,410

See accompanying notes to unaudited consolidated financial statements

Finance of America Companies Inc. and Subsidiaries
Consolidated Statements of Equity
(Dollars in thousands)
(Unaudited)

	FoA Equity Capital LLC Member's Equity	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest	Total
Predecessor:				
Balance at December 31, 2019 (audited)	\$ 482,719	\$ (51)	\$ 145	\$482,813
Contributions from members	1,042	—	—	1,042
Net (loss) income	(27,249)	—	229	(27,020)
Foreign currency translation adjustment	—	(8)	—	(8)
Balance at March 31, 2020	456,512	(59)	374	456,827
Distributions to members	(578)	—	—	(578)
Noncontrolling interest distributions	—	—	(310)	(310)
Net income	148,335	—	571	148,906
Foreign currency translation adjustment	—	18	—	18
Balance at June 30, 2020	604,269	(41)	635	604,863
Distributions to members	(1,781)	—	—	(1,781)
Noncontrolling interest contributions	—	—	16	16
Noncontrolling interest distributions	—	—	(702)	(702)
Net income	246,288	—	276	246,564
Foreign currency translation adjustment	—	27	—	27
Balance at September 30, 2020	<u>\$ 848,776</u>	<u>\$ (14)</u>	<u>\$ 225</u>	<u>\$848,987</u>
Balance at December 31, 2020 (audited)	\$ 628,176	\$ 9	\$ (145)	\$628,040
Contributions from members	1,426	—	—	1,426
Distributions to members	(75,000)	—	—	(75,000)
Noncontrolling interest distributions	—	—	(620)	(620)
Net income	119,859	—	201	120,060
Accretion of CRNCI to redemption price	(32,725)	—	—	(32,725)
Foreign currency translation adjustment	—	(11)	—	(11)
Balance at March 31, 2021	<u>\$ 641,736</u>	<u>\$ (2)</u>	<u>\$ (564)</u>	<u>\$641,170</u>

See accompanying notes to unaudited consolidated financial statements

Finance of America Companies Inc. and Subsidiaries
Consolidated Statements of Equity
(In thousands, except share data)
(Unaudited)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings / Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest		Total Equity
	Shares	Amount	Shares	Amount				Class A LLC Units	Amount	
Successor:										
Balance at April 1, 2021	59,881,714	\$ 6	7	\$ —	\$ 758,243	\$ (71,813)	\$ —	131,318,286	\$1,658,545	\$2,344,981
Net (loss) income	—	—	—	—	—	2,265	—	—	(17,089)	(14,824)
Noncontrolling interest contributions	—	—	—	—	—	—	—	—	24	24
Noncontrolling interest distributions	—	—	—	—	—	—	—	—	(137)	(137)
Equity based compensation - Restricted Stock Units (“RSUs”)	—	—	—	—	49,278	—	—	—	—	49,278
Foreign currency translation adjustment	—	—	—	—	—	—	(27)	—	—	(27)
Balance at June 30, 2021	59,881,714	\$ 6	7	\$ —	\$ 807,521	\$ (69,548)	\$ (27)	131,318,286	\$1,641,343	\$2,379,295
Net income	—	—	—	—	—	21,384	—	—	28,726	50,110
Noncontrolling interest distributions	—	—	—	—	—	—	—	—	(418)	(418)
Equity based compensation - RSUs	—	—	—	—	12,036	—	—	—	—	12,036
Net surrender to settle RSUs	(944,970)	—	(1)	—	1,759	—	—	(829,222)	(10,543)	(8,784)
Foreign currency translation adjustment	—	—	—	—	—	—	(65)	—	—	(65)
Balance at September 30, 2021	58,936,744	\$ 6	6	\$ —	\$ 821,316	\$ (48,164)	\$ (92)	130,489,064	\$1,659,108	\$2,432,174

See accompanying notes to unaudited consolidated financial statements

Finance of America Companies Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the nine months ended September 30, 2020
	Successor	Predecessor	
Operating Activities			
Net income	\$ 35,286	\$ 124,320	\$ 345,490
Adjustments to reconcile net income to net cash (used in) provided by operating activities:	(107,899)	(6,277)	(722,262)
Net cash (used in) provided by operating activities	(72,613)	118,043	(376,772)
Investing Activities			
Purchases and originations of mortgage loans held for investment	(2,658,540)	(1,151,925)	(2,974,275)
Proceeds/payments received on mortgage loans held for investment	1,446,930	677,777	1,373,034
Purchases and origination of mortgage loans held for investment, subject to nonrecourse debt	(25,081)	(12,247)	(31,730)
Proceeds/payments on mortgage loans held for investment, subject to nonrecourse debt	556,466	217,452	548,901
Purchases of debt securities	(1,449)	(557)	(38,749)
Proceeds/payments on debt securities, net	3,238	2,096	138,320
Purchases of mortgage servicing rights	(2,352)	(9,014)	—
Proceeds on sale of mortgage servicing rights	2,501	7,765	—
Acquisition of subsidiaries, net of cash acquired	(22,838)	(749)	351
Purchase of investments	—	—	(3,938)
Acquisition of fixed assets	(8,636)	(4,178)	(5,611)
Payments on deferred purchase price liability	(311)	(657)	(1,504)
Issuance of convertible notes receivable	—	(2,550)	—
DIP Financing	—	(35,260)	—
Net cash used in investing activities	(710,072)	(312,047)	(995,201)
Financing Activities			
Proceeds from securitizations of reverse mortgage loans, subject to HMBS related obligations	1,587,902	602,172	1,433,324
Payments of HMBS related obligations	(1,221,327)	(506,142)	(1,495,917)
Proceeds from issuance of nonrecourse debt, net	1,270,334	579,518	2,554,115
Payments on nonrecourse debt	(809,184)	(658,300)	(1,132,984)
Proceeds from other financing lines of credit	18,451,706	10,027,696	25,119,693
Payments on other financing lines of credit	(18,401,507)	(9,660,588)	(24,942,223)
Debt issuance costs	(1,342)	(2,467)	(3,191)
Payments on notes payable	—	—	(26,771)
Principal payments under capital lease obligation	—	—	(680)
Member contributions	—	1,426	234
Member distributions	—	(75,000)	(1,552)
Settlement of CRNCI	(203,216)	—	—
Noncontrolling interest contributions	24	—	16
Noncontrolling interest distributions	(555)	(620)	(1,012)
Net cash provided by financing activities	672,835	307,695	1,503,052
Foreign currency translation adjustment	(15)	(7)	12
Net (decrease) increase in cash and restricted cash	(109,865)	113,684	131,091
Cash and restricted cash, beginning of period	626,827	539,363	382,664

Finance of America Companies Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the nine months ended September 30, 2020
	Successor	Predecessor	
Cash and restricted cash, end of period	\$ 516,962	\$ 653,047	\$ 513,755
Supplementary Cash Flows Information			
Cash paid for interest	\$ 124,312	\$ 50,071	\$ 103,578
Cash paid for taxes, net	1,882	63	1,026
Loans transferred to mortgage loans held for investment, at fair value, from mortgage loans held for investment, subject to nonrecourse debt, at fair value	242,650	283,428	444,238
Loans transferred to mortgage loans held for sale, at fair value, from mortgage loans held for investment, at fair value	48,759	—	167,590
Loans transferred to government guaranteed receivables from mortgage loans held for investment, at fair value, and mortgage loans held for investment, subject to nonrecourse debt, at fair value	343	71	57,554
Loans transferred to mortgage loans held for investment, subject to nonrecourse debt, at fair value, from mortgage loans held for investment, at fair value	1,309,669	272,098	2,591,455
Loans transferred to mortgage loans held for investment, subject to HMBS, at fair value, from mortgage loans held for investment, at fair value	1,393,897	42,909	—

See accompanying notes to unaudited consolidated financial statements

Finance of America Companies Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

1. Organization and Description of Business

Finance of America Companies Inc. (“FoA”, “Company”, or “Successor”) was incorporated in Delaware on October 9, 2020. FoA is a financial services holding company which, through its operating subsidiaries, is a leading originator and servicer of residential mortgage loans and provider of complementary financial services.

FoA has a controlling financial interest in Finance of America Equity Capital LLC (“FoA Equity” or “Predecessor”). FoA Equity owns all of the outstanding equity interests or has a controlling financial interest in Finance of America Funding LLC (“FOAF”). FOAF wholly owns Finance of America Holdings LLC (“FAH”) and Incenter LLC (“Incenter” and collectively, with FoA Equity, FOAF and FAH, known as “holding company subsidiaries”).

The Company, through its holding company subsidiary, FAH, operates three lending companies, Finance of America Mortgage LLC (“FAM”), Finance of America Reverse LLC (“FAR”), and Finance of America Commercial LLC (“FACo”) (collectively, the “operating lending subsidiaries”). Through FAM and FAR, the Company originates, purchases, sells and securitizes conventional (conforming to the underwriting standards of Fannie Mae or Freddie Mac; collectively referred to as government sponsored entities (“GSEs”)), government-insured (Federal Housing Administration (“FHA”)), government guaranteed (Department of Veterans Affairs), and proprietary non-agency residential and reverse mortgages. FACo serves as a specialty finance company which originates a variety of commercial mortgage loans to owners and investors of single and multi-family residential rental properties. The Company, through one of its other holding company subsidiaries, Incenter, has operating service companies (the “operating service subsidiaries” and together with the operating lending subsidiaries, the “operating subsidiaries”) which provide lender services, title services, secondary markets advisory, mortgage trade brokerage, appraisal and capital management services to customers in the residential mortgage, student lending, and commercial lending industries. Incenter operates a foreign branch in the Philippines for fulfillment transactional support.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic has adversely impacted global financial markets and contributed to significant volatility in market liquidity and yields required by market investors in the type of financial instruments originated by the Company’s primary operating subsidiaries. The full impact of the COVID-19 pandemic continues to evolve as of the date of this report. The Company’s work-from-home environment is anticipated to continue until at least January 2022, with certain exceptions for employees whose job functions or other considerations require them to be in a physical office from time to time. The Company’s management is actively monitoring the global situation relating to COVID-19 and its effect on the Company’s financial condition, liquidity, operations, industry, and workforce. Further, the Company cannot estimate the length or gravity of the impact that the COVID-19 pandemic will have on the residential mortgage and commercial lending industries. As of September 30, 2021, approximately 0.40% of Units and 0.42% of unpaid principal balance of the companies total residential mortgage servicing portfolio is in forbearance as a result of the economic impacts caused by COVID-19. As the pandemic continues, it has the potential to cause additional volatility in the financial markets and may have an adverse effect on the Company’s results of future operations, financial position, intangible assets and liquidity in fiscal year 2021.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements comprise the financial statements of FoA and its controlled subsidiaries for the Successor three months ended September 30, 2021, the Successor period from April 1, 2021 to September 30, 2021, and the financial statements of FoA Equity and its controlled subsidiaries for the Predecessor periods from January 1, 2021 to March 31, 2021 and for the three months and nine months ended September 30, 2020. The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial statements and pursuant to the accounting and disclosure rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). The Consolidated Statement of Financial Condition as of December 31, 2020 has been derived from the audited consolidated financial

Finance of America Companies Inc. and Subsidiaries
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statements of the Predecessor as of and for the year ended December 31, 2020. In the opinion of management, such financial information reflects all normal and recurring adjustments necessary for a fair presentation of the financial position and the results of operations for such interim periods in accordance with GAAP. Operating results for the interim period are not necessarily indicative of the results that may be expected for any future period or for the full year. The consolidated interim financial statements, including the significant accounting policies, should be read in conjunction with the audited consolidated financial statements of FoA Equity and notes thereto for the year ended December 31, 2020 (Predecessor).

On October 12, 2020, the Company, Replay Acquisition Corp. (“Replay”) and FoA Equity entered into the Transaction Agreement pursuant to which Replay agreed to combine with FoA Equity in a series of transactions that resulted in the formation of FoA as a publicly traded company on the New York Stock Exchange (“NYSE”), and FoA controlling FoA Equity in an “UP-C” structure (collectively, the “Business Combination”). At the closing of the Business Combination (the “Closing”) on April 1, 2021 (the “Closing Date”), Replay domesticated into a Delaware corporation and FoA was formed. See Note 4 - Acquisitions for additional information.

The consolidated financial statements include the accounts of the Predecessor, prior to the Business Combination, which was determined to be FoA Equity, a limited liability company that was formed in July 2020. Prior to the Business Combination, FoA Equity was a wholly owned subsidiary of UFG Holdings LLC (“UFG”). FoA Equity owned all of the outstanding equity interests or had a controlling financial interest in FOAF, FAH and Incenter LLC were wholly owned subsidiaries of FOAF, and are included in the consolidated financial statements along with their consolidated operating lending subsidiaries and operating service subsidiaries. See Note 1 - Organization and Description of Business for additional information.

The significant accounting policies described below, together with the other notes that follow, are an integral part of the consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its controlled subsidiaries and certain variable interest entities (“VIEs”) where the Company is the primary beneficiary. The Company is deemed to be the primary beneficiary of a VIE when it has both (1) the power to direct the activities of the VIE that most significantly impact the entity’s economic performance, and (2) exposure to benefits and/or losses that could potentially be significant to the entity. Assets and liabilities of VIEs and their respective results of operations are consolidated from the date that the Company became the primary beneficiary through the date that the Company ceases to be the primary beneficiary.

FoA Equity consolidates the accounts of Finance of America Commercial Holdings LLC (“FACo Holdings”), which is a direct subsidiary of FAH and an indirect parent company of FACo. Through the date of the Business Combination, the noncontrolling interests of FACo Holdings met the definition of contingently redeemable financial instruments for which the ability to redeem was outside the control of the consolidating entity. The Contingently Redeemable Noncontrolling Interest (“CRNCI”) in this subsidiary was shown as a separate caption between liabilities and equity. Any income or losses attributable to the CRNCI were shown as an addition to or deduction from CRNCI in the Consolidated Statements of Financial Condition. All significant intercompany balances and transactions were eliminated. In connection with the closing of the Business Combination disclosed in Note 4 - Acquisitions, FoA caused Finance of America Holdings LLC to exercise its right under the FACo Holdings Agreement to purchase all of the outstanding Class B Units held by Buy to Rent Platform Holdings, L.P. (“B2R”) for a redemption price of \$203.2 million in satisfaction of the applicable Hurdle Amount under the FACo Holdings Agreement.

Business Combinations

The Company applies the acquisition method to all transactions and other events in which the entity obtains control over one or more other businesses. Assets acquired and liabilities assumed are measured at fair value as of the acquisition date. Liabilities related to contingent consideration are recognized at the acquisition date and re-measured at fair value in each subsequent reporting period. Goodwill is recognized if the consideration transferred exceeds the fair value of the net assets acquired.

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Under ASC 805, there is an option to apply push-down accounting, which establishes a new basis for the assets and liabilities of the acquired company based on a “push-down” of the acquirer’s stepped-up basis. The push-down accounting election is made in the reporting period in which the change in control event occurs. FoA has elected push-down accounting for the Business Combination, and recorded the push-down entries at FoA Equity.

Goodwill

Goodwill is the excess of the purchase price over the fair value of the net assets acquired. Goodwill is not amortized, but is reviewed for impairment annually as of October 1 and monitored for interim triggering events on an ongoing basis. If triggering events occur, which indicate goodwill might be impaired between annual tests, goodwill will be tested when such events occur. In making this assessment, the Company considers a number of factors including, but not limited to, operating results, business plans, economic projections, share price and anticipated future cash flows. There are inherent uncertainties related to these factors and management’s judgment in applying them to the analysis of goodwill impairment. Changes in economic and operating conditions could result in goodwill impairment in future periods. In testing goodwill for impairment, the Company performs a qualitative assessment of whether it is more likely than not that the fair value of a reporting unit is less than its carrying value including goodwill. If the qualitative assessment determines that it is more likely than not that the fair value of the reporting unit is less than its carrying value including goodwill, the Company will compare the fair value of that reporting unit with its carrying value including goodwill. If the carrying value of a reporting unit exceeds its fair value, goodwill is considered impaired with the impairment loss equal to the amount by which the carrying value of the goodwill exceeds the implied fair value of that goodwill.

Intangible Assets, Net

Intangible assets, net, primarily consist of trade names and broker/customer relationships acquired through various acquisitions and recorded at their estimated fair value on the date of acquisition. Intangible assets are amortized on a straight line basis over their estimated useful lives. Amortization expense of intangibles is included in general and administrative expenses on the Consolidated Statements of Operations. The Company reviews intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable.

Warrant Liability

The Company accounts for warrants for the Company’s Class A Common Stock at fair value within payables and other liabilities on the Consolidated Statements of Financial Condition because the warrants do not meet the criteria for classification within equity. The warrants are subject to remeasurement at each statement of financial condition date and any change in fair value is recognized within other, net in the Consolidated Statements of Operations. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of the warrants.

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Tax Receivable Agreement Obligation

In connection with the Business Combination, concurrently with the Closing, the Company entered into Tax Receivable Agreements (“TRA”) with certain owners of FoA Equity prior to the Business Combination (the “TRA Parties”). The TRAs generally provide for payment by the Company to the TRA Parties of 85% of the cash tax benefits, if any, that the Company is deemed to realize (calculated using certain simplifying assumptions) as a result of (i) tax basis adjustments as a result of sales and exchanges of units in connection with or following the Business Combination and certain distributions with respect to units, (ii) the Company’s utilization of certain tax attributes attributable to Blackstone Tactical Opportunities Associates - NQ L.L.C., a Delaware limited partnership, shareholders (“Blocker GP”), and (iii) certain other tax benefits related to entering into the TRAs, including tax benefits attributable to making payments under the TRAs. These tax basis adjustments generated over time may increase (for tax purposes) the depreciation and amortization deductions available to the Company and, therefore, may reduce the amount of U.S. federal, state and local tax that the Company would otherwise be required to pay in the future, although the IRS may challenge all or part of the validity of that tax basis, and a court could sustain such challenge. The tax basis adjustments upon sales or exchanges of units for shares of Class A Common Stock and certain distributions with respect to Class A LLC Units may also decrease gains (or increase losses) on future dispositions of certain assets to the extent tax basis is allocated to those assets. Actual tax benefits realized by the Company may differ from tax benefits calculated under the Tax Receivable Agreements as a result of the use of certain assumptions in the TRAs, including the use of an assumed weighted average state and local income tax rate to calculate tax benefits.

The payments that FoA may make under the TRAs are expected to be substantial. The payments under the TRAs are not conditioned upon continued ownership of FoA or FoA Equity by the Continuing Unitholders (as defined in Note 4 - Acquisitions).

The Company accounts for the effects of these increases in tax basis and associated payments under the TRAs arising from exchanges in connection with the Business Combination as follows:

- records an increase in deferred tax assets for the estimated income tax effects of the increases in tax basis based on enacted U.S. federal and state tax rates at the date of the exchange;
- to the extent we estimate that the Company will not realize the full benefit represented by the deferred tax asset, based on an analysis that will consider, among other things, our expectation of future earnings, the Company reduces the deferred tax asset with a valuation allowance; and
- initial measurement of the obligations is at fair value on the acquisition date. Subsequently, the liability will be remeasured at fair value each reporting period, with any changes in fair value recognized through earnings.

The Company records obligations under the TRAs resulting from exchanges subsequent to the Business Combination, as they occur, at the gross undiscounted amount of the expected future payments as an increase to the liability along with the deferred tax asset and valuation allowance (if any) with an offset to additional paid-in capital.

As of September 30, 2021 (Successor), the Company had a liability of \$35.1 million related to its projected obligations under the TRA, which is included in deferred purchase price liabilities within payables and other liabilities on the Consolidated Statements of Financial Condition.

Income Taxes

Prior to the Business Combination, a portion of FoA Equity’s earnings were subject to certain U.S. federal and foreign taxes. Subsequent to the Business Combination, the portion of earnings allocable to FoA is subject to corporate level tax rates at the federal, state and local levels. Therefore, the amount of income taxes recorded prior to the Business Combination are not representative of the expenses expected subsequent to the Business Combination.

The computation of the effective tax rate and provision at each interim period requires the use of certain estimates and significant judgments including, but not limited to, the expected operating income for the year, projections of the proportion of income that is subject to tax, permanent differences between the Company’s GAAP earnings and taxable income, and the likelihood of recovering deferred tax assets existing as of the statement of financial position date. The

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estimates used to compute the provision for income taxes may change throughout the year as new events occur, additional information is obtained or as tax laws and regulations change. Accordingly, the effective tax rate for future interim periods may vary materially.

The Company accounts for income taxes pursuant to the asset and liability method, which requires it to recognize current tax liabilities or receivables for the amount of taxes it estimates are payable or refundable for the current year, deferred tax assets and liabilities for the expected future tax consequences attributable to temporary differences between the financial statement carrying amounts and their respective tax bases of assets and liabilities and the expected benefits of net operating loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period enacted. A valuation allowance is provided when it is more likely than not that a portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of deferred tax liabilities during the period in which related temporary differences become deductible.

The benefit of tax positions taken or expected to be taken in the Company's income tax returns is recognized in the financial statements if such positions are more likely than not of being sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the benefit recognized and measured pursuant to the interpretation are referred to as "unrecognized benefits." A liability is recognized (or amount of net operating loss carryover or amount of tax refundable is reduced) for an unrecognized tax benefit because it represents a potential future obligation to the taxing authority for a tax position that was not recognized. Interest costs and related penalties related to unrecognized tax benefits are required to be calculated, if applicable, and are recognized as general and administrative expenses.

Seller Earnout

The equity owners of FoA Equity prior to the Closing are entitled to receive an earnout exchangeable for Class A Common Stock if, at any time during the six years following Closing, the volume weighted average price (the "VWAP") of Class A Common Stock with respect to a trading day is greater than or equal to \$12.50 for any 20 trading days within a consecutive 30-trading-day period ("First Earnout Achievement Date"), 50% of the earnout units issued to sellers (in conjunction with the Sponsor shares defined below, the "Earnout Securities") will be issued; and if, at any time during the six years following Closing, the VWAP is greater than or equal to \$15.00 for any 20 trading days within a consecutive 30-trading-day period, the remaining 50% of the Earnout Securities will be issued ("Second Earnout Achievement Date").

The seller earnout is accounted for as contingent consideration and classified as equity. The seller earnout was measured at fair value upon the consummation of the Business Combination, the date of issuance, and will not be subsequently remeasured. The settlement of the seller earnout will be accounted for within equity, if and when, the First or Second Earnout Achievement Date occurs. See Note 22 - Incentive Compensation for additional information.

Sponsor Earnout

The Company classified the Sponsor Earnout Agreement as an equity transaction measured at fair value upon the consummation of the Business Combination, the date of issuance, and will not be subsequently remeasured. Additionally, the settlement of the Sponsor Earnout Agreement will be accounted for within equity, if and when the First or Second Sponsor Earnout Achievement Date occurs. See Note 29 - Sponsor Earnout for additional information.

Noncontrolling Interest

Noncontrolling interest represents the Company's noncontrolling interest in consolidated subsidiaries which are not attributable, directly or indirectly, to the controlling Class A Common Stock ownership of the Company. Net income (loss) is reduced by the portion of net income (loss) that is attributable to noncontrolling interests as well as special allocations related to the Amended and Restated Long-Term Incentive Plan ("A&R MLTIP") as defined in the FoA Equity LLC Agreement.

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Equity Based Compensation

Equity based compensation with service conditions made to employees is measured based on the grant date fair value of the awards and recognized as compensation expense over the period during which the recipient is required to perform services in exchange for the award (the requisite service period). The Company has elected to use a straight line attribution method for recognizing compensation costs relating to awards that have service conditions only. Forfeitures are recorded as they occur.

For equity based compensation where there are market conditions as well as service conditions to vesting, the grant date fair value of the awards is recognized as compensation expense using the graded-vesting method over the requisite service period for each separately vesting tranche of the award as if they were multiple awards.

Earnings Per Share

Basic net income per share is based on the weighted average number of shares of Class A Common Stock issued and outstanding during the Successor periods. Diluted net income per share is based on the weighted average number of shares of Class A Common Stock issued and outstanding and the effect of all dilutive common stock equivalents and potentially dilutive share based compensation awards outstanding during the Successor periods.

For the Predecessor periods, FoA Equity's capital structure consisted of a single class of outstanding membership units which were held by one member, UFG. Therefore, the Company omitted earnings per unit for the Predecessor periods presented due to the limited number of LLC unit holders.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions due to factors such as changes in the economy, interest rates, secondary market pricing, prepayment assumptions, home prices or discrete events affecting specific borrowers, and such differences could be material.

Reclassifications

Certain amounts from the prior period consolidated financial statements have been reclassified to conform to the current period financial presentation.

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Recently Adopted Accounting Guidance

Standard	Description	Effective Date	Effect on Consolidated Financial Statements
ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, ASU 2019-04, Codification	Requires use of the current expected credit loss model that is based on expected losses (net of expected recoveries), rather than incurred losses, to determine our allowance for credit losses on financial assets measured at amortized cost, certain net investments in leases and certain off-balance sheet arrangements.	January 2020	The Company determined that certain servicer advances and other receivables, net of reserves included in other assets are within the scope of ASU 2016-13. The Company determined that these receivables have limited expected credit-related losses due to the contractual servicing agreements with agencies and loan product guarantees. Furthermore, the Company determined that for outstanding servicer and other advances, the majority of estimated losses are attributable to losses due to operational servicing defects and credit-related losses are not significant because of the contractual relationship with the agencies. The adoption of ASU 2016-13 did not have a material impact on the Company’s consolidated financial statements.
Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2019-05, Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief, ASU 2019-10, Financial Instruments—Credit Losses (Topic 326), ASU 2019-11, Codification	Replaces current accounting for purchased credit impaired (“PCI”) and impaired loans. Amends the other-than-temporary impairment model for available for sale debt securities. The new guidance requires that credit losses be recorded through an allowance approach, rather than through permanent write-downs for credit losses and subsequent accretion of positive changes through interest income over time.		
Improvements to Topic 326, Financial Instruments—Credit Losses, ASU 2020-03, Codification			
ASU 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities	The amendments in this Update require that indirect interests held through related parties under common control be considered on a proportional basis when determining whether fees paid to decision makers or service providers are variable interests. These amendments align with the determination of whether a reporting entity within a related party group is the primary beneficiary of a VIE.	January 2020	The Company adopted this guidance using the prospective method of adoption. Adoption of this standard did not have a material impact on the consolidated financial statements.
ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment	Historical guidance for goodwill impairment testing prescribed that the Company must compare each reporting unit’s carrying value to its fair value. If the carrying value exceeds fair value, an entity performs the second step, which assigns the reporting unit’s fair value to its assets and liabilities, including unrecognized assets and liabilities, in the same manner as required in purchase accounting and then records an impairment. This ASU eliminates the second step. Under the new guidance, an impairment of a reporting unit’s goodwill is determined based on the amount by which the reporting unit’s carrying value exceeds its fair value, limited to the amount of goodwill allocated to the reporting unit.	January 2020	The Company adopted this guidance using the prospective method of adoption. Adoption of this standard did not have a material impact on the consolidated financial statements.

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Standard	Description	Effective Date	Effect on Consolidated Financial Statements
ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement	<p>The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurements, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. Certain disclosure requirements were either removed, modified, or added.</p> <p>This guidance removes the requirement to disclose the amount of and reasons for transfers between Level 1 and Level 2 fair value measurement methodologies, the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements. It also adds requirements for the disclosure of a) changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and b) the range and weighted average of significant unobservable inputs used to develop Level 3 measurements. For certain unobservable inputs, entities may disclose other quantitative information in lieu of the weighted average if the other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements.</p>	January 2020	The adoption of this standard did not have a material impact on the Company's consolidated financial statements.
ASU 2018-15, Intangibles - Goodwill and Other - Internal- Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	The amendments in this Update align the requirements for capitalizing implementation costs incurred in a service-contract hosting arrangement with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license).	January 2020	<p>The Company adopted this guidance using the prospective method of adoption.</p> <p>Adoption of this standard did not have a material impact on the Company's consolidated financial statements.</p>
ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	This amendment simplifies various aspects of the guidance on accounting for income taxes.	January 2021	<p>The Company adopted this guidance using the prospective method of adoption.</p> <p>Adoption of this standard did not have a material impact on the Company's consolidated financial statements.</p>

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Standard	Description	Effective Date	Effect on Consolidated Financial Statements
<p>ASU 2021-06, Presentation of Financial Statements (Topic 205), Financial Services— Depository and Lending (Topic 942), and Financial Services—Investment Companies (Topic 946): Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants</p>	<p>In August 2021, the FASB issued ASU 2021-06 to align the SEC paragraphs in the codification with the new SEC rules issued in May 2020 relating to changes to the disclosure requirements for acquisitions and dispositions. ASU No. 2021-06 amends and supersedes various SEC paragraphs in FASB’s Topic 205, Presentation of Financial Statements, and Topic 946, Investment Companies.</p> <p>In May 2020, the SEC issued Release No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, to update the financial disclosure requirements in Regulation S-X for acquisitions and dispositions of businesses. In addition, to address the unique attributes of investment companies and business development companies, the SEC adopted new requirements regarding fund acquisitions specific to registered investment companies and business development companies.</p> <p>Regulation S-X Rule 3-05 generally requires a registrant to provide separate audited annual and unaudited interim pre-acquisition financial statements of the business if it is significant to the registrant using the investment, asset, and income tests. The amendments in this Update include changes to the investment and income tests when measuring significance, and raising the significance threshold for reporting the disposition of a business on Form 8-K from 10% to 20% to conform to requirements for reporting business acquisitions.</p>	<p>January 2021</p>	<p>This ASU is effective for all acquisitions and disposals occurring after January 1, 2021.</p> <p>The Company adopted this guidance using the retrospective method of adoption.</p> <p>The Company evaluated the significance of all material acquisitions and disposals using the final amendments and determined it was in compliance.</p> <p>Adoption of this standard did not have a material impact on the Company’s consolidated financial statements.</p>

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Recently Issued Accounting Guidance, Not Yet Adopted as of September 30, 2021

<u>Standard</u>	<u>Description</u>	<u>Date of Planned Adoption</u>	<u>Effect on Consolidated Financial Statements</u>
ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting	The amendments in this Update provide temporary optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference London Inter-Bank Offered Rate (“LIBOR”) or other interbank offered rates expected to be discontinued.	TBD	This ASU is effective from March 12, 2020 through December 31, 2022.
ASU 2021-01, Reference Rate Reform (Topic 848): Codification Clarification	In January 2021, FASB issued an Update which refines the scope of ASU Topic 848 and clarifies the guidance issued to facilitate the effects of reference rate reform on financial reporting. The amendment permits entities to elect certain optional expedients and exceptions when accounting for derivative contracts and certain hedging relationships affected by changes in the interest rates used for discounting cash flows, computing variation margin settlements and calculating price alignment interest in connection with reference rate reform activities.		If LIBOR ceases to exist or if the methods of calculating LIBOR change from the current methods for any reasons, interest rates on our floating rate loans, obligation derivatives, and other financial instruments tied to LIBOR rates, may be affected and need renegotiation with its lenders. The Company continues to assess the potential impact that the adoption of this ASU will have on the Company’s consolidated financial statements and related disclosures.
ASU 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options	The amendments in this Update affect all entities that issue freestanding written call options that are classified in equity. Specifically, the amendments affect those entities when a freestanding equity-classified written call option is modified or exchanged and remains equity classified after the modification or exchange. The amendments that relate to the recognition and measurement of EPS for certain modifications or exchanges of freestanding equity-classified written call options affect entities that present EPS in accordance with the guidance in Topic 260, Earnings Per Share.	January 2022	This ASU is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The adoption of this standard is not expected to have any material impact on the Company’s consolidated financial statements as it currently does not apply.

3. Variable Interest Entities and Securitizations

The Company determined that the SPEs created in connection with its securitizations are VIEs. A VIE is an entity that has either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary, which is the entity that, through its variable interests has both the power to direct the activities that significantly impact the VIE’s economic performance and the obligations to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

FACo

FACo securitizes certain of its interests in fix & flip mortgages. The transactions provide debt security holders the ability to invest in a pool of performing loans secured by an investment in real estate. The transactions provide FACo with access to liquidity for the loans and ongoing management fees. The principal and interest on the outstanding debt securities are paid using the cash flows from the underlying loans, which serve as collateral for the debt.

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In April 2021, FACo executed its optional redemption of outstanding securitized notes related to the 2018, 2019, and 2020 ANTLR securitizations. As part of the optional redemption, FACo paid off notes with an outstanding principal balance of \$175.3 million. The notes were paid off at par.

FAR

FAR securitizes certain of its interests in nonperforming reverse mortgages and non-agency reverse mortgage loans. The transactions provide investors with the ability to invest in a pool of reverse mortgage loans secured by one-to-four-family residential properties. The transactions provide FAR with access to liquidity for these assets, ongoing servicing fees, and potential residual returns. The principal and interest on the outstanding certificates are paid using the cash flows from the underlying reverse mortgage loans, which serve as collateral for the debt. The securitizations are callable at or following the optional redemption date as defined in the respective indenture agreements.

In February 2021, FAR executed its optional redemption of outstanding securitized notes related to outstanding nonperforming HECM securitizations. As part of the optional redemption, FAR paid off notes with an outstanding principal balance of \$294.2 million. The notes were paid off at par.

In April 2021, FAR executed its optional redemption of outstanding securitized notes related to outstanding non-agency reverse mortgage securitizations. As part of the optional redemption, FAR paid off notes with an outstanding principal balance of \$239.8 million, accrued interest of \$6.3 million and discount of \$3.7 million.

In their capacity as servicer of the securitized loans, FACo and FAR retain the power to direct the VIE's activities that most significantly impact the VIEs economic performance. FACo and FAR also retain certain beneficial interests in these trusts which provide exposure to potential gains and losses based on the performance of the trust. As FACo and FAR have both the power to direct the activities that significantly impact the VIE's economic performance and the obligations to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, the definition of primary beneficiary is met and the trusts are consolidated by the Company through its FACo and FAR subsidiaries.

Certain obligations may arise from the agreements associated with transfers of loans. Under these agreements, the Company may be obligated to repurchase the loans, or otherwise indemnify or reimburse the investor for losses incurred due to material breach of contractual representations and warranties. There were no charge-offs associated with these transferred mortgage loans related to the standard securitization representations and warranties obligations for the Successor three months ended September 30, 2021, for the Successor period from April 1, 2021 to September 30, 2021, or the Predecessor period from January 1, 2021 to March 31, 2021. There were also no charge-offs associated with these transferred mortgage loans for the Predecessor three months ended September 30, 2020 or for the nine months ended September 30, 2020.

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The following table presents the assets and liabilities of the Company's consolidated VIEs, which are included in the Consolidated Statements of Financial Condition and excludes intercompany balances, except for retained bonds and beneficial interests (in thousands):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
	<u>Successor</u>	<u>Predecessor</u>
ASSETS		
Restricted cash	\$ 306,615	\$ 293,580
Mortgage loans held for investment, subject to nonrecourse debt, at fair value	5,939,651	5,396,167
Other assets	69,947	79,528
TOTAL ASSETS	\$ 6,316,213	\$ 5,769,275
LIABILITIES		
Nonrecourse debt, at fair value	\$ 5,956,832	\$ 5,459,941
Payables and other liabilities	117	291
TOTAL VIE LIABILITIES	5,956,949	5,460,232
Retained bonds and beneficial interests eliminated in consolidation	(221,822)	(202,187)
TOTAL CONSOLIDATED LIABILITIES	\$ 5,735,127	\$ 5,258,045

FAM

FAM securitizes certain of its interests in agency-eligible residential mortgage loans. The transaction provides investors with the ability to invest in a pool of mortgage loans secured by one-to-four-family residential properties and provides FAM with access to liquidity for these assets and ongoing servicing fees. The principal and interest on the outstanding certificates are paid using the cash flows from the underlying mortgage loans, which serve as collateral for the debt. In May 2021, FAM established the Hundred Acre Wood ("HAWT") trust for the sole purpose of acquiring mortgage loans for securitization. In 2021, FAM executed the HAWT 2021-INV1 and HAWT 2021-INV2 securitizations, where FAM's beneficial interest in the securitization is limited to its U.S. Risk Retention Certificates, a 5% eligible vertical interest in the Trust. The Company determined that the securitization structures meets the definition of a VIE and concluded that the Company does not hold a significant variable interest in the securitizations and that the contractual role as servicer is not a variable interest and does not give the Company the power to direct the activities that most significantly affect the economic performance of the VIEs. The transfer of the loans to the VIEs was determined to be a sale. The Company derecognized the mortgage loans and did not consolidate the trusts.

FAM's continuing involvement with and exposure to loss from the VIE includes the carrying value of the retained bond, the servicing asset recognized in the sale of the loans, servicing advances in the role as servicer, and obligations under representations and warranties contained in the loan sale agreements. Creditors of the VIE have no recourse to FAM's assets or general credit. The underlying performance of the mortgage loans transferred has a direct impact on the fair values and cash flows of the beneficial interests held and the servicing asset recognized.

As of September 30, 2021 (Successor), the interests retained upon transfer of the mortgage loans consisted of an interest in each class of securities issued by the VIE and had an initial fair value of \$42.0 million. The servicing asset recognized upon sale of the mortgage loans to the VIE had an initial fair value of \$3.2 million. Cash proceeds from the securitizations were \$795.6 million. The Company recorded a gain on sale on the securitizations of \$32.9 million.

Finance of America Companies Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

The following table presents a summary of the outstanding collateral and certificate balances for securitization trusts for which the Company was the transferor and that were not consolidated by the Company:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
	<u>Successor</u>	<u>Predecessor</u>
Unconsolidated securitization trusts:		
Total collateral balances – UPB	<u>\$ 795,077</u>	<u>\$ —</u>
Total certificate balances	<u>\$ 795,077</u>	<u>\$ —</u>

As of September 30, 2021 (Successor), there were \$1.6 million of mortgage loans transferred by the Company to unconsolidated securitization trusts that are 90 days or less past due. As of December 31, 2020, there were no unconsolidated securitization trusts.

4. Acquisitions

The Business Combination

On October 12, 2020, the Company, Replay and FoA Equity entered into a Transaction Agreement (the “Transaction Agreement”) pursuant to which Replay agreed to combine with FoA Equity in a series of transactions that resulted in the Company becoming a publicly-traded company on the New York Stock Exchange (“NYSE”) and controlling FoA Equity in an “UP-C” structure. At the Closing on April 1, 2021, Replay domesticated into a Delaware corporation, and the Company was formed. Following the Closing, the public investors held Class A Common Stock representing approximately a 31.3% economic interest, and BTO Urban Holdings L.L.C., a Delaware limited liability company (“BTO Urban”), Blackstone Family Tactical Opportunities Investment Partnership – NQ – ESC L.P., a Delaware limited partnership (“ESC”), Libman Family Holdings LLC, a Connecticut limited liability company (“Family Holdings”), The Mortgage Opportunity Group LLC, a Connecticut limited liability company (“TMO”), L and TF, LLC, a North Carolina limited liability company (“L&TF”), UFG Management Holdings LLC, a Delaware limited liability company (“Management Holdings”), and Joe Cayre (each of BTO Urban, ESC, Family Holdings, TMO, L&TF, Management Holdings and Joe Cayre, a “Seller” and, collectively, the “Sellers” or the “Continuing Unitholders”) retained a 68.7% economic interest in FoA Equity in the form of Class A LLC Units. Additionally, the Company issued to the Continuing Unitholders shares of Class B Common Stock, which have no economic rights but entitle each holder to a number of votes that is equal to the aggregate number of Class A LLC Units held by such holder on all matters on which shareholders of the Company are entitled to vote generally. Subsequent to the Closing, the Company controls FoA Equity as the sole appointer of the board of managers and is a holding company with no assets or operations other than its equity interest in FoA Equity.

The Business Combination was accounted for using the acquisition method with the Company as the accounting acquirer. Under the acquisition method of accounting, the Company’s assets and liabilities were recorded at carrying value, and the assets and liabilities associated with FoA Equity were recorded at estimated fair value as of the Closing Date. The excess of the purchase price over the estimated fair values of the net assets acquired was recognized as goodwill. For accounting purposes, the acquirer is the entity that has obtained control of another entity and, thus, consummated a business combination. The determination of whether control has been obtained begins with the evaluation of whether control should be evaluated based on the variable interest or voting interest model. If the acquiree is a variable interest entity, the primary beneficiary would be the accounting acquirer. FoA Equity met the definition of a variable interest entity, and the Company was determined to be the primary beneficiary.

As a result of the Business Combination, the Company’s financial statement presentation distinguishes FoA Equity as the “Predecessor” through the Closing Date. FoA is the “Successor” for periods after the Closing Date. As a result of the application of the acquisition method of accounting in the Successor period, the consolidated financial statements for the Successor period are presented on a full step-up basis, and are therefore not comparable to the consolidated financial statements of the Predecessor period that are not presented on the same full step-up basis.

Finance of America Companies Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

The consolidated financial statements will not be retrospectively adjusted for any provisional amount changes that occur in subsequent periods. Rather, any provisional amount adjustments will be recognized during the reporting period in which the adjustments are determined. The Company will also be required to record, in the same period's consolidated financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of any change to the provisional amounts, calculated as if the accounting had been completed at the Closing Date. The purchase price allocation, while provisional, has been substantially completed. The allocation will be finalized as soon as practicable, but no later than one year from the Closing Date. The following table summarizes the provisional estimated fair value of consideration transferred, noncontrolling interest equity value, assets acquired and liabilities assumed in conjunction with the Business Combination (in thousands):

Consideration transferred:	
Total cash consideration	\$ 342,270
Blocker rollover equity	221,811
Seller earnout contingent consideration (1)	160,272
Tax receivable agreement obligations to the seller	31,950
Total consideration transferred	756,303
Noncontrolling interest	1,658,545
Total equity value	<u>\$2,414,848</u>
Assets acquired:	
Cash and cash equivalents	\$ 336,075
Restricted cash	305,292
Reverse mortgage loans held for investment, subject to HMBS related obligations, at fair value	10,071,192
Mortgage loans held for investment, subject to nonrecourse debt, at fair value	5,291,443
Mortgage loans held for investment, at fair value	1,100,544
Mortgage loans held for sale, at fair value	2,140,361
Debt securities	9,230
Mortgage servicing rights, at fair value	267,364
Derivative assets	116,479
Fixed assets and leasehold improvements, net	26,079
Intangible assets, net (2)	717,700
Other assets, net	279,155
Total assets acquired	<u>\$ 20,660,914</u>
Liabilities assumed:	
HMBS related obligations, at fair value	\$ 9,926,131
Nonrecourse debt, at fair value	5,227,942
Other financing lines of credit	3,340,345
Payables and other liabilities	669,048
Notes payable, net	353,924
Total liabilities assumed	<u>\$ 19,517,390</u>
Net identifiable assets acquired	<u>1,143,524</u>
Goodwill (3)	<u>\$1,271,324</u>

- (1) Represents the estimated fair market value of earnout shares issued to Sellers, which will be settled with shares of Class A Common Stock and is accounted for as equity classified contingent consideration. These estimated fair values are preliminary and subject to adjustments in subsequent periods.

Finance of America Companies Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

- (2) Intangible assets were identified that met either the separability criterion or contractual legal criterion. The evaluations of the facts and circumstances available as of April 1, 2021, to assign provisional fair values to assets acquired and liabilities assumed are ongoing, including the assessments of the economic characteristics of intangible assets. These evaluations may result in changes to the provisional amounts recorded based on third party valuations performed. The indefinite lived trade names and definite lived trade names intangible assets represent the values of all the Company’s trade names. The broker/customer relationships intangible asset represents the existing broker/customer relationships.
- (3) Goodwill represents the excess of the gross consideration transferred over the provisional fair value of the underlying net tangible and identifiable intangible assets acquired. Goodwill represents future economic benefits arising from acquiring FoA Equity, primarily due to its strong market position and its assembled workforce that are not individually identified and separately recognized as intangible assets. Approximately \$85.2 million of the goodwill recognized is expected to be deductible for income tax purposes.

There were certain transaction expenses contingent on the Closing (i.e. the change-in-control event). Given these expenses were triggered by the successful Closing of the Business Combination, the payment of \$5.0 million is considered to have been incurred “on the line”, i.e., these expenses are not presented in either the Predecessor or Successor periods.

The following unaudited pro forma financial information presents the results of operations as if the Business Combination had occurred on January 1, 2020. The unaudited pro forma results may not necessarily reflect the actual results of operations that would have been achieved nor are they necessarily indicative of future results of operations.

<u>Identifiable intangible assets</u>	<u>Provisional Fair value (in thousands)</u>	<u>Provisional Useful life (in years)</u>
Indefinite lived trade names	\$ 178,000	N/A
Definite lived trade names	8,800	10
Broker/customer relationships	530,900	8-15
Total	<u>\$ 717,700</u>	

<i>(in thousands)</i>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	Pro forma revenues	\$ 456,500	\$ 600,540	\$1,354,046
Pro forma net income	50,797	188,723	161,614	193,622
Pro forma net income attributable to controlling interest	21,424	45,300	50,406	53,958
Pro forma net income (loss) attributable to noncontrolling interest	29,373	143,423	111,208	139,664

Renovate America Inc.

On March 26, 2021, in order to expand its product base to home improvement loans, the Company acquired certain assets and operations of Renovate America, Inc. (“RAI”) (the “RAI Transaction”).

The RAI Transaction met the requirements to be considered a business combination under ASC 805. The assets purchased and liabilities assumed from the RAI Transaction have been recorded at fair market value and included in the Company’s consolidated financial statements from the date of the RAI Transaction. The Company has allocated the purchase price to the tangible and identifiable intangible assets based on their estimated fair market values at the date of the RAI Transaction as required under ASC 805. The excess of the purchase price over the fair value of the net identifiable tangible and intangible assets was recorded as goodwill. The goodwill generated by the RAI Transaction is expected to be deductible for U.S. federal income tax purposes.

As a result of the RAI Transaction, for accounting purposes, FAM was deemed to be the accounting acquirer and RAI was deemed to be the accounting acquiree.

The RAI Transaction was accounted for using the acquisition method of accounting and the fair value of the total purchase consideration transferred was \$43.5 million, including cash and the relief of obligations owed to FAM by the debtor in possession of RAI. There was no contingent consideration as part of the RAI Transaction.

Finance of America Companies Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

The purchase price allocation, while provisional, has been substantially completed. The allocation will be finalized as soon as practicable, but no later than one year from the Closing Date. The following table sets forth the provisional fair values of the assets acquired in connection with the RAI Transaction (in thousands):

	Acquisition Date Fair Value
Loans held for sale, at fair value ⁽¹⁾	\$ 35,226
Intangible assets	1,890
Goodwill	5,627
Other assets, net	753
Net assets acquired	\$ 43,496

(1) These loans held for sale, at fair value are included as a component of mortgage loans held for sale, at fair value on the Consolidated Statements of Financial Condition.

Goodwill is comprised of expected future benefits for the Company and the assembled workforce acquired in the RAI Transaction, which do not qualify as separately recognized intangible assets. Goodwill associated with the RAI Transaction is assigned to the Company's Mortgage Originations reportable segment, which represents the Company's reporting unit that is expected to benefit from the assembled workforce acquired in the RAI Transaction.

Below is a summary of the identifiable intangible asset acquired in the RAI Transaction:

	Provisional Fair Value (in thousands)	Provisional Useful Life (in years)
Technology	\$ 1,890	5

5. Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on the assumptions market participants would use when pricing an asset or liability and follows a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

All aspects of nonperformance risk, including the Company's own credit standing, are considered when measuring the fair value of a liability.

Following is a description of the three levels:

Level 1 Inputs: Quoted prices for identical instruments in active markets.

Level 2 Inputs: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Inputs: Instruments with unobservable inputs that are significant to the fair value measurement.

The Company classifies assets in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period. There were no transfers within the hierarchy for the Successor for the three months ended September 30, 2021, the Successor period from April 1, 2021 to September 30, 2021 or for the Predecessor period from January 1, 2021 to March 31, 2021. There were no transfers for the Predecessor three months ended and nine months ended September 30, 2020.

Finance of America Companies Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

Following are descriptions of the valuation methodologies used to measure material assets and liabilities at fair value and the details of the valuation models, key inputs to those models and significant assumptions utilized. Within the assumption tables presented, not meaningful (“NM”) refers to a range of inputs that is too broad to provide meaningful information to the user or to an input that has no range and consists of a single data point.

Reverse Mortgage Loans Held for Investment, Subject to HMBS Related Obligations, at Fair Value

HECM loans securitized into Ginnie Mae HMBS are not actively traded in open markets with readily observable market prices.

The Company values HECM loans securitized into Ginnie Mae HMBS utilizing a present value methodology that discounts estimated projected cash flows over the life of the loan portfolio using prepayment, borrower mortality, borrower draw and discounts rate assumptions management believes a market participant would use in estimating fair value. The significant unobservable inputs used in the measurement include:

Conditional Repayment Rate - The Company projects borrower prepayment rates which considers borrower age and gender and is based on historical termination rates. The outputs of borrower prepayment rates, which include both voluntary and involuntary prepayments, are utilized to anticipate future terminations.

Loss Frequency and Severity - Termination proceeds are adjusted for expected loss frequencies and severities to arrive at net proceeds that will be provided upon final resolution. Loss frequency and severity represent the frequency of losses and the losses associated with loans that are liquidated through a foreclosure sale, net of claim proceeds. Historical experience is utilized to estimate the loss rates resulting from scenarios where FHA insurance proceeds are not expected to cover all principal and interest outstanding and, as servicer, the Company is exposed to losses upon resolution of the loan. Loss frequency and severity are based upon the historical experience with specific loan resolution waterfalls.

Due and Payable Triggers - The input for terminations not attributable to an FHA assignment is based on historical foreclosure and liquidation experience.

Discount Rate - derived based upon reference to yields required by market participants for recent transactions in the HECM loan bulk market adjusted based upon weighted average life of the loan portfolio. This rate reflects what the Company believes to be a market participant’s required yield on HECM loans of similar weighted average lives. The yield spread is applied over an interpolated benchmark curve or as a spread over a collateral forward curve.

Average Draw Rates - The draw curve is estimated based upon the historical experience with the specific product type contemplating the borrower’s age and loan age.

Changes to any of these assumptions could result in significantly different valuation results. The Company classifies reverse mortgage loans held for investment as Level 3 assets within the GAAP hierarchy, as they are dependent on unobservable inputs.

Finance of America Companies Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

The following table presents the weighted average significant unobservable inputs used in the fair value measurement of reverse mortgage loans held for investment, subject to HMBS related obligations, for the periods indicated:

Inputs	September 30, 2021		December 31, 2020	
	Successor		Predecessor	
	Range	Weighted Average	Range	Weighted Average
Conditional repayment rate	NM	20.8%	NM	20.0%
Loss frequency	NM	4.8%	NM	4.4%
Loss severity	4.1% - 11.8%	4.4%	5.1% - 13.3%	5.4%
Discount rate	NM	2.2%	NM	1.6%
Average draw rate	NM	1.1%	NM	1.1%

The Company aggregates loan portfolios based upon the underlying securitization trust and values these loans using these aggregated pools. The range of inputs provided above are based upon the range of inputs utilized for each securitization trust.

Mortgage Loans Held for Investment, Subject to Nonrecourse Debt, at Fair Value

Reverse Mortgage Loans

Reverse mortgage loans held for investment, subject to nonrecourse debt, include HECM loans previously purchased out of Ginnie Mae HMBS pools and non FHA-insured jumbo reverse mortgages, which have been subsequently securitized and serve as collateral for the issued debt. These loans are not traded in active and open markets with readily observable market prices. The Company classifies reverse mortgage loans held for investment, subject to nonrecourse debt as Level 3 assets within the GAAP hierarchy.

HECM Buyouts - Securitized (Nonperforming)

The Company values nonperforming securitized HECM buyouts utilizing a present value methodology that discounts estimated projected cash flows over the life of the portfolio using conditional repayment, loss frequency and severity, borrower mortality, and discount rate assumptions management believes a market participant would use in estimating fair value.

The following table presents the weighted average significant unobservable inputs used in the fair value measurement of nonperforming securitized HECM buyouts for the periods indicated:

Inputs	September 30, 2021		December 31, 2020	
	Successor		Predecessor	
	Range	Weighted Average	Range	Weighted Average
Conditional repayment rate	NM	41.2%	NM	42.9%
Loss frequency	25.0% - 100.0%	59.9%	25.0% - 100.0%	54.8%
Loss severity	4.1% - 11.8%	6.1%	5.1% - 13.3%	7.5%
Discount rate	NM	3.6%	NM	4.1%

The Company aggregates loan portfolios based upon the underlying securitization trust and values these loans using these aggregated pools. The range of inputs provided above are based upon the range of inputs utilized for each securitization trust.

HECM Buyouts - Securitized (Performing)

The Company values performing securitized HECM buyouts utilizing a present value methodology that discounts estimated projected cash flows over the life of the portfolio using conditional repayment, loss frequency and severity, borrower mortality, and discount rate assumptions management believes a market participant would use in estimating fair value.

Finance of America Companies Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

The following table presents the weighted average significant unobservable inputs used in the fair value measurement of performing securitized HECM buyouts for the periods indicated:

Inputs	September 30, 2021		December 31, 2020	
	Successor		Predecessor	
	Range	Weighted Average	Range	Weighted Average
Weighted average remaining life (in years)	NM	9.3	NM	8.5
Conditional repayment rate	NM	12.8%	NM	14.7%
Loss severity	4.1% - 11.8%	8.6%	5.1% - 13.3%	7.7%
Discount rate	NM	3.6%	NM	3.5%

The Company aggregates loan portfolios based upon the underlying securitization trust and values these loans using these aggregated pools. The range of inputs provided above are based upon the range of inputs utilized for each securitization trust.

Non-Agency Reverse Mortgage - Securitized

The Company values securitized non-agency reverse mortgage loans utilizing a present value methodology that discounts estimated projected cash flows over the life of the loan portfolio using loan to value, repayment, pool-level losses, home price appreciation, and discount rate assumptions. The following table presents the significant unobservable inputs used in the fair value measurements of non-agency reverse mortgage loans for the periods indicated:

Inputs	September 30, 2021		December 31, 2020	
	Successor		Predecessor	
	Range	Weighted Average	Range	Weighted Average
Weighted-average remaining life (in years)	NM	7.2	NM	6.9
Loan to value	0.1% - 63.1%	42.9%	9.0% - 73.1%	48.2%
Conditional repayment rate	NM	19.2%	NM	18.7%
Loss severity	NM	10.0%	NM	10.0%
Home price appreciation	3.4% - 9.6%	4.7%	1.1% - 8.9%	5.6%
Discount rate	NM	3.4%	NM	3.6%

The Company aggregates loan portfolios based upon the underlying securitization trust and values these loans using these aggregated pools. The range of inputs provided above are based upon the range of inputs utilized for each securitization trust.

Commercial Mortgage Loans

Fix & Flip - Securitized

The securitized Fix & Flip loans are short-term loans for individual real estate investors, with terms ranging from 9-24 months. This product is valued using a discounted cash flow model. The Company classifies these mortgage loans as Level 3 assets within the GAAP hierarchy.

Finance of America Companies Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

The Company utilized the following weighted average assumptions in estimating the fair value of securitized Fix & Flip mortgage loans for the periods indicated:

Inputs	September 30, 2021		December 31, 2020	
	Successor		Predecessor	
	Range	Weighted Average	Range	Weighted Average
Prepayment rate (SMM)	NM	14.3%	NM	17.1%
Discount rate	NM	5.2%	6.7% - 10.0%	6.7%
Loss frequency	0.3% - 74.3%	0.5%	0.2% - 44.0%	0.6%

The Company aggregates loan portfolios based upon the underlying securitization trust and values these loans using these aggregated pools. The range of inputs provided above are based upon the range of inputs utilized for each securitization trust.

Mortgage Loans Held for Investment, at Fair Value

Reverse Mortgage Loans

Reverse mortgage loans held for investment, at fair value, consists of originated or purchased HECM and non-agency reverse mortgage loans not yet securitized, unsecuritized tails, and certain HECMs purchased out of Ginnie Mae HMBS (“Inventory Buyouts”) that the Company intends to securitize for purposes of serving as collateral for future securitization transfers.

Originated or purchased HECM loans held for investment are valued predominantly by utilizing forward HMBS prices for similar pool characteristics and based on observable market data. These amounts are further adjusted to include future cash flows that would be earned for servicing the HECM loan over the life of the asset.

Unsecuritized tails consists of performing and nonperforming repurchased loans. The fair value of performing unsecuritized tails are valued at current pricing levels for similar Ginnie Mae HMBS. The fair value of nonperforming unsecuritized tails is based on expected claim proceeds from the Department of Housing and Urban Development (“HUD”) upon assignment of the loans.

The fair value of repurchased loans is based on expected cash proceeds of the liquidation of the underlying properties and expected claim proceeds from HUD. The primary assumptions utilized in valuing nonperforming repurchased loans include loss frequency and loss severity. Termination proceeds are adjusted for expected loss frequencies and severities to arrive at net proceeds that will be provided upon final resolution, including assignments to FHA. Historical experience is utilized to estimate the loss rates resulting from scenarios where FHA insurance proceeds are not expected to cover all principal and interest outstanding and as servicer, the Company is exposed to losses upon resolution of the loan.

The Company classifies reverse mortgage loans held for investment, at fair value as Level 3 assets within the GAAP hierarchy.

Inventory Buyouts

The fair value of Inventory Buyouts is based on the expected cash proceeds of the liquidation of the underlying properties and expected claim proceeds from HUD. The primary assumptions utilized in valuing Inventory Buyouts include loss frequency and loss severity. Termination proceeds are adjusted for expected loss frequencies and severities to arrive at net proceeds that will be provided upon final resolution, including assignments to FHA. Historical experience is utilized to estimate the loss rates resulting from scenarios where FHA insurance proceeds are not expected to cover all principal and interest outstanding and as servicer, the Company is exposed to losses upon resolution of the loan.

Finance of America Companies Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

The Company values Inventory Buyouts utilizing a present value methodology that discounts estimated projected cash flows over the life of the portfolio using conditional repayment, loss frequency and severity, borrower mortality, and discount rate assumptions management believes a market participant would use in estimating fair value.

The following table presents the weighted average significant unobservable inputs used in the fair value measurement of Inventory Buyouts classified as reverse mortgage loans held for investment for the periods indicated:

Inputs	September 30, 2021		December 31, 2020	
	Successor		Predecessor	
	Range	Weighted Average	Range	Weighted Average
Conditional repayment rate	NM	44.0%	NM	44.0%
Loss frequency	NM	59.1%	NM	46.9%
Loss severity	NM	5.5%	NM	10.5%
Discount rate	NM	3.6%	NM	4.1%

Non-Agency Reverse Mortgage Loans

The fair value of non-agency reverse mortgage loans is based on values for investments with similar investment grade ratings and the value the Company would expect to receive if the whole loans were sold to an investor.

The Company values non-agency reverse mortgage loans utilizing a present value methodology that discounts estimated projected cash flows over the life of the loan portfolio using prepayment, home price appreciation, pool-level losses, cost to service, and discount rates.

The following table presents the weighted average significant unobservable inputs used in the fair value measurement of non-agency reverse mortgage loans classified as reverse mortgage loans held for investment for the periods indicated:

Inputs	September 30, 2021		December 31, 2020	
	Successor		Predecessor	
	Range	Weighted Average	Range	Weighted Average
Weighted average remaining life (in years)	NM	7.8	NM	8.0
Loan to value	7.4% - 68.3%	47.9%	0.1% - 62.1%	44.0%
Conditional repayment rate	NM	16.5%	NM	16.8%
Loss severity	NM	10.0%	NM	10.0%
Home price appreciation	3.4% - 9.6%	4.7%	1.1% - 8.9%	5.5%
Discount rate	NM	3.4%	NM	3.6%

Commercial Mortgage Loans

Fix & Flip

The Fix & Flip loans are short-term loans for individual real estate investors, with terms ranging from 9 - 24 months. This product is valued using a discounted cash flow model. The Company classifies these mortgage loans as Level 3 assets within the GAAP hierarchy.

Finance of America Companies Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

The Company utilized the following weighted average assumptions in estimating the fair value of Fix & Flip mortgage loans for the periods indicated:

<u>Inputs</u>	<u>September 30, 2021</u>	
	<u>Range</u>	<u>Weighted Average</u>
Prepayment rate (SMM)	NM	12.2%
Discount rate	NM	5.4%
Loss frequency	NM	0.4%

As of March 2021, management made the decision to change the classification of fix & flip loans from mortgage loans held for sale, at fair value, to mortgage loans held for investment, at fair value.

Agricultural Loans

The agricultural loans are government-insured loans made to farmers to fund their inputs and operating expenses for the upcoming growing season with terms ranging from 7—17 months. The product is valued using a discounted cash flow model. The Company classifies these mortgage loans as Level 3 assets within the GAAP hierarchy.

The Company utilized the following assumptions in estimating the fair value of agricultural loans for the periods indicated:

<u>Inputs</u>	<u>September 30, 2021</u>		<u>December 31, 2020</u>	
	<u>Successor</u>		<u>Predecessor</u>	
	<u>Range</u>	<u>Weighted Average</u>	<u>Range</u>	<u>Weighted Average</u>
Discount rate	NM	4.8%	NM	6.4%
Prepayment rate (SMM)	9.2% - 100.0%	26.2%	0% - 1.0%	0.7%
Default rate (CDR)	NM	0.9%	0% - 2.0%	0.4%

Mortgage Loans Held for Sale, at Fair Value

Reverse Mortgage Loans

Reverse mortgage loans held for sale, at fair value, consists of unpoolable loans that the Company intends to sell to third party investors. Reverse mortgage loans held for sale consists primarily of performing repurchased loans. The fair value of performing unpoolable loans is based on expected claim proceeds from HUD upon assignment of the loans. In certain instances the loan balance may exceed the maximum claim amount (“MCA”). In these instances, the fair value is based on expected proceeds from sale of the underlying property and any additional HUD claim proceeds. The Company classifies reverse mortgage loans held for sale as Level 3 assets within the GAAP hierarchy.

Residential and Commercial Mortgage Loans

Mortgage loans held for sale include residential and commercial mortgage loans originated by the Company and held until sold to secondary market investors. The Company primarily originates conventional GSEs and government (FHA and Department of Veterans Affairs) residential mortgage loans (collectively “residential mortgage loans held for sale”) and recourse and nonrecourse commercial mortgage loans to owners and investors of single and multi-family residential rental properties (“commercial loans held for sale”).

Residential Mortgage Loans

The Company originates or purchases mortgage loans in the U.S. that it intends to sell to Federal National Mortgage Association (“FNMA”), Federal Home Loan Mortgage Corporation (“FHLMC”), and Government National Mortgage Association (“Ginnie Mae”) (collectively “the Agencies”). Additionally, the Company originates or purchases mortgage loans in the U.S. that it intends to sell into the secondary markets via whole loan sales. Mortgage loans held for sale are typically pooled and sold into certain exit markets, depending upon underlying attributes of the loan, such as agency eligibility, product type, interest rate, and credit quality. In addition, the Company may originate loans that

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do not meet specific underwriting criteria and are not eligible to be sold to the Agencies. Two valuation methodologies are used to determine the fair value of mortgage loans held for sale. The methodology used depends on the exit market as described below:

Loans valued using observable market prices for identical or similar assets—This includes all mortgage loans that can be sold to the Agencies, which are valued predominantly by published forward agency prices. This will also include all non-agency loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value), or quoted market prices for similar loans are available. As these valuations are derived from quoted market prices, the Company classified these valuations as Level 2 in the fair value disclosures. During periods of illiquidity of the mortgage marketplace, it may be necessary to look for alternative sources of value, including the whole loan purchase market for similar loans, and place more reliance on the valuations using internal models. Due to limited sales activity and periodically unobservable prices in certain of the Company’s markets, certain mortgage loans held for sale portfolios may transfer from Level 2 to Level 3 in future periods.

Loans valued using internal models – To the extent observable market prices are not available, the Company will determine the fair value of mortgage loans held for sale using a collateral based valuation model, which approximates expected cash proceeds on liquidation. For loans where bid prices or commitment prices are unavailable, these valuation models estimate the exit price the Company expects to receive in the loan’s principal market and are based on a combination of recent appraisal values, adjusted for certain loss factors. The Company classifies these valuations as Level 3 in the fair value disclosures.

Commercial Mortgage Loans

The Company primarily originates two separate commercial loan products that it classifies as held for sale: Single Rental Loan (“SRL”) and Portfolio Lending.

SRL

The SRL product is designed for small/individual real estate investors looking to purchase and then rent out a single property. These are 30-year loans with fixed interest rates typically between 5.0%—8.0%. This product is valued using a discounted cash flow model. The Company classifies these mortgage loans as Level 3 assets within the GAAP hierarchy.

The Company utilized the following weighted average assumptions in estimating the fair value of SRL mortgage loans held for sale for the periods indicated:

Inputs	September 30, 2021		December 31, 2020	
	Successor		Predecessor	
	Range	Weighted Average	Range	Weighted Average
Prepayment rate (CPR)	1.0% - 17.1%	14.0%	1.0% - 17.1%	15.4%
Discount rate	NM	3.1%	NM	5.0%
Default rate (CDR)	1.0% - 54.0%	2.4%	1.0% - 64.9%	3.6%

Portfolio Lending

The Portfolio Lending product is designed for larger investors with multiple properties. Specifically, these loans are useful for consolidating multiple rental property mortgages into a single loan. These loans have fixed coupons that typically range from 5.0%—6.2%, with 5 and 10-year balloon structures, as well as a 30-year structure. This product is valued using a discounted cash flow model. The Company classifies these mortgage loans as Level 3 assets within the GAAP hierarchy.

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The Company utilized the following weighted average assumptions in estimating the fair value of Portfolio Lending mortgage loans held for sale for the periods indicated:

Inputs	September 30, 2021		December 31, 2020	
	Successor		Predecessor	
	Range	Weighted Average	Range	Weighted Average
Prepayment rate (CPR)	0% - 14.8%	5.9%	0% - 15.0%	9.3%
Discount rate	NM	3.8%	NM	4.9%
Default rate (CDR)	1.0% - 45.4%	2.9%	1.0% - 42.7%	2.0%

Fix & Flip

The Fix & Flip loans are short-term loans for individual real estate investors, with terms ranging from 9-24 months. This product is valued using a discounted cash flow model. The Company classifies these mortgage loans as Level 3 assets within the GAAP hierarchy.

The Company utilized the following weighted average assumptions in estimating the fair value of fix & flip mortgage loans for the periods indicated:

Inputs	December 31, 2020	
	Range	Weighted Average
Prepayment rate (SMM)	NM	12.4%
Discount rate	6.7% - 10.0%	7.2%
Loss frequency	NM	0.8%

As of March 2021, management made the decision to change the classification of fix & flip loans from mortgage loans held for sale, at fair value, to mortgage loans held for investment, at fair value.

Mortgage Servicing Rights (FAM)

As of September 30, 2021 (Successor) and December 31, 2020 (Predecessor), the Company valued mortgage servicing rights internally. The significant assumptions utilized to determine fair value are projected prepayments using the Public Securities Association Standard Prepayment Model, discount rates, and projected servicing costs that vary based on the loan type and delinquency. The Company classifies these valuations as Level 3 since they are dependent on unobservable inputs.

Fair value is derived through a discounted cash flow analysis and calculated using a computer pricing model. This computer valuation is based on the objective characteristics of the portfolio (loan amount, note rate, etc.) and commonly used industry assumptions (PSAs, etc.). The assumptions taken into account by the pricing model are those which many active purchasers of servicing employ in their evaluations of portfolios for sale in the secondary market. The unique characteristics of the secondary servicing market often dictate adjustments to parameters over short periods of time.

Subjective factors are also considered in the derivation of fair values, including levels of supply and demand for servicing, interest rate trends, and perception of risk not incorporated into prepayment assumptions.

Fair value is defined as the estimated price at which the servicing rights would change hands in the marketplace between a willing buyer and seller. The valuation assumes that neither party would be under any compulsion to buy or sell and that each has reasonably complete and accurate knowledge of all relevant aspects of the offered servicing. The fair values represented in this analysis have been derived under the assumptions that sufficient time would be available to market the portfolio.

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The following tables summarize certain information regarding the servicing portfolio of retained MSR for the periods indicated:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
	<u>Successor</u>	<u>Predecessor</u>
Capitalization servicing rate	1.0%	0.8%
Capitalization servicing multiple	4.0	3.2
Weighted average servicing fee (in basis points)	25	25

The significant assumptions used in estimating the fair value of MSR were as follows (in annual rates):

Inputs	<u>September 30, 2021</u>		<u>December 31, 2020</u>	
	<u>Successor</u>		<u>Predecessor</u>	
	<u>Range</u>	<u>Weighted Average</u>	<u>Range</u>	<u>Weighted Average</u>
Weighted average prepayment speed (CPR)	7.0% - 18.3%	9.5%	6.6% - 24.9%	12.1%
Discount rate	NM	9.7%	NM	12.1%
Weighted average delinquency rate	1.2% - 8.9%	1.2%	1.2% - 9.2%	1.3%

The following table summarizes the estimated change in the fair value of MSR from adverse changes in the significant assumptions (in thousands):

	<u>September 30, 2021</u>		
	<u>Successor</u>		
	<u>Weighted Average Prepayment Speed</u>	<u>Discount Rate</u>	<u>Weighted Average Delinquency Rate</u>
Impact on fair value of 10% adverse change	\$ (12,591)	\$(12,721)	\$ (393)
Impact on fair value of 20% adverse change	(24,163)	(24,393)	(643)

These sensitivities are hypothetical and should be evaluated with care. The effect on fair value of a 10% variation in assumptions generally cannot be determined because the relationship of the change in assumptions to the fair value may not be linear. Additionally, the impact of a variation in a particular assumption on the fair value is calculated while holding other assumptions constant. In reality, changes in one factor may lead to changes in other factors, which could impact the above hypothetical effects.

Investments, at Fair Value

The Company invests in the equity of other companies in the form of common stock, preferred stock, or other in-substance equity interests. To the extent market prices are not observable, the Company engages third party valuation experts to assist in determining the fair value of these investments. The values are determined utilizing a market approach which estimates fair value based on what other participants in the market have paid for reasonably similar assets that have been sold within a reasonable period from the valuation date. The Company classifies these valuations as Level 3 in the fair value disclosures.

Derivative Assets and Liabilities

Some of the derivatives held by the Company are exchange-traded or traded within highly active dealer markets. In order to determine the fair value of these instruments, the Company utilizes the exchange price or dealer market price for the particular derivative contract; therefore, these contracts are classified as Level 1. In addition, the Company enters into IRLCs with prospective borrowers. Commitments to fund residential mortgage loans with potential borrowers are a binding agreement to lend funds to these potential borrowers at a specified interest rate within a specified period of time. The fair value of IRLCs is derived from the fair value of similar mortgage loans or bonds, which is based on observable market data. Changes to the fair value of IRLCs are recognized based on changes in

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interest rates, changes in the probability that the commitment will be exercised (pull through factor), and the passage of time. The expected net future cash flows related to the associated servicing of the loan are included in the fair value measurement of IRLCs. The Company adjusts the outstanding IRLCs with prospective borrowers based on an expectation that it will be exercised and the loan will be funded. Given the unobservable nature of the pull through factor, IRLCs are classified as Level 3.

In addition, the Company executes derivative contracts, including forward commitments, TBAs, interest rate swaps, and interest rate swap futures, as part of its overall risk management strategy related to its reverse mortgage and commercial loan portfolios. The value of the forward commitments is estimated using current market prices for HMBS and are considered Level 3 in the fair value hierarchy. TBAs are valued based on forward dealer marks from the Company's approved counterparties and are considered Level 2 in the fair value hierarchy. The value of interest rate swaps and interest rate swap futures is based on the exchange price or dealer market prices. The Company classifies interest rate swaps as Level 2 in the fair value hierarchy. The Company classifies interest rate swap futures as Level 1 in the fair value hierarchy. The value of the forward MBS is based on forward prices with dealers in such securities or internally-developed third party models utilizing observable market inputs. The Company classifies forward MBS as Level 2 in the fair value hierarchy.

HMBS Related Obligations, at Fair Value

The HMBS related obligation valuation considers the obligation to pass FHA insured cash flows through to the beneficial interest holders (repayment of secured borrowing) of the HMBS securities and the servicer and issuer obligations of the Company.

The valuation of the obligation to repay the secured borrowing is estimated using Level 3 unobservable market inputs. The estimated fair value is based on the net present value of projected cash flows over the estimated life of the liability. The estimated fair value of the HMBS related obligations also includes the consideration required by a market participant to transfer the HECM and HMBS servicing obligations including exposure resulting from shortfalls in FHA insurance proceeds.

The Company's valuation considers assumptions that it believes a market participant would consider in valuing the liability, including, but not limited to, assumptions for repayment, costs to transfer servicing obligations, shortfalls in FHA insurance proceeds, and discount rates. The significant unobservable inputs used in the measurement include:

Borrower Repayment Rates - the conditional repayment rate curve considers borrower age and gender is based on historical termination rates.

Discount Rate - derived based on an assessment of current market yields and spreads that a market participant would consider for entering into an obligation to pass FHA insured cash flows through to holders of the HMBS beneficial interests. Yield spread applied over interpolated benchmark curve or as a spread over collateral forward curve.

The following table presents the weighted average significant unobservable inputs used in the fair value measurement of HMBS related obligations for the periods indicated:

Inputs	September 30, 2021		December 31, 2020	
	Successor		Predecessor	
	Range	Weighted Average	Range	Weighted Average
Conditional repayment rate	NM	20.9%	NM	19.9%
Discount rate	NM	2.1%	NM	1.4%

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Nonrecourse Debt

Reverse Mortgage Loans

Outstanding notes issued that are securitized by nonrecourse debt are paid using the cash flows from the underlying reverse mortgage loans, which serve as collateral for the debt. Nonrecourse debt is estimated using Level 3 unobservable market inputs. The estimated fair value is based on the net present value of projected cash flows over the estimated life of the liability. The significant unobservable inputs used in the measurement include:

Weighted Average Remaining Life - The projected remaining life is based on the expected conditional prepayment rate, which is utilized to determine future terminations.

Borrower Repayment Rates - The conditional repayment rate curve considers borrower age and gender based on historical termination rates.

Discount Rate - derived based on an assessment of current market yields and spreads that a market participant would consider for entering into an obligation to pass FHA insured cash flows through to holders of the HMBS beneficial interests. Yield spread applied over interpolated benchmark curve or as a spread over collateral forward curve.

The Company's valuation considers assumptions that it believes a market participant would consider in valuing the liability, including, but not limited to, assumptions for prepayment and discount rates. The following table presents the weighted average significant unobservable inputs used in the fair value measurements of nonrecourse debt for the periods indicated:

Inputs	September 30, 2021		December 31, 2020	
	Successor		Predecessor	
	Range	Weighted Average	Range	Weighted Average
Performing/Nonperforming HECM securitizations				
Weighted average remaining life (in years)	0.4 - 1.0	0.7	0.2 - 1.5	1.0
Conditional repayment rate	24.7% - 28.4%	26.4%	34.3% - 56.3%	42.8%
Discount rate	NM	2.1%	NM	3.1%
Securitized Non-Agency Reverse				
Weighted average remaining life (in years)	1.1 - 2.4	1.7	0.3 - 2.7	2.1
Conditional repayment rate	18.2% - 36.3%	27.0%	19.6% - 35.8%	23.9%
Discount rate	NM	1.7%	NM	2.2%

Commercial Mortgage Loans

Outstanding nonrecourse notes issued that are securitized by loans held for investment, subject to nonrecourse debt, are paid using the cash flows from the underlying mortgage loans. The fair value of nonrecourse debt is estimated using Level 3 unobservable market inputs. The estimated fair value is based on the net present value of projected cash flows over the estimated life of the liability.

The Company's valuation considers assumptions that it believes a market participant would consider in valuing the liability, including, but not limited to, assumptions for prepayment and discount rates. The Company estimates prepayment speeds giving consideration that the Company may in the future transfer additional loans to the trust, subject to the availability of funds provided for within the trust. The following table presents the significant unobservable inputs used in the fair value measurements of nonrecourse debt for the periods indicated:

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Inputs	September 30, 2021		December 31, 2020	
	Successor		Predecessor	
	Range	Weighted Average	Range	Weighted Average
Weighted average remaining life (in months)	NM	4.0	1.9 - 4.1	3.4
Weighted average prepayment speed (SMM)	NM	14.0%	17.7% - 32.0%	21.4%
Discount rate	NM	2.6%	NM	5.8%

Deferred Purchase Price Liabilities

Deferred purchase price liabilities are measured using a present value of future payments which considers various assumptions, including future loan origination volumes, projected earnings and discount rates. As of September 30, 2021 (Successor) and December 31, 2020 (Predecessor), the Company utilized discount rates ranging from 12% to 30% to value the deferred purchase price liabilities. The liabilities as of September 30, 2021 (Successor) include provisional estimates for the seller earnout provision related to the Parkside asset purchase agreement that were based on the information that was available as of the acquisition date. Refer to Note 4 - Acquisitions for additional details regarding these acquisitions. As this value is largely based on unobservable inputs, the Company classifies this liability as Level 3 in the fair value hierarchy.

TRA Obligation

The fair value of the TRA obligation resulting from the exchanges at the Business Combination Closing Date is derived through the use of a DCF model. The significant assumptions used in the DCF include the ability to utilize tax attributes based on current tax forecasts, a constant U.S. federal income tax rate and an assumed weighted-average state and local income tax rate, and a 12% discount rate applied to future payments under the Tax Receivable Agreements. The Company classifies the TRA obligation as Level 3 in the fair value hierarchy.

Nonrecourse MSR Financing Liability, at Fair Value

The Company has agreed to sell to certain third parties the right to receive all excess servicing and ancillary fees related to identified mortgage servicing rights in exchange for an upfront payment equal to the entire purchase price of the identified mortgage servicing rights.

The Company has elected to account for the servicing liability using the fair value option. Consistent with the underlying mortgage servicing rights, fair value is derived through a discounted cash flow analysis and calculated using a computer pricing model. This computer valuation is based on the objective characteristics of the portfolio (loan amount, note rate, etc.) and commonly used industry assumptions (PSAs, etc.). The assumptions taken into account by the pricing model are those which many active purchasers of servicing rights employ in their evaluations of portfolios for sale in the secondary market. The unique characteristics of the secondary servicing market often dictate adjustments to parameters over short periods of time.

Subjective factors are also considered in the derivation of fair values, including levels of supply and demand for servicing, interest rate trends, and perception of risk not incorporated into prepayment assumptions.

The Company classifies the valuations of the nonrecourse MSR financing liability as Level 3 in the fair value disclosures.

The significant assumptions used in estimating the fair value of the outstanding nonrecourse MSR financing liability were as follows (in annual rates):

Inputs	September 30, 2021		December 31, 2020	
	Successor		Predecessor	
	Range	Weighted Average	Range	Weighted Average
Weighted average prepayment speed (CPR)	7.7% - 10.2%	8.7%	6.9% - 12.7%	11.6%
Discount rate	10.1% - 10.4%	10.3%	11.7% - 12.0%	12.0%
Weighted average delinquency rate	NM	1.0%	NM	1.8%

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The following table summarizes the estimated change in the fair value of the nonrecourse MSR financing liability, at fair value from adverse changes in the significant assumptions (in thousands):

	September 30, 2021		
	Successor		
	Weighted Average Prepayment Speed	Discount Rate	Weighted Average Delinquency Rate
Impact on fair value of 10% adverse change	\$ (2,249)	\$ (3,329)	\$ (93)
Impact on fair value of 20% adverse change	(5,023)	(7,062)	(152)

These sensitivities are hypothetical and should be evaluated with care. The effect on fair value of a 10% variation in assumptions generally cannot be determined because the relationship of the change in assumptions to the fair value may not be linear. Additionally, the impact of a variation in a particular assumption on the fair value is calculated while holding other assumptions constant. In reality, changes in one factor may lead to changes in other factors, which could impact the above hypothetical effects.

Retained Bonds

The retained bonds represents the U.S. Risk Retention Certificates, a 5% eligible vertical interest in the Company's unconsolidated VIEs, HAWT 2021-INV1 and HAWT 2021-INV2. The beneficial interests retained consisted of an interest in each class of securities issued by the Trust. Because of the nature of the valuation inputs and due to the lack of observable market prices or data the Company classifies retained bonds as Level 3 assets within the GAAP hierarchy. Quarterly, management obtains third party valuations to assess the reasonableness of the fair value calculations provided by the internal valuation model. The following table presents the weighted average significant unobservable inputs used in the fair value measurement of retained bonds for the period indicated:

<u>Inputs</u>	September 30, 2021	
	Successor	
	Range	Weighted Average
Weighted average remaining life (in years)	2.6 - 25.2	5.1
Discount rate	1.5% - 8.3%	2.5%

Warrants

The Company has determined that the warrants acquired with the Business Combination are subject to treatment as a liability. The warrants issued are exercisable for shares of Class A Common Stock of FoA at an exercise price of \$11.50 per share. The warrants are publicly traded and are valued based on the closing market price of the applicable date of the Consolidated Statements of Financial Condition. Accordingly, the warrants are classified as Level 1 financial instruments.

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Fair Value of Assets and Liabilities

The following table provides a summary of the recognized assets and liabilities that are measured at fair value on a recurring basis (in thousands):

	September 30, 2021			
	Total Fair Value	Successor		
		Level 1	Level 2	Level 3
Assets				
Reverse mortgage loans held for investment, subject to HMBS related obligations	\$10,347,459	\$ —	\$ —	\$10,347,459
Mortgage loans held for investment, subject to nonrecourse debt:				
Reverse mortgage loans	5,665,424	—	—	5,665,424
Fix & flip mortgage loans	274,227	—	—	274,227
Mortgage loans held for investment:				
Reverse mortgage loans	842,268	—	—	842,268
Fix & flip mortgage loans	48,076	—	—	48,076
Agricultural loans	187,326	—	—	187,326
Mortgage loans held for sale:				
Residential mortgage loans	1,904,109	—	1,888,208	15,901
SRL	96,665	—	—	96,665
Portfolio	46,241	—	—	46,241
Mortgage servicing rights	340,949	—	—	340,949
Derivative assets:				
Forward commitments, TBAs, and Treasury Futures	974	44	930	—
IRLCs	29,175	—	—	29,175
Forward MBS	12,237	—	12,237	—
Interest rate swap futures	12,607	12,607	—	—
Other assets:				
Investments	6,000	—	—	6,000
Retained bonds	41,250	—	—	41,250
Total assets	\$19,854,987	\$12,651	\$1,901,375	\$17,940,961
Liabilities				
HMBS related obligation	\$10,216,310	\$ —	\$ —	\$10,216,310
Nonrecourse debt:				
Nonrecourse debt in VIE trusts	5,735,010	—	—	5,735,010
Nonrecourse MSR financing liability	96,073	—	—	96,073
Deferred purchase price liabilities:				
Deferred purchase price liabilities	12,175	—	—	12,175
TRA obligation	35,142	—	—	35,142
Derivative liabilities:				
Forward MBS	1,061	—	1,061	—
Forward commitments, TBAs, and Treasury Futures	105	44	61	—
Interest rate swap futures	10,617	10,617	—	—
Warrants	9,342	9,342	—	—
Total liabilities	\$16,115,835	\$20,003	\$ 1,122	\$16,094,710

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	December 31, 2020			
	Total Fair Value	Predecessor		
		Level 1	Level 2	Level 3
Assets				
Reverse mortgage loans held for investment, subject to HMBS related obligations	\$ 9,929,163	\$ —	\$ —	\$ 9,929,163
Mortgage loans held for investment, subject to nonrecourse debt:				
Reverse mortgage loans	5,057,624	—	—	5,057,624
Fix & flip mortgage loans	338,543	—	—	338,543
Mortgage loans held for investment:				
Reverse mortgage loans	661,790	—	—	661,790
Agricultural loans	69,031	—	—	69,031
Mortgage loans held for sale:				
Residential mortgage loans	2,080,585	—	2,069,957	10,628
SRL	60,467	—	—	60,467
Portfolio	38,850	—	—	38,850
Fix & flip mortgage loans	42,909	—	—	42,909
Mortgage servicing rights	180,684	—	—	180,684
Derivative assets:				
Forward commitments and TBAs	1,806	—	722	1,084
IRLCs	87,576	—	—	87,576
Interest rate swaps and interest rate swap futures	2,683	186	2,497	—
Other assets:				
Investments	18,934	—	—	18,934
Total assets	<u>\$18,570,645</u>	<u>\$ 186</u>	<u>\$2,073,176</u>	<u>\$16,497,283</u>
Liabilities				
HMBS related obligation	\$ 9,788,668	\$ —	\$ —	\$ 9,788,668
Nonrecourse debt:				
Nonrecourse debt in VIE trusts	5,257,754	—	—	5,257,754
Nonrecourse MSR financing liability	14,088	—	—	14,088
Deferred purchase price liabilities	3,842	—	—	3,842
Derivative liabilities:				
Forward MBS	18,635	—	18,635	—
Forward commitments and TBAs	1,332	—	248	1,084
Interest rate swaps and interest rate swap futures	755	186	569	—
Total liabilities	<u>\$15,085,074</u>	<u>\$ 186</u>	<u>\$ 19,452</u>	<u>\$15,065,436</u>

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Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3, in thousands):

	Successor						
	Assets						
	Mortgage loans held for investment	Mortgage loans held for investment, subject to nonrecourse debt	Mortgage loans held for sale	Derivative assets	Mortgage servicing rights	Retained bonds	Investments
September 30, 2021							
Beginning balance, April 1, 2021	\$11,171,736	\$ 5,291,444	\$ 135,681	\$ 38,574	\$267,364	\$ —	\$ 9,470
Total gain or losses included in earnings	143,362	120,763	2,202	(8,264)	(28,567)	1,505	(3,470)
Purchases, settlements and transfers:							
Purchases and additions, net	2,831,336	49,898	541,088	—	104,653	39,840	—
Sales and settlements	(1,354,871)	(888,318)	(526,014)	(1,135)	(2,501)	(95)	—
Transfers in/(out) between categories	(1,366,434)	1,365,864	5,850	—	—	—	—
Ending balance, September 30, 2021	<u>\$11,425,129</u>	<u>\$ 5,939,651</u>	<u>\$ 158,807</u>	<u>\$ 29,175</u>	<u>\$340,949</u>	<u>\$41,250</u>	<u>\$ 6,000</u>

	Successor					
	Liabilities					
	HMBS related obligations	Derivative liabilities	Deferred purchase price liabilities	Nonrecourse debt in VIE trusts	Nonrecourse MSR financing liability	TRA Liability
September 30, 2021						
Beginning balance, April 1, 2021	\$ (9,926,132)	\$ (936)	\$ (3,214)	\$ (5,205,892)	\$ (22,051)	\$ —
Total gains or losses included in earnings	76,397	98	(1,997)	(77,717)	3,411	(1,896)
Purchases, settlements and transfers:						
Purchases and additions, net	(1,587,902)	—	(7,275)	(1,260,585)	(77,433)	(33,246)
Settlements	1,221,327	838	311	809,184	—	—
Ending balance, September 30, 2021	<u>\$(10,216,310)</u>	<u>\$ —</u>	<u>\$ (12,175)</u>	<u>\$(5,735,010)</u>	<u>\$ (96,073)</u>	<u>\$ (35,142)</u>

	Predecessor					
	Assets					
	Mortgage loans held for investment	Mortgage loans held for investment, subject to nonrecourse debt	Mortgage loans held for sale	Derivative assets	Mortgage servicing rights	Investments
March 31, 2021						
Beginning balance, January 1, 2021	\$10,659,984	\$ 5,396,167	\$ 152,854	\$ 88,660	\$180,684	\$ 18,934
Total gain or losses included in earnings	132,499	(37,757)	2,764	(50,040)	20,349	(9,464)
Purchases, settlements and transfers:						
Purchases and additions, net	1,143,109	21,064	175,551	—	74,978	—
Sales and settlements	(534,738)	(360,128)	(152,579)	(46)	(8,647)	—
Transfers in/(out) between categories	(229,118)	272,098	(42,909)	—	—	—
Ending balance, March 31, 2021	<u>\$11,171,736</u>	<u>\$ 5,291,444</u>	<u>\$ 135,681</u>	<u>\$ 38,574</u>	<u>\$267,364</u>	<u>\$ 9,470</u>

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	Predecessor				
	Liabilities				
	HMBS related obligations	Derivative liabilities	Deferred purchase price liability	Nonrecourse debt in VIE trusts	Nonrecourse MSR financing liability
March 31, 2021					
Beginning balance, January 1, 2021	\$ (9,788,668)	\$ (1,084)	\$ (3,842)	\$ (5,257,754)	\$ (14,088)
Total gain or losses included in earnings	(41,434)	—	(29)	(30,770)	390
Purchases, settlements and transfers:					
Purchases and additions, net	(602,172)	—	—	(575,668)	(8,353)
Sales and settlements	506,142	148	657	658,300	—
Ending balance, March 31, 2021	<u>\$ (9,926,132)</u>	<u>\$ (936)</u>	<u>\$ (3,214)</u>	<u>\$ (5,205,892)</u>	<u>\$ (22,051)</u>

	Predecessor						
	Assets						
	Mortgage loans held for investment	Mortgage loans held for investment, subject to nonrecourse debt	Mortgage loans held for sale	Derivative assets	Mortgage servicing rights	Debt securities	Investments
December 31, 2020							
Beginning balance, January 1, 2020	\$ 10,894,577	\$ 3,511,212	\$ 182,973	\$ 14,008	\$ 2,600	\$ 102,260	\$ 20,508
Total gain or losses included in earnings	627,251	304,663	(2,158)	74,470	4,562	2,288	(5,512)
Purchases, settlements and transfers:							
Purchases and additions, net	3,616,667	136,838	409,467	182	173,522	24,489	3,938
Sales and settlements	(1,536,977)	(1,285,902)	(605,018)	—	—	(129,037)	—
Transfers in/(out) between categories	(2,941,534)	2,729,356	167,590	—	—	—	—
Ending balance, December 31, 2020	<u>\$ 10,659,984</u>	<u>\$ 5,396,167</u>	<u>\$ 152,854</u>	<u>\$ 88,660</u>	<u>\$ 180,684</u>	<u>\$ —</u>	<u>\$ 18,934</u>

	Predecessor				
	Liabilities				
	HMBS related obligations	Derivative liabilities	Deferred purchase price liabilities	Nonrecourse debt in VIE trusts	Nonrecourse MSR Financing Liability
December 31, 2020					
Beginning balance, January 1, 2020	\$ (9,320,209)	\$ (68)	\$ (4,300)	\$ (3,490,196)	\$ —
Total gain or losses included in earnings	(359,951)	(834)	(3,014)	(294,802)	798
Purchases, settlements and transfers:					
Purchases and additions, net	(2,051,953)	(182)	(138)	(3,110,368)	(15,101)
Sales and settlements	1,943,445	—	3,610	1,637,612	215
Ending balance, December 31, 2020	<u>\$ (9,788,668)</u>	<u>\$ (1,084)</u>	<u>\$ (3,842)</u>	<u>\$ (5,257,754)</u>	<u>\$ (14,088)</u>

Finance of America Companies Inc. and Subsidiaries
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Fair Value Option

Presented in the tables below are the fair value and unpaid principal balance (“UPB”) at September 30, 2021 (Successor) and December 31, 2020 (Predecessor), of assets and liabilities for which the Company has elected the fair value option (in thousands):

Successor:

September 30, 2021	Estimated Fair Value	Unpaid Principal Balance
Assets at fair value under the fair value option		
Reverse mortgage loans held for investment, subject to HMBS related obligations	\$ 10,347,459	\$ 9,617,079
Mortgage loans held for investment, subject to nonrecourse debt:		
Reverse mortgage loans	5,665,424	4,986,876
Commercial mortgage loans	274,227	268,288
Mortgage loans held for investment:		
Reverse mortgage loans	842,268	721,012
Commercial mortgage loans	235,402	233,101
Mortgage loans held for sale:		
Residential mortgage loans	1,904,109	1,859,842
Commercial mortgage loans	142,906	138,101
Liabilities at fair value under the fair value option		
HMBS related obligations	10,216,310	9,617,079
Nonrecourse debt:		
Nonrecourse debt in VIE trusts	5,735,010	5,654,826

Predecessor:

December 31, 2020	Estimated Fair Value	Unpaid Principal Balance
Assets at fair value under the fair value option		
Reverse mortgage loans held for investment, subject to HMBS related obligations	\$ 9,929,163	\$ 9,045,104
Mortgage loans held for investment, subject to nonrecourse debt:		
Reverse mortgage loans	5,057,624	4,457,805
Commercial mortgage loans	338,543	333,344
Mortgage loans held for investment:		
Reverse mortgage loans	661,790	589,429
Commercial mortgage loans	69,031	69,127
Mortgage loans held for sale:		
Residential mortgage loans	2,080,585	2,000,795
Commercial mortgage loans	142,226	140,693
Liabilities at fair value under the fair value option		
HMBS related obligations	9,788,668	9,045,104
Nonrecourse debt:		
Nonrecourse debt in VIE trusts	5,257,754	5,155,017

Finance of America Companies Inc. and Subsidiaries
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Net Fair Value Gains on Mortgage Loans and Related Obligations

Provided in the table below is a summary of the components of net fair value gains on mortgage loans and related obligations (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Net fair value gains on mortgage loans and related obligations:					
Interest income on mortgage loans	\$ 160,683	\$ 334,623	\$ 160,568	\$ 150,276	\$ 492,066
Change in fair value of mortgage loans	(119,690)	(34,707)	(51,346)	160,480	302,541
Change in fair value of mortgage-backed securities	—	—	—	1,621	2,438
Net fair value gains on mortgage loans	40,993	299,916	109,222	312,377	797,045
Interest expense on related obligations	(107,593)	(221,067)	(119,201)	(121,777)	(383,622)
Change in fair value of derivatives	6,841	(39,637)	43,972	149	(5,594)
Change in fair value of related obligations	182,268	214,448	42,670	(94,794)	(186,191)
Net fair value gains (losses) on related obligations	81,516	(46,256)	(32,559)	(216,422)	(575,407)
Net fair value gains on mortgage loans and related obligations	\$ 122,509	\$ 253,660	\$ 76,663	\$ 95,955	\$ 221,638

As the cash flows on the underlying mortgage loans will be utilized to settle the outstanding obligations, the Company's own credit risk would not impact the fair value on the outstanding HMBS liabilities and nonrecourse debt.

Fair Value of Other Financial Instruments

As of September 30, 2021 (Successor) and December 31, 2020 (Predecessor), all financial instruments were either recorded at fair value or the carrying value approximated fair value. For financial instruments that were not recorded at fair value, such as cash and cash equivalents including restricted cash, servicer advances and other financing lines of credit, the carrying value approximates fair value due to the short-term nature of such instruments.

Finance of America Companies Inc. and Subsidiaries
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6. Reverse Mortgages Portfolio Composition

The table below summarizes the Company's serviced reverse mortgage portfolio composition and the remaining UPBs of the reverse mortgage loan portfolio (in thousands):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
	<u>Successor</u>	<u>Predecessor</u>
Reverse mortgage loans:		
Reverse mortgage loans held for investment, subject to HMBS related obligations	\$ 9,617,079	\$ 9,045,104
Reverse mortgage loans held for investment:		
Non-agency reverse mortgages	346,705	215,688
Loans not securitized ⁽¹⁾	270,273	168,292
Unpoolable loans ⁽²⁾	93,459	197,395
Unpoolable tails	10,575	8,054
Total reverse mortgage loans held for investment	721,012	589,429
Reverse mortgage loans held for investment, subject to nonrecourse debt:		
Performing HECM buyouts	276,351	141,691
Nonperforming HECM buyouts	614,824	538,768
Non-agency reverse mortgages	4,095,701	3,777,346
Total reverse mortgage loans held for investment, subject to nonrecourse debt	4,986,876	4,457,805
Total owned reverse mortgage portfolio	15,324,967	14,092,338
Loans reclassified as government guaranteed receivable	44,333	49,255
Loans serviced for others	18,281	123,324
Total serviced reverse mortgage loan portfolio	\$ 15,387,581	\$ 14,264,917

⁽¹⁾ Loans not securitized represent primarily newly originated loans.

⁽²⁾ Unpoolable loans represent primarily loans that have reached 98% of their MCA.

The table below summarizes the owned reverse mortgage portfolio by product type (in thousands):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
	<u>Successor</u>	<u>Predecessor</u>
Fixed rate loans	\$ 5,266,718	\$ 5,010,659
Adjustable rate loans	10,058,249	9,081,679
Total owned reverse mortgage portfolio	\$ 15,324,967	\$ 14,092,338

Finance of America Companies Inc. and Subsidiaries
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7. Reverse Mortgage Loans Held for Investment, Subject to HMBS Related Obligations, at Fair Value

Reverse mortgage loans held for investment, subject to HMBS related obligations, at fair value, consisted of the following for the dates indicated (in thousands):

	September 30, 2021 Successor	December 31, 2020 Predecessor
Reverse mortgage loans held for investment, subject to HMBS related obligations - UPB	\$ 9,617,079	\$ 9,045,104
Fair value adjustments	730,380	884,059
Total reverse mortgage loans held for investment, subject to HMBS related obligations, at fair value	\$ 10,347,459	\$ 9,929,163

8. Mortgage Loans Held for Investment, Subject to Nonrecourse Debt, at Fair Value

Mortgage loans held for investment, subject to nonrecourse debt, at fair value, consisted of the following for the dates indicated (in thousands):

	September 30, 2021 Successor	December 31, 2020 Predecessor
Mortgage loans held for investment, subject to nonrecourse debt - UPB:		
Reverse mortgage loans	\$ 4,986,876	\$ 4,457,805
Commercial mortgage loans	268,288	333,344
Fair value adjustments	684,487	605,018
Total mortgage loans held for investment, subject to nonrecourse debt, at fair value	\$ 5,939,651	\$ 5,396,167

The table below shows the total amount of mortgage loans held for investment, subject to nonrecourse debt that were greater than 90 days past due and on non-accrual status (in thousands):

	September 30, 2021 Successor	December 31, 2020 Predecessor
Loans 90 days or more past due and on non-accrual status		
Fair value:		
Commercial mortgage loans	\$ 30,720	\$ 32,377
Total fair value	30,720	32,377
Aggregate UPB:		
Commercial mortgage loans	30,871	33,888
Total aggregate UPB	30,871	33,888
Difference	\$ (151)	\$ (1,511)

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9. Mortgage Loans Held for Investment, at Fair Value

Mortgage loans held for investment, at fair value, consisted of the following for the dates indicated (in thousands):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
	<u>Successor</u>	<u>Predecessor</u>
Mortgage loans held for investment - UPB:		
Reverse mortgage loans	\$ 721,012	\$ 589,429
Commercial mortgage loans	233,101	69,127
Fair value adjustments	123,557	72,265
Total mortgage loans held for investment, at fair value	\$ 1,077,670	\$ 730,821

10. Mortgage Loans Held for Sale, at Fair Value

Mortgage loans held for sale, at fair value, consisted of the following for the dates indicated (in thousands):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
	<u>Successor</u>	<u>Predecessor</u>
Mortgage loans held for sale - UPB:		
Residential mortgage loans	\$ 1,859,842	\$ 2,000,795
Commercial mortgage loans	138,101	140,693
Fair value adjustments	49,072	81,323
Total mortgage loans held for sale, at fair value	\$ 2,047,015	\$ 2,222,811

The table below shows the total amount of mortgage loans held for sale that were greater than 90 days past due and on non-accrual status (in thousands):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
	<u>Successor</u>	<u>Predecessor</u>
Loans 90 days or more past due and on non-accrual status		
Fair value:		
Residential mortgage loans	\$ 3,256	\$ 10,628
Commercial mortgage loans	2,952	5,051
Total fair value	6,208	15,679
Aggregate UPB:		
Residential mortgage loans	3,905	13,236
Commercial mortgage loans	3,141	5,317
Total aggregate UPB	7,046	18,553
Difference	\$ (838)	\$ (2,874)

The Company originates or purchases and sells mortgage loans in the secondary mortgage market without recourse for credit losses. However, the Company at times maintains continuing involvement with the loans in the form of servicing arrangements and the liability under representations and warranties it makes to purchasers and insurers of the loans.

Finance of America Companies Inc. and Subsidiaries
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The following table summarizes cash flows between the Company and transferees as a result of the sale of mortgage loans in transactions where the Company maintains continuing involvement with the mortgage loans (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Cash flows:					
Sales proceeds	\$ 5,529,393	\$ 10,710,950	\$ 6,387,933	\$ 2,464,412	\$ 5,333,372
Fair value of retained beneficial interest ⁽¹⁾	51,747	101,055	66,400	53,401	98,256
Gross servicing fees received	14,878	29,156	13,877	5,677	7,501
Repurchases	(5,320)	(12,138)	(4,144)	(10,169)	(18,716)
Gain	200,758	397,887	284,948	369,473	661,144

(1) Fair value of retained beneficial interest includes retained servicing rights and other beneficial interests retained as of the statement of financial condition date.

11. Mortgage Servicing Rights, at Fair Value

The servicing portfolio associated with capitalized servicing rights consists of the following (in thousands):

	September 30, 2021	December 31, 2020
	Successor	Predecessor
Fannie Mae/Freddie Mac	\$ 33,034,877	\$ 20,501,504
Ginnie Mae	235,279	1,727,831
Private investors	820,959	40,027
Total UPB	\$ 34,091,115	\$ 22,269,362
Weighted average interest rate	3.0%	3.1%

The activity in the loan servicing portfolio associated with capitalized servicing rights consisted of the following (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Beginning UPB	\$ 30,592,187	\$ 26,675,358	\$ 22,269,362	\$ 7,211,843	\$ 288,057
Originated MSR	5,380,307	10,520,166	6,312,227	7,308,891	14,295,128
Purchased MSR	228,470	234,007	866,806	—	—
Payoffs, sales and curtailments	(2,109,849)	(3,338,416)	(2,773,037)	(243,225)	(305,676)
Ending UPB	\$ 34,091,115	\$ 34,091,115	\$ 26,675,358	\$ 14,277,509	\$ 14,277,509

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The activity in the mortgage servicing rights asset consisted of the following (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Beginning balance	\$ 290,938	\$ 267,364	\$ 180,684	\$ 42,684	\$ 2,600
Originations	52,252	102,301	65,964	53,401	98,256
Purchases	2,291	2,352	9,014	—	—
Sales	(2,501)	(2,501)	(8,647)	—	—
Changes in fair value due to:					
Changes in market inputs or assumptions used in valuation model	13,165	(2,886)	35,109	8,170	4,746
Changes in fair value due to portfolio runoff and other	(15,196)	(25,681)	(14,760)	(3,716)	(5,063)
Ending balance	<u>\$ 340,949</u>	<u>\$ 340,949</u>	<u>\$ 267,364</u>	<u>\$ 100,539</u>	<u>\$ 100,539</u>

The value of MSR is driven by the net cash flows associated with servicing activities. The cash flows include contractually specified servicing fees, late fees, and other ancillary servicing revenue. The fees were \$14.4 million for the Successor three months ended September 30, 2021, \$28.1 million for the Successor period from April 1, 2021 to September 30, 2021, and \$13.0 million for the Predecessor period from January 1, 2021 to March 31, 2021. Fees for the Predecessor were \$5.8 million and \$7.6 million for the three months ended and nine months ended September 30, 2020, respectively. These fees and changes in fair value of the MSR are recorded within fee income on the Consolidated Statements of Operations.

The following table provides a summary of the loan servicing portfolio delinquencies as a percentage of the total number of loans and the total unpaid balance of the portfolio:

	September 30, 2021		December 31, 2020	
	Number of Loans	Unpaid Balance	Number of Loans	Unpaid Balance
Portfolio delinquency				
30 days	0.4%	0.4%	0.5%	0.5%
60 days	0.0%	0.0%	0.1%	0.1%
90 or more days	0.1%	0.1%	0.2%	0.1%
Total	<u>0.5%</u>	<u>0.5%</u>	<u>0.8%</u>	<u>0.7%</u>
Foreclosure/real estate owned	0.0%	0.0%	0.0%	0.0%

12. Derivative and Risk Management Activities

The Company's principal market exposure is to interest rate risk, specifically long-term U.S. Treasury and mortgage interest rates, due to their impact on mortgage-related assets and commitments. The Company is also subject to changes in short-term interest rates, such as LIBOR, due to their impact on certain variable rate asset-backed debt such as warehouse lines of credit. Various financial instruments are used to manage and reduce this risk, including forward delivery commitments on mortgage-backed securities or whole loans and interest rate swaps.

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The Company did not have any derivative instruments designated as hedging instruments or subject to master netting and collateral agreements as of September 30, 2021 (Successor) and December 31, 2020 (Predecessor), for the Successor three months ended September 30, 2021, the Successor period from April 1, 2021 to September 30, 2021, and the Predecessor period from January 1, 2021 to March 31, 2021. The Company also had no derivative instruments designated as hedging instruments or subject to master netting and collateral agreements for the Predecessor for the three months ended and nine months ended September 30, 2020.

The following tables summarize the fair value, notional amount, and unrealized gains (losses) of derivative instruments for the periods indicated (in thousands):

	September 30, 2021					
	Successor					
	Derivative assets			Derivative liabilities		
	Fair value	Notional amount	Unrealized gains (losses)	Fair value	Notional amount	Unrealized gains (losses)
Interest rate lock commitments	\$29,175	\$2,865,203	\$ (58,401)	\$ —	\$ —	\$ —
Forward commitments, TBAs securities and treasury futures	974	2,872,378	(832)	105	2,880,000	1,227
Interest rate swaps and futures contracts	12,607	1,260,400	9,924	10,617	1,108,700	(9,862)
Forward MBS	12,237	2,391,000	12,238	1,061	458,500	17,574
Net fair value of derivative financial instruments	\$54,993	\$9,388,981	\$ (37,071)	\$11,783	\$4,447,200	\$ 8,939

	December 31, 2020					
	Predecessor					
	Derivative assets			Derivative liabilities		
	Fair value	Notional amount	Unrealized gains (losses)	Fair value	Notional amount	Unrealized gains (losses)
Interest rate lock commitments	\$87,576	\$2,897,479	\$ 73,568	\$ —	\$ 13,822	\$ 68
Forward commitments, TBAs securities and treasury futures	1,806	399,612	968	1,332	389,422	(1,248)
Interest rate swaps and futures contracts	2,683	1,386,400	2,324	755	744,500	(617)
Forward MBS	—	—	(348)	18,635	3,187,000	(16,587)
Net fair value of derivative financial instruments	\$92,065	\$4,683,491	\$ 76,512	\$20,722	\$4,334,744	\$ (18,384)

The Company is exposed to risk in the event of nonperformance by counterparties in their derivative contracts. In general, the Company manages such risk by evaluating the financial position and creditworthiness of counterparties, monitoring the amount of exposure and/or dispersing the risk among multiple counterparties. While the Company does not presently have master netting arrangements with its derivative counterparties, it does either maintain or deposit cash as margin collateral with its clearing broker to the extent the relative value of its derivatives are above or below their initial strike price. The Company pledged deposits of \$8.4 million and \$12.0 million as of September 30, 2021 (Successor) and December 31, 2020 (Predecessor), respectively. Total margin collateral is included in other assets, net, in the Company's Consolidated Statements of Financial Condition.

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13. Goodwill

Goodwill consisted of the following (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Beginning balance	\$ 1,298,324	\$ —	\$ 121,233	\$ 121,754	\$ 121,137
Additions from acquisitions	472	1,298,796	7,517	—	617
Ending balance	<u>\$ 1,298,796</u>	<u>\$ 1,298,796</u>	<u>\$ 128,750</u>	<u>\$ 121,754</u>	<u>\$ 121,754</u>

For the Successor period, additions include goodwill recognized from the Business Combination and additional acquisitions or adjustments to provisional amounts within the measurement period. Refer to Note 4 - Acquisitions for additional details regarding these acquisitions. The Company did not identify any impairment for the Successor three months ended September 30, 2021, the Successor period from April 1, 2021 to September 30, 2021, or the Predecessor period from January 1, 2021 to March 31, 2021. There was also no impairment identified for the Predecessor periods for the three months ended and nine months ended September 30, 2020. Goodwill is reviewed for impairment utilizing a qualitative assessment or a quantitative goodwill impairment test, and management determined that it was more likely than not that no impairment of goodwill existed as of September 30, 2021.

Significant factors in the consideration of goodwill and intangible assets for impairment include expectations of future cash flows, market capitalization relative to book value, and expected growth rates. The declining share price of the Company's stock has caused the market capitalization to fall below book value as of September 30, 2021. As a result of the decrease in share price, we performed an analysis to determine if a triggering event occurred that indicated it was more likely than not that the fair value of one or more of our reporting units was less than its carrying value. The analysis resulted in the determination that no triggering event occurred. Management considered the structural and timing factors, including de-SPAC trading activity following the Business Combination, comparatively low stock trading volume, and limited historical operating results that include only one quarter of results that were heavily impacted by nonrecurring merger-related transactions, have put downward pressure on the stock price of our publicly traded shares unrelated to the ongoing operations of the Company.

The Company will perform an annual goodwill impairment test as of October 1, 2021.

The amount of goodwill allocated to each reporting unit consisted of the following (in thousands):

Reporting units:	September 30, 2021	December 31, 2020
	Successor	Predecessor
Mortgage Originations	\$ 712,524	\$ 44,429
Reverse Originations	405,445	—
Commercial Originations	75,768	43,113
Lender Services	102,250	25,247
Portfolio Management	2,809	8,444
Total goodwill	<u>\$ 1,298,796</u>	<u>\$ 121,233</u>

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14. Intangible Assets, Net

Intangible assets, net, consisted of the following (in thousands):

September 30, 2021	Amortization Period (Years)	Cost	Accumulated Amortization	Net
Successor:				
<i>Non-amortizing intangibles</i>				
Trade name	N/A	\$178,000	\$ —	\$178,000
Total non-amortizing intangibles		\$178,000	\$ —	\$178,000
<i>Amortizing intangibles</i>				
Broker/customer relationships	8 - 15	\$530,900	\$ (26,474)	\$504,426
Trade names and other	5 - 10	10,690	(440)	10,250
Total amortizing intangibles		\$541,590	\$ (26,914)	\$514,676
Total intangibles		\$719,590	\$ (26,914)	\$692,676
December 31, 2020	Amortization Period (Years)	Cost	Accumulated Amortization	Net
Predecessor:				
<i>Non-amortizing Intangibles</i>				
Domain name	N/A	\$ 5,422	\$ —	\$ 5,422
Total non-amortizing intangibles		\$ 5,422	\$ —	\$ 5,422
<i>Amortizing Intangibles</i>				
Customer list	5 - 12	\$12,754	\$ (5,100)	\$ 7,654
Broker relationships	10	7,627	(5,429)	2,198
Trade names	5 - 20	2,495	(1,487)	1,008
Technology assets	5	805	(156)	649
Total amortizing intangibles		\$23,681	\$ (12,172)	\$11,509
Total intangibles		\$29,103	\$ (12,172)	\$16,931

Amortization expense was \$13.5 million for the Successor three months ended September 30, 2021, \$26.9 million, for the Successor period from April 1, 2021 to September 30, 2021, and \$0.6 million for the Predecessor period from January 1, 2021 to March 31, 2021. Amortization expense for the Predecessor was \$0.6 million and \$1.9 million for the three months ended and nine months ended September 30, 2020, respectively.

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The estimated amortization expense for each of the five succeeding fiscal years and thereafter as of September 30, 2021 (Successor) is as follows (in thousands):

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 13,552
2022	54,206
2023	54,206
2024	54,206
2025	54,206
Thereafter	284,300
Total future amortization expense	<u>\$514,676</u>

15. HMBS Related Obligations, at Fair Value

HMBS related obligations, at fair value, consisted of the following (in thousands):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
	<u>Successor</u>	<u>Predecessor</u>
Ginnie Mae loan pools - UPB	\$ 9,617,079	\$ 9,045,104
Fair value adjustments	599,231	743,564
Total HMBS related obligations, at fair value	\$ 10,216,310	\$ 9,788,668
Weighted average remaining life	4.4	4.5
Weighted average interest rate	2.5%	3.0%

HMBS related obligations represent the issuance of pools of HMBS, which are guaranteed by Ginnie Mae, to third party security holders. The Company accounts for the transfers of these advances in the related HECM loans as secured borrowings, retaining the initial HECM loans in its Consolidated Statements of Financial Condition as reverse mortgage loans held for investment, subject to HMBS related obligations, and recording the pooled HMBS as HMBS related obligations. Monthly cash flows generated from the HECM loans are used to service the outstanding HMBS.

The Company was servicing 1,810 and 1,693 Ginnie Mae loan pools at September 30, 2021 (Successor) and December 31, 2020 (Predecessor), respectively.

16. Nonrecourse Debt, at Fair Value

Nonrecourse debt, at fair value, consisted of the following (in thousands):

	<u>Issue Date</u>	<u>Class of Note</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
						<u>Successor</u>	<u>Predecessor</u>
Securitization of nonperforming HECM loans	February 2020 - February 2021	A, M1, M2, M3, M4, M5	February 2030 - February 2031	0.88% - 9.00%	\$ 1,539,531	\$ 951,251	\$ 775,030
Securitization of non-agency reverse loans	May 2018 - September 2021	A, A1, A1A, A1B, A2	April 2023 - November 2069	1.25% - 4.50%	5,744,467	4,435,064	4,037,184
Securitization of Fix & Flip loans	September 2018 - April 2021	A1, A2, A-VFN, M	May 2022 - May 2025	2.10% - 8.00%	1,002,424	268,511	342,793

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	Issue Date	Class of Note	Final Maturity Date	Interest Rate	Original Issue Amount	September 30, 2021 Successor	December 31, 2020 Predecessor
Total nonrecourse debt						5,654,826	5,155,007
Nonrecourse MSR financing liability, at fair value						96,073	14,088
Fair value adjustments						80,184	102,747
Total nonrecourse debt, at fair value						<u>\$ 5,831,083</u>	<u>\$ 5,271,842</u>

17. Other Financing Lines of Credit

The following summarizes the components of other financing lines of credit (dollars in thousands):

Maturity Date	Interest Rate	Collateral Pledged	Total Capacity ⁽¹⁾	Outstanding Borrowings at	
				September 30, 2021 Successor	December 31, 2020 Predecessor
Mortgage Lines:					
October 2021 - June 2023 ⁽²⁾	LIBOR + applicable margin	First Lien Mortgages	\$3,575,000	\$ 1,783,544	\$ 1,997,464
March 2026	LIBOR + applicable margin	MSRs	150,000	117,736	—
December 2021 - November 2022	LIBOR + applicable margin	Mortgage Related Assets	87,106	69,877	—
Subtotal mortgage lines of credit			<u>\$3,812,106</u>	<u>\$ 1,971,157</u>	<u>\$ 1,997,464</u>
Reverse Lines:					
October 2021 - August 2022 ⁽²⁾	LIBOR + applicable margin Bond accrual rate	First Lien Mortgages	\$1,200,000	\$ 620,418	\$ 477,637
April 2022 - September 2023	+ applicable margin	Mortgage Related Assets	398,719	278,924	252,880
February 2024	LIBOR + applicable margin	MSRs	90,000	88,072	—
April 2022	Prime + .50%; 6% floor	Unsecuritized Tails	50,000	40,954	37,442
Subtotal reverse lines of credit			<u>\$1,738,719</u>	<u>\$ 1,028,368</u>	<u>\$ 767,959</u>
Commercial Lines:					
February 2022 - November 2023	LIBOR + applicable margin	First Lien Mortgages	\$ 510,000	\$ 149,787	\$ 128,134
August 2022 - September 2022	LIBOR + applicable margin	Encumbered Agricultural Loans	225,000	152,634	52,300
August 2022	10%	Second Lien Mortgages	25,000	21,701	21,475
N/A	LIBOR + applicable margin	Mortgage Related Assets	1,509	1,509	6,411
Subtotal commercial lines of credit			<u>\$ 761,509</u>	<u>\$ 325,631</u>	<u>\$ 208,320</u>
Total other financing lines of credit			<u>\$6,312,334</u>	<u>\$ 3,325,156</u>	<u>\$ 2,973,743</u>

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- (1) Capacity is dependent upon maintaining compliance with, or obtaining waivers of, the terms, conditions and covenants of the respective agreements, including asset-eligibility requirements. Capacity amounts presented are as of September 30, 2021.
- (2) See Note 31 - Subsequent Events for additional information on facility amendments.

As of September 30, 2021 (Successor) and December 31, 2020 (Predecessor), the weighted average outstanding interest rates on outstanding debt of the Company were 3.06% and 3.15%, respectively.

The Company's borrowing arrangements and credit facilities contain various financial covenants which primarily relate to required tangible net worth amounts, liquidity reserves, leverage requirements, and profitability requirements. As a result of market disruptions and fair value accounting adjustments taken in March 2020 resulting from the COVID-19 pandemic, FACo was in violation of its first, second, and third quarter 2020 profitability covenants with two of its warehouse lenders. The Company received waivers of these covenant violations from both lenders as well as amendments to profitability covenants for the remaining quarters of 2020.

As a result of impacts from the Business Combination, FAM was not in compliance with the second quarter 2021 lender adjusted tangible net worth quarterly requirement and the second and third quarter 2021 two-consecutive quarter requirements by FNMA. The Company received a waiver for the covenant violations from FNMA. As of September 30, 2021 (Successor), the Company had obtained waivers for these covenant violations and was in compliance with all other financial covenants.

The terms of the Company's financing arrangements and credit facilities contain covenants, and the terms of the Company's GSE/seller servicer contracts contain requirements that may restrict the Company and its subsidiaries from paying distributions to its members. These restrictions include restrictions on paying distributions, whenever the payment of such distributions would cause FoA to no longer be in compliance with any of its financial covenants or GSE requirements. Further, the Company is generally prohibited under Delaware law from making a distribution to a member to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of the Company (with certain exceptions) exceed the fair value of its assets. Subsidiaries of the Company are generally subject to similar legal limitations on their ability to make distributions to FoA.

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As of September 30, 2021 (Successor), the maximum allowable distributions available to the Company based on the most restrictive of such financial covenant ratios is presented in the table below (in thousands, except for ratios):

Financial Covenants	Successor		Maximum Allowable Distribution (1)
	Requirement	September 30, 2021	
FAM			
Adjusted Tangible Net Worth	\$ 150,000	\$ 200,718	\$ 50,718
Liquidity	40,000	67,053	\$ 27,053
Leverage Ratio	15:1	12.6:1	32,538
Material Decline in Lender Adjusted Net Worth:			
<i>Lender Adjusted Tangible Net Worth</i>			
<i>(Quarterly requirement)</i>	\$ 143,538	\$ 200,719	\$ 57,181
<i>Lender Adjusted Tangible Net Worth</i>			
<i>(Two-Consecutive Quarterly requirement)</i>	235,832	200,719	\$ (35,113)
FACo			
Adjusted Tangible Net Worth	\$ 85,000	\$ 101,942	\$ 16,942
Liquidity	20,000	37,294	\$ 17,294
Leverage Ratio	6:1	3.7:1	39,855
FAR			
Adjusted Tangible Net Worth	\$ 450,000	\$ 501,822	\$ 51,822
Liquidity	20,000	33,480	\$ 13,480
Leverage Ratio	6:1	2.9:1	\$ 242,109
Material Decline in Lender Adjusted Net Worth:			
<i>Lender Adjusted Tangible Net Worth</i>			
<i>(Quarterly requirement)</i>	\$ 336,035	\$ 476,133	\$ 140,098
<i>Lender Adjusted Tangible Net Worth</i>			
<i>(Two-Consecutive Quarterly requirement)</i>	235,832	476,133	\$ 240,301

(1) *The Maximum Allowable Distribution for any of the originations subsidiaries is the lowest of the amounts shown for the particular originations subsidiary.*

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As of December 31, 2020 (Predecessor), the maximum allowable distributions available to the Company based on the most restrictive of such financial covenant ratios is presented in the table below (in thousands, except for ratios):

Predecessor			
Financial Covenants	Requirement	December 31, 2020	Maximum Allowable Distribution (1)
FAM			
Adjusted Tangible Net Worth	\$ 125,000	\$ 289,163	\$ 164,163
Liquidity	40,000	56,775	16,775
Leverage Ratio	15:1	9.3:1	110,267
Material Decline in Lender Adjusted Net Worth:			
<i>Lender Adjusted Tangible Net Worth</i>			
<i>(Quarterly requirement)</i>			
	\$ 210,428	\$ 282,062	\$ 71,634
<i>Lender Adjusted Tangible Net Worth</i>			
<i>(Two-Consecutive Quarterly requirement)</i>			
	93,763	282,062	188,299
FACo			
Adjusted Tangible Net Worth	\$ 85,000	\$ 126,672	\$ 41,672
Liquidity	20,000	46,385	26,385
Leverage Ratio	6:1	1.7:1	90,782
FAR			
Adjusted Tangible Net Worth	\$ 300,000	\$ 474,128	\$ 174,128
Liquidity	20,000	36,425	16,425
Leverage Ratio	5.5:1	2.5:1	258,615
Material Decline in Lender Adjusted Net Worth:			
<i>Lender Adjusted Tangible Net Worth</i>			
<i>(Quarterly requirement)</i>			
	\$ 314,091	\$ 472,458	\$ 158,367
<i>Lender Adjusted Tangible Net Worth</i>			
<i>(Two-Consecutive Quarterly requirement)</i>			
	205,619	472,458	266,839

(1) The Maximum Allowable Distribution for any of the originations subsidiaries is the lowest of the amounts shown for the particular originations subsidiary.

Finance of America Companies Inc. and Subsidiaries
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18. Payables and Other Liabilities

Payables and other liabilities consisted of the following (in thousands):

	September 30, 2021	December 31, 2020
	Successor	Predecessor
Accrued compensation expense	\$ 150,821	\$ 150,214
Accrued liabilities	135,747	83,427
Lease liabilities	61,846	48,250
Deferred purchase price liabilities	47,317	3,842
Ginnie Mae reverse mortgage buy-out payable	36,574	32,317
Deferred tax liability, net	27,213	—
Estimate of claim losses	14,015	8,609
Derivative liabilities	11,783	20,722
Warrant liability	9,342	—
Repurchase reserves	7,879	10,529
Liability for loans eligible for repurchase from Ginnie Mae	7,266	42,148
Total payables and other liabilities	\$ 509,803	\$ 400,058

Warrants

Prior to the Business Combination, Replay issued 28,750,000 units, consisting of one ordinary share and one-half of one redeemable warrant (each, a “Public Warrant” or “Warrant”), resulting in 14,375,000 Public Warrants. Each Warrant is now exercisable for a share of FoA Class A Common Stock. As of September 30, 2021 (Successor), there were 14,375,000 Public Warrants outstanding.

The Warrants will expire April 1, 2026, five years after the completion of the Business Combination. The Company may call the Warrants for redemption:

- in whole and note in part;
- at a price of \$0.01 per warrant;
- upon a minimum of 30 days’ prior written notice of redemption;
- if, and only if, the last reported closing price of the Class A Common Stock equals or exceeds \$18.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the warrant holders; and

Each Warrant entitles the holder to purchase one ordinary share at a price of \$11.50 per share, subject to adjustment for reorganization and/or extraordinary dividends event, as described in the warrant agreement.

If the Company calls the Warrants for redemption, management will have the option to require all holders that wish to exercise the warrants to do so on a “cashless basis,” as described in the warrant agreement.

The Company has determined that the Warrants are subject to treatment as a liability. As of the Closing of the Business Combination on April 1, 2021 and as of September 30, 2021 (Successor), the Warrants had a fair value of \$18.0 million and \$9.3 million, respectively. These liability-classified Public Warrants are out of the money and thus have no impact on diluted EPS.

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19. Notes Payable, Net

A summary of the outstanding notes payable, net, is presented in the table below (in thousands):

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>September 30, 2021</u> <u>Successor</u>	<u>December 31, 2020</u> <u>Predecessor</u>
Senior Unsecured Notes	November 2025	7.9%	\$ 350,000	\$ 350,000
Financing Agreement	January 2021	5.5%	—	9
Total aggregate principle amount			350,000	350,009
Fair value adjustment, net of amortization ⁽¹⁾			3,567	—
Less: Debt issuance costs			—	(13,436)
Total notes payable, net			\$ 353,567	\$ 336,573

⁽¹⁾ In conjunction with the Business Combination discussed in Note 4, the Company was required to adjust the liabilities assumed to fair value, resulting in a premium on the Notes and the elimination of the previously recognized debt issuance costs.

Interest expense was \$7.6 million for the Successor three months ended September 30, 2021, \$15.1 million for the Successor period from April 1, 2021 to September 30, 2021, and \$7.7 million for the Predecessor period from January 1, 2021 to March 31, 2021. Interest expense for the Predecessor was \$0.0 million and \$0.7 million for the three months ended and nine months ended September 30, 2020, respectively. The Company was in compliance with all required covenants related to the Notes as of September 30, 2021 (Successor).

20. Litigation

The Company's business is subject to legal proceedings, examinations, investigations and reviews by various federal, state and local regulatory and enforcement agencies as well as private litigants such as the Company's borrowers or former employees. At any point in time, the Company may have open investigations with regulators or enforcement agencies, including examinations and inquiries related to its loan servicing and origination practices. These matters and other pending or potential future investigations, examinations, inquiries or lawsuits may lead to administrative or legal proceedings, and possibly result in remedies, including fines, penalties, restitution, or alterations in business practices, and in additional expenses and collateral costs.

As a litigation or regulatory matter develops, the Company, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. If, at the time of evaluation, the loss contingency is not both probable and reasonably estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and reasonably estimable. Once the matter is deemed to be both probable and reasonably estimable, the Company will establish an accrued liability and record a corresponding amount to litigation related expense. The Company will continue to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established. For certain matters, the Company may consider a loss to be probable but cannot calculate a precise estimate of losses. For these matters, the Company may be able to estimate a range of possible loss. In determining whether it is possible to provide an estimate of loss or range of possible loss, the Company reviews and evaluates its material litigation and regulatory matters on an ongoing basis, in conjunction with any outside counsel handling the matter.

As of September 30, 2021 (Successor), there were no matters that the Company considered to be both probable or reasonably possible for which they could estimate losses or a reasonable range of estimated losses.

The Company is a defendant in four representative lawsuits alleging violations of the California Labor Code and brought pursuant to the California Private Attorneys General Act ("PAGA"). The cases have been coordinated and currently are in discovery. Due to the unpredictable nature of litigation generally and the wide discretion afforded the Court in awarding civil penalties in PAGA actions, the outcome of these matters cannot presently be determined. Although the actions are being vigorously defended, the Company could, in the future, incur judgments or enter into settlements of claims that could have a negative effect on its results of operations in any particular period.

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Legal expenses, which includes, among other things, settlements and the fees paid to external legal service providers, were \$3.9 million for the Successor three months ended September 30, 2021, \$7.5 million for the Successor period from April 1, 2021 to September 30, 2021, and \$4.2 million for the Predecessor period from January 1, 2021 to March 31, 2021. Legal expenses for the Predecessor were \$5.0 million and \$12.5 million for the three months ended and nine months ended September 30, 2020, respectively. These expenses are included in general and administrative expenses in the Consolidated Statements of Operations.

21. Commitments and Contingencies

Servicing of Mortgage Loans

The Company has contracted with third party providers to perform specified servicing functions on its behalf. These services include maintaining borrower contact, facilitating borrower advances, generating borrower statements, and facilitating loss-mitigation strategies in an attempt to keep defaulted borrowers in their homes.

For reverse mortgages, defaults on loans leading to foreclosures may occur if borrowers fail to meet maintenance obligations, such as payment of taxes or home insurance premiums. When a default cannot be cured, the sub-servicers manage the foreclosure process and the filing of any insurance claims with HUD. The sub-servicers have responsibility for remitting timely advances and statements to borrowers and timely and accurate claims to HUD, including compliance with local, state and federal regulatory requirements. Although the Company has outsourced its servicing function, as the issuer, the Company has responsibility for all aspects of servicing of the HECM loans and related HMBS beneficial interests under the terms of the servicing contracts, state laws and regulations.

Additionally, the sub-servicers are responsible for remitting payments to investors, including interest accrued, interest shortfalls and funding advances such as taxes and home insurance premiums. Advances are typically remitted by the Company to the sub-servicers on a daily basis.

Contractual sub-servicing fees related to sub-servicer arrangements are generally based on a fixed dollar amount per loan and are included in general and administrative expenses in the Consolidated Statements of Operations.

Unfunded Commitments

The Company is required to fund further borrower advances (where the borrower has not fully drawn down the HECM, HomeSafe Flex and Select, or fix & flip loan proceeds available), and fund the payment of the borrower's obligation to pay FHA monthly insurance premiums.

The outstanding unfunded commitments available to borrowers related to HECM loans were approximately \$2.5 billion as of September 30, 2021 (Successor), compared to \$2.1 billion as of December 31, 2020 (Predecessor). The outstanding unfunded commitments available to borrowers related to fix & flip loans were approximately \$10.2 million and \$18.8 million as of September 30, 2021 (Successor) and December 31, 2020 (Predecessor), respectively. This additional borrowing capacity is primarily in the form of undrawn lines of credit.

The Company also has commitments to purchase and sell loans totaling \$18.4 million and \$153.6 million, respectively, at September 30, 2021 (Successor), compared to \$10.2 million and \$54.3 million, respectively, at December 31, 2020 (Predecessor).

Mandatory Repurchase Obligation

The Company is required to repurchase reverse loans out of the Ginnie Mae securitization pools once the outstanding principal balance of the related HECM is equal to or greater than 98% of the MCA. Performing repurchased loans are conveyed to HUD and nonperforming repurchased loans are generally liquidated in accordance with program requirements. Loans are considered nonperforming upon events including, but not limited to, the death of the mortgagor, the mortgagor no longer occupying the property as their principal residence, or the property taxes or insurance are not being paid.

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As an issuer of HMBS, the Company also has the option to repurchase reverse loans out of the Ginnie Mae securitization pools without prior approval from Ginnie Mae in certain instances. These situations include the borrower requesting an additional advance that causes the outstanding principal balance to be equal to or greater than 98% of the MCA; the borrower's loan becoming due and payable under certain circumstances; the borrower not occupying the home for greater than twelve consecutive months for physical or mental illness, and the home is not the residence of another borrower; or the borrower failing to perform in accordance with the terms of the loan.

For each HECM loan that the Company securitizes into Agency HMBS, the Company is required to covenant and warrant to Ginnie Mae, among other things, that the HECM loans related to each participation included in the Agency HMBS are eligible under the requirements of the National Housing Act and the Ginnie Mae Mortgage-backed Securities Guide, and that the Company will take all actions necessary to ensure the HECM loan's continued eligibility. The Ginnie Mae HMBS program requires that the Company removes the participation related to any HECM loan that does not meet the requirements of the Ginnie Mae Mortgage-backed Securities Guide. In addition to securitizing HECM loans into Agency HMBS, the Company may sell HECM loans to third parties, and the agreements with such third parties include standard representations and warranties related to such loans, which if breached, may require the Company to repurchase the HECM loan and/or indemnify the purchaser for losses related to such HECM loans. In the case where the Company repurchases the loan, the Company bears any subsequent credit loss on the loan. To the extent that the Company is required to remove a loan from an Agency HMBS, purchase a loan from a third party or indemnify a third party, the potential losses suffered by the Company may be reduced by any recourse the Company has to the originating broker and/or correspondent lender, if applicable, to the extent such entity breached similar or other representations and warranties. Under most circumstances, the Company has the right to require the originating broker/correspondent to repurchase the related loan from the Company and/or indemnify the Company for losses incurred. The Company seeks to manage the risk of repurchase and associated credit exposure through the Company's underwriting and quality assurance practices.

22. Incentive Compensation

Equity Based Compensation

Pursuant to the terms of the A&R MLTIP, FoA has two major types of equity based compensation granted to employees, henceforth referred to as Replacement Restricted Stock Units ("Replacement RSUs") and Earnout Right Restricted Stock Units ("Earnout Right RSUs"). The issuance of the Replacement RSUs and Earnout Right RSUs to employees under the A&R MLTIP will be funded by the exchange of current Class A Common Stock and Class A LLC Units held by the unitholders of FoA Equity prior to the closing of the Business Combination. Therefore, the shares issued to employees under the A&R MLTIP will not result in incremental share ownership in the Company, and the total compensation costs associated with the vesting of the Replacement RSUs and Earnout Right RSUs will be directly allocated to the noncontrolling interest and, with respect to Blocker GP, to FoA in proportion to their sharing percentages of exchanged units.

Replacement RSUs

Pursuant to the terms of the A&R MLTIP executed on October 28, 2020, the Company granted each employee who held Phantom Units in FoA Equity and remained employed as of the Replacement RSU grant date, April 1, 2021, in consideration for the cancellation of a portion of their Phantom Units, Replacement RSUs that will vest into shares of Class A Common Stock.

Following the terms of the A&R MLTIP, 25% of the Replacement RSUs vested on the Replacement RSU grant date, and the remaining 75% vest in equal installments on each of the first three anniversaries of the closing of the Business Combination, subject to each holder's continued employment.

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Earnout Right RSUs

In addition to the Replacement RSUs, participants in the A&R MLTIP are entitled to receive additional Earnout Right RSUs depending on whether the Company achieves certain market-based conditions. The market-based vesting conditions have been factored into the grant date fair value measurement of the Earnout Right RSUs using a Monte Carlo simulation. The assumptions used in the Monte Carlo simulation model included a volatility rate of 60%, risk free rate of 1.14% and a weighted average expected term of 1.06 years for the first tranche of Earnout Right RSUs and 1.52 years for the second tranche of Earnout Right RSUs.

Earnout Right RSUs have the same service-based vesting conditions listed above for the Replacement RSUs along with market-based vesting conditions. The first tranche of Earnout Right RSUs vest upon satisfaction of the service-based vesting conditions and if, at any time during the six years following the Closing, the VWAP of FoA's Class A Common Stock is greater than or equal to \$12.50 for any twenty Trading Days within a period of thirty consecutive Trading Days (the date when the foregoing is first satisfied, the "First Earnout Achievement Date"). The second tranche of Earnout Right RSUs vest upon satisfaction of the service-based vesting conditions and if, at any time during the six years following the Closing, the VWAP of FoA's Class A Common Stock is greater than or equal to \$15.00 for any twenty Trading Days within a period of thirty consecutive Trading Days (the date when the foregoing is first satisfied, the "Second Earnout Achievement Date").

The Replacement RSUs and the Earnout Right RSUs are classified as equity and FoA accounts for the RSUs following the fair value method. Both the Replacement RSUs' and Earnout Right RSUs' fair values are fixed on the grant date and not remeasured unless the award is subsequently modified.

A summary of the Replacement RSU and Earnout Right RSU activity for the periods indicated is presented below in thousands, except for share information:

	Number of Units Unvested	Number of Units Vested	Total Number of Units	Grant Date Fair Value	
				Weighted Average Price Per Unit	Total Fair Value
Replacement RSUs					
Outstanding, July 1, 2021	10,753,414	4,066,069	14,819,483	\$ 9.48	\$140,489
Vested	(154,788)	154,788	—	—	—
Forfeited	(20,640)	—	(20,640)	9.48	(196)
Settled	—	(4,220,857)	(4,220,857)	9.48	(40,014)
Outstanding, September 30, 2021	<u>10,577,986</u>	<u>—</u>	<u>10,577,986</u>	<u>\$ 9.48</u>	<u>\$100,279</u>

	Number of Units Unvested	Number of Units Vested	Total Number of Units	Grant Date Fair Value	
				Weighted Average Price Per Unit	Total Fair Value
Replacement RSUs					
Outstanding, April 1, 2021	—	—	—	\$ —	\$ —
Granted	14,819,483	—	14,819,483	9.48	140,489
Vested	(4,220,857)	4,220,857	—	—	—
Forfeited	(20,640)	—	(20,640)	9.48	(196)
Settled	—	(4,220,857)	(4,220,857)	9.48	(40,014)
Outstanding, September 30, 2021	<u>10,577,986</u>	<u>—</u>	<u>10,577,986</u>	<u>\$ 9.48</u>	<u>\$100,279</u>

No Replacement RSUs are scheduled to vest from October 1, 2021 to December 31, 2021. Equity based compensation expense for the Replacement RSUs totaled \$9.6 million for the Successor three months ended September 30, 2021,

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\$56.7 million for the Successor period from April 1, 2021 to September 30, 2021 and \$0.0 million for the Predecessor period from January 1, 2021 to March 31, 2021. Unrecognized equity based compensation expense for the Replacement RSUs totaled \$83.6 million as of September 30, 2021. There were no Replacement RSUs outstanding as of December 31, 2020.

	Number of Units Unvested	Number of Units Vested	Total Number of Units	Grant Date Fair Value	
				Weighted Average Price Per Unit	Total Fair Value
Earnout Right RSUs					
Outstanding, July 1, 2021	1,550,880	—	1,550,880	\$ 8.91	\$ 13,811
Forfeited	(2,160)	—	(2,160)	8.91	(19)
Outstanding, September 30, 2021	<u>1,548,720</u>	<u>—</u>	<u>1,548,720</u>	<u>\$ 8.91</u>	<u>\$ 13,792</u>

	Number of Units Unvested	Number of Units Vested	Total Number of Units	Grant Date Fair Value	
				Weighted Average Price Per Unit	Total Fair Value
Earnout Right RSUs					
Outstanding, April 1, 2021	—	—	—	\$ —	\$ —
Granted	1,550,880	—	1,550,880	8.91	13,811
Forfeited	(2,160)	—	(2,160)	8.91	(19)
Outstanding, September 30, 2021	<u>1,548,720</u>	<u>—</u>	<u>1,548,720</u>	<u>\$ 8.91</u>	<u>\$ 13,792</u>

No Earnout Right RSUs are scheduled to vest from October 1, 2021 to December 31, 2021. Equity based compensation expense for the Earnout Right RSUs totaled \$2.4 million for the Successor three months ended September 30, 2021, \$4.6 million for the Successor period from April 1, 2021 to September 30, 2021, and \$0.0 million for the Predecessor period from January 1, 2021 to March 31, 2021. Unrecognized equity based compensation expense for the Earnout Right RSUs totaled \$9.2 million as of September 30, 2021. There were no Earnout Right RSUs outstanding as of December 31, 2020.

Long-Term Incentive Plan

On January 1, 2015, the Company established a long-term incentive plan (the “Plan”) to compensate key employees. Any distributions are based on distributions received by equity holders of the Company in excess of the contributed equity capital, plus a designated return on contributed equity capital (the “Hurdle”).

The phantom units are accounted for as a profit-sharing arrangement, as they do not represent a substantive form of equity and were not indexed to the price of UFG common units.

In connection with the Closing of the Business Combination, which occurred on April 1, 2021, the holders of Phantom Units (1,077 units outstanding) received one-time lump sum cash payments totaling \$24.0 million as it relates to the achievement of the Hurdle being met under the original terms of the Plan.

The cash payment of \$24.0 million relates to prior services provided solely for the benefit of the Company and not for ongoing services to be provided in the future that would benefit the post-combination entity. Given that the payment was triggered by the distributions made in connection with the successful closing of the Business Combination, the payment of \$24.0 million is considered to have been incurred “on the line.” The balance of the Company’s obligation under the Plan was replaced by the issuance of equity based compensation described above as governed by the Amended and Restated Management Long-Term Incentive Plan.

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23. General and Administrative Expenses

General and administrative expenses consisted of the following (in thousands):

	For the three months ended		January 1, 2021 to March 31, 2021	For the three months ended		For the nine months ended	
	September 30, 2021	April 1, 2021 to September 30, 2021		September 30, 2020	September 30, 2020		
	Successor			Predecessor			
Title and closing	\$ 31,358	\$ 56,549	\$ 25,061	\$ 15,835	\$ 44,512		
Loan origination expenses	20,983	38,708	20,503	19,771	54,344		
Depreciation and amortization	16,492	32,953	3,484	3,367	10,324		
Loan portfolio expenses	15,297	30,730	15,200	10,520	29,123		
Communications and data processing	14,670	27,238	11,324	8,726	23,053		
Securitization expenses	13,237	24,068	6,944	5,243	13,592		
Business development	10,492	20,139	10,607	8,247	25,837		
Licensing and insurance	2,906	6,363	2,487	1,411	4,677		
Fair value change in deferred purchase price liability	237	1,997	30	—	—		
Other expenses	15,923	22,151	31,577	40,684	68,122		
Total general and administrative expenses	\$ 141,595	\$ 260,896	\$ 127,217	\$ 113,804	\$ 273,584		

24. Business Segment Reporting

The Company has identified six reportable segments: Mortgage Originations, Reverse Originations, Commercial Originations, Lender Services, Portfolio Management and Corporate/Other.

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The following tables are a presentation of financial information by segment for the periods indicated (in thousands):

For the three months ended September 30, 2021									
Successor									
	Mortgage Originations	Reverse Originations	Commercial Originations	Lender Services	Portfolio Management	Total Operating Segments	Corporate and Other	Elim	Total
REVENUES									
Gain on sale of loans, net	\$ 200,294	\$ —	\$ —	\$ —	\$ 13,664	\$ 213,958	\$ —	\$ (3,863)	\$ 210,095
Net fair value gains (losses)	1,145	109,408	13,604	—	(448)	123,709	—	(1,200)	122,509
Fee income	30,827	1,022	14,252	87,592	14,937	148,630	—	(2,905)	145,725
Net interest income (expense)	2,807	—	—	(77)	(17,799)	(15,069)	(6,720)	(40)	(21,829)
Total revenues	235,073	110,430	27,856	87,515	10,354	471,228	(6,720)	(8,008)	456,500
Total expenses	220,331	41,354	21,678	78,688	30,068	392,119	28,672	(8,913)	411,878
Other, net	—	221	133	22	252	628	10,205	(905)	9,928
Net income (loss) before taxes	\$ 14,742	\$ 69,297	\$ 6,311	\$ 8,849	\$ (19,462)	\$ 79,737	\$ (25,187)	\$ —	\$ 54,550
Depreciation and amortization	\$ 2,822	\$ 9,970	\$ 638	\$ 2,892	\$ 18	\$ 16,340	\$ 152	\$ —	\$ 16,492
Total assets	2,978,565	789,351	120,116	358,684	18,429,429	22,676,145	964,815	(972,867)	22,668,093

April 1, 2021 to September 30, 2021									
Successor									
	Mortgage Originations	Reverse Originations	Commercial Originations	Lender Services	Portfolio Management	Total Operating Segments	Corporate and Other	Elim	Total
REVENUES									
Gain on sale of loans, net	\$ 385,680	\$ —	\$ —	\$ —	\$ 21,412	\$ 407,092	\$ —	\$ (9,420)	\$ 397,672
Net fair value gains	1,145	203,944	24,425	—	10,776	240,290	—	13,370	253,660
Fee income	61,172	1,976	26,376	168,722	18,514	276,760	—	(40,171)	236,589
Net interest income (expense)	4,783	(9)	—	(92)	(33,650)	(28,968)	(13,287)	(49)	(42,304)
Total revenues	452,780	205,911	50,801	168,630	17,052	895,174	(13,287)	(36,270)	845,617
Total expenses	444,522	83,600	41,727	151,962	63,325	785,136	64,669	(37,175)	812,630
Other, net	—	325	273	105	8	711	8,019	(905)	7,825
Net income (loss) before taxes	\$ 8,258	\$ 122,636	\$ 9,347	\$ 16,773	\$ (46,265)	\$ 110,749	\$ (69,937)	\$ —	\$ 40,812
Depreciation and amortization	\$ 4,255	\$ 9,819	\$ 1,059	\$ 5,710	\$ (89)	\$ 20,754	\$ 12,199	\$ —	\$ 32,953
Total assets	2,978,565	789,351	120,116	358,684	18,429,429	22,676,145	964,815	(972,867)	22,668,093

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January 1, 2021 to March 31, 2021									
Predecessor									
	Mortgage Originations	Reverse Originations	Commercial Originations	Lender Services	Portfolio Management	Total Operating Segments	Corporate and Other	Elim	Total
REVENUES									
Gain on sale of loans, net	\$ 286,481	\$ —	\$ —	\$ —	\$ 5,065	\$ 291,546	\$ —	\$ (212)	\$ 291,334
Net fair value gains	—	68,449	5,431	—	2,750	76,630	—	33	76,663
Fee income	32,731	524	8,930	76,383	36,191	154,759	—	6,612	161,371
Net interest expense	891	—	—	(36)	(14,816)	(13,961)	(7,744)	—	(21,705)
Total revenues	320,103	68,973	14,361	76,347	29,190	508,974	(7,744)	6,433	507,663
Total expenses	224,246	23,693	13,391	62,970	24,406	348,706	18,683	5,955	373,344
Other, net	—	34	149	2	895	1,080	(9,464)	(478)	(8,862)
Net income (loss) before taxes	\$ 95,857	\$ 45,314	\$ 1,119	\$ 13,379	\$ 5,679	\$ 161,348	\$ (35,891)	\$ —	\$ 125,457
Depreciation and amortization	\$ 1,423	\$ 151	\$ 125	\$ 1,268	\$ 146	\$ 3,113	\$ 371	\$ —	\$ 3,484
Total assets	2,425,529	35,861	82,375	125,317	17,378,088	20,047,170	379,562	(326,313)	20,100,419

For the three months ended September 30, 2020									
Predecessor									
	Mortgage Originations	Reverse Originations	Commercial Originations	Lender Services	Portfolio Management	Total Operating Segments	Corporate and Other	Elim	Total
REVENUES									
Gain on sale of loans, net	\$ 407,248	\$ —	\$ —	\$ —	\$ 706	\$ 407,954	\$ —	\$ (28)	\$ 407,926
Net fair value gains	—	48,251	1,357	—	46,261	95,869	—	86	95,955
Fee income	36,080	366	3,369	53,249	10,965	104,029	2,471	12,875	119,375
Net interest expense	451	—	—	(48)	(15,999)	(15,596)	(385)	(17)	(15,998)
Total revenues	443,779	48,617	4,726	53,201	41,933	592,256	2,086	12,916	607,258
Total expenses	239,847	24,634	7,064	45,304	22,989	339,838	9,615	12,916	362,369
Other, net	—	—	—	—	—	—	(2,470)	—	(2,470)
Net income (loss) before taxes	\$ 203,932	\$ 23,983	\$ (2,338)	\$ 7,897	\$ 18,944	\$ 252,418	\$ (9,999)	\$ —	\$ 242,419
Depreciation and amortization	\$ 1,440	\$ 269	\$ 143	\$ 1,067	\$ 12	\$ 2,931	\$ 436	\$ —	\$ 3,367
Total assets	2,170,342	15,163	57,432	103,755	16,639,324	18,986,016	351,841	(315,842)	19,022,015

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For the nine months ended September 30, 2020									
Predecessor									
	Mortgage Originations	Reverse Originations	Commercial Originations	Lender Services	Portfolio Management	Total Operating Segments	Corporate and Other	Elim	Total
REVENUES									
Gain on sale of loans, net	\$ 832,872	\$ —	\$ —	\$ —	\$ 6,323	839,195	\$ —	\$ (2,294)	\$ 836,901
Net fair value gains	—	137,529	9,939	—	72,142	219,610	—	2,028	221,638
Fee income	90,402	1,478	14,555	138,819	13,357	258,611	2,514	4,877	266,002
Net interest expense	1,715	—	—	(81)	(60,480)	(58,846)	(4,605)	(99)	(63,550)
Total revenues	924,989	139,007	24,494	138,738	31,342	1,258,570	(2,091)	4,512	1,260,991
Total expenses	593,996	65,374	29,506	123,453	61,735	874,064	32,837	4,512	911,413
Other, net	—	—	—	—	—	—	(2,514)	—	(2,514)
Net income (loss) before taxes	\$ 330,993	\$ 73,633	\$ (5,012)	\$ 15,285	\$ (30,393)	\$ 384,506	\$ (37,442)	\$ —	\$ 347,064
Depreciation and amortization	\$ 4,527	\$ 724	\$ 449	\$ 3,172	\$ 35	8,907	\$ 1,417	\$ —	\$ 10,324
Total assets	2,170,342	15,163	57,432	103,755	16,639,324	18,986,016	351,841	(315,842)	\$19,022,015

25. Liquidity and Capital Requirements

FAM

In addition to the covenant requirements of FAM mentioned in Note 17 - Other Financing Lines of Credit, FAM is subject to various regulatory capital requirements administered by HUD as a result of their mortgage origination and servicing activities. HUD governs non-supervised, direct endorsement mortgagees, and Ginnie Mae, FNMA and FHLMC, which sponsor programs that govern a significant portion of FAM's mortgage loans sold and servicing activities. Additionally, FAM is required to maintain minimum net worth requirements for many of the states in which it sells and services loans. Each state has its own minimum net worth requirement; however, none of the state requirements are material to the Company's Consolidated Financial Statements.

Failure to meet minimum capital requirements can result in certain mandatory remedial actions and potentially result in additional discretionary remedial actions by regulators that, if undertaken, could: (i) remove FAM's ability to sell and service loans to or on behalf of the Agencies; and (ii) have a direct material effect on FAM's financial statements, results of operations and cash flows.

In accordance with the regulatory capital guidelines, FAM must meet specific quantitative measures of cash, assets, liabilities, profitability and certain off-balance sheet items calculated under regulatory accounting practices. Further, changes in regulatory and accounting standards, as well as the impact of future events on FAM's results, may significantly affect FAM's net worth adequacy.

Among FAM's various capital requirements related to its outstanding mortgage origination and servicing agreements, the most restrictive of these requires FAM to maintain a minimum adjusted net worth balance as of the end of the most recent fiscal quarter of \$154.2 million as of September 30, 2021 (Successor). FAM's adjusted net worth was \$200.7 million as of September 30, 2021 (Successor). FAM is also subject to requirements related to material declines in quarterly and two consecutive quarter tangible net worth. As a result of impacts from the Business Combination, FAM was not in compliance with the second quarter 2021 lender adjusted tangible net worth quarterly requirement and the second and third quarter 2021 two-consecutive quarter requirements by FNMA. The Company received a waiver for the covenant violation from FNMA as of September 30, 2021 (Successor).

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In addition, FAM is required to maintain both fidelity bond and errors and omissions insurance coverage at tiered levels based on the aggregate UPB of the loans serviced by FAM throughout the year. FAM is required to conduct compliance testing at least quarterly to ensure compliance with the foregoing requirements. As of September 30, 2021 (Successor), FAM was in compliance with applicable requirements.

FAR

As an issuer of HMBS, FAR is required by Ginnie Mae to maintain minimum net worth, liquidity and capitalization levels as well as minimum insurance levels.

The net worth required is \$5.0 million plus 1% of FAR's commitment authority from Ginnie Mae. The liquidity requirement is for 20% of FAR's required net worth to be in the form of cash or cash equivalent assets. FAR is required to maintain a ratio of 6% of net worth to total assets.

At September 30, 2021 (Successor), FAR was in compliance with the minimum net worth, liquidity and insurance requirements of Ginnie Mae and had received a permanent waiver for its capital requirement. The minimum tangible net worth required of FAR by Ginnie Mae was \$102.6 million at September 30, 2021 (Successor). FAR's actual net worth calculated based on Ginnie Mae guidance was \$466.9 million at September 30, 2021 (Successor). The Company was therefore in compliance with all net worth requirements.

In addition, FAR is required to maintain both fidelity bond and errors and omissions insurance coverage at tiered levels based on the aggregate UPB of the loans serviced by FAR throughout the year. FAR is required to conduct compliance testing at least quarterly to ensure compliance with the foregoing requirements. As of September 30, 2021 (Successor), FAR was in compliance with applicable requirements.

Incenter

Incenter Securities Group LLC ("ISG"), one of the operating subsidiaries of Incenter, operates in a highly regulated environment and is subject to federal and state laws, SEC rules and Financial Industry Regulatory Authority ("FINRA") rules and guidance. Applicable laws and regulations, among other things, restrict permissible activities and require compliance with a wide range of financial and customer-related protections. The consequences of noncompliance can include substantial monetary and nonmonetary sanctions. In addition, ISG is subject to comprehensive examination by its regulators. These regulators have broad discretion to impose restrictions and limitations on the operations of the Company and to impose sanctions for noncompliance. ISG is subject to the SEC's Uniform Net Capital Rule (SEC Rule 15c3-1) ("the Rule"), which requires the maintenance of minimum net capital. ISG computes net capital under the alternative method. Under this method, the required minimum net capital is equal to \$0.3 million. At September 30, 2021 (Successor), ISG met the minimum net capital requirement amounts and was therefore in compliance.

Additionally, ISG claims the exemption provision of SEC Rule 15c3-3(k)(2)(ii). ISG does not hold customer funds or safekeep customer securities. The Company introduces and clears its customers' transactions through a third party on a fully-disclosed basis.

Agents National Title Insurance Company ("Agents"), an operating subsidiary of Incenter, has additional capital requirements. The State of Missouri and State of Alabama require domestic title insurance underwriters maintain minimum capital and surplus of \$1.6 million and \$0.2 million, respectively. Failure to comply with these provisions may result in various actions up to and including surrender of the certificate of authority. Additionally, in October 2019, Agents entered into a capital maintenance agreement in conjunction with the approval for the certificate of authority for California. This agreement requires Agents to maintain a minimum of \$8.0 million in policyholder surplus. If Agents falls below this requirement in any given quarter, Incenter must contribute cash, cash equivalents securities or other instruments to bring Agents in compliance. The Company's insurance company subsidiaries met the existing minimum statutory capital and surplus requirements as of September 30, 2021 (Successor).

The Company is also required to maintain bonds, certificates of deposit and interest bearing accounts in accordance with applicable state regulatory requirements. The total requirement was \$3.8 million across all states as of September 30, 2021 (Successor). The Company was in compliance with these requirements as of September 30, 2021 (Successor).

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26. Related Party Transactions

The Company transacts with various related parties as a part of normal day-to-day operations. Outstanding receivables from related parties were \$0.0 million and \$2.6 million as of September 30, 2021 (Successor) and December 31, 2020 (Predecessor), respectively.

Promissory Notes

In June 2019, the Company executed two Revolving Working Capital Promissory Note Agreements (the “2019 Promissory Notes”) with BTO Urban Holdings and Libman Family Holdings, LLC, which are deemed affiliates of the Company. The 2019 Promissory Notes accrued interest monthly at a rate of 10.0% per annum and matured and were paid in full in June 2020. The Company paid interest of \$0.2 million and \$3.1 million for the Predecessor three months ended and nine months ended September 30, 2020, respectively, related to the 2019 Promissory Notes.

Agricultural Loans

In 2019, the Company entered into an Amended and Restated Limited Liability Company Agreement with FarmOp Capital Holdings, LLC (“FarmOps”) in which the Company acquired an equity investment in FarmOps. Subsequent to this agreement, the Company agreed to purchase originated agricultural loans from FarmOps. The Company purchased agricultural loans and had total funded draw amounts of \$43.2 million and \$41.2 million, respectively, for the Successor three months ended September 30, 2021, \$89.5 million and \$94.6 million, respectively, for the Successor period from April 1, 2021 to September 30, 2021, and \$83.0 million and \$82.1 million, respectively, for the Predecessor period from January 1, 2021 to March 31, 2021. The Predecessor purchased agricultural loans which had total funded draw amounts of \$13.8 million and \$80.9 million, for a purchase price of \$3.2 million and \$79.9 million, for the three months ended and nine months ended September 30, 2020, respectively.

The Company had promissory notes outstanding with FarmOps of \$3.3 million and \$0.8 million as of September 30, 2021 (Successor) and December 31, 2020 (Predecessor), respectively.

In July 2021, upon meeting the contractual exercise condition, the Company exercised its warrant for the purchase of 6,426,015 Series A-2 Convertible Preferred Units of FarmOp at the contractual cash exercise price of \$0.0001 per unit. Following this exercise, FoA’s percentage of fully-diluted equity ownership of FarmOp is 36.4%.

Cloudvirga

In 2017 and 2019, the Company purchased preferred and common stock investments in Cloudvirga, Inc. (“Cloudvirga”). Subsequent to its investment, the Company entered into a software development arrangement in which Cloudvirga agreed to develop software in addition to providing certain technology services for the Company. In May 2021, Cloudvirga merged with an unaffiliated third party, causing the liquidation of all shares held by the Company. As such, the fair value assumptions used to determine the holding value of such preferred equity were updated by the Company and resulted in an impairment of the equity investment of \$9.3 million in the Predecessor period from January 1, 2021 to March 31, 2021. As a result of this liquidation of the held shares of Cloudvirga by certain subsidiaries of the Company, the related party relationship was terminated.

For the Predecessor period from January 1, 2021 to March 31, 2021, \$1.7 million was capitalized related to the development of the software and will be amortized over a 12 month period from the date placed in service. Professional fees paid to Cloudvirga, in exchange for the technology services, were \$0.6 million for the Predecessor period from January 1, 2021 to March 31, 2021, \$0.0 for the Predecessor three months ended September 30, 2020, and \$0.8 million for the Predecessor nine months ended September 30, 2020.

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Nonrecourse MSR Financing Liability, at Fair Value

In 2020, the Company entered into a nonrevolving facility commitment with various related parties, to sell beneficial interests in the servicing fees generated from its originated or acquired MSRs. Under these agreements, the Company has agreed to sell excess servicing income or pay an amount equal to excess servicing income to third parties, in each case, taking into account cost of servicing and ancillary income related to the identified MSRs in exchange for an upfront payment equal to the purchase price or fair value of the identified MSRs. These transactions are accounted for as financings.

As of September 30, 2021 (Successor) and December 31, 2020 (Predecessor), the Company had an outstanding advance of \$24.4 million and \$14.9 million, respectively, against this commitment for the purchase of MSRs with a fair value of \$20.3 million and \$14.1 million, respectively.

The Company has also entered into Investment Management Agreements with these third parties to serve as the investment manager, in which the Company performs various advisory services to the investors in exchange for a management fees. Management fees amounted to \$0.1 million for the Successor three months ended September 30, 2021, \$0.1 million for the Successor period from April 1, 2021 to September 30, 2021, and \$0.1 million for the Predecessor period from January 1, 2021 to March 31, 2021. There were no management fees paid for the Predecessor three months ended or nine months ended September 30, 2020, as the nonrevolving facility commitment did not exist during these periods.

Senior Notes

Related parties of FoA purchased notes in the high-yield debt offering in November 2020 in an aggregate principal amount of \$135.0 million.

27. Income Taxes

The components of income tax expense were as follows:

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Net income before income taxes	\$ 54,550	\$ 40,812	\$ 125,457	\$ 242,419	\$ 347,064
Provision for income taxes	4,440	5,526	1,137	808	1,574
Effective tax provision rate	8.14%	13.54%	0.91%	0.33%	0.45%

The Company's income tax expense varies from the expense that would be expected based on statutory rates due principally to its organizational structure. Prior to the Business Combination, FoA Equity operated as a U.S. Partnership which, generally, are not subject to federal and state income taxes. Post transaction, FoA's effective tax rate differs from the U.S.'s statutory rate primarily due to the noncontrolling interest associated with the portion of FoA Equity income not allocable to FoA and treatment of certain non-recurring transactions related to the Replacement RSUs, which are accounted for as discrete items in the interim period in which they occur rather than incorporated into the calculation of the estimated annual effective tax rate.

FoA is taxed as a corporation and is subject to corporate federal, state and local taxes on the income allocated to it from FoA Equity, based upon FoA's economic interest in FoA Equity, as well as any stand-alone income or loss it generates. FoA Equity and its disregarded subsidiaries are treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, FoA Equity is not subject to U.S. federal and certain state and local income taxes. FoA Equity's members, including FoA, are liable for federal, state and local income taxes based on their allocable share of FoA Equity's pass-through taxable income, which includes income of FoA Equity's subsidiaries that are treated as disregarded entities separate from FoA Equity for income tax purposes.

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FoA Equity wholly owns Campus Door Inc., BNT Title Company of California, ANTIC Inc. and Silvernest Inc., which are regarded corporate subsidiaries for tax purposes. FoA Equity's regarded corporate subsidiaries are subject to corporate federal, state and local taxes on income they generate. As such, the consolidated tax provision of FoA addresses corporate taxes that it incurs based on its flow-through income from FoA Equity as well as corporate taxes that are incurred by its regarded subsidiaries.

As a result of the Business Combination, the Company recognized a deferred tax liability ("DTL") in the net amount of \$24.5 million to account for the difference between the Company's book and tax basis in its investment in FoA Equity. Furthermore, the Company recognizes deferred tax assets to the extent it believes these assets are more-likely-than-not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent results of operations.

The Company recognizes uncertain income tax positions when it is not more-likely-than-not a tax position will be sustained upon examination. As of September 30, 2021 (Successor), the Company has recognized uncertain tax positions related to positions taken at the lower tier regarded corporate subsidiaries named above. The Company accrues interest and penalties related to uncertain tax positions as a component of the income tax provision. No interest or penalties were recognized in income tax expense for the Successor for the three months ended September 30, 2021, the Successor period from April 1, 2021 to September 30, 2021, or for the Predecessor period from January 1, 2021 to March 31, 2021. No interest or penalties were recognized in income tax expense for the Predecessor three months ended and nine months ended September 30, 2020. Tax positions taken in tax years that remain open under the statute of limitations will be subject to examinations by tax authorities. With few exceptions, the Company is no longer subject to state or local examinations by tax authorities for tax years ended December 31, 2016 or prior.

28. Earnings Per Share

Basic net income per share is based on the weighted average number of shares of Class A Common Stock issued and outstanding during the Successor period. Diluted net income per share is based on the weighted average number shares of Class A Common Stock issued and outstanding and the effect of all dilutive common stock equivalents and potentially dilutive share based compensation awards outstanding during the Successor period.

For the Predecessor periods, FoA Equity's capital structure consisted of a single class of outstanding membership units which are held by one member, UFG. Therefore, the Company has omitted earnings per unit for the Predecessor periods presented due to the limited number of LLC unit holders.

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The following tables reconcile the numerators and denominators used in the computations of both basic and diluted earnings per share for the Successor periods (in thousands, except for share amounts):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021
	Successor	
Basic net income per share:		
Numerator		
Net income	\$ 50,110	\$ 35,286
Less: income attributable to noncontrolling interests ⁽¹⁾	<u>28,726</u>	<u>11,637</u>
Net income attributable to holders of Class A Common Stock - basic	<u>\$ 21,384</u>	<u>\$ 23,649</u>
Denominator		
Weighted average shares of Class A Common Stock outstanding - basic	<u>59,861,171</u>	<u>59,871,386</u>
Basic net income per share	<u>\$ 0.36</u>	<u>\$ 0.39</u>

- (1) The Class A LLC Units of FoA Equity, held by the Continuing Unitholders, which comprise the noncontrolling interest in FoA, represents a participating security. Therefore, the numerator was adjusted to reduce net income by the amount of net income attributable to noncontrolling interests.

Additionally, the Class B Common Stock does not participate in earnings or losses of the Company and therefore is not a participating security. The Class B Common Stock has not been included in either the basic or diluted net income per share calculations.

Income attributable to noncontrolling interest includes special allocations of recognized expense related to the A&R MLTIP. See Note 22 - Incentive Compensation for additional details.

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021
	Successor	
Diluted net income per share:		
Numerator		
Net income attributable to holders of Class A Common Stock	\$ 21,384	\$ 23,649
Reallocation of net income assuming exchange of Class A LLC Units ⁽²⁾	<u>21,475</u>	<u>9,476</u>
Net income attributable to holders of Class A Common Stock - diluted	<u>\$ 42,859</u>	<u>\$ 33,125</u>
Denominator		
Weighted average shares of Class A Common Stock outstanding - basic	59,861,171	59,871,386
Effect of dilutive securities:		
Assumed exchange of Class A LLC Units for shares of Class A Common Stock ⁽³⁾	<u>131,300,259</u>	<u>131,309,223</u>
Weighted average shares of Class A Common Stock outstanding - diluted	<u>191,161,430</u>	<u>191,180,609</u>
Diluted net income per share	<u>\$ 0.22</u>	<u>\$ 0.17</u>

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- (2) This adjustment assumes the after-tax elimination of noncontrolling interest due to the assumed exchange of all Class A LLC Units outstanding for shares of Class A Common Stock in FoA as of the beginning of the period following the if-converted method for calculating diluted net income per share.

Following the terms of the A&R LLC Agreement, the Class A LLC unitholders will initially bear approximately 85% of the cost of any vesting associated with the Replacement RSUs and Earnout Right RSUs prior to any distribution by FoA to such Class A LLC unitholders. The remaining compensation cost associated with the Replacement RSUs and Earnout Right RSUs will be shared by Blocker. As a result of the application of the if-converted method, in arriving at diluted net income per share, the entirety of the compensation cost associated with vesting of the Replacement RSUs and Earnout Right RSUs is assumed to be included in the net income attributable to holders of the Company's Class A Common Stock.

- (3) The diluted weighted average shares outstanding of Class A Common Stock includes the effects of the if-converted method to reflect the provisions of the Exchange Agreement and assume the Class A LLC unitholders of FoA Equity, representing the noncontrolling interest, exchange their units on a one-for-one basis for shares of Class A Common Stock in FoA.

In addition to the Class A LLC Units, the Company also had Replacement RSUs outstanding during the Successor three months ended September 30, 2021 and the Successor period from April 1, 2021 to September 30, 2021. The effects of the Replacement RSUs following the treasury stock method have been excluded from the computation of diluted net income per share given that the if-converted method was determined to be more dilutive.

Finance of America Companies Inc. and Subsidiaries
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29. Sponsor Earnout

Contemporaneously with the execution of the Transaction Agreement, the initial shareholders entered into an amendment and restatement of the existing Sponsor Agreement (as amended and restated, the "Sponsor Agreement") with FoA, Replay and FoA Equity, pursuant to which, in connection with the Closing of the Business Combination, among other things, (i) immediately prior to the Domestication (as defined below), the 7,750,000 of private placement warrants (the "Private Warrants" and, together with the Public Warrants, the "Warrants") owned by the Sponsor were exchanged for 775,000 ordinary shares which then converted into shares of Class A Common Stock and (ii) excluding the 90,000 Founder Shares held by Replay's independent directors (unless transferred to any other initial shareholder or permitted transferee thereof) that were converted into shares of Class A Common Stock and immediately vested, 40% of the Founder Shares held by the Sponsor (2,839,000 shares) were converted into vested Class A Common Stock and became wholly owned by the Sponsor immediately prior to the Closing of the Business Combination and 60% of the Founder Shares held by the Sponsor (4,258,500 shares) were converted into unvested shares of Class A Common Stock and are subject to vesting and forfeiture in accordance with certain terms and conditions, as laid out below.

If at any time during the six years following the Closing, the VWAP of FoA's Class A Common Stock is greater than or equal to \$12.50 for any twenty (20) Trading Days within a period of thirty (30) consecutive Trading Days ("First Sponsor Earnout Achievement Date") then 35% of the total Founder Shares owned by each Sponsor Person shall vest. If the First Sponsor Earnout Achievement Date has not occurred within six years of the Closing Date the Founder Shares that were eligible to vest shall not vest and shall be forfeited.

If at any time during the six years following the Closing, the VWAP of FoA's Class A Common Stock is greater than or equal to \$15.00 for any twenty (20) Trading Days within a period of thirty (30) consecutive Trading Days ("Second Sponsor Earnout Achievement Date") then 25% of the total Founder Shares owned by each Sponsor Person shall vest. If the Second Sponsor Earnout Achievement Date has not occurred within six years of the Closing Date the Founder Shares that were eligible to vest shall not vest and shall be forfeited.

Given that the Sponsor Agreement was issued to the acquirers of FoA Equity, and not to the sellers of FoA Equity, the Pre-Closing Equity Holders, the Sponsor Agreement was not accounted for as consideration transferred and did not impact the purchase price paid by Replay. Instead the Sponsor Agreement was accounted for separately from the other provisions of the Transaction Agreement. The Company classified the Sponsor Agreement as an equity transaction. Given the equity classification, the Sponsor shares were measured at a fair value of \$38.1 million upon the consummation of the Transaction Agreement, the date of issuance, and will not be subsequently remeasured. Additionally, the settlement of the Sponsor Agreement will be accounted for within equity, if and when the First or Second Earnout Achievement Date occurs.

The fair value was determined by using a Monte Carlo simulation to forecast the future daily price per share of Class A Common Stock over a six-year time period. The Sponsor Earnout will terminate if after six years following the Closing Date, neither the First nor Second Sponsor Earnout Achievement Dates are met; or FoA is sold.

30. Equity

Class A Common Stock

As of September 30, 2021 (Successor), there were 63,195,244 shares of Class A Common Stock outstanding, consisting of 58,936,744 vested shares and 4,258,500 unvested shares that are subject to vesting and forfeiture. The 4,258,500 unvested shares of Class A Common Stock relate to the Sponsor Earnout, further discussed in Note 29. The 4,258,500 unvested shares of Class A Common Stock are not entitled to receive any dividends or other distributions, do not have any other economic rights until such shares are vested, and will not be entitled to receive back dividends or other distributions or any other form of economic "catch-up" once they become vested. The holders of the 58,936,744 vested shares of Class A Common Stock represent the controlling interest of the company. Refer to Note 29 - Sponsor Earnout for additional details regarding the unvested shares.

Finance of America Companies Inc. and Subsidiaries
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Pursuant to the A&R MLTIP, certain equity holders of FoA and FoA Equity are obligated to deliver a number of shares of Class A Common Stock and Class A LLC units for restricted stock unit awards granted by the Company. On September 29, 2021, in connection with FoA's settlement of restricted stock units into shares of Class A Common Stock and pursuant to the A&R MLTIP, these equity holders delivered shares of Class A Common Stock and Class A LLC units to the Company in satisfaction of such settlement. This delivery of shares of Class A Common Stock and Class A LLC units offset by the net award of Class A Common Stock resulted in a net surrender of 944,970 shares of Class A Common Stock and 829,222 Class A LLC units.

Class B Common Stock

Upon the Closing of the Business Combination, the Company issued 7 shares of Class B Common Stock, par value \$0.0001 per share, to holders of Class A LLC Units. The Class B Common Stock has no economic rights but entitles each holder of at least one such share (regardless of the number of shares so held) to a number of votes that is equal to the aggregate number of Class A LLC Units held by such holder on all matters on which shareholders of the Company are entitled to vote generally. On September 28, 2021, Management Holdings was liquidated by its managing member, FoA Equity. As of September 30, 2021 (Successor), there are 6 shares of Class B Common Stock outstanding.

Class A LLC Units

In connection with the Business Combination, the Company, FoA Equity and the Continuing Unitholders entered into an Exchange Agreement (the "Exchange Agreement"). The Exchange Agreement sets forth the terms and conditions upon which holders of Class A LLC Units may exchange their Class A LLC Units for shares of Class A Common Stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications. The Continuing Unitholders' ownership of Class A LLC Units represents the noncontrolling interest of the Company, which is accounted for as permanent equity on the Consolidated Statements of Financial Condition. As of September 30, 2021 (Successor), there were 189,425,808 Class A LLC Units outstanding. Of the 189,425,808 Class A LLC Units outstanding, 58,936,744 are held by the Class A Common Stock shareholders and 130,489,064 are held by the noncontrolling interest of the Company.

31. Subsequent Events

The Company has evaluated subsequent events from the date of the Consolidated Financial Statements of September 30, 2021 through November 12 2021, the date these Consolidated Financial Statements were issued. No events or transactions were identified that would have an impact on the financial position or results of operations of the Company as of September 30, 2021 (Successor) as reported herein. However, management of the Company believes disclosure of the following events is appropriate.

Parkside

On May 14, 2021, in order to further strengthen its position in wholesale mortgage originations, the Company acquired certain assets and operations of Parkside Lending, LLC ("Parkside"), that constitute a business for purposes of ASC 805, in a business combination for \$20.0 million cash paid at closing. The Company acquired certain key contracts and real property leases, as well as proprietary materials, intellectual property, and workforce. In addition to the initial cash purchase price, an earnout liability of \$7.0 million was recorded for future contingent consideration payments that are tied to Parkside achieving certain specified profitability metrics, with the offset allocated to goodwill. The total amount of cash consideration and earnout liability of \$27.0 million have been allocated to goodwill.

Subsequent to September 30, 2021 the Company entered into an amendment to the Asset Purchase Agreement ("APA") with Parkside to revise the earnout provision. The Parkside transaction is being accounted for using the acquisition method. Under the acquisition method of accounting, Parkside's assets and liabilities will be recorded at estimated fair value as of the acquisition dates with the excess of the purchase price over the estimated fair value of the net assets acquired, if applicable, recognized as goodwill. Management is finalizing the valuation for the amended APA and, once completed, will record an adjustment to goodwill, intangible assets, and overall purchase consideration. These adjustments to the provisional entry are not expected to be material to the overall financial statements. Additional disclosures required by ASC 805 with respect to the RAI and Parkside acquisitions have been omitted because the information is immaterial to the financial statements.

Finance of America Companies Inc. and Subsidiaries
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Financing Lines of Credit

The October 2021 \$200.0 million facility was amended in October 2021. Under the terms of the new amended agreement, the maturity date was extended to October 2022.

The October 2021 \$250.0 million facility was amended in October 2021. Under the terms of the new amended agreement, the maturity date was extended to October 2022.

The November 2023 \$65.0 million facility was amended in October 2021. Under the terms of the new amended agreement, the borrowing capacity was increased from \$65.0 million to \$100.0 million.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations ("MD&A") should be read together with our consolidated financial statements and related notes. This discussion and analysis contains forward-looking statements that involve risk, uncertainties and assumptions. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors. Except where the context otherwise requires, the terms "Finance of America Companies," "Finance of America," "FoA," "we," "us," or "our" refer to the business of Finance of America Companies Inc. and its consolidated subsidiaries.

Overview

Finance of America Companies Inc. is a vertically integrated, diversified lending platform that connects borrowers with investors. We offer a diverse set of high quality consumer loan products and distribute financial risk to investors for an up-front cash profit and often retain a future performance-based participation. We believe we have a differentiated, less volatile strategy than mono-line mortgage lenders who focus on originating interest rate sensitive traditional mortgages and retain significant portfolios of mortgage servicing rights with large potential future advancing obligations. In addition to our profitable lending operations, we provide a variety of services to lenders through our Lender Services segment, which augments our lending profits with an attractive fee-oriented revenue stream. Our differentiated strategy is built upon a few key fundamental factors:

- We operate in a diverse set of lending markets that benefit from strong, secular tailwinds and are each influenced by different demand drivers. We believe this diversification results in stable and growing earnings with lower volatility and lower mortgage market correlation than a traditional mortgage company.
- We seamlessly connect borrowers with investors. Our consumer-facing business leaders interact directly with the investor-facing professionals in our Portfolio Management segment, facilitating the development of attractive lending solutions for our customers with the confidence that the loans we generate can be efficiently and profitably sold to a deep pool of investors. While we often retain a future performance-based participation in the underlying cash flows of our loan products, we seek to programmatically and profitably monetize most of our loan products through a variety of investor channels, which minimizes capital at risk.
- We distribute our products through multiple channels, and utilize flexible technology platforms and a distributed workforce in order to scale our businesses and manage costs efficiently. Our businesses are supported by a centralized business excellence office ("BXO"), providing all corporate support, including IT, Finance and Accounting, Treasury, Human Resources, Legal, Risk and Compliance. This platform enables us to focus our resources as the opportunity set evolves while not being overly reliant on any individual product. As borrower demands for lending products change, we are able to change with them and continue to offer desirable lending solutions.

Today, we are principally focused on (1) residential mortgage loan products throughout the U.S., offering traditional mortgage loans, reverse mortgage loans, and (2) business purpose loans to real estate investors. We have built a distribution network that allows our customers to interact with us through their preferred method: in person, via a broker or digitally. Our product offering diversity makes us resilient in varying rate and origination environments, and differentiates us from traditional mortgage lenders. Our Lender Services segment supports a range of financial institutions, including our lending companies, with services such as title insurance and settlement services, appraisal management, valuation and brokerage services, fulfillment services, and technology platforms for student and consumer loans. In addition to creating recurring third party revenue streams, these service business lines allow us to better serve our lending customers and maximize our revenue per lending transaction. Furthermore, our Portfolio Management segment provides structuring and product development expertise, allowing innovation and improved visibility of execution for our originations, as well as broker/dealer and institutional asset management capabilities. These capabilities allow us to complete profitable securitization of our originated loans, including 1 securitization

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during the Predecessor period from January 1, 2021 to March 31, 2021, 7 securitizations during the Successor period from April 1, 2021 to September 30, 2021 and 3 securitizations during the Successor three months ended September 30, 2021. During an otherwise volatile 2020, 10 securitizations were completed, demonstrating the high quality and liquidity of the loan products we originate, the deep relationships we have with our investors and the resilience of our business model in any market environment.

The Business Combination

On October 12, 2020, FoA, a Delaware corporation and wholly owned subsidiary of Replay, Replay Acquisition Corp. (“Replay”), a publicly traded special purpose acquisition company, and FoA Equity agreed to a business combination that would result in FoA becoming a publicly traded company. FoA Equity, Replay, FoA; RPLY Merger Sub LLC, a Delaware limited liability company and wholly owned subsidiary of FoA (“Replay Merger Sub”); RPLY BLKR Merger Sub LLC, a Delaware limited liability company and wholly owned subsidiary of FoA (“Blocker Merger Sub”); Blackstone Tactical Opportunities Fund (Urban Feeder) – NQ L.P., a Delaware limited partnership (“Blocker”); Blackstone Tactical Opportunities Associates – NQ L.L.C., a Delaware limited liability company (“Blocker GP”); BTO Urban Holdings L.L.C., a Delaware limited liability company (“BTO Urban”), Blackstone Family Tactical Opportunities Investment Partnership – NQ – ESC L.P., a Delaware limited partnership (“ESC”), Libman Family Holdings LLC, a Connecticut limited liability company (“Family Holdings”), The Mortgage Opportunity Group LLC, a Connecticut limited liability company (“TMO”), L and TF, LLC, a North Carolina limited liability company (“L&TF”), UFG Management Holdings LLC, a Delaware limited liability company (“Management Holdings”), and Joe Cayre (each of BTO Urban, ESC, Family Holdings, TMO, L&TF, Management Holdings and Joe Cayre, a “Seller” and, collectively, the “Sellers” or the “Continuing Unitholders”); and BTO Urban and Family Holdings, solely in their joint capacity as the representative of the Sellers pursuant to Section 12.18 of the Transaction Agreement (as defined below) (the “Seller Representative”), entered into a Transaction Agreement (the “Transaction Agreement”) pursuant to which Replay agreed to combine with FoA Equity in a series of transactions (collectively, the “Business Combination”) that resulted in FoA becoming a publicly-traded company on the New York Stock Exchange (“NYSE”) as of April 1, 2021, with trading beginning on April 5, 2021 under the ticker symbol ‘FOA’ and controlling FoA in an “UP-C” structure. For a description of the Business Combination, see FoA’s Form 8-K filed with the SEC on April 7, 2021 (the “Super 8-K”).

Capitalized terms used and not defined herein have the meanings assigned to them in the Super 8-K.

Our Segments

We manage our Company in five reportable segments: Mortgage Originations, Reverse Originations, Commercial Originations, Portfolio Management, and Lender Services. A description of the business conducted by each of these segments is provided below:

Mortgage Originations

Our Mortgage Originations segment originates residential mortgage loans through our Finance of America Mortgage LLC (“FAM”) subsidiary. This segment generates revenue through fee-based mortgage loan origination services and the origination and sale of mortgage loans into the secondary market. We generally sell originated mortgage loans into the secondary market within 30 days of origination and elect whether to sell or retain the rights to service the underlying mortgage loans based on the economics in the market and Company portfolio investment strategies. Whether the Company elects to sell or retain the rights to service the underlying loans, the Mortgage Originations segment realizes the fair value of the mortgage servicing rights in gain on sale and other income from mortgage loans held for sale, net until the date of loan sale. Subsequent fair value changes of the retained mortgage servicing rights are accounted for within fee income in the Portfolio Management segment results.

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The Mortgage Originations segment includes four channels:

- **Distributed Retail** - Our distributed retail lending channel relies on mortgage advisors in retail branch locations across the country to acquire, interact with, and serve customers. Our distributed retail network controls all of the loan origination process, including sourcing the borrower, processing the application, setting the interest rate, ordering appraisal and underwriting, processing, closing and funding the loan.
- **Direct-to-Consumer** - Our direct-to-consumer lending channel relies on our call centers, website and mobile apps to interact with customers. Our primary focus is to assist our customers with a refinance or home purchase by providing them with a needs-based approach to understanding their current mortgage options.
- **TPO** - Our third party-originator (“TPO”) lending channel works with mortgage brokers to source loans which are then underwritten and funded by us, as FoA. Counterparty risk is mitigated through quality and compliance monitoring, and all brokers are subject to our eligibility requirements coupled with an annual recertification process.
- **Home Improvement** - Our home improvement channel is our newest distribution channel and was created through the acquisition of the operations of Renovate America during the first quarter of 2021. This channel assists homeowners in the financing of short-term home improvement projects, such as windows, HVAC, or remodeling and relies on a network of partner contractors across the country to acquire, interact with, and serve these customers.

Our mortgage lending activities primarily consist of the origination and sale of residential mortgage loans to the government sponsored entities (“GSEs”), including Federal National Mortgage Association (“Fannie Mae” or “FNMA”), Federal Home Loan Mortgage Corporation (“Freddie Mac” or “FHLMC”), and Ginnie Mae, as well as the origination and sale of residential mortgage loans to private investors. The Mortgage Originations segment generates revenue and earnings in the form of gains on sale of loans, fair value gains, interest income, servicing income, and fees earned on the successful origination of mortgage loans.

Reverse Originations

Our Reverse Originations segment originates or acquires reverse mortgage loans through our Finance of America Reverse LLC (“FAR”) subsidiary. This segment originates HECM and non-agency reverse mortgages.

We securitize HECMs into Home Equity Conversion Mortgage-Backed Securities (“HMBS”), which Ginnie Mae guarantees, and sell them in the secondary market while retaining the rights to service. Non-agency reverse mortgages, which complement the Federal Housing Administration (“FHA”) HECM for higher value homes, may be sold as whole loans to investors or held for investment and pledged as collateral to securitized nonrecourse debt obligations. Non-agency reverse mortgage loans are not insured by the FHA.

We originate reverse mortgage loans through the following channels:

- **Retail** - Our retail channel consists of a centralized retail platform, which includes a telephone based platform with multiple loan officers in one location. Our retail network controls all of the loan origination process, including sourcing the borrower, processing the application, setting the interest rate, ordering appraisal and underwriting, processing, closing and funding the loan.
- **TPO** - Our TPO lending channel works with mortgage brokers to source loans which are then underwritten and funded by us, as FoA. Counterparty risk is mitigated through quality and compliance monitoring, and all brokers are subject to our eligibility requirements coupled with an annual recertification process.

The Reverse Originations segment generates revenue and earnings in the form of fair value gains at the time of origination (“Net origination gains”) and origination fees earned on the successful origination of reverse mortgage loans.

Commercial Originations

Our Commercial Originations segment originates or acquires commercial mortgage loans through our Finance of America Commercial LLC (“FACo”) subsidiary. The segment provides business purpose lending solutions for

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residential real estate investors in two principal ways: short-term loans to provide rehab and construction of investment properties meant to be sold upon completion, and investor rental loans collateralized by either a single property or portfolio of properties. The segment does not provide financing for consumer-purpose, owner occupied loans or non-residential purpose commercial lending.

We originate commercial mortgage loans through the following channels:

- Retail - Our retail channel consists of sales team members located throughout the United States with concentrations in Charlotte, NC, Chicago, IL, and Irvine, CA. Our retail network controls all of the loan origination process, including sourcing the borrower, processing the application, setting the interest rate, ordering appraisal and underwriting, processing, closing and funding the loan.
- TPO - Our TPO lending channel works with mortgage brokers to source loans which are then underwritten and funded by us, as FoA. Counterparty risk is mitigated through quality and compliance monitoring, and all brokers are subject to our eligibility requirements coupled with an annual recertification process.

The Commercial Originations segment generates revenue and earnings in the form of fair value gains at the time of origination (“Net origination gains”) and origination fees earned on the successful origination of commercial mortgage loans.

Lender Services

Our Lender Services segment provides ancillary business services, title agency and title insurance services, mortgage servicing rights (“MSR”) valuation and trade brokerage, and appraisal management services to customers in the residential mortgage, student lending, and commercial lending industries. The segment also operates a foreign branch in the Philippines for transactional fulfillment and administrative support.

Our Lender Services segment generates revenue and earnings in the form of fee-for-service revenue and commissions on successful MSR trades.

Portfolio Management

Our Portfolio Management segment provides product development, loan securitization, loan sales, risk management, servicing oversight, and asset management services to the enterprise and third party funds. The team is primarily based in St. Paul, MN and New York, NY.

As part of the vertical integration of our business, our Portfolio Management team acts as the connector between borrowers and investors. The direct connections to investors, provided by our FINRA registered broker-dealer, complete the lending lifecycle in a way that allows us to innovate and manage risk through better price and product discovery. Given our scale, we are able to work directly with investors and where appropriate, retain assets on balance sheet for attractive return opportunities. These retained investments are a source of growing and recurring earnings.

The retained asset portfolio generally consists of two classifications of assets: short-term investments and long-term investments. Short-term investments are primarily proprietary whole loans and securities that are held for sale and loans bought from home equity conversion mortgages (“HECM”) securitizations prior to assignment to Government National Mortgage Association (“Ginnie Mae”). Long-term investments are primarily made up of mortgage servicing rights, securitized HECM loans, securitized proprietary whole loans (including retained securities and residual interests in securitization trusts), and whole loans not yet securitized.

The retained assets are initially recorded to the portfolio at a designated fair-value-based transfer price, if originated by any of the Company’s origination segments (“Net origination gains” recognized by the origination segments), or at the price purchased from external parties. Retained financial assets are adjusted to their current fair value on an ongoing basis.

The Portfolio Management segment generates revenue and earnings in the form of gains on sale of loans, fair value gains, interest income, and fee income related to underwriting, advisory, valuation, and other ancillary services.

Business Trends and Conditions

There are a number of key factors and trends affecting our results of operations. A summary of key factors impacting our revenue include:

- prevailing interest rates which impact loan origination volume, with declining interest rates leading to increases in volume, and an increasing interest rate environment leading to decreases in the volume;
- housing market trends which also impact loan origination volume, with a strong housing market leading to higher loan origination volume, and a weak housing market leading to lower loan origination volume;
- demographic and housing stock trends which impact the addressable market size of mortgage, reverse and commercial loan originations;
- increases in loan modifications, delinquency rates, delinquency status and prepayment speeds; and
- broad economic factors such as the strength and stability of the overall economy, including the unemployment level and real estate values which have been substantially affected by the COVID-19 pandemic, further discussed below. The COVID-19 outbreak poses unique challenges to our business and the effects of the pandemic 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.

Evaluation of recorded value of goodwill and intangibles

- As a result of the Business Combination, the Company was required to record the acquired assets of FoA Equity to fair value at the time of the transaction. This created a substantial amount of goodwill and intangibles. The Company performs an annual goodwill impairment test as of October 1, or more frequently if events occur that indicate it is more likely than not that the fair value of a reporting unit's goodwill was less than its carrying value (e.g., a triggering event). During the quarter, the company's share price traded at a substantial discount to its book value. As a result, the Company performed an analysis to determine if a triggering event occurred. The analysis resulted in the determination that no triggering event occurred. Management considered several structural and timing factors in the analysis, including trading activity by PIPE shareholders following the Business Combination, the Company's comparatively low stock trading volume, and the limited amount of time since the Business Combination which included only one quarter of results which were heavily impacted by non-recurring, merger-related transactions. These factors all put downward pressure on the price of the publicly traded shares and were deemed to be unrelated to the ongoing operations, underlying performance and financial results of the Company.

The process of determining whether a triggering event exists and estimating the fair value of goodwill and intangible assets requires the use of estimates and significant judgements that are based on several factors. These estimates and judgements are complex and based on assumptions that may change in future periods. It is possible that any such future changes in assumptions, estimates and judgements may have a material impact on the financial statements. As such, it is possible that goodwill or intangible assets may be impaired in future reporting periods; however, any impairment to goodwill or intangible assets would not have a negative impact on tangible equity (defined as book equity less goodwill and intangible assets).

The Company will perform an annual goodwill impairment test as of October 1, 2021, which may lead to the Company recognizing an impairment of one or more of its reporting units during the fourth quarter of 2021, if it is ultimately determined that the fair value of one or more of the reporting units is less than such unit's carrying value.

Other factors that may affect our cost base include trends in salaries and benefits costs, sales commissions, technology, rent, legal, compliance and other general and administrative costs. Management continually monitors these costs through operating plans.

Impact of COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

During the first half of 2020, the COVID-19 pandemic adversely impacted global financial markets and contributed to significant volatility in market liquidity and yields required by market investors in the type of financial instruments originated by the Company's primary operating subsidiaries. In the U.S., significant fiscal stimulus measures, monetary policy actions and other relief measures have helped to moderate the negative economic impacts of COVID-19,

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and have supported the economic recovery which began in 2020 and continues into 2021. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted into law. In March 2021, the U.S. federal government passed a \$1.9 trillion American Rescue Plan Act (“ARPA”), which together with the CARES Act and other fiscal stimulus measures put in place in 2020, provide for, among other things, funding to state and local governments, direct payments to households, support for small businesses, renter assistance and funding for transport, airlines, healthcare and education. Monetary policy decisions have included quantitative easing and the provision of liquidity to financial institutions and credit markets. In addition, housing measures, such as forbearance on mortgages and suspension of foreclosures and evictions, and various executive orders have helped to provide relief. However, many of the forbearance on mortgages, foreclosure and eviction measures have lapsed or are set to lapse in the fourth quarter of 2021 or in early 2022. Further, certain moratoria have been successfully challenged in lawsuits. In response to the expiration of certain of these measures, on June 28, 2021 the Consumer Financial Protection Bureau issued a final rule, which went into effect on August 31, 2021, amending certain provisions in Regulation X regarding additional assistance for borrowers on mortgage loans secured by their principal residence experiencing a COVID-19-related hardship. This rule includes temporary provisions imposing further restrictions on foreclosure and providing for streamlined loan modification, among other features. Given the scheduled expiration of, and legal challenges to, relief measures, there can be no assurance as to the extent to which relief will continue to be granted in the future.

The full impact of the COVID-19 pandemic continues to evolve as of the date of this report. The Company’s work-from-home environment is anticipated to continue until January 2022, with certain exceptions for employees whose job functions or other considerations require them to be in a physical office from time to time. The Company’s management is actively monitoring the global situation relating to COVID-19 and its effect on the Company’s financial condition, liquidity, operations, industry, and workforce. Further, the Company cannot estimate the length or gravity of the impact that the COVID-19 pandemic on the residential mortgage and commercial lending industries. As of September 30, 2021, the COVID-19 pandemic continues to impact the economic environment in which the Company conducts business. As of September 30, 2021, approximately 0.40% of units and 0.42% of unpaid principal balance of the Company’s total residential mortgage servicing portfolio is in forbearance as a result of the economic impacts caused by COVID-19.

The economic impacts of the COVID-19 pandemic have continued during 2021. These continuing economic impacts, and the continuation of the pandemic itself, may cause additional volatility in the financial markets and may have an adverse effect on the Company’s results of future operations, financial position, intangible assets and liquidity in fiscal year 2021. See Results of Operations.

For further discussion on the potential impacts of the COVID-19 pandemic reference “Risk Factors--Risks Related to the Business of the Company — Risks Related to COVID-19” in our Prospectus filed with the SEC on June 4, 2021.

Reorganization Transactions

FoA was incorporated in October 2020 and is a financial services holding corporation, the principal asset of which is a controlling interest in FoA Equity. The business, property and affairs of FoA Equity are managed by a board of managers, appointed by FoA at its sole discretion. In periods subsequent to the April 1, 2021 closing of the Business Combination, FoA consolidates FoA Equity and reports a non-controlling interest related to the Class A LLC Units held by the Continuing Unitholders in FoA’s Consolidated Financial Statements.

In connection with the consummation of the Business Combination, we executed several reorganization transactions, as a result of which the limited liability company agreement of FoA Equity was amended and restated to, among other things, reclassify its outstanding limited liability company units into a single new class of units that are referred to as “Class A LLC Units.” For a description of the reorganization transactions, see “Certain Agreements Related to the Business Combination,” in the Proxy Statement/Prospectus.

FoA, FoA Equity and the Continuing Unitholders entered into an exchange agreement (the “Exchange Agreement”) under which they (or certain permitted transferees) have the right (subject to the terms of the Exchange Agreement) to exchange their Class A LLC Units for shares of FoA Class A Common Stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications.

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The Continuing Unitholders hold all of the issued and outstanding shares of FoA's Class B Common Stock. The shares of Class B Common Stock have no economic rights, but entitle each holder, without regard to the number of shares of Class B Common Stock held by such holder, to a number of votes that is equal to the aggregate number of Class A LLC Units held by such holder on all matters on which shareholders of FoA are entitled to vote generally. Holders of shares of FoA's Class B Common Stock vote together with holders of FoA's Class A Common Stock as a single class on all matters on which shareholders are entitled to vote generally, except as otherwise required by law.

Factors Affecting the Comparability of our Results of Operations

As a result of a number of factors, our historical results of operations are not comparable from period to period and may not be comparable to our financial results of operations in future periods. Set forth below is a brief discussion of the key factors that may impact the comparability of our results of operations in future periods.

Impact of the Business Combination

FoA is a corporation for U.S. federal and state income tax purposes. FoA Equity was and is treated as a flow-through entity for U.S. federal income tax purposes, and as such, entity level taxes at FoA Equity are not and have not been significant. Accordingly, provision for income taxes consists of tax expense primarily related to certain of the consolidated subsidiaries of FoA Equity that are structured as corporations and subject to U.S. federal income taxes as well as state taxes.

FoA (together with certain corporate subsidiaries through which it owns its interest in FoA Equity) pays U.S. federal and state income taxes as a corporation on its share of FoA Equity's taxable income. The Business Combination was accounted for as a business combination using the acquisition method of accounting. Accordingly, the assets and liabilities, including any identified intangible assets, of FoA Equity were recorded at their fair values at the date of the consummation of the Business Combination, with any excess of the purchase price over the estimated fair value recorded as goodwill. The application of business combination accounting required the use of significant estimates and assumptions.

As a result of the application of business combination accounting, the historical Consolidated Financial Statements of FoA Equity are not necessarily indicative of FoA's future results of operations, financial position and cash flows. For example, increased tangible and intangible assets resulting from adjusting the basis of tangible and intangible assets to their fair value have resulted in increased depreciation and amortization expense in the periods following the consummation of the Business Combination, and in the future FoA may need to recognize impairment charges related to goodwill and identified intangible assets that are adjusted to fair value.

Additionally, in connection with the Business Combination, FoA entered into TRAs with the TRA Parties that provide for the payment by FoA to such owners of 85% of the benefits that FoA is deemed to realize as a result of (i) tax basis adjustments that will increase the tax basis of the tangible and intangible assets of FoA as a result of sales or exchanges of Class A LLC Units in connection with or after the Business Combination or distributions with respect to the Class A LLC Units prior to or in connection with the Business Combination, (ii) FoA's utilization of certain tax attributes attributable to the Blocker or the Blocker Shareholders, and (iii) certain other tax benefits related to entering into the TRAs, including tax benefits attributable to payments under the TRAs.

Impact of Becoming a Public Company

We have incurred and expect to incur additional costs associated with operating as a public company. These costs include additional personnel, legal, consulting, regulatory, insurance, accounting, investor relations and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, as well as rules adopted by the SEC and national securities exchanges, requires public companies to implement specified corporate governance practices that are not applicable to a private company. These additional rules and regulations increased our legal, regulatory and financial compliance costs and will make some activities more time-consuming and costly.

Components of Our Results of Operations

Revenue

Gain on sale and other income from mortgage loans held for sale, net

Gain on sale and other income from mortgage loans held for sale, net includes realized and unrealized gains and losses on loans held for sale, interest rate lock commitments, hedging derivatives, and originated mortgage servicing rights. The Company sells mortgage loans into the secondary market, including, but not limited to, sales to the GSEs on a servicing-released basis, where the loans are sold to an investor with the associated MSR transferred to the investor or to a separate third party investor. In addition, the Company may opportunistically sell loans on a servicing-retained basis, where the loan is sold and the Company retains the rights to service that loan. Unrealized gains and losses include fair value gains and losses resulting from changes in fair value in the underlying mortgages, interest rate lock commitments, hedging derivatives, and originated MSRs, from the time of origination to the ultimate sale of the loan or other settlement of those financial instruments.

Net fair value gains on mortgage loans and related obligations

The majority of our outstanding financial instruments are carried at fair value. The yield recognized on these financial instruments and any changes in estimated fair value are recorded as a component of net fair value gains on mortgage loans and related obligations. See Note 5 - Fair Value within our interim unaudited consolidated financial statements for a discussion of fair value measurements.

Fee Income

We earn various fees from our customers during the process of origination and servicing of loans as well as providing services to third party customers. These fees include loan servicing and origination fees, title and closing service fees, title underwriting servicing fees, settlement fees, appraisal fees and broker fees. Revenue is recognized when the performance obligations have been satisfied, which is typically at the time of loan origination.

Net interest income (expense)

We earn interest income on mortgage, reverse and commercial loans held for sale, and incur interest expense on our warehouse lines of credit and non-funding debt. Interest income and interest expense also accrues to loans held for investment, including securitized loans subject to HMBS and other nonrecourse debt. Such interest is included as a component of net fair value gains on mortgage loans and related obligations.

Operating Expenses

Salaries, benefits and related expenses

Salaries, benefits and related expenses includes commissions, bonuses, RSUs, salaries, benefits, taxes and all payroll related expenses for our employees.

Occupancy, equipment rentals and other office related expenses

Occupancy, equipment rentals and other office related expenses includes rent expense on office space and equipment, and other occupancy related costs.

General and administrative expenses

General and administrative expenses primarily include loan origination expenses, loan portfolio expenses, professional fees, business development costs, communications and data processing costs, title and closing costs, depreciation and amortization and other expenses.

Other, net

Other, net, primarily includes gains or losses on assets, revaluation of the warrant liability, and remeasurement of the TRA obligations.

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Income Taxes

FoA Equity was and is treated as a flow-through entity for U.S. federal income tax purposes. As a result, entity level taxes at FoA Equity are not significant. Provision for income taxes consists of tax expense primarily related to certain of the consolidated subsidiaries of FoA Equity that are structured as corporations and subject to U.S. federal income taxes as well as state taxes.

FoA (together with certain corporate subsidiaries through which it owns its interest in FoA Equity) is treated as a corporation for U.S. federal and state income tax purposes and is subject to U.S. federal income taxes with respect to its allocable share of any taxable income of FoA Equity and is taxed at the prevailing corporate tax rates. FoA is a holding company and its only material asset is its direct and indirect interest in FoA Equity. Accordingly, a provision for income taxes is recorded for the anticipated tax consequences of FoA's allocable share of FoA Equity's reported results of operations for federal income taxes. In addition to tax expenses, FoA also incurs expenses related to its operations, as well as payments under the TRAs, which are significant. FoA Equity may distribute amounts sufficient to allow FoA to pay its tax obligations and operating expenses, including distributions to fund any payments due under the TRAs. See "Certain Agreements Related to the Business Combination—Tax Receivable Agreements." However, the ability of FoA Equity to make such distributions may be limited due to, among other things, restrictive covenants in its financing lines of credit and senior notes.

Results of Operations

Overview

The following tables present selected financial data for the Successor three months ended September 30, 2021 and six months from April 1, 2021 to September 30, 2021, and the three months of the Predecessor from January 1, 2021 to March 31, 2021. Additionally, we have presented the Predecessor periods for the three and nine months ended September 30, 2020.

We have prepared our discussion of the results of operations by comparing the results of the Successor period for the three months ended September 30, 2021 with the results of the Predecessor three months ended September 30, 2020. Additionally, we compared the results of the combined Successor period from April 1, 2021 to September 30, 2021 and Predecessor period from January 1, 2021 to March 31, 2021 with the Predecessor nine months ended September 30, 2020. The core business operations of the Predecessor and Successor were not significantly impacted by the consummation of the Business Combination. Therefore we believe the combined results for the Successor period from April 1, 2021 to September 30, 2021 and the Predecessor period from January 1, 2021 to March 31, 2021 are comparable to the nine months ended September 30, 2020 and provide enhanced comparability to the reader about the current quarter's results. We believe this approach provides the most meaningful basis of comparison and is useful in identifying current business trends for the periods presented. The combined results of operations included in our discussion below are not considered to be prepared in accordance with U.S. GAAP and have not been prepared as pro forma results under applicable regulations, may not reflect the actual results we would have achieved had the Business Combination occurred at the beginning of 2021, and should not be viewed as a substitute for the results of operations of the Predecessor and Successor periods presented in accordance with U.S. GAAP.

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Consolidated Results

The following table summarizes our consolidated operating results for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor			Predecessor	
Gain on sale and other income from mortgage loans held for sale, net	\$ 210,095	\$ 397,672	\$ 291,334	\$ 407,926	\$ 836,901
Net fair value gains on mortgage loans and related obligations	122,509	253,660	76,663	95,955	221,638
Fee income	145,725	236,589	161,371	119,375	266,002
Net interest expense	(21,829)	(42,304)	(21,705)	(15,998)	(63,550)
Total revenue	456,500	845,617	507,663	607,258	1,260,991
Total expenses	411,878	812,630	373,344	362,369	911,413
Other, net	9,928	7,825	(8,862)	(2,470)	(2,514)
NET INCOME BEFORE TAXES	\$ 54,550	\$ 40,812	\$ 125,457	\$ 242,419	\$ 347,064

Net fair value gains on mortgage loans and related obligations

The following table summarizes the components of net fair value gains on mortgage loans and related obligations for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor			Predecessor	
Interest income on loans	\$ 160,683	\$ 334,623	\$ 160,568	\$ 150,276	\$ 492,066
Change in fair value of loans	(119,690)	(34,707)	(51,346)	160,480	302,541
Change in fair value of mortgage-backed securities	—	—	—	1,621	2,438
Fair value gains on mortgage loans	40,993	299,916	109,222	312,377	797,045
Interest expense on related obligations	(107,593)	(221,067)	(119,201)	(121,777)	(383,622)
Change in fair value of derivatives	6,841	(39,637)	43,972	149	(5,594)
Change in fair value of related obligations	182,268	214,448	42,670	(94,794)	(186,191)
Fair value losses on related obligations	81,516	(46,256)	(32,559)	(216,422)	(575,407)
Net fair value gains on mortgage loans and related obligations	\$ 122,509	\$ 253,660	\$ 76,663	\$ 95,955	\$ 221,638

Principally, all of our outstanding financial instruments are carried at fair value. The yield recognized on these financial instruments and any changes in estimated fair value are recorded as a component of net fair value gains on mortgage loans and related obligations in the Consolidated Statements of Operations. However, for certain of our outstanding financing lines of credit, we have not elected to account for these liabilities under the fair value option. Accordingly, interest expense is presented separately on our Consolidated Statements of Operations. Further, interest income on collateralized loans may be reflected in net fair value gains on mortgage loans and related obligations on the

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Consolidated Statements of Operations, while the associated interest expense on the pledged loans will be included as a component of net interest expense. We evaluate net interest margin (“NIM”) for our outstanding investments through an evaluation of all components of interest income and interest expense.

The following table provides an analysis of all components of NIM for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor			Predecessor	
Interest income on commercial and reverse loans	\$ 160,683	\$ 334,623	\$ 160,568	\$ 150,276	\$ 492,066
Interest expense on HMBS and nonrecourse obligations	(107,593)	(221,067)	(119,201)	(121,777)	(383,622)
Net interest margin included in net fair value gains on mortgage loans (1)	53,090	113,556	41,367	28,499	108,444
Interest income on mortgage loans held for sale	15,742	28,766	12,621	10,408	29,969
Interest expense on warehouse lines of credit	(30,735)	(57,643)	(26,546)	(25,973)	(88,837)
Non-funding debt interest expense	(6,842)	(13,486)	(7,756)	(385)	(4,605)
Other interest income	120	246	40	27	144
Other interest expense	(114)	(187)	(64)	(75)	(221)
Net interest expense	(21,829)	(42,304)	(21,705)	(15,998)	(63,550)
NET INTEREST MARGIN	\$ 31,261	\$ 71,252	\$ 19,662	\$ 12,501	\$ 44,894

- (1) *Net interest margin included in fair value gains on mortgage loans includes interest income and expense on all commercial and reverse loans and their related nonrecourse obligations. Interest income on mortgage loans and warehouse lines of credit are classified in net interest expense. See Note 2 - Summary of Significant Accounting Policies within the consolidated financial statements for additional information on the Company’s accounting related to commercial and reverse mortgage loans.*

Certain of our financial instruments are valued utilizing a process that combines the use of a discounted cash flow model and analysis of current market data to arrive at an estimate of fair value. The cash flow assumptions and prepayment and repayment assumptions used in the model are based on various factors, with the key assumptions being prepayment and repayment speeds, credit loss frequencies and severity, and discount rate assumptions. Any changes in fair value on these financial instruments is recorded as a gain or loss in net fair value gains on mortgage loans and related obligations on the Consolidated Statements of Operations.

For the three months ended September 30, 2021 (Successor) versus the three months ended September 30, 2020 (Predecessor)

Net income before taxes decreased \$187.9 million or 77.5% primarily as a result of the following:

- Gain on sale and other income from mortgage loans held for sale, net, decreased \$197.8 million or 48.5% due to lower margin on originated mortgage loans and lower origination volume during the three months ended September 30, 2021 as a result of increased interest rates and competitive pressure on margin. Our Mortgage Originations segment had \$7,679.1 million in net rate lock volume related to mortgage loans for the three months ended September 30, 2021 compared to \$9,285.6 million for the comparable 2020 period. Additionally, our margin on originated mortgage loans decreased to 2.61% for the three months ended September 30, 2021 compared to 4.39% for the comparable 2020 period.
- Net fair value gains on mortgage loans and related obligations increased \$26.6 million or 27.7% primarily as a result of origination growth within our Reverse and Commercial Originations segments. The Reverse Originations segment originated \$1,157.2 million of reverse mortgage loans for the three months ended

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September 30, 2021 compared to \$626.7 million for the comparable 2020 period. The Commercial Originations segment originated \$447.3 million in loans for the three months ended September 30, 2021 compared to \$89.9 million, as the comparable 2020 period saw the production ramp up for the commercial originations segment following the temporary deferment of production activity in Q2 2020 as a result of the COVID-19 outbreak. The increase was partially offset by net \$28.8 million in fair value losses from assumption changes to our loans held for investment compared to a gain of \$16.8 million in the comparable 2020 period.

- Fee income increased \$26.4 million or 22.1% primarily due to growth in Reverse and Commercial loan originations, as well as our Lender Services segments, partially offset by a reduction in fee income within the Mortgage Origination segment. Within our Lender Services segment, we experienced growth of 61.1% in loan closings in which we acted as title agent and growth of 137.8% in our underwriting activity for the three months ended September 30, 2021 compared to the comparable 2020 period.
- Net interest expense increased \$5.8 million or 36.4% in 2021 due primarily to an increase in non-funding debt interest expense, partially offset by a lower average cost of funds on our financing lines of credit and increases in interest income on mortgage loans held for sale for the three months ended September 30, 2021 compared to the comparable 2020 period.
- Total expenses increased \$49.5 million or 13.7% due to higher salaries, benefits and related expenses combined with increased general and administrative expenses during the three months ended September 30, 2021. The increase is primarily related to on-going expenses as a result of the Business Combination, such as RSUs and amortization of intangibles. During the third quarter of 2021, additional on-going expenses of \$10.6 million for the RSUs and \$13.5 million of amortization of intangibles were recognized as a result of the Business Combination.

For the nine months ended September 30, 2021 (Successor and Predecessor) versus the nine months ended September 30, 2020 (Predecessor)

Net income before taxes decreased \$180.8 million or 52.1% primarily as a result of the following:

- Gain on sale and other income from mortgage loans held for sale, net, decreased \$147.9 million or 17.7% as a result of lower Mortgage Originations segment revenue margin. Our Mortgage Originations segment had \$22,753.2 million in net rate lock volume for the nine months ended September 30, 2021 compared to \$22,302.7 million for the comparable 2020 period. Our margin on originated mortgage loans decreased slightly to 2.69% for the nine months ended September 30, 2021 compared to 3.73% for the comparable 2020 period.
- Net fair value gains on mortgage loans and related obligations increased by \$108.7 million or 49.0% primarily as a result of growth in our Reverse and Commercial Originations segments and lower fair value losses from assumption changes. The Reverse Originations segment originated \$2,939.3 million of reverse mortgage loans for the nine months ended September 30, 2021 compared to \$2,052.3 million for the comparable 2020 period. The Commercial Originations segment originated \$1,188.7 million in loans for the nine months ended September 30, 2021 compared to \$548.4 million during the comparable 2020 period. Fair value losses from assumption changes were \$50.8 million for the nine months ended September 30, 2021 primarily due to fair value adjustments related predominantly to increases in modeled prepayment speeds on securitized mortgage assets and MSR. This compares to \$53.9 million in fair value losses from assumption changes for the nine months ended September 30, 2020 driven largely by unfavorable shocks to fair value during the early months of the COVID-19 outbreak. See Note 5 - Fair Value within the consolidated financial statements for additional information on assumptions impacting the value of our loans held for investment.
- Fee income increased \$132.0 million or 49.6% primarily due to growth in Mortgage, Reverse and Commercial loan originations, as well as our Lender Services segments. Within our Lender Services segment, we experienced growth of 78.3% in loan closings in which we acted as title agent and growth of 203.1% in our underwriting activity for the three months ended September 30, 2021 compared to the comparable 2020 period.
- Total expenses increased \$274.6 million or 30.1% due to higher salaries, benefits and related expenses combined with increased general and administrative expenses primarily as a result of our higher loan origination volumes during the nine months ended September 30, 2021, overall enterprise growth, and

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expenses related to the Business Combination. During the second quarter of 2021, one-time initial and accelerated Replacement and Earnout Right RSU expense of \$38.6 million was recognized. Additional on-going expenses of \$23.4 million for the RSUs and \$26.9 million of amortization of intangibles relating to the Business Combination were recognized.

SEGMENT RESULTS

Revenue generated on inter-segment services performed are valued based on estimated market value. Revenue and fees are directly allocated to their respective segments at the time services are performed. Expenses directly attributable to the operating segments are expensed as incurred. Other expenses are allocated to individual segments based on the estimated value of services performed, total revenue contributions, personnel headcount or the equity invested in each segment based on the type of expense allocated. Expenses for enterprise-level general overhead, such as executive administration, are not allocated to the business segments.

Mortgage Originations Segment

The following table summarizes our Mortgage Origination segment's results for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Gain on sale and other income from mortgage loans held for sale, net	\$ 200,294	\$ 385,680	\$ 286,481	\$ 407,248	\$ 832,872
Net fair value gains on mortgage loans	1,145	1,145	—	—	—
Fee income	30,827	61,172	32,731	36,080	90,402
Net interest income	2,807	4,783	891	451	1,715
Total revenue	235,073	452,780	320,103	443,779	924,989
Total expenses	220,331	444,522	224,246	239,847	593,996
NET INCOME BEFORE TAXES	\$ 14,742	\$ 8,258	\$ 95,857	\$ 203,932	\$ 330,993

Our Mortgage Originations segment generates its revenues primarily from the origination and sale of residential mortgages, including conforming mortgages, government mortgages insured by the FHA, VA and USDA, non-conforming products such as jumbo mortgages, non-qualified mortgages, and closed-end second mortgages into the secondary market. Revenue from our Mortgage Originations segment includes cash gains recognized on the sale of mortgages, net of any estimated repurchase obligations, realized hedge gains and losses, fair value adjustments on loans held for sale, and any fair value adjustments on our outstanding interest rate lock pipeline and derivatives utilized to mitigate interest rate exposure on our outstanding mortgage pipeline. We also earn origination fees on the successful origination of mortgage loans which are recorded at the time of origination of the associated loans.

We utilize forward loan sale commitments, TBAs, and other forward delivery securities to fix the forward sales price that we will realize in the secondary market and to mitigate the interest rate risk to loan prices that we may be exposed to from the date we enter into rate locks with our customers until the date the loan is sold. We realize hedge gains and losses based on the value of the change in price in the underlying securities. When the position is closed, these amounts are recorded as realized hedge gains and losses.

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KEY METRICS

The following table provides a summary of some of our Mortgage Origination segment's key metrics (dollars in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Loan origination volume (dollars)					
Conforming	\$ 4,698,538	\$ 9,000,708	\$ 5,397,708	\$ 5,773,072	\$ 13,749,364
Government	987,074	1,982,731	1,068,650	1,204,360	3,237,231
Non-conforming	1,632,513	3,204,408	1,937,860	1,476,952	3,270,125
Home improvement	64,566	123,494	—	—	—
Total loan origination volume	\$ 7,382,691	\$ 14,311,341	\$ 8,404,218	\$ 8,454,384	\$ 20,256,720
Loan origination volume by type (dollars)					
Agency	\$ 6,324,230	\$ 12,398,694	\$ 7,367,044	8,160,931	\$ 19,465,514
Non-agency	993,895	1,789,153	1,037,174	293,453	791,206
Home improvement	64,566	123,494	—	—	—
Total loan origination volume by type	\$ 7,382,691	\$ 14,311,341	\$ 8,404,218	\$ 8,454,384	\$ 20,256,720
Loan origination volume by channel (dollars)					
Retail	\$ 4,838,128	\$ 9,708,682	\$ 5,622,487	6,207,165	\$ 15,191,608
Wholesale/Correspondent	1,786,304	2,987,807	1,706,365	1,303,448	2,882,650
Consumer direct	693,693	1,491,358	1,075,366	943,771	2,182,462
Home improvement	64,566	123,494	—	—	—
Total loan origination volume by channel	\$ 7,382,691	\$ 14,311,341	\$ 8,404,218	\$ 8,454,384	\$ 20,256,720
Loan origination volume by type (dollars)					
Purchase	\$ 3,759,059	\$ 7,253,521	2,664,493	3,022,815	6,780,670
Refinance	3,559,066	6,934,326	5,739,725	5,431,569	13,476,050
Home improvement	64,566	123,494	—	—	—
Total loan origination volume by type	\$ 7,382,691	\$ 14,311,341	\$ 8,404,218	\$ 8,454,384	\$ 20,256,720
Loan origination volume (units)					
Conforming	14,522	28,658	18,090	19,294	46,570
Government	3,041	6,182	3,426	4,106	11,120
Non-conforming	2,032	4,004	2,472	2,170	4,818
Home improvement	5,935	11,457	—	—	—
Total loan origination volume	25,530	50,301	23,988	25,570	62,508
Loan origination volume by type (units)					
Agency	18,400	36,678	22,763	25,113	61,296
Non-agency	1,195	2,166	1,225	457	1,212
Home improvement	5,935	11,457	—	—	—
Total loan origination volume by type	25,530	50,301	23,988	25,570	62,508

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	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Loan origination volume by channel (units)					
Retail	13,353	27,090	16,123	19,064	47,998
Wholesale/Correspondent	4,210	7,215	4,745	3,940	8,396
Consumer direct	2,032	4,539	3,120	2,566	6,114
Home improvement	5,935	11,457	—	—	—
Total loan origination volume by channel	25,530	50,301	23,988	25,570	62,508
Loan origination volume by type (units)					
Purchase	9,801	19,129	7,534	9,325	22,286
Refinance	9,794	19,715	16,454	16,245	40,222
Home improvement	5,935	11,457	—	—	—
Total loan origination volume by type	25,530	50,301	23,988	25,570	62,508
Loan sales by investor (dollars)					
Agency	\$ 5,733,609	\$ 11,541,450	\$ 7,246,418	\$ 7,818,882	\$ 18,026,245
Private	1,574,710	2,787,028	1,152,810	256,456	1,447,680
Total loan sales by investor	\$ 7,308,319	\$ 14,328,478	\$ 8,399,228	\$ 8,075,338	\$ 19,473,925
Loan sales by type (dollars)					
Servicing released	\$ 3,313,801	\$ 5,497,385	\$ 2,086,550	\$ 760,215	\$ 5,168,265
Servicing retained	3,994,518	8,831,093	6,312,678	7,315,123	14,305,660
Total loan sales by type	\$ 7,308,319	\$ 14,328,478	\$ 8,399,228	\$ 8,075,338	\$ 19,473,925
Net rate lock volume	\$ 7,679,106	\$ 14,347,929	\$ 8,405,313	\$ 9,285,616	22,302,731
Mortgage originations margin (including servicing margin) ⁽¹⁾	2.61%	2.69%	3.41%	4.39%	3.73%
Capitalized servicing rate (in bps)	102.6	103.1	89.1	73.1	68.7

⁽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.

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Revenue

In the table below is a summary of the components of our Mortgage Origination segment's total revenue for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Gain on sale, net	\$ 221,680	\$ 390,501	\$ 200,874	\$ 396,346	\$ 853,204
Provision for repurchases	(1,970)	(3,783)	(2,258)	(4,277)	(16,256)
Realized hedge gains (losses)	(22,982)	(39,995)	74,823	(33,796)	(141,280)
Changes in fair value of loans held for sale	(5,561)	6,041	(41,485)	11,538	44,948
Changes in fair value of interest rate locks	(5,472)	(8,456)	(49,946)	34,937	98,988
Changes in fair value of derivatives/hedges	14,599	41,372	104,473	2,500	(6,732)
Gain on sale and other income from mortgage loans held for sale, net	200,294	385,680	286,481	407,248	832,872
Net fair value gains on mortgage loans	1,145	1,145	—	—	—
Origination related fee income	30,827	61,172	32,731	36,080	90,402
Net interest income	2,807	4,783	891	451	1,715
Total revenue	\$ 235,073	\$ 452,780	\$ 320,103	\$ 443,779	\$ 924,989

Net interest income was comprised of the following (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Interest income	\$ 15,363	\$ 28,200	\$ 12,483	\$ 10,273	\$ 29,351
Interest expense	(12,556)	(23,417)	(11,592)	(9,822)	(27,636)
Net interest income	\$ 2,807	\$ 4,783	\$ 891	\$ 451	\$ 1,715
WAC - loans held for sale	3.0 %	3.0 %	2.9 %	3.0 %	3.0 %
WAC - warehouse lines of credit	3.3 %	3.1 %	3.0 %	3.3 %	3.0 %

For the three months ended September 30, 2021 (Successor) versus the three months ended September 30, 2020 (Predecessor)

Total revenue decreased \$208.7 million or 47.0%, primarily as a result of the following:

- Gain on sale, net decreased \$174.7 million or 44.1% as a result of lower margin and lower mortgage loans sold due to lower inventory of originated loans during the three months ended September 30, 2021. We sold \$7,308.3 million in mortgage loans for the three months ended September 30, 2021 compared to \$8,075.3 million for the comparable 2020 period. Weighted average gain on sale margins on sold loans was 3.00% for the three months ended September 30, 2021 compared to 4.90% for the comparable 2020 period. Gain on sale margins decreased primarily due to rate volatility during both periods and competitive pressure on margins in the 2021 period.

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- Provision for repurchases decreased \$2.3 million or 53.9% due to a drop in funded volume for the three months ended September 30, 2021 compared to the comparable 2020 period.
- Changes in fair value of loans held for sale decreased \$17.1 million or 148.2% as a result of lower net change in the end-of-period fair value of our outstanding originated loan production not yet sold or securitized. The unsold pipeline decreased slightly from \$1,831.0 million with a weighted average margin of 2.8% at June 30, 2021 to \$1,802.1 million and 2.6% at September 30, 2021. Comparatively, the unsold pipeline increased from \$1,355.7 million with a weighted average margin of 4.8% at June 30, 2020 to \$1,723.1 million and 4.5% at September 30, 2020.
- Changes in fair value of interest rate locks similarly decreased \$40.4 million or 115.7% as a result of lower net change in our interest rate lock pipeline driven by an overall decrease in refinance activity in the market. The fair value of the interest rate lock pipeline decreased from \$33.5 million at June 30, 2021 to \$28.5 million at September 30, 2021. Comparatively, the fair value of the interest rate lock pipeline increased from \$78.0 million at June 30, 2020 to \$112.9 million at September 30, 2020.
- Origination related fee income decreased \$5.3 million or 14.6% as a result of lower loan origination volume during the three months ended September 30, 2021.
- During the three months ended September 30, 2021, net realized and unrealized hedge losses were \$8.4 million compared to hedge losses of \$31.3 million in the comparable 2020 period, partially offsetting the fair value impact to loans and interest rate locks in the pipeline by increases in average market interest rates.

For the nine months ended September 30, 2021 (Successor and Predecessor) versus the nine months ended September 30, 2020 (Predecessor)

Total revenue decreased \$152.1 million or 16.4% as a result of the following:

- Gain on sale, net, decreased \$261.8 million or 30.7% as a result of decreased gain on sale margins on sold volume, offset slightly by higher sales volume in dollars during the nine months ended September 30, 2021. We sold \$22.7 billion in mortgage loans for the nine months ended September 30, 2021 compared to \$19.5 billion for the comparable 2020 period. Weighted average gain on sale margins on sold loans were 2.6% for the nine months ended September 30, 2021 compared to 4.4% for the comparable 2020 period. Gain on sale margins decreased primarily due to rate volatility during both periods and competitive pressure on margins in the 2021 period.
- Provision for repurchases decreased \$10.2 million or 62.8% due to an adjustment of the provision for the nine months ended September 30, 2021 compared to additional provision being booked in the early months of the COVID 19 outbreak during the comparable 2020 period.
- Changes in fair value of loans held for sale decreased \$80.4 million or 178.9% as a result of lower net change in the end-of-period fair value of our higher outstanding originated loan production not yet sold or securitized. The unsold pipeline decreased from \$2.0 billion with a weighted average margin of 4.2% at December 31, 2020 to \$1.8 billion and 2.6% at September 30, 2021. Comparatively, the unsold pipeline increased from \$1.0 billion with a weighted average margin of 2.9% at January 1, 2020 to \$1.7 billion and 4.5% at September 30, 2020.
- Changes in fair value of interest rate locks similarly decreased \$157.4 million or 159.0% as a result of lower net change in our interest rate lock pipeline driven by an overall decrease in refinance activity in the market. The fair value of the interest rate lock pipeline decreased from \$87.6 million at December 31, 2020 to \$28.5 million at September 30, 2021. Comparatively, the fair value of the interest rate lock pipeline increased from \$13.9 million at January 1, 2020 to \$112.9 million at September 30, 2020.
- Origination related fee income increased \$3.5 million or 3.9% as a result of higher loan origination volume during the nine months ended September 30, 2021.

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- During the nine months ended September 30, 2021, net realized and unrealized hedge gains were \$180.7 million compared to hedge losses of \$148.0 million in the comparable 2020 period, partially offsetting the fair value impact to loans in the pipeline by increases in average market interest rates.

Expenses

In the table below is a summary of the components of our Mortgage Originations segment's total expenses for the periods indicated (in thousands):

	For the three months ended September 30, 2021		January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020		For the nine months ended September 30, 2020
	Successor	April 1, 2021 to September 30, 2021		Predecessor		
Commissions and bonus	\$ 106,316	\$ 209,916	\$ 111,766	\$ 140,122	\$ 325,366	
Salaries	48,565	104,121	46,232	41,896	108,719	
Other salary related expenses	11,073	24,225	18,451	12,052	37,857	
Total salaries, benefits and related expenses	165,954	338,262	176,449	194,070	471,942	
Loan origination fees	17,539	32,320	14,003	13,375	34,362	
Loan processing expenses	5,119	10,544	5,462	2,408	7,008	
Other general and administrative expenses	26,918	54,506	23,112	23,936	63,974	
Total general and administrative expenses	49,576	97,370	42,577	39,719	105,344	
Occupancy, equipment rentals and other office related expenses	4,801	8,890	5,220	6,058	16,710	
Total expenses	\$ 220,331	\$ 444,522	\$ 224,246	\$ 239,847	\$ 593,996	

For the three months ended September 30, 2021 (Successor) versus the three months ended September 30, 2020 (Predecessor)

Total expenses decreased \$19.5 million or 8.1% as a result of the following:

- Salaries, benefits and related expenses decreased \$28.1 million or 14.5%, primarily due to a \$33.8 million decrease in commissions and bonus expense as a result of the 12.7% decrease in origination volume during the three months ended September 30, 2021. These decreases were offset by additional on-going expenses for the RSUs of \$2.8 million that are recognized as a result of the Business Combination. Salaries increased an additional \$3.9 million as result of increased headcount, further offsetting these decreases. Our average headcount increased from 2,845 for the three months ended September 30, 2020 to 3,046 for the 2021 period due to acquisitions and in order to accommodate the demands of the business.
- General and administrative expenses increased \$9.9 million or 24.8% primarily due to an increase in loan origination fees as a result of securitization expenses of \$5.2 million. During the three months ended September 30, 2021, \$1.6 million of amortization of intangibles relating to the Business Combination was recognized.

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For the nine months ended September 30, 2021 (Successor and Predecessor) versus the nine months ended September 30, 2020 (Predecessor)

Total expenses increased \$74.8 million or 12.6% as a result of the following:

- Salaries, benefits and related expenses increased \$42.8 million or 9.1%, primarily due to a \$41.6 million increase in salaries expense as a result of the 12.1% increase in origination volume during the nine months ended September 30, 2021. Our average headcount increased from 2,675 for the nine months ended September 30, 2020 to 3,063 for the 2021 period due to acquisitions and in order to accommodate the demands of the business. During the second quarter of 2021, one-time initial and accelerated Replacement and Earnout Right RSU expense of \$7.7 million was recognized. Additional on-going expenses of \$5.1 million were recognized for the RSUs issued at the time of the Business Combination.
- General and administrative expenses increased \$34.6 million or 32.8% primarily due to an increase in loan origination and loan processing fees as a result of higher origination volume in units, securitization expenses and allocated costs associated with the Business Combination. During the nine months ended September 30, 2021, \$8.5 million of securitization expenses were incurred. During the same period, \$5.7 million of amortization of intangibles relating to the Business Combination was recognized.

Reverse Originations Segment

The following table summarizes our Reverse Originations segment's results for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Net origination gains	\$ 109,408	\$ 203,944	\$ 68,449	\$ 48,251	\$ 137,529
Fee income	1,022	1,976	524	366	1,478
Net interest expense	—	(9)	—	—	—
Total revenue	110,430	205,911	68,973	48,617	139,007
Total expenses	41,354	83,600	23,693	24,634	65,374
Other, net	221	325	34	—	—
NET INCOME BEFORE TAXES	\$ 69,297	\$ 122,636	\$ 45,314	\$ 23,983	\$ 73,633

Our Reverse Originations segment generates its revenues primarily from the origination of reverse mortgage loans, including loans insured by FHA, and non-agency reverse mortgage loans. Revenue from our Reverse Originations segment include both our initial estimate of fair value gains on the date of origination ("Net origination gains"), which is determined by utilizing quoted prices on similar securities or internally-developed models utilizing observable market inputs, in addition to fees earned at the time of origination of the associated loans. We elect to account for all originated loans at fair value. The loans are immediately transferred to our Portfolio Management segment, and any future fair value adjustments, including interest earned, on these originated loans are reflected in revenues of our Portfolio Management segment until final disposition.

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KEY METRICS

The following table provides a summary of some of our Reverse Originations segment's key metrics (dollars in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Loan origination volume					
Total loan origination volume - New originations - dollar ⁽¹⁾	\$ 1,157,212	\$ 2,170,535	\$ 768,795	\$ 626,706	\$ 2,052,332
Total loan origination volume - Tails - dollar ⁽²⁾	135,164	257,126	120,775	116,131	352,295
Total loan origination volume - dollars	\$ 1,292,376	\$ 2,427,661	\$ 889,570	\$ 742,837	\$ 2,404,627
Total loan origination volume - units	3,382	6,640	2,864	2,347	7,104
Loan origination volume by channel (dollars)⁽³⁾					
Retail	\$ 195,797	\$ 368,769	\$ 127,679	\$ 105,307	\$ 278,997
TPO	961,415	1,801,766	641,116	521,399	1,773,335
Total loan origination volume by channel	\$ 1,157,212	\$ 2,170,535	\$ 768,795	\$ 626,706	\$ 2,052,332

- (1) New loan origination volumes consist of initial reverse mortgage loan borrowing amounts.
- (2) Tails consist of subsequent borrower draws, mortgage insurance premiums, service fees and other advances that we are able to subsequently pool into a security.
- (3) Loan origination volumes by channel consist of initial reverse mortgage loan borrowing amounts, exclusive of subsequent borrower draws, mortgage insurance premiums, service fees and other advances that we are able to subsequently pool into a security.

Revenue

In the table below is a summary of the components of our Reverse Originations segment's total revenue for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Net origination gains					
Retail	\$ 30,061	\$ 47,281	\$ 16,913	\$ 13,168	\$ 28,887
TPO	144,049	285,435	99,678	72,768	220,305
Acquisition costs	(64,702)	(128,772)	(48,142)	(37,685)	(111,663)
Total net origination gains	109,408	203,944	68,449	48,251	137,529
Fee income	1,022	1,976	524	366	1,478
Net interest income	—	(9)	—	—	—
Total revenue	\$ 110,430	\$ 205,911	\$ 68,973	\$ 48,617	\$ 139,007

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For the three months ended September 30, 2021 (Successor) versus the three months ended September 30, 2020 (Predecessor)

Total revenue increased \$61.8 million or 127.1% as a result of the following:

- Net origination gains increased \$61.2 million or 126.7% as a result of higher loan origination volume during the three months ended September 30, 2021 combined with increased margins on this origination volume. The higher origination volume is attributable to home price appreciation and improved interest rates on the HECM loan products leading to an increase in market size, more equity available to seniors, and increased refinance volumes in 2021. We originated \$1,157.2 million of reverse mortgage loans for the three months ended September 30, 2021, an increase of 84.6%, compared to \$626.7 million million for the comparable 2020 period. During the three months ended September 30, 2021, the weighted average margin on production was 9.45% compared to 7.70% in 2020, an increase of 22.7%.

For the nine months ended September 30, 2021 (Successor and Predecessor) versus the nine months ended September 30, 2020 (Predecessor)

Total revenue increased \$135.9 million or 97.8% as a result of the following:

- Net origination gains increased \$134.9 million or 98.1% as a result of higher loan origination volume during the nine months ended September 30, 2021 combined with increased margins on this origination volume. The higher origination volume is attributable to home price appreciation and improved interest rates on the HECM loan products leading to an increase in market size, more equity available to seniors, and increased refinance volumes in 2021. We originated \$2,939.3 million of reverse mortgage loans for the nine months ended September 30, 2021, an increase of 43.2%, compared to \$2,052.3 million for the comparable 2020 period. During the nine months ended September 30, 2021, the weighted average margin on production was 8.21% compared to 6.70% in 2020, an increase of 37.2%.

Expenses

In the table below is a summary of the components of our Reverse Originations segment's total expenses for the periods indicated (in thousands):

	For the three	April 1, 2021 to	January 1, 2021	For the three	For the nine
	months ended	September 30,	to	months ended	months ended
	September 30,	September 30,	March 31, 2021	September 30,	September 30,
	2021	2021		2020	2020
	Successor		Predecessor		
Salaries and bonuses	\$ 18,761	\$ 38,606	\$ 11,692	\$ 12,072	\$ 32,368
Other salary related expenses	1,605	3,613	1,395	898	3,240
Total salaries, benefits and related expenses	20,366	42,219	13,087	12,970	35,608
Loan origination fees	2,120	4,881	3,258	3,587	9,323
Professional fees	2,444	5,120	2,079	2,711	4,933
Other general and administrative expenses	15,954	30,445	4,958	4,920	14,286
Total general and administrative expenses	20,518	40,446	10,295	11,218	28,542
Occupancy, equipment rentals and other office related expenses	470	935	311	446	1,224
Total expenses	\$ 41,354	\$ 83,600	\$ 23,693	\$ 24,634	\$ 65,374

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For the three months ended September 30, 2021 (Successor) versus the three months ended September 30, 2020 (Predecessor)

Total expenses increased \$16.7 million or 67.9% as a result of the following:

- Salaries, benefits and related expenses increased \$7.4 million or 57.0% primarily due to an increase in average headcount and production related compensation to support the increased origination volume. Average headcount for the three months ended September 30, 2021 was 399 compared to 281 for the 2020 period. Additional on-going expenses of \$1.2 million were recognized for the RSUs issued at the time of the Business Combination.
- General and administrative expenses increased \$9.3 million or 82.9% primarily due to amortization costs associated with intangible assets. During the three months ended September 30, 2021, \$9.3 million of amortization of intangibles relating to the Business Combination was recognized.

For the nine months ended September 30, 2021 (Successor and Predecessor) versus the nine months ended September 30, 2020 (Predecessor)

Total expenses increased \$41.9 million or 64.1% as a result of the following:

- Salaries, benefits and related expenses increased \$19.7 million or 55.3% primarily due to an increase in average headcount, production related compensation to support the increased origination volume, and share based compensation associated with the Business Combination. Average headcount for the nine months ended September 30, 2021 was 363 compared to 273 for the 2020 period. During the second quarter of 2021, one-time initial and accelerated Replacement and Earnout Right RSU expense of \$4.0 million was recognized. Additional on-going expenses of \$2.1 million were recognized for the RSUs issued at the time of the Business Combination.
- General and administrative expenses increased \$22.2 million or 77.8% primarily due to allocated costs and higher professional fees associated with the Business Combination. During the nine months ended September 30, 2021, \$18.6 million of amortization of intangibles relating to the Business Combination was recognized.

Commercial Originations Segment

The following table summarizes our Commercial Originations segment's results for the periods indicated (in thousands):

	For the three months ended		January 1, 2021 to March 31, 2021	For the three months ended		For the nine months ended	
	September 30, 2021	April 1, 2021 to September 30, 2021		September 30, 2020	September 30, 2020	September 30, 2020	September 30, 2020
	Successor			Predecessor			
Net origination gains	\$ 13,604	\$ 24,425	\$ 5,431	\$ 1,357	\$ 9,939		
Fee income	14,252	26,376	8,930	3,369	14,555		
Total revenue	27,856	50,801	14,361	4,726	24,494		
Total expenses	21,678	41,727	13,391	7,064	29,506		
Other, net	133	273	149	—	—		
NET INCOME (LOSS) BEFORE TAXES	\$ 6,311	\$ 9,347	\$ 1,119	\$ (2,338)	\$ (5,012)		

Our Commercial Originations segment generates its revenues primarily from the origination of loans secured by 1-8 family residential properties, which are owned for investment purposes as either long-term rentals ("SFR") or "fix and flip" properties which are undergoing construction or renovation. Revenue from our Commercial Originations segment include both our initial estimate of fair value gains on the date of origination ("Net origination gains"), which

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is determined by utilizing quoted prices on similar securities or internally-developed models utilizing observable market inputs, in addition to fees earned at the time of origination of the associated loans. We elect to account for all originated loans at fair value. The loans are immediately transferred to our Portfolio Management segment, and any future fair value adjustments, including interest earned, on these originated loans are reflected in revenues of our Portfolio Management segment until final disposition.

KEY METRICS

The following table provides a summary of some of our Commercial Originations segment's key metrics (dollars in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor			Predecessor	
Loan origination volume (dollars)⁽¹⁾					
Portfolio	\$ 78,547	\$ 148,574	\$ 59,458	\$ 9,244	\$ 48,939
SRL	197,864	368,306	104,992	11,144	100,331
Fix & flip	112,312	208,366	90,018	68,049	225,765
New construction	15,376	33,014	3,422	—	93,454
Agricultural	43,216	89,525	83,013	1,450	79,947
Total loan origination volume	<u>\$ 447,315</u>	<u>\$ 847,785</u>	<u>\$ 340,903</u>	<u>\$ 89,887</u>	<u>\$ 548,436</u>
Loan origination volume (units)⁽¹⁾					
Portfolio	99	173	71	12	34
SRL	1,082	2,041	643	75	618
Fix & flip	472	917	430	318	1,070
New construction	53	109	13	(1)	275
Agricultural	8	32	27	1	39
Total loan origination volume	<u>1,714</u>	<u>3,272</u>	<u>1,184</u>	<u>405</u>	<u>2,036</u>

(1) Loan origination volume and units consist of approved total borrower commitments. These amounts include amounts available to our borrowers but have not yet been drawn upon.

Revenue

In the table below is a summary of the components of our Commercial Originations segment's total revenue for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor			Predecessor	
Net origination gains	\$ 13,604	\$ 24,425	\$ 5,431	\$ 1,357	\$ 9,939
Fee income	14,252	26,376	8,930	3,369	14,555
Total revenue	<u>\$ 27,856</u>	<u>\$ 50,801</u>	<u>\$ 14,361</u>	<u>\$ 4,726</u>	<u>\$ 24,494</u>

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For the three months ended September 30, 2021 (Successor) versus the three months ended September 30, 2020 (Predecessor)

Total revenue increased \$23.1 million or 489.4% as result of:

- Net origination gains increased by \$12.2 million or 902.5%, primarily as a result of the increase in loan origination volume. We originated \$447.3 million in commercial loans for the three months ended September 30, 2021 compared to \$89.9 million during the comparable 2020 period. The three months ended September 30, 2020 saw the production ramp up for the commercial originations segment following the temporary deferment of production activity in Q2 2020 a result of the COVID-19 outbreak.
- Fee income increased \$10.9 million or 323.0% primarily as a result of a significant increase in loan origination volume during the three months ended September 30, 2021.

For the nine months ended September 30, 2021 (Successor and Predecessor) versus the nine months ended September 30, 2020 (Predecessor)

Total revenue increased \$40.7 million or 166.0% as result of:

- Net origination gains increased by \$19.9 million or 200.4%, primarily as a result of the increase in loan origination volume. We originated \$1,188.7 million in commercial loans for the nine months ended September 30, 2021 compared to \$548.4 million during the comparable 2020 period. In March of 2020, there was a temporary deferment of commercial production and a decrease in capital markets demand for non-GSE or government loan products, which continued through the third quarter, due to the COVID-19 outbreak.
- Fee income increased \$20.8 million or 142.6% primarily as a result of a 116.7% increase in loan origination volume during the nine months ended September 30, 2021.

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Expenses

In the table below is a summary of the components of our Commercial Originations segment's total expenses for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor			Predecessor	
Salaries	\$ 7,693	\$ 15,336	\$ 4,769	\$ 1,914	\$ 9,018
Commissions and bonus	3,577	6,458	2,092	1,227	4,918
Other salary related expenses	1,064	2,044	797	424	1,823
Total salaries, benefits and related expenses	12,334	23,838	7,658	3,565	15,759
Loan origination fees	5,216	10,155	3,140	2,306	7,618
Professional fees	1,148	2,480	891	683	3,097
Other general and administrative expenses	2,636	4,607	1,164	430	2,620
Total general and administrative expenses	9,000	17,242	5,195	3,419	13,335
Occupancy, equipment rentals and other office related expenses	344	647	538	80	412
Total expenses	\$ 21,678	\$ 41,727	\$ 13,391	\$ 7,064	\$ 29,506

For the three months from three months ended September 30, 2021 (Successor) versus the three months ended September 30, 2020 (Predecessor)

Total expenses increased \$14.6 million or 206.9% primarily as a result of:

- Salaries, benefits and related expenses increased \$8.8 million or 246.0% primarily due to the increase in average headcount and production related compensation to support the increased origination volume and allocation of share based compensation associated with the Business Combination. Average headcount for the three months ended September 30, 2021 was 261 compared to 112 for the 2020 period. During the three months ended September 30, 2021, additional on-going expenses of \$0.4 million were recognized for the RSUs issued at the time of the Business Combination.
- General and administrative expenses increased \$5.6 million or 163.2% primarily due to the increase in loan origination fees and allocated costs associated with the Business Combination. Loan origination volume increased 397.6% during the three months ended September 30, 2021 compared to the comparable 2020 period. During the three months ended September 30, 2021, \$0.5 million of amortization of intangibles relating to the Business Combination was recognized.

For the nine months ended September 30, 2021 (Successor and Predecessor) versus the nine months ended September 30, 2020 (Predecessor)

Total expenses increased \$25.6 million or 86.8% as a result of:

- Salaries, benefits and related expenses increased \$15.7 million or 99.9% primarily due to the increase in average headcount and production related compensation to support the increased origination volume and allocation of share based compensation associated with the Business Combination. Average headcount for the nine months ended September 30, 2021 was 219 compared to 130 for the 2020 period. During the second quarter of 2021, one-time initial and accelerated Replacement and Earnout Right RSU expense of \$1.4 million was recognized. Additional on-going expenses of \$0.8 million were recognized for the RSUs issued at the time of the Business Combination.

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- General and administrative expenses increased \$9.1 million or 68.3% primarily due to the increase in loan origination fees and allocated costs associated with the Business Combination. Loan origination volume increased 116.7% during the nine months ended September 30, 2021 compared to the comparable 2020 period. During the nine months ended September 30, 2021, \$1.0 million of amortization of intangibles relating to the Business Combination was recognized.

Lender Services Segment

The following table summarizes our Lender Services segment's results for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor			Predecessor	
Fee income	\$ 87,592	\$ 168,722	\$ 76,383	\$ 53,249	\$ 138,819
Net interest expense	(77)	(92)	(36)	(48)	(81)
Total revenue	87,515	168,630	76,347	53,201	138,738
Total expenses	78,688	151,962	62,970	45,304	123,453
Other, net	22	105	2	—	—
NET INCOME BEFORE TAXES	\$ 8,849	\$ 16,773	\$ 13,379	\$ 7,897	\$ 15,285

KEY METRICS

The following table provides a summary of some of our Lender Services segment's key metrics:

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor			Predecessor	
Incenter title agent orders	59,429	114,864	54,960	45,102	122,331
Incenter title agent closings	48,694	92,252	46,991	30,228	78,088
Total appraisals	12,600	22,951	7,427	6,033	15,767
Title insurance underwriter policies	57,185	113,366	48,814	24,050	53,509
FTE count for fulfillment revenue	986	986	858	41	756
Total MSR valuations performed	137	274	124	135	391

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Revenue

In the table below is a summary of the components of our Lender Services segment's total revenue for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor			Predecessor	
Title agent and closing services	\$ 24,988	\$ 58,866	\$ 31,750	\$ 24,797	\$ 68,727
Insurance underwriting services	42,717	77,629	33,322	17,768	40,943
Student and consumer loan origination services	3,512	5,012	2,012	3,616	9,316
Fulfillment services	7,337	14,160	6,779	4,492	12,030
MSR trade brokerage, valuation and other services	8,306	12,156	2,462	2,562	7,747
Other income	732	899	58	14	56
Net interest expense	(77)	(92)	(36)	(48)	(81)
Total revenue	\$ 87,515	\$ 168,630	\$ 76,347	\$ 53,201	\$ 138,738

For three months ended September 30, 2021 (Successor) versus the three months ended September 30, 2020 (Predecessor)

Total revenue increased \$34.3 million or 64.5% as a result of the following:

- For the three months ended September 30, 2021, we acted as title agent on 48,694 loan closings, compared to 30,228 loan closings for the comparable 2020 period, an increase of 61.1%. We underwrote 57,185 policies during the three months ended September 30, 2021, compared to 24,050 underwritten policies for the comparable 2020 period, an increase of 137.8%. These increases were primarily the result of continued strong refinance volumes and client acquisition.

For the nine months ended September 30, 2021 (Successor and Predecessor) versus the nine months ended September 30, 2020 (Predecessor)

Total revenue increased \$106.2 million or 76.6% as a result of the following:

- For the nine months ended September 30, 2021, we acted as title agent on 139,243 loan closings, compared to 78,088 loan closings for the 2020 period, an increase of 78.3%. We underwrote 162,180 policies during the nine months ended September 30, 2021, compared to 53,509 underwritten policies for the 2020 period, an increase of 203.1%. These increases were primarily the result of continued strong refinance volumes and client acquisition.

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Expenses

In the table below is a summary of the components of our Lender Services segment's total expenses for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor			Predecessor	
Salaries	\$ 18,129	\$ 36,480	\$ 16,715	\$ 10,099	\$ 29,830
Commissions and bonus	9,755	18,445	7,045	8,017	18,570
Other salary related expenses	5,183	11,445	4,001	2,805	8,200
Total salaries, benefits and related expenses	33,067	66,370	27,761	20,921	56,600
Title and closing	31,358	56,548	25,062	15,835	44,512
Communication and data processing	3,760	6,885	2,960	2,949	7,361
Fair value change in deferred purchase price liability	238	1,988	—	87	250
Other general and administrative expenses	9,060	17,951	6,040	4,492	12,083
Total general and administrative expenses	44,416	83,372	34,062	23,363	64,206
Occupancy, equipment rentals and other office related expenses	1,205	2,220	1,147	1,020	2,647
Total expenses	\$ 78,688	\$ 151,962	\$ 62,970	\$ 45,304	\$ 123,453

For three months ended September 30, 2021 (Successor) versus the three months ended September 30, 2020 (Predecessor)

Total expenses increased \$33.4 million or 73.7% as a result of the following:

- Salaries, benefits and related expenses increased \$12.1 million or 58.1%, primarily due to the staffing required to support the 137.8% increase in title insurance underwriting policies and 61.1% increase in title agent closings. Commissions and bonus expense increased \$1.7 million in conjunction with the increase in revenue. During the three months ended September 30, 2021, additional on-going expenses for the RSUs of \$0.9 million were recognized for the RSUs issued at the time of the Business Combination.
- General and administrative expenses increased \$21.1 million or 90.1% primarily due to higher title and closing expenses incurred associated with the 137.8% increase in title insurance underwriting policies volume and 61.1% increase in title agent closing volume. During the three months ended September 30, 2021, \$1.7 million of amortization of intangibles relating to the Business Combination was recognized.

For the nine months ended September 30, 2021 (Successor and Predecessor) versus the nine months ended September 30, 2020 (Predecessor)

Total expenses increased \$91.5 million or 74.1% as a result of the following:

- Salaries, benefits and related expenses increased \$37.5 million or 66.3%, primarily due to the staffing required to support the 203.1% increase in title insurance underwriting policies and 78.3% increase in title agent closings. Commissions and bonus expense increased \$6.9 million in conjunction with the increase in revenue. During the second quarter of 2021, one-time initial and accelerated Replacement and Earnout Right RSU expense of \$3.2 million was recognized. Additional on-going expenses of \$1.9 million were recognized for the RSUs issued at the time of the Business Combination.

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- General and administrative expenses increased \$53.2 million or 82.9% primarily due to higher title and closing expenses incurred associated with the 203.1% increase in title insurance underwriting policies volume and 78.3% increase in title agent closing volume. During the nine months ended September 30, 2021, \$2.9 million of amortization of intangibles relating to the Business Combination were recognized.

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Portfolio Management Segment

The following table summarizes our Portfolio Management segment results for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor			Predecessor	
Gain on sale and other income from mortgage loans held for sale, net	\$ 13,664	\$ 21,412	\$ 5,065	\$ 706	\$ 6,323
Net fair value (losses) gains	(448)	10,776	2,750	46,261	72,142
Net interest expense	(17,799)	(33,650)	(14,816)	(15,999)	(60,480)
Fee income	14,937	18,514	36,191	10,965	13,357
Total revenue	10,354	17,052	29,190	41,933	31,342
Total expenses	30,068	63,325	24,406	22,989	61,735
Other, net	252	8	895	—	—
NET (LOSS) INCOME BEFORE TAXES	\$ (19,462)	\$ (46,265)	\$ 5,679	\$ 18,944	\$ (30,393)

Our Portfolio Management segment generates its revenues primarily from the sale and securitization of residential mortgages into the secondary market, fair value gains and losses on loans and MSRMs that we hold to maturity, and mortgage advisory fees earned on various investment and capital markets services we provide to our internal and external customers. The fair value gains and losses include the yield we recognize on the contractual interest income that is expected to be collected based on the stated interest rates of the loans and related liabilities, and any contractual service fees earned while servicing these assets.

Net fair value gains and losses in our Portfolio Management segment includes fair value adjustments related to the following assets and liabilities:

- Loans held for investment, subject to HMBS liabilities, at fair value
- Loans held for investment, subject to nonrecourse debt, at fair value
- Loans held for investment, at fair value
- Loans held for sale, at fair value⁽¹⁾
- HMBS liabilities, at fair value; and
- Nonrecourse debt, at fair value.

⁽¹⁾ Net fair value gains and losses in our Portfolio Management segment for loans held for sale only include fair value adjustments related to loans originated in the Commercial Originations segment.

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The following table provides a trend in the assets and liabilities under management by our Portfolio Management segment (in thousands):

	September 30, 2021	December 31, 2020
	Successor	Predecessor
Cash and cash equivalents	\$ 45,401	\$ 47,024
Restricted cash	\$ 322,887	\$ 303,925
Reverse mortgage loans held for investment, subject to HMBS liabilities, at fair value	10,347,459	9,929,163
Mortgage loans held for investment, subject to nonrecourse debt, at fair value	5,939,651	5,396,167
Mortgage loans held for investment, at fair value	1,077,670	730,821
Mortgage servicing rights, at fair value	340,949	180,684
Other assets, net	185,898	165,810
Total long-term investment assets	18,259,915	16,753,594
Mortgage loans held for sale, at fair value	142,906	142,226
Total earning assets	18,402,821	16,895,820
HMBS related obligations, at fair value	10,216,310	\$ 9,788,668
Nonrecourse debt, at fair value	5,831,083	5,271,842
Other financing lines of credit	1,508,916	1,010,669
Payables and other liabilities	66,698	96,762
Total financing of portfolio	17,623,007	16,167,941
Net equity in earning assets	\$ 779,814	\$ 727,879

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The following table provides a summary of some of our Portfolio Management segment's key metrics (dollars in thousands):

	September 30, 2021	December 31, 2020
	Successor	Predecessor
Mortgage Servicing Rights Portfolio		
Loan count	103,422	69,301
Ending unpaid principal balance ("UPB")	\$ 33,301,683	\$ 22,269,362
Average unpaid principal balance	\$ 322	\$ 321
Weighted average coupon	3.02%	3.15%
Weighted average age (in months)	9	4
Weighted average FICO credit score	758	760
90+ day delinquency rate	0.1%	0.1%
Total prepayment speed	9.5%	12.1%
Reverse Mortgages		
Loan count	59,556	58,230
Active UPB	\$ 14,352,606	\$ 13,355,570
Due and payable	279,268	484,233
Foreclosure	689,749	348,768
Claims pending	65,352	76,346
Ending unpaid principal balance	\$ 15,386,975	\$ 14,264,917
Average unpaid principal balance	\$ 258	\$ 245
Weighted average coupon	3.94%	4.30%
Weighted average age (in months)	44	44
Percentage in foreclosure	4.5%	2.4%
Commercial (SRL/Portfolio/Fix & Flip)		
Loan count	2,147	1,993
Ending unpaid principal balance	\$ 453,372	\$ 493,817
Average unpaid principal balance	\$ 211	\$ 248
Weighted average coupon	7.52%	8.50%
Weighted average loan age (in months)	9	12
SRL conditional prepayment rate	1.9%	2.9%
SRL non-performing (60+ DPD)	1.4%	2.2%
F&F single month mortality	8.5%	8.8%
F&F non-performing (60+ DPD)	14.9%	6.5%
Agricultural Loans		
Loan count	72	42
Ending unpaid principal balance	\$ 186,177	\$ 69,127
Average unpaid principal balance	\$ 2,586	\$ 1,646
Weighted average coupon	7.34%	7.70%
Weighted average loan age (in months)	7	5
Conditional prepayment rate	1.0%	1.0%

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	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Investment and Capital Markets					
Number of structured deals	4	7	1	2	8
Structured deals (size in notes)	\$ 1,443,121	\$ 2,575,653	\$ 571,448	\$ 954,884	\$ 2,715,236
Number of whole loan trades	11	21	8	1	3
UPB of whole loan trades	\$ 294,898	\$ 512,966	\$ 195,929	\$ 44,704	\$ 168,869

Revenue

In the table below is a summary of the components of our Portfolio Management segment's total revenue for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
REVENUE					
Gain on sale and other income from mortgage loans held for sale, net	\$ 13,664	\$ 21,412	\$ 5,065	\$ 706	\$ 6,323
Net fair value gains:					
Interest income	152,641	300,587	149,875	171,731	532,725
Interest expense (nonrecourse)	(109,766)	(221,107)	(114,910)	(126,426)	(388,904)
Net fair value (losses) gains on portfolio assets	(43,323)	(68,704)	(32,215)	956	(71,679)
Total net fair value (losses) gains	(448)	10,776	2,750	46,261	72,142
Net interest expense	(17,799)	(33,650)	(14,816)	(15,999)	(60,480)
Fee income:					
Servicing income (MSR)	6,060	6,360	33,698	8,060	9,846
Underwriting, advisory and valuation fees	5,127	7,028	997	—	180
Asset management fees	—	—	9	366	1,319
Other fees	3,750	5,126	1,487	2,539	2,012
Total fee income	14,937	18,514	36,191	10,965	13,357
Total revenue	\$ 10,354	\$ 17,052	\$ 29,190	\$ 41,933	\$ 31,342

Principally, all of our outstanding financial instruments are carried at fair value. The yield recognized on these financial instruments and any changes in estimated fair value are recorded as a component of net fair value gains on mortgage loans and related obligations in the Consolidated Statements of Operations. However, for certain of our outstanding financing lines of credit, we have not elected the fair value option. Accordingly, interest expense is presented separately on our Consolidated Statements of Operations. Further, interest income on collateralized loans may be reflected in net fair value gains on mortgage loans and related obligations on the Consolidated Statements of Operations, while the associated interest expense on the pledged loans will be included as a component of net interest expense. We evaluate net interest margin ("NIM") for our outstanding investments through an evaluation of all components of interest income and interest expense.

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The following table provides an analysis of all components of NIM for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Interest income on commercial and reverse loans	\$ 152,641	\$ 300,585	\$ 149,875	\$ 171,244	\$ 532,725
Interest expense on HMBS and nonrecourse obligations	(109,766)	(221,107)	(114,910)	(126,426)	(388,904)
Net interest margin included in net fair value gains and losses on mortgage loans (1)	42,875	79,478	34,965	44,818	143,821
Interest income on mortgage loans held for sale	296	483	138	136	619
Interest expense on warehouse lines of credit	(18,178)	(34,216)	(14,954)	(15,636)	(60,604)
Other interest income (expense)	83	83	—	(499)	(495)
Net interest expense	(17,799)	(33,650)	(14,816)	(15,999)	(60,480)
NET INTEREST MARGIN	\$ 25,076	\$ 45,828	\$ 20,149	\$ 28,819	\$ 83,341

(1) *Net interest margin included in net fair value gains and losses on mortgage loans includes interest income and expense on all commercial and reverse loans and their related nonrecourse obligations. Interest income on mortgage loans and warehouse lines of credit are classified in net interest expense. See Note 2 - Summary of Significant Accounting Policies within the interim unaudited consolidated financial statements for additional information on the Company's accounting related to commercial and reverse mortgage loans.*

Certain of our financial instruments are valued using a combination of a discounted cash flow model and analysis of current market data to arrive at an estimate of fair value. The cash flow assumptions and prepayment and repayment assumptions used in the model are based on various factors, with the key assumptions being prepayment speeds, credit loss frequencies and severity, and discount rate assumptions. Any changes in fair value on these financial instruments is recorded as a gain or loss in net fair value gains on mortgage loans and related obligations on the Consolidated Statements of Operations.

For the three months ended September 30, 2021 (Successor) versus the three months ended September 30, 2020 (Predecessor)

Total revenue decreased \$31.6 million or 75.3% as a result of the following:

- Interest income decreased \$19.1 million due to competitive pressure on margins in 2021 resulting in a decrease in weighted average coupon on our portfolio of loans for the three months ended September 30, 2021 compared to the comparable 2020 period.
- Interest expense on nonrecourse debt decreased \$16.7 million due to issuances of nonrecourse debt in a favorable interest rate environment during the three months ended September 30, 2021 and retirement of nonrecourse debt issued in prior periods.
- Net fair value losses on portfolio assets increased \$44.3 million primarily due to fair value adjustments related predominantly to increases in modeled prepayment speeds on securitized mortgage assets and MSR.
- Fee income increased \$4.0 million primarily due to increases in underwriting, advisory and valuation fees, offset slightly by decreases in servicing fee income.

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For the nine months ended September 30, 2021 (Successor and Predecessor) versus the nine months ended September 30, 2020 (Predecessor)

Total revenue increased \$14.9 million or 47.5% as a result of the following:

- Interest income decreased \$82.3 million due to competitive pressure on margins in 2021 resulting in a decrease in weighted average coupon on our portfolio of loans for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.
- Interest expense on nonrecourse debt decreased \$52.9 million due to issuances of nonrecourse debt in a favorable interest rate environment during the nine months ended September 30, 2021 and retirement of nonrecourse debt issued in prior periods.
- Net interest expense on our warehouse lines decreased \$12.0 million due primarily to a lower average cost of funds on our financing lines of credit.
- Net fair value losses on portfolio assets increased \$29.2 million primarily due to the growth of the assets held and the recognized amortization for the nine months ended September 30, 2021 compared to the comparable 2020 period.
- Fee income increased \$41.3 million primarily related to the increase in servicing fee income for the nine months ended September 30, 2021 compared to the comparable 2020 period.

Expenses

In the table below is a summary of the components of our Portfolio Management segment's total expenses for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor			Predecessor	
Salaries and bonuses	\$ 9,080	\$ 24,621	\$ 5,650	\$ 6,043	\$ 15,835
Other salary related expenses	380	827	497	917	1,613
Total salaries, benefits and related expenses	9,460	25,448	6,147	6,960	17,448
Securitization expenses	9,877	14,610	4,459	5,242	13,592
Servicing related expenses	9,093	17,918	8,651	6,723	19,143
Other general and administrative expenses	1,441	5,026	4,887	3,918	11,092
Total general and administrative expenses	20,411	37,554	17,997	15,883	43,827
Occupancy and equipment rentals	197	323	262	146	460
Total expenses	\$ 30,068	\$ 63,325	\$ 24,406	\$ 22,989	\$ 61,735

For three months ended September 30, 2021 (Successor) versus the three months ended September 30, 2020 (Predecessor)

Total expenses increased \$7.1 million or 30.8% as a result of the following:

- Salaries, benefits and related expenses increased \$2.5 million or 36.0%, primarily due to increase in bonus compensation. Additional on-going expenses of \$0.9 million were recognized for the RSUs issued at the time of the Business Combination.
- General and administrative expenses increased \$4.5 million or 28.5% primarily due to increased loan portfolio expenses related to the increase in subservicing expense on the retained MSR portfolio, which are included in servicing related expenses above, along with increases in fees related to the securitization of assets into nonrecourse securitizations, slightly offset by a decrease in other general and administrative expenses.

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For the nine months ended September 30, 2021 (Successor and Predecessor) versus the nine months ended September 30, 2020 (Predecessor)

Total expenses increased \$26.0 million or 42.1% as a result of the following:

- Salaries, benefits and related expenses increased \$14.1 million or 81.1%, primarily due to allocated costs associated with the Business Combination and an increase in bonus compensation. During the second quarter of 2021, one-time initial and accelerated Replacement and Earnout Right RSU expense of \$7.2 million was recognized. Additional on-going expenses of \$1.9 million were recognized for the RSUs issued at the time of the Business Combination.
- General and administrative expenses increased \$11.7 million or 26.8% primarily due to increased loan portfolio expenses related to the increase in subservicing expense on the retained MSR portfolio, which are included in servicing related expenses above, along with increases in fees related to the securitization of assets into nonrecourse securitizations, slightly offset by a decrease in other general and administrative expenses.

Corporate and Other

Our Corporate and Other segment consists of our BXO and other corporate services groups. These groups support our operating segments, and the cost of services directly supporting the operating segments are allocated to those operating segments on a cost of service basis. Enterprise-focused Corporate and Other expenses that are not incurred in direct support of the operating segments are kept unallocated within our Corporate and Other segment.

The following table summarizes our Corporate and Other segment's results for the periods indicated (in thousands):

	For the three months ended		January 1, 2021 to March 31, 2021	For the three months ended		For the nine months ended	
	September 30, 2021	April 1, 2021 to September 30, 2021		September 30, 2020	September 30, 2020	September 30, 2020	
	Successor		Predecessor				
Fee income	\$ —	\$ —	\$ —	\$ 2,471	\$ 2,514		
Net interest expense	(6,720)	(13,287)	(7,744)	(385)	(4,605)		
Total interest and other expense	(6,720)	(13,287)	(7,744)	2,086	(2,091)		
Total expenses	28,672	64,669	18,683	9,615	32,837		
Other, net	10,205	8,019	(9,464)	(2,470)	(2,514)		
NET LOSS	\$ (25,187)	\$ (69,937)	\$ (35,891)	\$ (9,999)	\$ (37,442)		

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In the table below is a summary of the components of our Corporate and Other segment's total expenses for the periods indicated (in thousands):

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Salaries and bonuses	\$ 35,944	\$ 82,973	\$ 22,779	\$ 16,566	\$ 44,022
Other salary related expenses	3,379	5,611	3,306	1,196	3,011
Shared services - payroll allocations	(19,520)	(43,954)	(18,657)	(15,867)	(29,356)
Total salaries, benefits and related expenses	19,803	44,630	7,428	1,895	17,677
Communication and data processing	4,368	8,208	3,015	1,300	4,141
Professional fees	488	8,905	10,334	8,515	15,440
Other general and administrative expenses	8,141	11,621	1,481	873	3,317
Shared services - general and administrative allocations	(5,404)	(10,669)	(3,694)	(3,402)	(9,080)
Total general and administrative expenses	7,593	18,065	11,136	7,286	13,818
Occupancy, equipment rentals and other office related expenses	1,276	1,974	119	434	1,342
Total expenses	\$ 28,672	\$ 64,669	\$ 18,683	\$ 9,615	\$ 32,837

For the three months ended September 30, 2021 (Successor) versus the three months ended September 30, 2020 (Predecessor)

Net loss increased \$15.2 million or 151.9% as a result of the following:

- Total interest and other expense increased \$8.8 million or 422.1% primarily as a result of interest expense related to the senior unsecured notes issued in November 2020.
- Salaries, benefits, and related expenses, net of allocations, increased \$17.9 million or 945.0% primarily due to an increase in average headcount, bonus compensation, and cost allocations related to the Business Combination, offset partially by an increase in shared services allocations. Average headcount for the three months ended September 30, 2021 was 470 compared to 289 for the comparable 2020 period. During the three months ended September 30, 2021, additional on-going expenses of \$6.0 million were recognized for the RSUs issued at the time of the Business Combination. These increases were partially offset by an increase in allocations, as a portion of the Business Combination expenses were allocated to each segment.

For the nine months ended September 30, 2021 (Successor and Predecessor) versus the nine months ended September 30, 2020 (Predecessor)

Net loss increased \$68.4 million or 182.6% as a result of the following:

- Total interest and other expense increased \$18.9 million or 905.8% as a result of interest expense related to the senior unsecured notes issued in November 2020.
- Salaries, benefits, and related expenses, net of allocations, increased \$34.4 million or 194.5% primarily due to an increase in average headcount, bonus compensation and cost allocations related to the Business Combination. Average headcount for the nine months ended September 30, 2021 was 413 compared to 274

for the 2020 period. During the second quarter of 2021, one-time initial and accelerated Replacement and Earnout Right RSU expense of \$15.3 million was recognized. Additional on-going expenses of \$9.2 million were recognized for the RSUs issued at the time of the Business Combination. These increases were partially offset by an increase in allocations, as a portion of the Business Combination expenses were allocated to each segment.

- General and administrative expenses, net of shared services allocations, increased \$15.4 million or 111.3% due to an increase in communications and data processing, higher professional fees, including legal and accounting advisory fees, related to the Business Combination, offset slightly by an increase in shared services allocations.

NON-GAAP FINANCIAL MEASURES

The Company's management evaluates performance of the Company through the use of certain non-GAAP financial measures, including Adjusted Net Income, Adjusted EBITDA, Adjusted Diluted Earnings per Share and Tangible Book Equity per Diluted Share.

The presentation of non-GAAP measures is used to enhance the investors' understanding of certain aspects of our financial performance. This discussion is not meant to be considered in isolation, superior to, or as a substitute for the directly comparable financial measures prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). These key financial measures provide an additional view of our performance over the long-term and provide useful information that we use in order to maintain and grow our business.

These non-GAAP financial measures should not be considered as an alternate to (i) net (loss) income or any other performance measures determined in accordance with GAAP or (ii) operating cash flows determined in accordance with GAAP. Adjusted Net Income and Adjusted EBITDA have important limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations of this metric are:

- cash expenditures for future contractual commitments;
- cash requirements for working capital needs;
- cash requirements for certain tax payments; and
- all non-cash income/expense items reflected in the Consolidated Statements of Cash Flows.

Because of these limitations, Adjusted Net Income and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business or distribute to shareholders. We compensate for these limitations by relying primarily on our GAAP results and using our non-GAAP financial measures only as a supplement. Users of our consolidated financial statements are cautioned not to place undue reliance on our non-GAAP financial measures.

Adjusted Net Income

We define Adjusted Net Income as consolidated net income adjusted for:

1. Change in fair value of loans and securities held for investment due to assumption changes
2. Amortization and other impairments of intangible assets
3. Share based compensation
4. Change in fair value of deferred purchase price obligations (including earnouts and TRA obligations), warrant liability, and minority investments
5. Certain non-recurring costs
6. Pro-forma tax provision attributable to noncontrolling interest
7. Pro-forma tax effects of adjustments

Management considers Adjusted Net Income important in evaluating our Company as a whole. This supplemental metric is utilized by our management team to assess the underlying key drivers and operational performance of the

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continuing operations of the business. In addition, analysts, investors, and creditors may use this measure when analyzing our operating performance and comparability to peers. Adjusted Net Income is not a presentation made in accordance with GAAP, and our definition and use of this measure may vary from other companies in our industry.

Adjusted Net Income provides visibility to the underlying operating performance by excluding the impact of certain items that management does not believe are representative of our core earnings. Adjusted Net Income may also include other adjustments, as applicable based upon facts and circumstances, consistent with our intent of providing a supplemental means of evaluating our operating performance.

Adjusted EBITDA

We define Adjusted EBITDA as net income adjusted for:

1. Taxes
2. Interest on non-funding debt
3. Depreciation
4. Change in fair value of loans and securities held for investment due to assumption changes
5. Amortization and other impairments of intangible assets
6. Equity based compensation
7. Change in fair value of deferred purchase price obligations (including earnouts and TRA obligations), warrant liability and minority investments
8. Certain non-recurring costs

We evaluate the performance of our company and segments through the use of Adjusted EBITDA as a non-GAAP measure. Management considers Adjusted EBITDA important in evaluating our business segments and the Company as a whole. Adjusted EBITDA is a supplemental metric utilized by our management team to assess the underlying key drivers and operational performance of the continuing operations of the business and our operating segments. In addition, analysts, investors, and creditors may use these measures when analyzing our operating performance. Adjusted EBITDA is not a presentation made in accordance with GAAP, and our use of this measure and term may vary from other companies in our industry.

Adjusted EBITDA provides visibility to the underlying operating performance by excluding the impact of certain items that management does not believe are representative of our core earnings. Adjusted EBITDA may also include other adjustments, as applicable based upon facts and circumstances, consistent with our intent of providing a supplemental means of evaluating our operating performance.

Adjusted Diluted Earnings Per Share

We define Adjusted Diluted Earnings Per Share as Adjusted Net Income (defined above) divided by the weighted average diluted shares, which includes issued and outstanding Class A Common Stock plus the Class A LLC Units owned by the noncontrolling interest on an if-converted basis.

Analysts, investors, and creditors may use this measure when analyzing our operating performance and comparability to peers. Adjusted Net Income is not a presentation made in accordance with GAAP, and our definition and use of this measure may vary from other companies in our industry.

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The following table provides a reconciliation of net income to Adjusted Net Income and Adjusted EBITDA (in thousands, except for share data):

Reconciliation to GAAP

	For the three months ended September 30, 2021	April 1, 2021 to September 30, 2021	January 1, 2021 to March 31, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2020
	Successor		Predecessor		
Reconciliation of Net income to Adjusted Net Income and Adjusted EBITDA					
Net income	\$ 50,110	\$ 35,286	\$ 124,320	\$ 241,611	\$ 345,490
Adjustments for:					
Change in fair value of loans and securities held for investment due to assumption changes ⁽¹⁾	28,760	48,803	2,042	(16,753)	53,908
Amortization and impairment of intangibles	13,457	26,914	629	601	1,889
Change in fair value of deferred purchase price liabilities ⁽²⁾	1,273	3,893	30	(258)	(111)
Change in fair value of warrant liability	(9,919)	(8,627)	—	—	—
Equity based compensation	10,626	21,268	—	—	—
Change in fair value of minority investments ⁽³⁾	(401)	(274)	9,464	—	—
Certain non-recurring costs ⁽⁴⁾	2,602	46,080	6,719	7,893	12,547
Tax effect on net income attributable to noncontrolling interest ⁽⁵⁾⁽⁶⁾	(7,257)	(2,984)	(31,482)	(62,221)	(88,663)
Tax effect of adjustments attributable to noncontrolling interest ⁽⁵⁾	(10,585)	(29,113)	(4,910)	2,214	(17,741)
Tax effect of adjustments attributable to controlling interest ⁽⁵⁾	(4,057)	(9,360)	N/A	N/A	N/A
Adjusted Net Income	\$ 74,609	\$ 131,886	\$ 106,812	\$ 173,087	\$ 307,319
Effective income taxes	26,339	46,983	37,529	60,815	107,978
Depreciation	2,519	4,800	2,163	1,776	5,342
Interest expense on non-funding debt	6,842	13,536	7,706	7	3,515
Adjusted EBITDA	\$ 110,309	\$ 197,205	\$ 154,210	\$ 235,685	\$ 424,154
GAAP PER SHARE MEASURES					
Net income attributable to controlling interest	\$ 21,384	\$ 23,649	N/A	N/A	N/A
Weighted average shares outstanding	59,861,171	59,871,386	N/A	N/A	N/A
Basic earnings per share	0.36	0.39	N/A	N/A	N/A
If-converted method net income	\$ 42,861	\$ 33,125	\$ 119,859	\$ 246,288	\$ 367,373
Weighted average diluted shares	191,161,431	191,180,610	191,200,000	191,200,000	191,200,000
Diluted earnings per share	\$ 0.22	\$ 0.17	\$ 0.63	\$ 1.29	\$ 1.92
NON-GAAP PER SHARE MEASURES					
Adjusted Net Income	\$ 74,609	\$ 131,886	\$ 106,812	\$ 173,087	\$ 307,319
Weighted average diluted shares	191,161,431	191,180,610	191,200,000	191,200,000	191,200,000
Adjusted Diluted Earnings per Share	\$ 0.39	\$ 0.69	\$ 0.56	\$ 0.91	\$ 1.61

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Book equity	\$ 2,432,174	\$ 2,432,174	\$ 844,386	\$ 1,014,007	\$ 1,014,007
Ending diluted shares	189,425,808	189,425,808	191,200,000	191,200,000	191,200,000
Book Equity per Diluted Share	\$ 12.84	\$ 12.84	\$ 4.42	\$ 5.30	\$ 5.30

(1) *Change in Fair Value of Loans and Securities Held for Investment due to Assumption Changes* -This adjustment relates to changes in the significant market or model input components of the fair value for loans and securities which are held for investment, net of related liabilities. We include an adjustment for the significant market or model input components of the change in fair value because, while based on real observable and/or predicted changes in drivers of the valuation of assets, they may be mismatched in any given period with the actual change in the underlying economics or when they will be realized in actual cash flows. We do not record this change as a separate component in our financial records, but have generated this information based on modeling and certain assumptions. Changes in Fair Value of Loans and Securities Held for Investment due to Assumption Changes includes changes in fair value for the following mortgage servicing rights, loans held for investment, and related liabilities:

1. Reverse mortgage loans held for investment, subject to HMBS related obligations, at fair value;
2. Mortgage loans held for investment, subject to nonrecourse debt, at fair value;
3. Mortgage loans held for investment, at fair value;
4. Debt Securities;
5. Mortgage servicing rights, at fair value;
6. HMBS related obligations, at fair value; and
7. Nonrecourse debt, at fair value.

The adjustment for changes in fair value of loans and securities held for investment due to assumption changes is calculated based on changes in fair value associated with the above assets and liabilities calculated in accordance with GAAP, excluding the period-to-date estimated impact of the change in fair value attributable to current period additions and the change in fair value attributable to portfolio run-off, net of hedge gains and losses and any securitization expenses incurred in securitizing our mortgage loans held for investment, subject to nonrecourse debt. This adjustment represents changes in accounting estimates that are measured in accordance with US GAAP. Actual results may differ from those estimates and assumptions due to factors such as changes in the economy, interest rates, secondary market pricing, prepayment assumptions, home prices or discrete events affecting specific borrowers, and such differences could be material. Accordingly, this number should be understood as an estimate and the actual adjustment could vary if our modeling is incorrect.

- (2) *Change in Fair Value of Deferred Purchase Price Obligations*- We are obligated to pay contingent consideration to sellers of acquired businesses based on future performance of acquired business (Earnouts) as well as realization of tax benefits from the Business Combination (TRA Obligation). Change in fair value of deferred purchase price obligations represents impacts to revenue or expense due to changes in the estimated fair value of expected payouts as a result of changes in various assumptions, including future performance, timing and realization of tax benefits and discount rates.
- (3) *Change in Fair Value of Minority Investments*- The adjustment to minority equity investments and debt investments is based on the change in fair value, which is an item that management believes should be excluded when discussing our ongoing and future operations. Although the change in fair value of minority equity investments and debt investments is a recurring part of our business, we believe the adjustment is appropriate as the fair value fluctuations from period to period make it difficult to analyze core-operating trends.
- (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 estimated settlements for legal and regulatory matters, acquisition related expenses, share based compensation associated with the Business Combination, and other one-time charges. The Successor period of April 1, 2021 to September 30, 2021 include \$38.6 million of non-recurring share based compensation primarily resulting from the immediate vesting portion of the Replacement RSU awards.
- (5) We applied a 26% effective tax rate to pre-tax income and adjustments (excluding change in fair value of warrant liability, which is a permanent book/tax difference) for the respective period to determine the tax effect of net income (loss) and adjustments attributable to the noncontrolling interests and adjustments.
- (6) This is a component in the numerator of diluted net loss per share. See Note 33 - Earnings Per Share.

Liquidity and Capital Resources

Impact of the Business Combination

FoA is a holding company and has no material assets other than its direct and indirect ownership of Class A LLC Units. FoA has no independent means of generating revenue. FoA Equity may make distributions to its holders of Class A LLC Units, including FoA and the Continuing Unitholders, in an amount sufficient to cover all applicable taxes at assumed tax rates, payments under the TRAs and dividends, if any, declared by it. Deterioration in the financial condition, earnings or cash flow of FoA Equity and its subsidiaries for any reason could limit or impair their ability to pay such distributions. Additionally, the terms of our financing arrangements, including financing lines of credit and senior notes, contain covenants that may restrict FoA Equity and its subsidiaries from paying such distributions,

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subject to certain exceptions. In addition, one of our subsidiaries, FAM, is subject to various regulatory capital and minimum net worth requirements as a result of their mortgage origination and servicing activities. Further, FoA Equity is generally prohibited under Delaware law from making a distribution to a member to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of FoA Equity (with certain exceptions) exceed the fair value of its assets. Subsidiaries of FoA Equity are generally subject to similar legal limitations on their ability to make distributions to FoA Equity.

Our cash flows from operations, borrowing availability and overall liquidity are subject to risks and uncertainties. We may not be able to obtain additional liquidity on reasonable terms, or at all. Additionally, our liquidity and our ability to meet our obligations and to fund our capital requirements are dependent on our future financial performance, which is subject to general economic, financial, and other factors that are beyond our control. Accordingly, our business may not generate sufficient cash flow from operations and future borrowings may not be available from additional indebtedness or otherwise to meet our liquidity needs. Although we have no specific current plans to do so, if we decide to pursue one or more significant acquisitions, we may incur additional debt or sell additional equity to finance such acquisitions, which would result in additional expenses or dilution.

Tax Receivable Agreements

In connection with the Business Combination, concurrently with the Closing, the Company entered into Tax Receivable Agreements (“TRA”) with certain owners of FoA Equity prior to the Business Combination (the “TRA Parties”). The TRAs generally provide for the payment by the Company to the TRA Parties of 85% of the cash tax benefits, if any, that the Company is deemed to realize (calculated using certain simplifying assumptions) as a result of (i) tax basis adjustments as a result of sales and exchanges of units in connection with or following the Business Combination and certain distributions with respect to units, (ii) the Company’s utilization of certain tax attributes attributable to Blackstone Tactical Opportunities Associates - NQ L.L.C., a Delaware limited partnership, shareholders (“Blocker GP”), and (iii) certain other tax benefits related to entering into the TRAs, including tax benefits attributable to making payments under the TRAs. These tax basis adjustments generated over time may increase (for tax purposes) the depreciation and amortization deductions available to the Company and, therefore, may reduce the amount of U.S. federal, state and local tax that the Company would otherwise be required to pay in the future, although the IRS may challenge all or part of the validity of that tax basis, and a court could sustain such challenge. The tax basis adjustments upon sales or exchanges of units for shares of Class A Common Stock and certain distributions with respect to Class A LLC Units may also decrease gains (or increase losses) on future dispositions of certain assets to the extent tax basis is allocated to those assets. Actual tax benefits realized by the Company may differ from tax benefits calculated under the Tax Receivable Agreements as a result of the use of certain assumptions in the TRAs, including the use of an assumed weighted average state and local income tax rate to calculate tax benefits.

The payments that FoA may make under the TRAs are expected to be substantial. The payments under the TRAs are not conditioned upon continued ownership of FoA or FoA Equity by the Continuing Unitholders.

The Company accounts for the effects of these increases in tax basis and associated payments under the TRAs arising from exchanges in connection with the Business Combination as follows:

- records an increase in deferred tax assets for the estimated income tax effects of the increases in tax basis based on enacted federal and state tax rates at the date of the exchange;
- to the extent we estimate that the Company will not realize the full benefit represented by the deferred tax asset, based on an analysis that will consider, among other things, our expectation of future earnings, the Company reduces the deferred tax asset with a valuation allowance; and
- initial measurement of the obligations is at fair value on the acquisition date. Subsequently, the liability will be remeasured at fair value each reporting period, with any changes in fair value recognized through earnings.

The Company records obligations under the TRAs resulting from exchanges subsequent to the Business Combination, as they occur, at the gross undiscounted amount of the expected future payments as an increase to the liability along with the deferred tax asset and valuation allowance (if any) with an offset to additional paid-in capital.

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As of September 30, 2021, the Company had a liability of \$35.1 million related to its projected obligations under the TRA, which is included in deferred purchase price liabilities within payables and other liabilities on the Consolidated Statements of Financial Condition.

Sources and Uses of Cash

Our primary sources of funds for liquidity include: (i) payments received from sale or securitization of loans; (ii) payments from the liquidation or securitization of our outstanding participating interests in loans; and (iii) advance and warehouse facilities, other secured borrowings and the unsecured senior notes.

Our primary uses of funds for liquidity include: (i) funding of borrower advances and draws on outstanding loans; (ii) originations of loans; (iii) payment of operating expenses; (iv) repayment of borrowings and repurchases or redemptions of outstanding indebtedness, and (v) distributions to shareholders for the estimated taxes on pass-through taxable income.

Our cash flows from operating activities, as well as capacity through existing facilities, provide adequate resources to fund our anticipated ongoing cash requirements. We rely on these facilities to fund operating activities. As the facilities mature, we anticipate renewal of these facilities will be achieved. Future debt maturities will be funded with cash and cash equivalents, cash flow from operating activities and, if necessary, future access to capital markets. We continue to optimize the use of balance sheet cash to avoid unnecessary interest carrying costs.

Cash Flows

As a result of the Business Combination, certain compensation expenses were considered to have been incurred “on the line”. These “on the line” expenses resulted in a decrease in cash on the opening balance sheet as of April 1, 2021 when compared to the ending balance as of March 31, 2021. For the Successor period from April 1, 2021 to September 30, 2021, the beginning cash balance reflects the decrease in cash due to these expenses and, as such, these expenses have been appropriately excluded from the reconciliation to the ending cash balance.

The following table presents net cash provided by operating activities, investing activities and financing activities for the period from April 1, 2021 to September 30, 2021 (Successor), January 1, 2021 to March 31, 2021 (Predecessor), and for the nine months ended September 30, 2020 (Predecessor):

	April 1, 2021 to September 30, 2021 Successor	January 1, 2021 to March 31, 2021 Predecessor	For the nine months ended September 30, 2020 Predecessor
Net cash (used in) provided by operating activities	(72,613)	118,043	(376,772)
Net cash used in investing activities	(710,072)	(312,047)	(995,201)
Net cash provided by financing activities	672,835	307,695	1,503,052

Our cash decreased \$109.9 million for the six months from April 1, 2021 to September 30, 2021 (Successor), increased \$113.7 million for the three months from January 1, 2021 to March 31, 2021 and increased \$131.1 million for the nine months ended September 30, 2020 (Predecessor). The decrease in cash flows for the nine months ended September 30, 2021 (Successor and Predecessor) period was primarily driven by Business Combination related expenses, payments on our outstanding HMBS liabilities, net of new HMBS issuances, and purchases and originations of mortgage loans held for investment, net of proceeds and payments received on mortgage loans held for investment. These cash outflows were partially offset by proceeds on sales of mortgage loans held for sale, net of origination activity and net proceeds from other financing lines of credit.

Operating Cash Flow

Net cash (used in) provided by operating activities totaled \$(72.6) million for the six months from April 1, 2021 to September 30, 2021 (Successor), \$118.0 million for the three months from January 1, 2021 to March 31, 2021 and \$(376.8) million for the nine months ended September 30, 2020 (Predecessor).

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Cash flows from operating activities improved \$422.1 million for the nine months ended September 30, 2021 (Successor and Predecessor) compared to the nine months ended September 30, 2020 (Predecessor). The improvement was primarily attributable to higher proceeds from sale of mortgage loans held for sale, net of cash used for originations. Proceeds from the sale of mortgage loans held for sale were \$22,727.7 million and \$19,473.9 million during the nine months ended September 30, 2021 (Successor and Predecessor) and for the nine months ended September 30, 2020 (Predecessor), respectively. Cash used for originations of residential mortgage loans was \$22,715.6 million and \$20,256.7 million as of the nine months ended September 30, 2021 (Successor and Predecessor) and for the nine months ended September 30, 2020 (Predecessor), respectively.

Investing Cash Flow

Net cash used in investing activities totaled \$710.1 million for the six months from April 1, 2021 to September 30, 2021 (Successor), \$312.0 million for the three months from January 1, 2021 to March 31, 2021 and \$995.2 million for the nine months ended September 30, 2020 (Predecessor).

The increase of \$26.8 million in cash used in our investing activities during the nine months ended September 30, 2021 (Successor and Predecessor), compared to the nine months ended September 30, 2020 (Predecessor), was primarily attributable to lower proceeds from the sale of debt securities and higher investments in acquisitions, offset partially by lower purchases/advances net of proceeds/payments on loans held for investment. We originated \$3,317.2 million and \$2,404.6 million of reverse mortgage loans for the nine months ended September 30, 2021 (Successor and Predecessor) and for the nine months ended September 30, 2020 (Predecessor), respectively. These amounts were partially offset by higher proceeds and payments received on mortgage loans held for investment and mortgage loans held for investment, subject to nonrecourse debt. Reverse mortgage loans originated consist of initial reverse mortgage loan borrowing amounts, and additional participations and accretions of reverse mortgage loans, including subsequent borrower draws, mortgage insurance premiums, service fees and other advances that we are able to subsequently pool into a security.

Financing Cash Flow

Net cash provided by financing activities totaled \$672.8 million for the six months from April 1, 2021 to September 30, 2021 (Successor), \$307.7 million for the three months from January 1, 2021 to March 31, 2021 and \$1,503.1 million for the nine months ended September 30, 2020 (Predecessor).

The decrease of \$522.5 million in cash provided by our financing activities during the nine months ended September 30, 2021 (Successor and Predecessor) compared to the nine months ended September 30, 2020 (Predecessor) period was primarily driven by a \$513.6 million decrease in proceeds from issuance, net of payments on nonrecourse debt, including HMBS obligations. In addition, proceeds net of payments on other lines of credit and notes payable of \$266.7 million were mostly offset by net distributions and redemption of the CRNCI in the amount of \$275.6 million.

Financial Covenants

Our credit facilities contain various financial covenants, which primarily relate to required tangible net worth amounts, liquidity reserves, leverage ratio requirements, and profitability requirements. These covenants are measured at our operating subsidiaries. As a result of impacts from the Business Combination, FAM was not in compliance with the lender adjusted tangible net worth quarterly and two-consecutive quarter requirements by FNMA as detailed below. The Company received a waiver for the covenant violations from FNMA. As of September 30, 2021, the Company had obtained waivers for these covenant violations and was in compliance with all other financial covenants.

Seller/Servicer Financial Requirements

We are also subject to net worth, capital ratio and liquidity requirements established by the Federal Housing Finance Agency ("FHA") for Fannie Mae and Freddie Mac Seller/Servicers, and Ginnie Mae for single family issuers. In both cases, these requirements apply to our operating subsidiaries, FAM and FAR, which are licensed sellers/servicers of the respective GSEs. As of September 30, 2021, we were in compliance with or had received waivers for all of our seller/servicer financial requirements for FHA and Ginnie Mae. For additional information see Note 25 - Liquidity and Capital Requirements within the interim unaudited consolidated financial statements.

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Minimum Net Worth

The minimum net worth requirement for Fannie Mae and Freddie Mac is defined as follows:

- Base of \$2.5 million plus 25 basis points of outstanding UPB for total loans serviced.
- Tangible Net Worth comprises of total equity less goodwill, intangible assets, affiliate receivables and certain pledged assets.

The minimum net worth requirement for Ginnie Mae is defined as follows:

- The sum of (i) base of \$2.5 million plus 35 basis points of the issuer's total single-family effective outstanding obligations, and (ii) base of \$5 million plus 1% of the total effective HMBS outstanding obligations.
- Tangible Net Worth is defined as total equity less goodwill, intangible assets, affiliate receivables and certain pledged assets. Effective for fiscal year 2020, under the Ginnie Mae MBS Guide, the issuers will no longer be permitted to include deferred tax assets when computing the minimum net worth requirement.

Minimum Capital Ratio

- In addition to the minimum net worth requirement, we are also required to hold a ratio of Tangible Net Worth to Total Assets (excluding HMBS securitizations) greater than 6%.
- FAR received a permanent waiver for the minimum outstanding capital requirements from Ginnie Mae.

Minimum Liquidity

The minimum liquidity requirement for Fannie Mae and Freddie Mac is defined as follows:

- 3.5 basis points of total Agency Mortgage Servicing, plus
- Incremental 200 basis points times the sum of the following:
- The total UPB of nonperforming (90 or more days delinquent) Agency Mortgage Servicing that is not in forbearance, plus
- The total UPB of nonperforming (90 or more days delinquent) Agency Mortgage Servicing that is in forbearance and which were delinquent at the time it entered forbearance, plus
- 30% of the UPB of nonperforming (90 or more days delinquent) Agency Mortgage Servicing that is in forbearance and which were current at the time it entered forbearance
- This liquidity must only be maintained to the extent this sum exceeds 6% of the total Agency Mortgage Servicing UPB.
- Allowable assets for liquidity may include: cash and cash equivalents (unrestricted), available for sale or held for trading investment grade securities (e.g., Agency MBS, Obligations of GSEs, US Treasury Obligations); and unused/available portion of committed servicing advance lines.

The minimum liquidity requirement for Ginnie Mae is defined as follows:

- Maintain liquid assets equal to the greater of \$1.0 million or 10 basis points of our outstanding single-family MBS.
- Maintain liquid assets equal to at least 20% of our net worth requirement for HECM MBS.

Summary of Certain Indebtedness

The following description is a summary of certain material provisions of our outstanding indebtedness. As of September 30, 2021, our debt obligations were approximately \$16.4 billion. This summary does not restate the terms of our outstanding indebtedness in its entirety, nor does it describe all of the material terms of our indebtedness.

Warehouse Lines of Credit

Mortgage facilities

As of September 30, 2021, our Mortgage Originations segment had \$3.6 billion in warehouse lines of credit collateralized by first lien mortgages with \$1.8 billion aggregate principal amount drawn through 14 funding facility arrangements with 13 active lenders. These facilities are generally structured as master repurchase agreements under which ownership of the related eligible loans is temporarily transferred to a lender or as participation arrangements pursuant to which the lender acquires a participation interest in the related eligible loans. The funds advanced to us are generally repaid using the proceeds from the sale or securitization of the loans to, or pursuant to, programs sponsored by Fannie Mae, Freddie Mac, and Ginnie Mae or to private secondary market investors, although prior payment may be required based on, among other things, certain breaches of representations and warranties or other events of default.

When we draw on these facilities, we generally must transfer and pledge eligible loans to the lender, and comply with various financial and other covenants. The facilities generally have one-year terms and expire at various times during 2021 through 2023. Under our facilities, we generally transfer the loans at an advance rate less than the principal balance or fair value of the loans (the "haircut"), which serves as the primary credit enhancement for the lender. Since the advances to us are generally for less than 100% of the principal balance of the loans, we are required to use working capital to fund the remaining portion of the principal balance of the loans. The amount of the advance that is provided under the various facilities ranges from 86% to 100% of the market value or principal balance of the loans. Upon expiration, management believes it will either renew its existing warehouse facilities or obtain sufficient additional lines of credit. The interest rate on all outstanding facilities is LIBOR plus applicable margin.

The following table presents additional information about our Mortgage Originations segment's warehouse facilities as of September 30, 2021 (in thousands):

<u>Mortgage Warehouse Facilities</u>	<u>Maturity Date</u>	<u>Total Capacity</u>	<u>September 30, 2021</u>
Committed	October 2021 - August 2022	\$ 975,000	\$ 694,765
Uncommitted	October 2021 - March 2022	2,600,000	1,088,778
Total mortgage warehouse facilities		\$ 3,575,000	\$ 1,783,543

Reverse mortgage facilities

As of September 30, 2021, our Reverse Originations segment had \$1.2 billion in warehouse lines of credit collateralized by first lien mortgages with \$0.6 billion million aggregate principal amount drawn through 7 funding facility arrangements with 7 active lenders. These facilities are generally structured as master repurchase agreements under which ownership of the related eligible loans is temporarily transferred to a lender, or as participation arrangements pursuant to which the lender acquires a participation interest in the related eligible loans. The funds advanced to us are generally repaid using the proceeds from the sale or securitization of the loans to, or pursuant to, programs sponsored by Ginnie Mae or private secondary market investors, although prior payment may be required based on, among other things, certain breaches of representations and warranties or other events of default.

When we draw on these warehouse lines of credit, we generally must transfer and pledge eligible loans, and comply with various financial and other covenants. The facilities generally have one-year terms and expire at various times during 2021 through 2022. Under our facilities, we generally transfer the loans at a haircut which serves as the primary credit enhancement for the lender. Since the advances to us are generally for less than the acquisition cost of the loans, we are required to use working capital to fund the remaining portion of the funding required for the loan. The amount of the advance that is provided under the various facilities ranges from 90 to 104% of the market value or principal balance of the loans. Upon expiration, management believes it will either renew its existing facilities or obtain sufficient additional lines of credit. The interest rate on all outstanding facilities is LIBOR plus applicable margin.

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The following table presents additional information about our Reverse Origination segment's warehouse facilities as of September 30, 2021 (in thousands):

<u>Reverse Warehouse Facilities</u>	<u>Maturity Date</u>	<u>Total Capacity</u>	<u>September 30, 2021</u>
Committed	October 2021 - June 2022	\$ 475,000	\$ 242,170
Uncommitted	December 2021 - August 2022	725,000	378,247
Total reverse warehouse facilities		\$ 1,200,000	\$ 620,417

Commercial loan facilities

As of September 30, 2021, our Commercial Originations segment had \$0.5 billion in warehouse lines of credit collateralized by first lien mortgages and encumbered agricultural loans with \$0.1 billion aggregate principal amount drawn through 4 funding facility arrangements with 4 active lenders. These facilities are either structured as master repurchase agreements under which ownership of the related eligible loans is temporarily transferred to a lender, as loan and security agreements pursuant to which the related eligible assets are pledged as collateral for the loan from the related lender or are collateralized by first lien loans or crop loans. The funds advanced to us are generally repaid using the proceeds from the sale or securitization of the loans to private secondary market investors, although prior payment may be required based on, among other things, certain breaches of representations and warranties or other events of default.

When we draw on these facilities, we must transfer and pledge eligible loan collateral, and comply with various financial and other covenants. The facilities generally have one-year terms and expire at various times during 2022 through 2023. Under our facilities, we generally transfer the loans at a haircut, which serves as the primary credit enhancement for the lender. One of our warehouse lines of credit is also guaranteed by our wholly-owned subsidiary, Finance of America Holdings LLC ("FAH"), the parent holding company to the commercial lending business. Since the advances to us are generally for less than 100% of the principal balance of the loans, we are required to use working capital to fund the remaining portion of the principal balance of the loans. The amount of the advance that is provided under the various facilities generally ranges from 70% to 85% of the principal balance of the loans. Upon expiration, management believes it will either renew its existing facilities or obtain sufficient additional lines of credit. The interest rate on all outstanding facilities is LIBOR plus applicable margin.

The following table presents additional information about our Commercial Origination segment's warehouse facilities as of September 30, 2021 (in thousands):

<u>Commercial Warehouse Facilities</u>	<u>Maturity Date</u>	<u>Total Capacity</u>	<u>September 30, 2021</u>
Committed	February 2022 - August 2022	\$ 360,000	\$ 148,166
Uncommitted	February 2022 - November 2023	150,000	1,621
Total commercial warehouse facilities		\$ 510,000	\$ 149,787

General

With respect to each of our warehouse facilities, we pay certain up-front and/or ongoing fees which can be based on our utilization of the facility. In some instances, loans held by a lender for a contractual period exceeding 45 to 60 calendar days after we originate such loans are subject to additional fees and interest rates.

Certain of our warehouse facilities contain sub-limits for "wet" loans, which allow us to finance loans for a minimal period of time prior to delivery of the note collateral to the lender. "Wet" loans are loans for which the collateral custodian has not yet received the related loan documentation. "Dry" loans are loans for which all the sale documentation has been completed at the time of funding. Wet loans are held by a lender for a contractual period, typically between five and ten business days and are subject to a reduction in the advance amount.

Interest is generally payable at the time the loan is settled off the line or monthly in arrears and principal is payable upon receipt of loan sale proceeds or transfer of a loan to another line of credit. The facilities may also require the outstanding principal to be repaid if a loan remains on the line longer than a contractual period of time, which ranges from 45 to 365 calendar days.

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Interest on our warehouse facilities vary by facility and may depend on the type of asset that is being financed. Interest is based on an applicable margin over the LIBOR or the prime rate as illustrated in the tables in this section above.

Loans financed under certain of our warehouse facilities are subject to changes in market valuation and margin calls. The market value of our loans depends on a variety of economic conditions, including interest rates and market demand for loans. Under certain facilities, if the market value of the underlying loans declines below the outstanding asset balance on such loans or if the UPB of such loans falls below a threshold related to the repurchase price for such loans, we could be required to (i) repay cash in an amount that cures the margin deficit or (ii) supply additional eligible assets or rights as collateral for the underlying loans to compensate for the margin deficit. Certain warehouse facilities allow for the remittance of cash back to us if the value of the loan exceeds the principal balance.

Our warehouse facilities require each of our borrowing subsidiaries to comply with various customary operating and financial covenants, including, without limitation, the following tests:

- minimum tangible or adjusted tangible net worth;
- maximum leverage ratio of total liabilities (which may include off-balance sheet liabilities) or indebtedness to tangible or adjusted tangible net worth;
- minimum liquidity or minimum liquid assets; and
- minimum net income or pre-tax net income.

In the event we fail to comply with the covenants contained in any of our warehouse lines of credit, or otherwise were to default under the terms of such agreements, we may be restricted from paying dividends, reducing or retiring our equity interests, making investments or incurring more debt. As a result of market disruptions and fair value accounting adjustments taken in March 2020 resulting from the COVID-19 outbreak, our commercial loan origination subsidiary was in violation of its first, second, and third quarter 2020 profitability covenants with two of its warehouse lenders. We received waivers of the covenant violations from both lenders as well as amendments to profitability covenants for the remaining quarter of 2020.

As a result of impacts from the Business Combination, FAM was not in compliance with the second quarter 2021 lender adjusted tangible net worth quarterly requirement and the second and third quarter 2021 two-consecutive quarter requirements by FNMA. The Company received a waiver for the covenant violations from FNMA for both Q2 and Q3 2021. As of September 30, 2021 (Successor), the Company had obtained waivers for these covenant violations and was in compliance with all other financial covenants.

Other Secured Lines of Credits

As of September 30, 2021, our Mortgage, Reverse, and Commercial Originations segments collectively had \$1.0 billion in additional secured facilities with \$0.8 billion aggregate principal amount drawn through credit agreements or master repurchase agreements with 13 active lenders. These facilities are secured by, among other things, eligible asset-backed securities, MSRs, and HECM tails. In certain instances, these assets are subject to existing first lien warehouse financing, in which case these facilities (i.e., mezzanine facilities) are secured by the equity in these assets exceeding first lien warehouse financing. One of our facilities was with Podium Mortgage Capital, LLC, who acts as a lender to us and is an affiliate of one of our shareholders, Blackstone. These facilities are generally structured as master repurchase agreements under which ownership of the related eligible assets are temporarily transferred to a lender. The funds advanced to us are generally repaid using the proceeds from the sale or securitization of the underlying assets or distribution from underlying securities, although prior payment may be required based on, among other things, certain breaches of representations and warranties or other events of default.

When we draw on these facilities, we generally must transfer and pledge eligible assets to the lender, and comply with various financial and other covenants. Under our facilities, we generally transfer the assets at a haircut which serves as the primary credit enhancement for the lender. Three of these facilities are guaranteed by our wholly-owned subsidiary, FAH, the parent holding company to the mortgage, reverse mortgage and commercial lending businesses, and one of these also benefits from a pledge of equity of our wholly-owned subsidiary, FAR. Upon expiration, management believes it will either renew these facilities or obtain sufficient additional lines of credit.

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The following table presents additional information about our other secured lines of credit for our Mortgage, Reverse and Commercial Originations segments as of September 30, 2021 (in thousands):

Other Secured Lines of Credit	Maturity Date	Total Capacity	September 30, 2021
Committed	December 2021 - N/A	\$ 912,500	\$ 706,069
Uncommitted	April 2022 - N/A	114,834	65,338
Total other secured lines of credit(2)		\$ 1,027,334	\$ 771,407

We pay certain up-front and ongoing fees based on our utilization with respect to many of these facilities. We pay commitment fees based upon the limit of the facility and unused fees are paid if utilization falls below a certain amount.

Interest is payable either at the time the loan or securities are settled off the line or monthly in arrears and principal is payable upon receipt of asset sale proceeds, principal distributions on the underlying pledged securities or transfer of assets to another line of credit and upon the maturity of the facility.

Under these facilities, we are generally required to comply with various customary operating and financial covenants. The financial covenants are similar to those under the warehouse lines of credit. We were in compliance with all of these covenants as of September 30, 2021.

HMBS related obligations

FAR is an approved issuer of HMBS securities that are guaranteed by Ginnie Mae and collateralized by participation interests in HECMs insured by the FHA. We originate HECMs insured by the FHA. Participations in the HECMs are pooled into HMBS securities which are sold into the secondary market with servicing rights retained. We have determined that loan transfers in the HMBS program do not meet the accounting definition of a participating interest because of the servicing requirements in the product that require the issuer/servicer to absorb some level of interest rate risk, cash flow timing risk and incidental credit risk due to the buyout of HECM assets as discussed below. As a result, the transfers of the HECMs do not qualify for sale accounting, and we, therefore, account for these transfers as financings. Holders of participating interests in the HMBS have no recourse against assets other than the underlying HECM loans, remittances, or collateral on those loans while they are in the securitization pools, except for standard representations and warranties and our contractual obligation to service the HECMs and the HMBS.

Remittances received on the reverse loans, if any, and proceeds received from the sale of real estate owned and our funds used to repurchase reverse loans are used to reduce the HMBS related obligations by making payments to the securitization pools, which then remit the payments to the beneficial interest holders of the HMBS. The maturity of the HMBS related obligations is directly affected by the liquidation of the reverse loans or liquidation of real estate owned and events of default as stipulated in the reverse loan agreements with borrowers. As an HMBS issuer, FAR assumes certain obligations related to each security it issues. The most significant obligation is the requirement to purchase loans out of the Ginnie Mae securitization pools once they reach certain limits set at loan origination for the maximum UPB allowed. Performing repurchased loans are generally conveyed to HUD and nonperforming repurchased loans are generally liquidated in accordance with program requirements.

As of September 30, 2021, we had HMBS-related borrowings of \$10.2 billion and HECMs pledged as collateral to the pools of \$10.3 billion, both carried at fair value.

Additionally, as the servicer of reverse loans, we are obligated to fund additional borrowing capacity primarily in the form of undrawn lines of credit on floating rate reverse loans. We rely upon our operating cash flows to fund these additional borrowings on a short-term basis prior to securitization. The additional borrowings are generally securitized within 30 days after funding. The obligation to fund these additional borrowings could have a significant impact on our liquidity.

Nonrecourse Debt

We securitize and issue interests in pools of loans that are not eligible for the Ginnie Mae securitization program. These include reverse mortgage loans that were previously repurchased out of an HMBS pool (“HECM Buyouts”), fix & flip securitized loans, and non FHA-insured non-agency reverse mortgages (“non-agency reverse mortgages-Securitized”). The transactions provide investors with the ability to invest in these pools of assets. The transactions provide us with access to liquidity for these assets, ongoing servicing fees, and potential residual returns for the residual securities we retain at the time of securitization. The transactions are structured as secured borrowings with the loan assets and liabilities, respectively, included in the interim unaudited Consolidated Statements of Financial Condition as mortgage loans held for investment, subject to nonrecourse debt, at fair value, and nonrecourse debt, at fair value. As of September 30, 2021, we had nonrecourse debt-related borrowings of \$5.8 billion.

Nonrecourse MSR Financing Liability, at Fair Value

The Company entered into nonrevolving facility commitments with various investors to pay an amount based on monthly cashflows received in respect of servicing fees generated from certain of the Company’s originated or acquired MSRs. Under these agreements, the Company has agreed to pay an amount to these parties equal to excess servicing and ancillary fees related to the identified MSRs in exchange for an upfront payment equal to the entire purchase price of the identified acquired or originated MSRs. These transactions are accounted for as financings under ASC 470, *Debt*.

As of September 30, 2021, the Company had an outstanding advance against this commitment of \$99.1 million, with a fair value of \$96.1 million, for the purchase of MSRs. The Company accrued for excess servicing and ancillary fees against the outstanding advances in the amount of \$5.9 million and \$13.5 million, respectively, to these investors for the three months ended and nine months ended September 30, 2021.

Senior Unsecured Notes

On November 5, 2020, Finance of America Funding LLC, a consolidated subsidiary of the Company, issued \$350.0 million aggregate principal amount of senior unsecured notes due November 15, 2025. The senior unsecured notes bear interest at a rate of 7.875% per year, payable semi-annually in arrears on May 15 and November 15 beginning on May 15, 2021. The 7.875% senior unsecured notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by FoA and each of FoA’s material existing and future wholly-owned domestic subsidiaries (other than Finance of America Funding LLC and subsidiaries that cannot guarantee the notes for tax, contractual or regulatory reasons).

At any time prior to November 15, 2022, Finance of America Funding LLC may redeem some or all of the 7.875% senior unsecured notes at a redemption price equal to 100% of the principal amount thereof, plus the applicable premium as of the redemption date under the terms of the indenture and accrued and unpaid interest. The redemption price during each of the twelve-month periods following November 15, 2022, November 15, 2023, and at any time after November 15, 2024 is 103.938%, 101.969% and 100.000%, respectively, of the principal amount plus accrued and unpaid interest thereon. At any time prior to November 15, 2022, Finance of America Funding LLC may also redeem up to 40% of the aggregate principal amount of the notes at a redemption price equal to 107.875% of the aggregate principal amount of the senior unsecured notes redeemed, with an amount equal to or less than the net cash proceeds from certain equity offerings, plus accrued and unpaid interest.

Upon the occurrence of a change of control, the holders of the 7.875% senior unsecured notes will have the right to require Finance of America Funding LLC to make an offer to repurchase each holder’s 7.875% senior unsecured notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest. The consummation of the Business Combination did not result in a change of control for purposes of Finance of America Funding LLC’s 7.875% senior unsecured notes.

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The 7.875% senior unsecured notes contain covenants limiting, among other things, Finance of America Funding LLC's and its restricted subsidiaries' ability to incur certain types of additional debt or issue certain preferred shares, incur liens, make certain distributions, investments and other restricted payments, engage in certain transactions with affiliates, and merge or consolidate or sell, transfer, lease or otherwise dispose of all or substantially all of Finance of America Funding LLC's assets. These incurrence based covenants are subject to important exceptions and qualifications (including any relevant exceptions for the Business Combination). Many of these covenants will cease to apply with respect to the 7.875% senior unsecured notes during any time that the 7.875% senior unsecured notes have investment grade ratings from either Moody's Investors Service, Inc. or Fitch Ratings Inc. and no default with respect to the 7.875% senior unsecured notes has occurred and is continuing.

FoA's existing owners or their affiliated entities, including Blackstone and Brian L. Libman, FoA's founder and chairman, purchased notes in the offering in an aggregate principal amount of \$135.0 million.

Contractual Obligations and Commitments

The following table provides a summary of obligations and commitments outstanding as of September 30, 2021 (in thousands). The information below does not give effect to the Business Combination or the use of proceeds therefrom.

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual cash obligations:					
Warehouse lines of credit	\$2,553,749	\$2,338,277	\$ 215,472	\$ —	\$ —
MSR line of credit	205,808	—	88,072	—	117,736
Other secured lines of credit	565,599	309,632	52,500	—	203,467
Nonrecourse debt ⁽¹⁾	5,654,826	451,941	5,202,885	—	—
Notes payable	353,567	—	—	353,567	—
Operating leases	79,450	5,014	39,991	9,710	24,735
Total	\$9,412,999	\$3,104,864	\$5,598,920	\$363,277	\$345,938

(1) Nonrecourse MSR financing liability is excluded from this balance. See below for additional details.

In addition to the above contractual obligations, we have also been involved with several securitizations of HECM loans, which were structured as secured borrowings. These structures resulted in us carrying the securitized loans on the interim unaudited Consolidated Statements of Financial Condition and recognizing the asset-backed certificates acquired by third parties as HMBS obligations. The timing of the principal payments on this nonrecourse debt is dependent on the payments received on the underlying mortgage loans and liquidation of real estate owned REO. The outstanding principal balance of loans held for investment, subject to HMBS related obligations was \$9,617.1 million as of September 30, 2021.

In addition to the above contractual obligations, we have also been involved in the sale of a portion of the excess servicing and/or an agreement to pay certain amounts based on excess servicing cashflows generated on our owned mortgage servicing rights. These transactions are treated as structured financings in the interim unaudited Consolidated Statements of Financial Condition with the recognized proceeds being recorded as nonrecourse MSR financing liability. The timing of the payments of the nonrecourse MSR financing liability is dependent on the payments received on the underlying mortgage servicing rights.

The payments that we will be required to make under the TRAs that was entered into in connection with the Business Combination may be significant and are not reflected in the contractual obligations tables set forth above.

Off Balance Sheet Arrangements

In the ordinary course of business, we may engage in certain activities that are not reflected on the interim unaudited Consolidated Statements of Financial Condition, generally referred to as off-balance sheet arrangements. These activities typically involve transactions with unconsolidated variable interest entities ("VIEs").

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For all VIEs in which we are involved, we assess whether we are the primary beneficiary of the VIE on an ongoing basis. In circumstances where we have both the power to direct the activities that most significantly impact the VIEs' performance and the obligation to absorb losses or the right to receive the benefits of the VIE that could be significant, we would conclude that we are the primary beneficiary of the VIE, and would consolidate the VIE (also referred to as on-balance sheet). In situations where we are not deemed to be the primary beneficiary of the VIE, we do not consolidate the VIE and only recognize our interests in the VIE (also referred to as off-balance sheet).

We do not have any other off-balance sheet arrangements with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes as of September 30, 2021.

CRITICAL ACCOUNTING POLICIES

For a description of our critical accounting policies, see FoA's Super 8-K filed with the SEC on April 7, 2021.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our principal market risk is to interest rate risk, primarily to changes in long-term Treasury rates and mortgage interest rates due to their impact on mortgage-related assets and commitments. Changes in short-term interest rates will also have an impact on our warehouse financing lines of credit.

Interest Rate Risk

Changes in interest rates will impact our operating segments as follows:

Portfolio Management

- an increase in interest rates could generate an increase in delinquency, default and foreclosure rates resulting in an increase in both higher servicing costs and interest expense on our outstanding debt.
- an increase in interest rates and market spreads may cause a reduction in the fair value of our long-term assets.
- a decrease in interest rates may generally increase prepayment speeds of our long-term assets which would lead a reduction in the fair value of our long-term assets.

Originations (Mortgage, Reverse and Commercial)

- an increase in prevailing interest rates could adversely affect our loan origination volume as refinancing activity will be less attractive to existing borrowers.
- an increase in interest rates will lead to a higher cost of funds on our outstanding warehouse lines of credit.

Lender Services

- an increase in interest rates will lead to lower origination volumes which would negatively impact the amount of title and insurance clients we are able to service and the number of title policies that we are able to underwrite.
- lower origination volumes from an increase in interest rates may lead to a reduction in our fulfillment services as we process fewer loans for our clients.
- an increase in interest rates may lead to fewer student loan applications that we are asked to process for our clients.

We actively manage the risk profile of Interest Rate Lock Commitments ("IRLCs") and loans held for sale on a daily basis and enter into forward sales of MBS in an amount equal to IRLCs expected to close assuming no change in mortgage interest rates.

Earnings on our held for investment assets depend largely on our interest rate spread, represented by the relationship between the yield on our interest-earning assets, primarily securitized assets, and the cost of our interest-bearing liabilities, primarily securitized borrowings. Interest rate spreads are impacted by several factors, including forward interest rates, general economic factors, and the quality of the loans in our portfolio.

Consumer Credit Risk

We are exposed to credit risk in the event that certain of our borrowers are unable to pay their outstanding mortgage balances. We manage this credit risk by actively managing delinquencies and defaults through our servicers. We provide servicing oversight of our servicers to ensure they perform loss mitigation, foreclosure and collection functions according to standard acceptable servicing practices and in accordance with our various pooling and servicing agreements. We estimate the fair values on our outstanding mortgage loans using a combination of historical loss frequency and loss experience.

We principally sell our mortgage loans on a nonrecourse basis. We provide representations and warranties to purchasers of the loans sold over the life of the loan. Whenever there is a breach of these representation and warranties we will be required to repurchase the loan or indemnify the purchaser, and any subsequent loss on the loan will be borne by us. If there is no breach of the representation and warranty provision, we have no obligation to indemnify or repurchase the investor against loss. The outstanding UPB plus any premiums on the purchased loans represent the maximum potential exposure on outstanding representation and warranties that we are exposed to.

We estimate a reserve for losses on repurchased loans and indemnifications for future breaches of representation and warranties on any sold loans. This estimate is based on historical data on loan repurchase and indemnity activity, actual losses on repurchase loans and other factors.

Counterparty Credit Risk

We are exposed to counterparty credit risk in the event of nonperformance by counterparties to various agreements. We monitor the credit ratings of counterparties and do not anticipate material losses due to counterparty nonperformance.

Sensitivity Analysis

We utilize a sensitivity analysis to assess our market risk associated with changes in interest rates. This sensitivity analysis attempts to assess the potential impact to earnings based on hypothetical changes in interest rates.

The fair value of certain of our outstanding mortgage loans and related liabilities, MSRs, and certain investments are valued utilizing a discounted cash flow analysis. The primary assumptions we utilize in these models include prepayment speeds, market discount rates, and credit default rates.

Our total market risk is impacted by a variety of other factors including market spreads and the liquidity of the markets. There are certain limitations inherent in the sensitivity analysis presented, including the necessity to conduct the analysis based on a single point in time.

The sensitivities presented are hypothetical and should be evaluated with care. The effect on fair value of a 25 bps variation in assumptions generally cannot be determined because the relationship of the change in assumptions to the fair value may not be linear. Additionally, the impact of a variation in a particular assumption on the fair value is calculated while holding other assumptions constant. In reality, changes in one factor may lead to changes in other factors, which could impact the above hypothetical effects.

	September 30, 2021	
	Down 25 bps	Up 25 bps
	(in thousands)	
Increase (decrease) in assets		
Reverse mortgage loans held for investment, subject to HMBS related obligations	\$ 28,291	\$(28,571)
Mortgage loans held for investment, subject to nonrecourse debt:		
Reverse mortgage loans	66,599	(63,586)
Fix & flip mortgage loans	475	(473)
Mortgage loans held for investment:		
Reverse mortgage loans	6,645	(6,229)
Fix & flip mortgage loans	121	(120)
Agricultural loans	248	(247)
Mortgage loans held for sale:		
Residential mortgage loans	16,555	(22,901)
SRL	1,305	(873)
Portfolio	571	(560)
Mortgage servicing rights	(17,998)	14,916
Other assets	477	(477)
Derivative assets:		
Forward commitments and TBAs	500	(370)
Forward MBS	(28,001)	36,999
IRLCs	10,524	(14,558)
Total assets	<u>\$ 86,312</u>	<u>\$(87,050)</u>
Increase (decrease) in liabilities		
HMBS related obligation	\$ 25,782	\$(26,039)
Nonrecourse debt	18,016	(18,613)
Derivative liabilities:		
Forward MBS	1,974	(2,609)
Interest rate swaps and futures contracts	18,808	(18,808)
Total liabilities	<u>\$ 64,580</u>	<u>\$(66,069)</u>

Item 4. Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

We do not expect that our disclosure controls and procedures will prevent all errors and all instances of fraud. Disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Further, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and the benefits must be considered relative to their costs. Because of the inherent limitations in all disclosure controls and procedures, no evaluation of disclosure controls and procedures can provide absolute assurance that we have detected all our control deficiencies and instances of fraud, if any. The design of disclosure controls and procedures also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

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Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, and the information described above in this Item 4, our chief executive officer and chief financial officer concluded that, as of September 30, 2021, our disclosure controls and procedures were effective at the reasonable assurance level.

Remediation of the Material Weakness in Internal Control Over Financial Reporting

As previously reported, Replay's internal control over financial reporting did not result in the proper classification of certain warrants Replay issued in April 2019 which, due to its impact on Replay's financial statements, we determined to be a material weakness. Specifically, we identified a material weakness in Replay's controls over the accounting for temporary and permanent equity and complex financial instruments. The controls to evaluate the accounting for complex financial instruments, such as temporary and permanent equity and warrants, did not operate effectively to appropriately apply the provisions of ASC 815-40. This material weakness resulted in the failure to prevent a material error in the accounting for temporary and permanent equity warrants and the resulting restatement of Replay's previously issued financial statements. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that a reasonable possibility exists that a material misstatement of our annual or interim financial statements could not be prevented or detected on a timely basis.

In the second quarter of fiscal 2021, we implemented the below changes to our processes to improve our internal control over financial reporting to remediate the control deficiency that gave rise to the material weakness:

- a. While we have processes to properly identify and evaluate the appropriate accounting technical pronouncements and other literature for all significant or unusual transactions, we have enhanced these processes to ensure that the nuances of such transactions are effectively evaluated in the context of the increasingly complex accounting standards. We require the formalized consideration of obtaining additional technical guidance prior to concluding on all significant or unusual transactions.
- b. We expanded and clarified our understanding of the Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies ("SPACs") issued by the SEC on April 12, 2021 (the "Staff Statement") and designed and implemented a control over the calculations of the impact of the issued warrants subject to the Staff statement on our financial statements.
- c. We acquired enhanced access to accounting literature, research materials and documents and increased communication among our personnel and third party professionals with whom we consult regarding the application of temporary and permanent equity and complex accounting transactions.

After completion of the above, our management believes the previously identified material weakness has been remediated, subject to continuous testing of the operating effectiveness of these internal controls throughout the year.

Changes in Internal Control Over Financial Reporting

Other than described above in this Item 4, there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

The information required with respect to this Part II, Item 1 can be found under Note 20 - Litigation to our unaudited financial statements included in Part I, Item 1 of this Report.

Item 1A. Risk Factors

As a result of the application of the acquisition method of accounting in connection with the Business Combination, the historical consolidated financial statements of the Company are not necessarily indicative of the Company's future results of operations, financial position and cash flows, and in the future the Company may need to recognize impairment charges related to goodwill, identified intangible assets and fixed assets that are adjusted to fair value.

In accordance with ASC 350, Intangibles-Goodwill and Other, the Company is required to test goodwill and any other intangible assets with an indefinite life for possible impairment on an annual basis and on an interim basis if there are indicators of a possible impairment. The Company will also be required to evaluate amortizable intangible assets and fixed assets for impairment if there are indicators of a possible impairment. There is significant judgment required in the analysis of a potential impairment of goodwill, identified intangible assets and fixed assets. If, as a result of a general economic slowdown, deterioration in one or more of the markets in which the Company operates or impairment in the Company's financial performance and/or future outlook, the estimated fair value of the Company's long-lived assets decreases, the Company may determine that one or more of its long-lived assets is impaired. An impairment charge would be determined based on the estimated fair value of the assets and any such impairment charge could have a material adverse effect on the Company's business, financial condition and results of operations.

The stock trading price and resulting market capitalization of our publicly traded shares has decreased in the second and third quarters of 2021 compared to the share price at the time of the business combination. A sustained decrease in share price may indicate that the fair value for one or more of our reporting units is below carrying value. The Company will perform an annual goodwill impairment test as of October 1, 2021. If, as a result of such testing, the fair value of one or more of our reporting units is determined to be below carrying value, we may be required to take an impairment charge in the fourth quarter of 2021, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Except as set forth above, we are not aware of any material changes from the risk factors set forth under "Risk Factors" included in the Registration Statement on Form S-1, originally filed with the SEC on May 25, 2021 (No. 333-256453, the "Registration Statement").

In addition to the other information included in this Report, you should carefully consider the factors discussed in "Risk Factors" included in the Registration Statement on Form S-1, originally filed with the SEC on May 25, 2021 (No. 333-256453, the "Registration Statement"), as well as the factors identified under "Cautionary Note Regarding Forward-Looking Statements" at the beginning of Part I, Item 1 of this Quarterly Report and as may be updated in subsequent filings with the SEC, which could materially affect the Company's business, financial condition or future results. The risks described in the Registration Statement and this Quarterly Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

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Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
2.1	Transaction Agreement, dated as of October 12, 2020, by and among Replay; FoA; the Company; Replay Merger Sub; Blocker Merger Sub; Blocker; Blocker GP; the Sellers; and the Seller Representative (incorporated by Reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on April 7, 2021).
2.2	Letter Agreement, dated April 1, 2021, by and among Seller Representative and Replay (incorporated by Reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed on April 7, 2021).
2.3	Letter Agreement, dated April 5, 2021, by and among Seller Representative and Replay (incorporated by Reference to Exhibit 2.3 to the Company's Current Report on Form 8-K filed on April 7, 2021).
2.4	Letter Agreement, dated March 31, 2021, by and among Family Holdings; TMO; BTO Urban; BTO Urban Holdings II L.P.; and ESC (incorporated by Reference to Exhibit 2.4 to the Company's Current Report on Form 8-K filed on April 7, 2021).
3.1	Amended and Restated Memorandum and Articles of Association (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-38859), filed with the Securities and Exchange Commission on April 9, 2019).
3.2	Amended and Restated Bylaws of Finance of America Companies Inc. (incorporated by Reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed on April 7, 2021).
10.1*	Amendment No. 4 to Master Repurchase Agreement, dated as of September 17, 2021, by and between FACo Crop Loans LLC as seller, National Founders LP as buyer, FACo Crop Loan Financing Trust C1 as trust subsidiary, and Finance of America Commercial LLC as guarantor.
31.1*	Certificate of Patricia Cook, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certificate of Johan Gericke, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certificate of Patricia Cook, Chief Executive Officer, pursuant to Section 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certificate of Johan Gericke, Chief Financial Officer, pursuant to Section 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS***	Inline XBRL Instance Document - this instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH***	Inline XBRL Taxonomy Extension Schema Document.
101.CAL***	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF***	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB***	Inline XBRL Taxonomy Extension Label Linkbase Document.

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101.PRE***	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).
*	Filed herewith.
**	Furnished herewith.
***	XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

Certain agreements and other documents filed as exhibits to this Form 10-Q contain representations and warranties that the parties thereto made to each other. These representations and warranties have been made solely for the benefit of the other parties to such agreements and may have been qualified by certain information that has been disclosed to the other parties to such agreements and other documents and that may not be reflected in such agreements and other documents. In addition, these representations and warranties may be intended as a way of allocating risks among parties if the statements contained therein prove to be incorrect, rather than as actual statements of fact. Accordingly, there can be no reliance on any such representations and warranties as characterizations of the actual state of facts. Moreover, information concerning the subject matter of any such representations and warranties may have changed since the date of such agreements and other documents.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: November 12, 2021

Finance of America Companies Inc.

By: /s/ Johan Gericke
Johan Gericke
Executive Vice President, Chief Financial Officer
(Authorized Signatory and Principal Financial Officer)