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 March 31, 2022

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.)
5830 Granite Parkway, Suite 400, Plano, Texas (Address of Principal Executive Offices)	**75024** (Zip Code)

(877) 202-2666
Registrant's telephone number, including area code

909 Lake Carolyn Parkway
Suite 1550
Irving, Texas 75039
(Address of Former Principal Executive Offices)

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth 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 May 9, 2022, there were 62,322,681 shares of the registrant's Class A Common Stock and 15 shares of the registrant's Class B Common Stock issued and outstanding.

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Part I - Financial Information

Cautionary Note Regarding Forward-Looking Statements and Risk Factor Summary

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 period are not necessarily indicative of the results that may be expected for 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, but not limited to:

- the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors in our markets;
- our ability to obtain sufficient capital to meet the financing requirements of our business;
- our ability to finance and recover costs of our reverse servicing operations;
- changes in our business relationships or changes in servicing guidelines with Fannie Mae, Freddie Mac and Ginnie Mae;
- The COVID-19 pandemic 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.
- Our business is significantly impacted by interest rates. Changes in prevailing interest rates or U.S. monetary policies that affect interest rates may have a detrimental effect on our business.
- Our geographic concentration could materially and adversely affect us if the economic conditions in our current markets should decline or we could face losses in concentrated areas due to natural disasters.
- We use estimates in measuring or determining the fair value of the majority of our assets and liabilities. If our estimates prove to be incorrect, we may be required to write down the value of these assets or write up the value of these liabilities, which could adversely affect our business, financial condition and results of operations.
- If we are unable to obtain sufficient capital to meet the financing requirements of our business, or if we fail to comply with our debt agreements, our business, financing activities, financial condition and results of operations will be adversely affected.
- A disruption in the secondary home loan market, including the mortgage-backed securities (“MBS”) market, could have a detrimental effect on our business.
- Finance of America Reverse LLC (“FAR”) status as an approved non-supervised Federal Housing Administration (“FHA”) mortgage and an approved Government National Mortgage Association (“Ginnie Mae” or “GNMA”) issuer, and Finance of America Mortgage LLC (“FAM”) status as an approved seller-servicer for Federal National Mortgage Association (“Fannie Mae”) and Federal Home Loan Mortgage Corp. (“Freddie Mac”), an approved Ginnie Mae issuer and an approved non-supervised FHA and U.S. Department of Veterans Affairs (“VA”) mortgage, are subject to compliance with each of their respective guidelines and other conditions they may impose, and the failure to meet such guidelines and conditions could have a material adverse effect on our overall business and our financial position, results of operations and cash flows.

- The engagement of our Lender Services business by our loan originator businesses may give appearance of a conflict of interest.
- Third party customers of our Lender Services Businesses may be concerned about conflicts of interest within our Lender Services Businesses, due to their affiliation with the Company.
- Our Lender Services business has operations in the Philippines that could be adversely affected by changes in political or economic stability or by government policies.
- We operate in heavily regulated industries, and our mortgage loan origination and servicing activities (including lender services) expose us to risks of noncompliance with an increasing and inconsistent body of complex laws and regulations at the U.S. federal, state and local levels.
- We are subject to legal proceedings, federal or state governmental examinations and enforcement investigations from time to time. Some of these matters are highly complex and slow to develop, and results are difficult to predict or estimate.
- Unlike competitors that are national banks, our lending subsidiaries are subject to state licensing and operational requirements that result in substantial compliance costs.
- Our substantial leverage could adversely affect our financial condition, our ability to raise additional capital to fund our operations, our ability to operate our business, our ability to react to changes in the economy or our industry or our ability to pay our debts, and could divert our cash flow from operations to debt payments.
- The Company is a holding company and its only material asset is its interest in FoA Equity, and it is accordingly dependent upon distributions from FoA Equity to pay taxes, make payments under the Tax Receivable Agreements (as defined below) and pay dividends.
- Due to the listing of the Company's Class A Common Stock on the NYSE, the Company is a "controlled company" within the meaning of NYSE rules and, as a result, qualifies for exemptions from certain corporate governance requirements. The stockholders of the Company do not have the same protections afforded to stockholders of companies that are subject to such requirements.
- We have a substantial number of shares of common stock issuable upon conversion of FoA Units, which may dilute your investment, and the sale of which could cause significant downward pricing pressure on our stock.
- The brief trading history of our common stock has been characterized by low trading volume, which may result in an inability to sell your shares at a desired price, if at all.

All of these factors as well as other risks and uncertainties set forth in the section entitled "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 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.

Item 1. Financial Statements and Supplementary Data

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Condensed Consolidated Financial Statements (Unaudited)

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

	March 31, 2022 (unaudited)	December 31, 2021
ASSETS		
Cash and cash equivalents	**$ 226,846**	$ 141,238
Restricted cash	**315,980**	322,403
Loans held for investment, subject to Home Equity Conversion Mortgage-Backed Securities (“HMBS”) related obligations, at fair value	**10,672,152**	10,556,054
Loans held for investment, subject to nonrecourse debt, at fair value	**6,235,990**	6,218,194
Loans held for investment, at fair value	**1,218,990**	1,031,328
Loans held for sale, at fair value	**1,709,357**	2,052,378
Mortgage servicing rights (“MSRs”), at fair value, $163,981 and $142,435, subject to nonrecourse MSRs financing liability, respectively	**426,102**	427,942
Derivative assets	**281,205**	48,870
Fixed assets and leasehold improvements, net	**29,933**	29,256
Intangible assets, net	**589,092**	602,900
Other assets, net	**372,260**	358,383
TOTAL ASSETS	**$ 22,077,907**	$ 21,788,946
LIABILITIES AND EQUITY		
HMBS related obligations, at fair value	**$ 10,548,131**	$ 10,422,358
Nonrecourse debt, at fair value	**6,323,777**	6,111,242
Other financing lines of credit	**3,189,756**	3,347,442
Payables and other liabilities	**630,952**	471,511
Notes payable, net	**353,196**	353,383
TOTAL LIABILITIES	**21,045,812**	20,705,936
Commitments and Contingencies (Note 20)		
EQUITY (Note 27)		
Class A Common Stock, $0.0001 par value; 6,000,000,000 shares authorized; 60,815,569 shares issued and outstanding at March 31, 2022	**6**	6
Class B Common Stock, $0.0001 par value; 1,000,000 shares authorized, 15 shares issued and outstanding at March 31, 2022	**—**	—
Additional paid-in capital	**845,002**	831,620
Accumulated deficit	**(452,106)**	(443,613)
Accumulated other comprehensive loss	**(99)**	(110)
Noncontrolling interest	**639,292**	695,107
TOTAL EQUITY	**1,032,095**	1,083,010
TOTAL LIABILITIES AND EQUITY	**$ 22,077,907**	$ 21,788,946

See accompanying notes to unaudited condensed consolidated financial statements

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

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

	March 31, 2022 (unaudited)	December 31, 2021
ASSETS		
Restricted cash	**$ 303,232**	$ 311,652
Loans held for investment, subject to nonrecourse debt, at fair value	**6,103,454**	6,099,607
Other assets	**73,701**	67,593
TOTAL ASSETS	**$ 6,480,387**	$ 6,478,852
LIABILITIES		
Nonrecourse debt, at fair value	**$ 6,032,156**	$ 5,857,069
Payables and other liabilities	**633**	428
TOTAL LIABILITIES	**$ 6,032,789**	$ 5,857,497
Net carrying value of assets subject to nonrecourse debt	**$ 447,598**	$ 621,355

See accompanying notes to unaudited condensed consolidated financial statements

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

	For the three months ended March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
REVENUES		
Gain on sale and other income from loans held for sale, net	**$ 118,352**	$ 291,334
Net fair value gains on loans and related obligations	10,435	76,663
Fee income	**157,604**	161,371
Net interest expense:		
Interest income	**13,873**	12,661
Interest expense	**(32,830)**	(34,366)
Net interest expense	**(18,957)**	(21,705)
TOTAL REVENUES	**267,434**	507,663
EXPENSES		
Salaries, benefits and related expenses	**209,076**	238,530
Occupancy, equipment rentals and other office related expenses	**7,837**	7,597
General and administrative expenses	**132,623**	127,187
TOTAL EXPENSES	**349,536**	373,314
OTHER, NET	**4,772**	(8,892)
NET INCOME (LOSS) BEFORE INCOME TAXES	**(77,330)**	125,457
Provision (benefit) for income taxes	**(13,335)**	1,137
NET INCOME (LOSS)	**(63,995)**	124,320
Contingently Redeemable Noncontrolling Interest ("CRNCI")	—	4,260
Noncontrolling interest	**(55,502)**	201
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	**$ (8,493)**	$ 119,859
EARNINGS PER SHARE (Note 26)		
Basic weighted average shares outstanding	**60,773,891**	—
Basic net loss per share	**$ (0.14)**	$ —
Diluted weighted average shares outstanding	**189,448,936**	—
Diluted net loss per share	**$ (0.30)**	$ —

See accompanying notes to unaudited condensed consolidated financial statements

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

	For the three months ended March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
NET INCOME (LOSS)	**$ (63,995)**	$ 124,320
COMPREHENSIVE INCOME (LOSS) ITEM:		
Impact of foreign currency translation adjustment	**11**	(11)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(63,984)**	124,309
Less: Net income (loss) attributable to the noncontrolling interest and CRNCI	**(55,495)**	4,461
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	**$ (8,489)**	$ 119,848

See accompanying notes to unaudited condensed consolidated financial statements

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Finance of America Companies Inc. and Subsidiaries
Condensed Consolidated Statements of Equity (Unaudited)
(In thousands)

	FoA Equity Capital LLC Member's Equity	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
Predecessor:				
Balance at December 31, 2020	$ 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	$ 641,736	$ (2)	$ (564)	$ 641,170

See accompanying notes to unaudited condensed consolidated financial statements

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

	Class A Common Stock		Class B Common Stock					Noncontrolling Interest		
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings / Accumulated Deficit	Accumulated Other Comprehensive Loss	Class A LLC Units	Amount	Total Equity
Successor:										
Balance at December 31, 2021	**60,755,069**	**$ 6**	**15**	**$ —**	**$ 831,620**	**$ (443,613)**	**$ (110)**	**128,693,867**	**$695,107**	**$1,083,010**
Net	—	—	—	—	—	(8,493)	—	—	(55,502)	(63,995)
Equity based compensation, net	—	—	—	—	13,104	—	—	—	—	13,104
Conversion of LLC Units for Class A Common Stock (Note 27 - Equity)	49,696	—	—	—	230	—	—	(49,696)	(255)	(25)
Settlement of long term incentive plan (“LTIP”) Restricted Stock Units (“RSUs”), net (Note 26 - Earnings Per Share)	10,804	—	—	—	48	—	—	(10,804)	(58)	(10)
Foreign currency translation adjustment	—	—	—	—	—	—	11	—	—	11
Balance at March 31, 2022	**60,815,569**	**$ 6**	**15**	**$ —**	**$ 845,002**	**$ (452,106)**	**$ (99)**	**128,633,367**	**$639,292**	**$1,032,095**

See accompanying notes to unaudited condensed consolidated financial statements

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

	For the three months ended March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Operating Activities		
Net income (loss)	$ (63,995)	$ 124,320
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	387,736	(6,277)
Net cash provided by operating activities	323,741	118,043
Investing Activities		
Purchases and originations of loans held for investment	(1,848,155)	(1,151,925)
Proceeds/payments received on loans held for investment	614,074	677,777
Purchases and origination of loans held for investment, subject to nonrecourse debt	(30,342)	(12,247)
Proceeds/payments on loans held for investment, subject to nonrecourse debt	585,148	217,452
Purchases of debt securities	(9,159)	(557)
Proceeds/payments on debt securities	519	2,096
Purchases of mortgage servicing rights	—	(9,014)
Proceeds on sale of mortgage servicing rights	96,887	7,765
Acquisition of subsidiaries, net of cash acquired	—	(749)
Acquisition of fixed assets	(4,176)	(4,178)
Debtor in possession (“DIP”) Financing	—	(35,260)
Other investing activities, net	(4,901)	(3,207)
Net cash used in investing activities	(600,105)	(312,047)
Financing Activities		
Proceeds from issuance of HMBS related obligations	948,682	602,172
Payments of HMBS related obligations	(737,327)	(506,142)
Proceeds from issuance of nonrecourse debt	1,114,665	579,518
Payments on nonrecourse debt	(812,572)	(658,300)
Proceeds from other financing lines of credit	7,434,937	10,027,696
Payments on other financing lines of credit	(7,592,623)	(9,660,588)
Debt issuance costs	(234)	(2,467)
Member distributions	—	(75,000)
Other financing activities, net	10	806
Net cash provided by financing activities	355,538	307,695
Foreign currency translation adjustment	11	(7)
Net increase in cash and restricted cash	79,185	113,684
Cash and restricted cash, beginning of period	463,641	539,363
Cash and restricted cash, end of period	$ 542,826	$ 653,047
Supplementary Cash Flows Information		
Cash paid for interest	$ 55,142	$ 50,071
Cash paid for income taxes, net	22	63
Loans transferred to loans held for investment, at fair value, from loans held for investment, subject to nonrecourse debt, at fair value	478,208	283,499
Loans transferred to loans held for investment, subject to nonrecourse debt, at fair value from loans held for investment, at fair value	1,366,898	272,098

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

	For the three months ended March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Loans transferred to loans held for investment, subject to HMBS, at fair value from loans held for investment, at fair value	**773,959**	—
Loans transferred to loans held for investment, at fair value, from loans held for sale, at fair value	—	42,909

See accompanying notes to unaudited condensed consolidated financial statements

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

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 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 two lending companies, FAM and FAR (collectively, the "operating lending subsidiaries"). Effective January 1, 2022, the Company's operating lending subsidiary Finance of America Commercial LLC ("FACo"), which previously operated as a separate operating lending subsidiary under FAH, merged with FAM, with FAM being the surviving operating lending subsidiary. Through FAM and FAR, the Company originates, purchases, sells and securitizes conventional (conforming to the underwriting standards of Fannie Mae ("FNMA") or Freddie Mac ("FHLMC"); collectively referred to as government sponsored entities ("GSEs")), government-insured (FHA), government guaranteed (VA), and proprietary non-agency residential and reverse mortgages. FAM (prior to January 1, 2022) through FACo also originates or acquires a variety of commercial mortgage loans made to owners and investors of single and multi-family residential rental properties, as well as government-insured agricultural loans made to farmers to fund their inputs and operating expenses for the upcoming growing season. Additionally, FAM originates or acquires secured and unsecured home improvement loans or receivables. 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 services, 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 as well as fluctuations in 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. On April 4, 2022, the Company's offices became eligible to re-open in accordance with its COVID-19 safety policies; however, many employees continue to work from home. The Company has implemented additional safety procedures and protocols for employees who are physically present in the office. 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 March 31, 2022, approximately 0.25% of units and 0.27% 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 2022.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements comprise the financial statements of FoA and its controlled subsidiaries for the Successor three months ended March 31, 2022, and the financial statements of FoA Equity and its controlled subsidiaries for the Predecessor three months ended March 31, 2022. The condensed 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"). In the opinion of the Company, the accompanying financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of its financial condition as of March 31, 2022, and its results of operations and cash flows for the three months ended March 31, 2022 and 2021. The Condensed Consolidated Statement of Financial Condition at December 31, 2021 was derived from audited financial statements but does not contain all of the footnote disclosures from the annual financial statements. 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 condensed consolidated interim financial statements, including the significant accounting policies, should be read in conjunction with the annual 10-K filing of FoA and notes thereto for the period ended December 31, 2021. There have not been any material changes to our critical accounting policies and estimates as disclosed in the Annual Report on Form 10-K

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

Use of Estimates

The preparation of condensed 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 condensed 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.

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Recently Adopted Accounting Guidance

Standard	Description	Effective Date	Effect on Condensed Consolidated Financial Statements
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 1, 2022	The adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements and related disclosures, as the Company does not currently issue freestanding written call options.

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

Recently Issued Accounting Guidance, Not Yet Adopted as of March 31, 2022

Standard	Description	Date of Planned Adoption	Effect on Condensed Consolidated Financial Statements
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, 2024. The Company continues to monitor the impact associated with reference rate reform, and will apply the amendments in this update to account for contract modifications due to changes in reference rates once those occur. The adoption of this standard is not expected to have a material impact on our condensed consolidated financial statements and related disclosures.
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.		
ASU 2021-08, Business Combinations (Topic 805) Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	In October 2021, the FASB issued ASU 2021-08 to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to the following: (1) Recognition of an acquired contract liability and (2) Payment terms and their effect on subsequent revenue recognized by the acquirer. The amendments in this ASU require that an entity (acquirer) recognize, and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. The amendments in this ASU do not affect the accounting for other assets or liabilities that may arise from revenue contracts with customers in accordance with Topic 606, such as refund liabilities, or in a business combination, such as customer-related intangible assets and contract-based intangible assets.	January 1, 2023	This ASU is effective for all business combinations occurring after January 1, 2023. Adoption of this standard is not expected to have a material impact on our condensed consolidated financial statements and related disclosures.

3. Variable Interest Entities and Securitizations

The Company determined that the special purpose entities ("SPEs") created in connection with its securitizations are variable interest entities ("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.

Consolidated VIEs

FAR

FAR securitizes certain of its interests in nonperforming reverse mortgages andnon-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 2022, FAR executed its optional redemption of outstanding securitized notes related to outstanding nonperforming home equity conversion mortgage ("HECM") securitizations. As part of the optional redemption, FAR paid off notes with an outstanding principal balance of $ 488.2 million. The notes were paid off at par. As a result of the optional redemption, FAR will no longer be required to consolidate this securitization trust and the outstanding loans with unpaid principal balance of $506.6 million will be included in Loans held forinvestment at fair value in the Condensed Consolidated Statements of Financial Condition unless included in a subsequent securitization.

FAM

FAM (prior to January 1, 2022, through "FACo") securitizes certain of its interests in fix & flip mortgages. The transactions provide debt security holders the ability to invest in a pool of loans secured by an investment in real estate. The transactions provide the Company 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.

Servicing Securitized Loans

In their capacity as servicer of the securitized loans, FAM (prior to January 1, 2022, through FACo) and FAR retain the power to direct the VIE's activities that most significantly impact the VIEs economic performance. FAM (prior to January 1, 2022, through 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 FAM (prior to January 1, 2022, through 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 FAM (prior to January 1, 2022, 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 March 31, 2022, or the Predecessor period from January 1, 2021 to March 31, 2021.

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

	March 31, 2022	December 31, 2021
ASSETS		
Restricted cash	**$ 303,232**	$ 311,652
Loans held for investment, subject to nonrecourse debt, at fair value	**6,103,454**	6,099,607
Other assets, net	**73,701**	67,593
TOTAL ASSETS	**$6,480,387**	$ 6,478,852
LIABILITIES		
Nonrecourse debt, at fair value	**$6,268,232**	$ 6,088,298
Payables and other liabilities	**633**	428
TOTAL VIE LIABILITIES	**6,268,865**	6,088,726
Retained bonds and beneficial interests eliminated in consolidation	**(236,076)**	(231,229)
TOTAL CONSOLIDATED LIABILITIES	**$6,032,789**	$ 5,857,497

Unconsolidated VIEs

FAM

Hundred Acre Wood trust ("HAWT")

FAM securitizes certain of its interests in agency-eligible residential mortgage loans. The transactions provide investors with the ability to invest in a pool of mortgage loans secured by one-to-four-family residential properties and provide 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 Trust ("HAWT" or "Trust") for the sole purpose of acquiring mortgage loans for securitization. In 2021, FAM executed the HAWT 2021-INV1, HAWT 2021-INV2 and HAWT 2021-INV3 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. 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.

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 (in thousands):

	March 31, 2022	December 31, 2021
Unconsolidated securitization trusts:		
Total collateral balances – UPB	**$1,056,341**	$ 1,085,340
Total certificate balances	**$1,056,341**	$ 1,085,340

As of March 31, 2022 and December 31, 2021, there were $0.7 million and $0.4 million, respectively, of mortgage loans transferred by the Company to unconsolidated securitization trusts that are 90 days or more past due.

Cavatica Asset Participation Trust ("CAPT")

In December 2021, FACo established the CAPT for the purpose of securitizing agricultural loans. In 2021, FACo executed CAPT-2021, where its beneficial interest in the securitization is limited to its Issuer Residual Interest 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 the Company does not have the power to direct the activities that most significantly affect the economic performance of the VIEs. However, the transfer of the loans to the VIEs was determined not to be a sale. As such, the Company continues to recognize and consolidate the loans and the related nonrecourse liability, with the retained bonds being eliminated against the nonrecourse liability in consolidation. The Company's continuing involvement with and exposure to loss from the VIE includes the carrying value of the retained bond, the retained loans, debt servicing of the related nonrecourse liability, 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 the Company's assets or general credit. The underlying performance of the mortgage loans held has a direct impact on the fair values and cash flows of the beneficial interests held.

As of March 31, 2022, the consolidated balance of the agricultural loans transferred to the VIE and the related nonrecourse liability had a fair value of $132.5 million and $127.6 million, respectively.

4. 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 and liabilities 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 three months ended March 31, 2022 or for the Predecessor period from January 1, 2021 to March 31, 2021.

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.

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, loss frequency and severity, borrower mortality, borrower draw and discount rate assumptions management believes a market participant would use in estimating fair value.

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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.

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

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	Range	Weighted Average	Range	Weighted Average
Conditional repayment rate	**NM**	**21.6%**	NM	20.8%
Loss frequency	**NM**	**4.2%**	NM	4.5%
Loss severity	**2.4% - 6.9%**	**2.6%**	3.1% - 7.7%	3.3%
Discount rate	**NM**	**3.4%**	NM	2.4%
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.

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, performing securitized HECM buyouts, and securitized non-agency reverse mortgage loans utilizing a present value methodology that discounts estimated projected cash flows over the life of the portfolio.

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

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

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

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	Range	Weighted Average	Range	Weighted Average
Conditional repayment rate	**NM**	**39.7%**	NM	41.2%
Loss frequency	**NM**	**60.5%**	25.0% - 100%	59.5%
Loss severity	**2.4% - 6.9%**	**3.1%**	3.1% -7.7%	4.3%
Discount rate	**NM**	**5.8%**	NM	4.1%

HECM Buyouts—Securitized (Performing)

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

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	Range	Weighted Average	Range	Weighted Average
Weighted average remaining life (in years)	**NM**	**9.0**	NM	9.0
Conditional repayment rate	**NM**	**13.4%**	NM	13.3%
Loss severity	**2.4% - 6.9%**	**6.9%**	3.1% - 7.7%	7.7%
Discount rate	**NM**	**5.0%**	NM	3.7%

Non-Agency Reverse Mortgage—Securitized

The following table presents the significant unobservable assumptions used in the fair value measurements of securitizednon-agency reverse mortgage loans for the periods indicated:

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	Range	Weighted Average	Range	Weighted Average
Weighted average remaining life (in years)	**NM**	**7.8**	NM	7.5
Loan to value	**0.1% - 69.0%**	**43.1%**	0.1% - 64.7%	43.4%
Conditional repayment rate	**NM**	**17.5%**	NM	18.6%
Loss severity	**NM**	**10.0%**	NM	10.0%
Home price appreciation	**-4.3% - 15.8%**	**4.7%**	-4.6% - 14%	4.7%
Discount rate	**NM**	**4.9%**	NM	3.6%

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 ("DCF") 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 securitized Fix & Flip mortgage loans for the periods indicated:

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	Range	Weighted Average	Range	Weighted Average
Prepayment rate (SMM)	**NM**	**14.4%**	NM	14.1%
Discount rate	**NM**	**7.5%**	NM	5.7%
Loss frequency	**0.3% - 72.9%**	**0.6%**	0.3% - 69.0%	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.

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 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 U.S 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 Company values Inventory Buyouts utilizing a present value methodology that discounts estimated projected cash flows over the life of the portfolio.

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

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	**Range**	**Weighted Average**	**Range**	**Weighted Average**
Conditional repayment rate	**NM**	**44.9%**	NM	43.2%
Loss frequency	**NM**	**68.3%**	NM	59.4%
Loss severity	**2.4% -6.9%**	**4.9%**	3.1% - 7.7%	3.8%
Discount rate	**NM**	**5.8%**	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.

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

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	**Range**	**Weighted Average**	**Range**	**Weighted Average**
Weighted average remaining life (in years)	**NM**	**9.9**	NM	9.2
Loan to value	**2.9% - 69.1%**	**47.2%**	0.2% - 68.7%	47.8%
Conditional repayment rate	**NM**	**13.6%**	NM	14.8%
Loss severity	**NM**	**10.0%**	NM	10.0%
Home price appreciation	**-4.3% - 15.8%**	**4.3%**	-4.6% - 14.0%	4.4%
Discount rate	**NM**	**4.9%**	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 DCF 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 loans for the periods indicated:

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	Range	Weighted Average	Range	Weighted Average
Prepayment rate (SMM)	**NM**	**11.2%**	NM	11.9%
Discount rate	**7.5% - 10.9%**	**7.6%**	5.7% - 10.0%	5.9%
Loss frequency	**NM**	**0.4%**	NM	0.4%

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 DCF model. The Company classifies these 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:

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	Range	Weighted Average	Range	Weighted Average
Discount rate	**NM**	**6.2%**	NM	4.8%
Prepayment rate (SMM)	**9.0% - 100.0%**	**19.6%**	9.0% - 100.0%	22.1%
Default rate (CDR)	**0.0% - 1.0%**	**0.9%**	0% - 0.7%	0.9%

Loans Held for Sale, at Fair Value

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.

Residential Mortgage Loans

The Company originates or purchases mortgage loans in the U.S. that it intends to sell to FNMA, FHLMC, and 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 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

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counterparty (which approximates fair value), or quoted market prices for similar loans are available. The Company classifies these valuations as Level 2 assets within the GAAP hierarchy. 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 loans as Level 3 assets within the GAAP hierarchy.

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 DCF 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:

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	**Range**	**Weighted Average**	**Range**	**Weighted Average**
Prepayment rate (CPR)	**18.0% - 25.0%**	**18.3%**	1.0% - 17.1%	14.2%
Discount rate	**NM**	**5.1%**	NM	3.3%
Default rate (CDR)	**NM**	**1.0%**	1.0% - 57.2%	2.2%

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 DCF 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 Portfolio Lending mortgage loans held for sale for the periods indicated:

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	**Range**	**Weighted Average**	**Range**	**Weighted Average**
Prepayment rate (CPR)	**0.0% - 22.6%**	**13.0%**	0.0% - 14.5%	8.7%
Discount rate	**NM**	**4.9%**	NM	3.9%
Default rate (CDR)	**NM**	**1.0%**	1.0% - 54.0%	3.2%

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 DCF model. The Company classifies these mortgage loans as Level 3 assets within the GAAP hierarchy.

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MSRs

As of March 31, 2022 and December 31, 2021, the Company valued MSRs 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 assets within the GAAP hierarchy since they are dependent on unobservable inputs.

Fair value is derived through a DCF 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 (Prepayment speed assumptions ("PSA"), discount rate, 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.

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.

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

	March 31, 2022	December 31, 2021
Capitalization servicing rate	**1.3%**	1.1%
Capitalization servicing multiple	**5.0**	4.4
Weighted average servicing fee (in basis points)	**26**	25

The Company utilized the following weighted average assumptions in estimating the fair value of MSRs:

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	Range	Weighted Average	Range	Weighted Average
Weighted average prepayment speed (CPR)	**0.1% - 10.5%**	**6.7%**	0% - 12.8%	8.3%
Discount rate	**NM**	**8.3%**	NM	8.5%
Weighted average delinquency rate	**0.8% - 12.4%**	**1.4%**	0.8% - 14.3%	1.3%

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

	March 31, 2022		
	Weighted Average Prepayment Speed	Discount Rate	Weighted Average Delinquency Rate
Impact on fair value of 10% adverse change	**$ (9,330)**	**$(15,406)**	**$ (481)**
Impact on fair value of 20% adverse change	**$ (18,140)**	**$(29,748)**	**$ (963)**

These sensitivities are hypothetical and should be evaluated with care. The effect on fair value of a10% 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 otherin-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 the fair value hierarchy. 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 mortgage, reverse mortgage and commercial loan portfolios. The value of the forward commitments is estimated using current market prices for HMBS and are considered Level 2 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.

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 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 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 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 weighted average remaining life, borrower repayment rates, and discount rates.

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

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	**Range**	**Weighted Average**	**Range**	**Weighted Average**
Conditional repayment rate	**NM**	**21.6%**	NM	20.8%
Discount rate	**NM**	**3.3%**	NM	2.3%

Nonrecourse Debt, at Fair Value

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. 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 significant unobservable inputs used in the measurement include: borrower repayments rates and discount rates.

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 assumptions used in the fair value measurements of nonrecourse debt for the periods indicated:

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	**Range**	**Weighted Average**	**Range**	**Weighted Average**
Performing/Nonperforming HECM securitizations				
Weighted average remaining life (in years)	**0.7-0.9**	**0.8**	0.2 - 0.8	0.5
Conditional repayment rate	**16.1% - 26.0%**	**19.9%**	30.8% - 54.4%	43.5%
Discount rate	**NM**	**4.1%**	NM	2.3%
Securitized Non-Agency Reverse				
Weighted average remaining life (in years)	**0.8-2.2**	**1.6**	1.0 - 2.3	1.6
Conditional repayment rate	**15.6% - 37.0%**	**26.3%**	18.4% - 35.9%	28.2%
Discount rate	**NM**	**4.0%**	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 assumptions used in the fair value measurements of nonrecourse debt for the periods indicated:

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	Range	Weighted Average	Range	Weighted Average
Weighted average remaining life (in months)	**NM**	**3.7**	NM	4.0
Weighted average prepayment speed (SMM)	**NM**	**15.7%**	NM	14.0%
Discount rate	**NM**	**4.9%**	NM	3.1%

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 March 31, 2022 and December 31, 2021, the Company utilized a discount rates of 35% to value the deferred purchase price liabilities. As this value is largely based on unobservable inputs, the Company classifies this liability as Level 3 in the fair value hierarchy.

Tax Receivable Agreement ("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 13.5% discount rate at March 31, 2022 and December 31, 2021 appliedto 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

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

The Company has elected to account for the servicing liability using the fair value option. Consistent with the underlying MSRs, fair value is derived through a DCF 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 Company utilized the following weighted average assumptions in estimating the fair value of the outstanding nonrecourse MSR financing liability:

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	**Range**	**Weighted Average**	**Range**	**Weighted Average**
Weighted average prepayment speed (CPR)	**0.7% - 10.5%**	**6.6%**	2.0% - 11.0%	7.7%
Discount rate	**8.1% - 10.1%**	**8.5%**	8.1% - 10.1%	9.1%
Weighted average delinquency rate	**NM**	**1.3%**	NM	1.3%

Retained Bonds, at Fair Value

The retained bonds, at fair value, represents the U.S. Risk Retention Certificates, a5% eligible vertical interest in the Company's unconsolidated VIEs: HAWT 2021-INV1, HAWT 2021-INV2 and HAWT 2021-INV3. The beneficial interests retained consist 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 assumptions used in the fair value measurement of retained bonds for the period indicated:

	March 31, 2022		December 31, 2021	
Unobservable Assumptions	**Range**	**Weighted Average**	**Range**	**Weighted Average**
Weighted average remaining life (in years)	**2.5 - 24.7**	**5.0**	2.6 - 25.0	5.1
Discount rate	**-2.6% - 8.9%**	**4.1%**	1.9% - 8.2%	2.7%

Warrants

The Company has determined that the FoA warrants 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 Condensed Consolidated Statements of Financial Condition. Accordingly, the warrants are classified as Level 1 financial instruments.

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):

	March 31, 2022			
	Total Fair Value	Level 1	Level 2	Level 3
Assets				
Loans held for investment, subject to HMBS related obligations	$10,672,152	$ —	$ —	$10,672,152
Loans held for investment, subject to nonrecourse debt:				
Reverse mortgage loans	5,830,105	—	—	5,830,105
Fix & flip mortgage loans	405,885	—	—	405,885
Loans held for investment:				
Reverse mortgage loans	1,103,163	—	—	1,103,163
Fix & flip mortgage loans	69,962	—	—	69,962
Agricultural loans	45,865	—	—	45,865
Loans held for sale:				
Residential mortgage loans	1,500,785	—	1,480,312	20,473
SRL	131,137	—	—	131,137
Portfolio	77,435	—	—	77,435
MSRs	426,102	—	—	426,102
Derivative assets:				
Forward commitments, TBAs, and Treasury Futures	2,172	—	2,172	—
IRLCs	2,736	—	—	2,736
Forward MBS	34,867	—	34,867	—
Interest rate swap futures	241,430	241,430	—	—
Other assets:				
Investments	6,000	—	—	6,000
Retained bonds	50,875	—	—	50,875
Total assets	$20,600,671	$241,430	$1,517,351	$18,841,890
Liabilities				
HMBS related obligations	$10,548,131	$ —	$ —	$10,548,131
Nonrecourse debt:				
Nonrecourse debt in consolidated VIE trusts	6,032,157	—	—	6,032,157
Nonrecourse commercial loan financing liability	127,639	—	—	127,639
Nonrecourse MSR financing liability	163,981	—	—	163,981
Deferred purchase price liabilities:				
Deferred purchase price liabilities	7,852	—	—	7,852
TRA obligation	29,380	—	—	29,380
Derivative liabilities:				
Forward MBS	1,183	—	1,183	—
Forward commitments, TBAs, and Treasury Futures	57	57	—	—
Interest rate swap futures	90,124	90,124	0	—
Warrant Liability	5,648	5,648	—	—
Total liabilities	$17,006,152	$ 95,829	$ 1,183	$16,909,140

Finance of America Companies Inc. and Subsidiaries
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	December 31, 2021			
	Total Fair Value	Level 1	Level 2	Level 3
Assets				
Loans held for investment, subject to HMBS related obligations	$10,556,054	$ —	$ —	$10,556,054
Loans held for investment, subject to nonrecourse debt:				
Reverse mortgage loans	5,823,301	—	—	5,823,301
Fix & flip mortgage loans	394,893	—	—	394,893
Loans held for investment:				
Reverse mortgage loans	940,604	—	—	940,604
Fix & flip mortgage loans	62,933	—	—	62,933
Agricultural loans	27,791	—	—	27,791
Loans held for sale:				
Residential mortgage loans	1,902,952	—	1,885,627	17,325
SRL	98,852	—	—	98,852
Portfolio	50,574	—	—	50,574
MSRs	427,942	—	—	427,942
Derivative assets:				
Forward commitments, TBAs, and Treasury Futures	1,763	—	1,763	—
IRLCs	23,222	—	—	23,222
Forward MBS	1,235	—	1,235	—
Interest rate swap futures	22,650	22,650	—	—
Other assets:				
Investments	6,000	—	—	6,000
Retained bonds	55,614	—	—	55,614
Total assets	$20,396,380	$22,650	$1,888,625	$18,485,105
Liabilities				
HMBS related obligations	$10,422,358	$ —	$ —	$10,422,358
Nonrecourse debt:				
Nonrecourse debt in consolidated VIE trusts	5,857,069	—	—	5,857,069
Nonrecourse commercial loan financing liability	111,738	—	—	111,738
Nonrecourse MSR financing liability	142,435	—	—	142,435
Deferred purchase price liabilities:				
Deferred purchase price liabilities	12,852	—	—	12,852
TRA obligation	29,380	—	—	29,380
Derivative liabilities:				
Forward MBS	1,644	—	1,644	—
Forward commitments, TBAs, and Treasury Futures	186	108	78	—
Interest rate swap futures	24,848	24,848	—	—
Warrant Liability	5,497	5,497	—	—
Total liabilities	$16,608,007	$30,453	$ 1,722	$16,575,832

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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						
March 31, 2022	**Loans held for investment**	**Loans held for investment, subject to nonrecourse debt**	**Loans held for sale**	**Derivative assets**	**MSRs**	**Retained bonds**	**Investments**
Beginning balance, January 1, 2022	**$11,587,382**	**$ 6,218,194**	**$ 166,750**	**$ 23,222**	**$ 427,942**	**$55,614**	**$ 6,000**
Total gain or losses included in earnings	**(35,895)**	**(313,720)**	**(7,040)**	**(20,486)**	**52,368**	**(3,289)**	**—**
Purchases, settlements and transfers:							
Purchases and additions, net	**1,848,155**	**30,342**	**396,020**	**—**	**53,444**	**—**	**—**
Sales and settlements	**(612,624)**	**(586,276)**	**(329,590)**	**—**	**(107,652)**	**(1,450)**	**—**
Transfers in/(out) between categories	**(895,876)**	**887,450**	**2,905**	**—**	**—**	**—**	**—**
Ending balance, March 31, 2022	**$11,891,142**	**$ 6,235,990**	**$ 229,045**	**$ 2,736**	**$ 426,102**	**$50,875**	**$ 6,000**

	Successor					
	Liabilities					
March 31, 2022	**HMBS related obligations**	**Deferred purchase price liabilities**	**Nonrecourse debt in consolidated VIE trusts**	**Nonrecourse commercial loan financing liability**	**Nonrecourse MSR financing liability**	**TRA Liability**
Beginning balance, January 1, 2022	**$(10,422,358)**	**$(12,852)**	**$(5,857,069)**	**$ (111,738)**	**$ (155,108)**	**$(29,380)**
Total gains or losses included in earnings	**85,582**	**—**	**105,340**	**254**	**(16,038)**	**—**
Purchases, settlements and transfers:						
Purchases and additions, net	**(948,682)**	**—**	**(1,048,499)**	**(60,658)**	**7,165**	**—**
Sales and settlements	**737,327**	**5,000**	**768,072**	**44,502**	**—**	**—**
Transfers in/(out) between categories	**—**	**—**	**—**	**—**	**—**	**—**
Ending balance, March 31, 2022	**$(10,548,131)**	**$ (7,852)**	**$(6,032,156)**	**$ (127,640)**	**$ (163,981)**	**$(29,380)**

	Predecessor					
	Assets					
March 31, 2021	**Loans held for investment**	**Loans held for investment, subject to nonrecourse debt**	**Loans held for sale**	**Derivative assets**	**MSRs**	**Investments**
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	$11,171,736	$5,291,444	$ 135,681	$ 38,574	$267,364	$ 9,470

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

	Predecessor				
	Liabilities				
March 31, 2021	HMBS related obligations	Derivative liabilities	Deferred purchase price liability	Nonrecourse debt in consolidated VIE trusts	Nonrecourse MSR financing liability
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	$(9,926,132)	$ (936)	$ (3,214)	$(5,205,892)	$ (22,051)

Fair Value Option

The Company has elected to measure substantially all of its loans held for investment, loans held for sale, HMBS related obligations and non-recourse debt at fair value, under the fair value option provided for by ASC 825-10, *Financial Instruments-Overall.* The Company elected to apply the provisions of the fair value option to these assets and liabilities in order to align financial reporting presentation with the Company's operational and risk management strategies. Presented in the tables below are the fair value and unpaid principal balance ("UPB") at March 31, 2022 and December 31, 2021, of financial assets and liabilities for which the Company has elected the fair value option (in thousands):

March 31, 2022	Estimated Fair Value	Unpaid Principal Balance
Assets at fair value under the fair value option		
Loans held for investment, subject to HMBS related obligations	**$ 10,672,152**	**$ 10,109,820**
Loans held for investment, subject to nonrecourse debt:		
Reverse mortgage loans	**5,830,105**	**5,481,952**
Commercial mortgage loans	**405,885**	**404,974**
Loans held for investment:		
Reverse mortgage loans	**1,103,163**	**988,321**
Commercial mortgage loans	**115,827**	**115,091**
Loans held for sale:		
Residential mortgage loans	**1,500,785**	**1,499,525**
Commercial mortgage loans	**208,572**	**211,516**
Liabilities at fair value under the fair value option		
HMBS related obligations	**10,548,131**	**10,109,820**
Nonrecourse debt:		
Nonrecourse debt in consolidated VIE trusts	**6,032,157**	**6,152,713**
Nonrecourse MSR financing liability	**163,981**	**163,981**
Nonrecourse commercial loan financing liability	**127,639**	**123,900**

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

December 31, 2021	Estimated Fair Value	Unpaid Principal Balance
Assets at fair value under the fair value option		
Loans held for investment, subject to HMBS related obligations	$ 10,556,054	$ 9,849,835
Loans held for investment, subject to nonrecourse debt:		
Reverse mortgage loans	5,823,301	5,165,479
Commercial mortgage loans	394,893	388,788
Loans held for investment:		
Reverse mortgage loans	940,605	815,426
Commercial mortgage loans	90,723	89,267
Loans held for sale:		
Residential mortgage loans	1,902,953	1,859,788
Commercial mortgage loans	149,425	145,463
Liabilities at fair value under the fair value option		
HMBS related obligations	10,422,358	9,849,835
Nonrecourse debt:		
Nonrecourse debt in consolidated VIE trusts	5,857,069	5,709,946
Nonrecourse MSR financing liability	142,435	142,435
Nonrecourse commercial loan financing liability	111,738	107,744

Net fair value gains on loans and related obligations

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

	For the three months ended March 31, 2022	January 1, 2021 to March 31, 2021
	Successor	Predecessor
Net fair value gains (losses) on loans and related obligations:		
Interest income on commercial and reverse loans	**$ 163,694**	$ 160,568
Change in fair value of loans	**(507,327)**	(51,346)
Change in fair value of MBS	**—**	—
Net fair value gains (losses) on loans	**(343,633)**	109,222
Interest expense on HMBS and nonrecourse obligations	**(106,643)**	(119,201)
Change in fair value of derivatives	**165,579**	43,972
Change in fair value of related obligations	**295,132**	42,670
Net fair value gains (losses) on related obligations	**354,068**	(32,559)
Net fair value gains (losses) on loans and related obligations	**$ 10,435**	$ 76,663

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 March 31, 2022 and December 31, 2021, 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. The fair value of assets and liabilities whose carrying value approximates fair value is determined using Level 3 inputs, with the exception of cash and cash equivalents including restricted cash, which are Level 1 inputs.

5. Reverse Mortgage Portfolio Composition

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

	March 31, 2022	December 31, 2021
Reverse mortgage loans:		
Reverse mortgage loans held for investment, subject to HMBS related obligations	**$10,109,820**	$ 9,849,835
Reverse mortgage loans held for investment:		
Non-agency reverse mortgages	**601,067**	432,144
Loans not securitized[1]	**313,569**	266,723
Unpoolable loans[2]	**65,303**	104,551
Unpoolable tails	**8,382**	12,008
Total reverse mortgage loans held for investment	**988,321**	815,426
Reverse mortgage loans held for investment, subject to nonrecourse debt:		
Performing HECM buyouts	**304,503**	289,089
Nonperforming HECM buyouts	**656,608**	590,729
Non-agency reverse mortgages	**4,520,841**	4,285,661
Total reverse mortgage loans held for investment, subject to nonrecourse debt	**5,481,952**	5,165,479
Total owned reverse mortgage portfolio	**16,580,093**	15,830,740
Loans reclassified as government guaranteed receivable	**56,372**	48,625
Loans serviced for others	**13,959**	17,840
Total serviced reverse mortgage loan portfolio	**$16,650,424**	$15,897,205

(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 reverse mortgage portfolio owned by the Company by product type (in thousands):

	March 31, 2022	December 31, 2021
Fixed rate loans	**$ 6,566,169**	$ 5,384,865
Adjustable rate loans	**10,013,924**	10,445,875
Total owned reverse mortgage portfolio	**$16,580,093**	$15,830,740

As of March 31, 2022 and December 31, 2021, there were $595.7 million and $599.1 million, respectively, of foreclosure proceedings in process, which are included in loans held for investment, at fair value, on the Condensed Consolidated Statements of Financial Condition.

6. Loans Held for Investment, Subject to HMBS Related Obligations, at Fair Value

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

	March 31, 2022	December 31, 2021
Loans held for investment, subject to HMBS related obligations - UPB	**$10,109,820**	$ 9,849,835
Fair value adjustments	**562,332**	706,219
Total loans held for investment, subject to HMBS related obligations, at fair value	**$10,672,152**	$10,556,054

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

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

	March 31, 2022	December 31, 2021
Loans held for investment, subject to nonrecourse debt - UPB:		
Reverse mortgage loans	**$5,481,952**	$ 5,165,479
Commercial mortgage loans	**404,974**	388,788
Fair value adjustments	**349,064**	663,927
Total loans held for investment, subject to nonrecourse debt, at fair value	**$6,235,990**	$ 6,218,194

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

	March 31, 2022	December 31, 2021
Loans 90 days or more past due and onnon-accrual status		
Fair value:		
Commercial mortgage loans	**$ 23,399**	$ 26,081
Total fair value	**23,399**	26,081
Aggregate UPB:		
Commercial mortgage loans	**23,697**	26,472
Total aggregate UPB	**23,697**	26,472
Difference	**$ (298)**	$ (391)

8. Loans Held for Investment, at Fair Value

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

	March 31, 2022	December 31, 2021
Loans held for investment - UPB:		
Reverse mortgage loans	**$ 988,321**	$ 815,426
Commercial mortgage loans	**115,091**	89,267
Fair value adjustments	**115,578**	126,635
Total loans held for investment, at fair value	**$1,218,990**	$ 1,031,328

As of March 31, 2022 and December 31, 2021, there were $1.4 million and $2.3 million, respectively, of commercial loans that were greater than 90 days past due.

As of March 31, 2022 and December 31, 2021, there were $969.3 million and $810.6 million, respectively, in loans held for investment, at fair value pledged as collateral for financing lines of credit.

9. Loans Held for Sale, at Fair Value

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

	March 31, 2022	December 31, 2021
Loans held for sale - UPB:		
Residential mortgage and home improvement loans	**$1,499,525**	$ 1,859,788
Commercial mortgage loans	**211,516**	145,463
Fair value adjustments	**(1,684)**	47,127
Total loans held for sale, at fair value	**$1,709,357**	$ 2,052,378

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

	March 31, 2022	December 31, 2021
Loans 90 days or more past due and on non-accrual status		
Fair value:		
Residential mortgage and home improvement loans	**$** 3,495	$ 3,195
Commercial mortgage loans	2,549	3,163
Total fair value	**6,044**	6,358
Aggregate UPB:		
Residential mortgage loans	3,993	3,753
Commercial mortgage loans	2,676	3,323
Total aggregate UPB	**6,669**	7,076
Difference	**$ (625)**	$ (718)

The Company originates or purchases and sells 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.

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The table below shows a reconciliation of the changes in loans held for sale for the respective periods presented below (in thousands):

	For the three months ended March 31, 2022	January 1, 2021 to March 31, 2021
	Successor	Predecessor
Beginning balance	**$ 2,052,378**	$ 2,222,811
Originations/purchases/repurchases	**5,488,887**	8,569,575
Proceeds from sales	**(5,872,779)**	(8,878,131)
Loans acquired through business combinations	—	35,226
Net transfers from loans held for investment	**2,905**	—
Gain on loans held for sale, net	**44,872**	188,564
Net fair value gains on loans held for sale	**(6,906)**	2,316
Ending balance	**$ 1,709,357**	$ 2,140,361

As of March 31, 2022 and December 31, 2021, there were $1.7 million and $2.0 million, respectively, in loans held for sale, at fair value pledged as collateral for financing lines of credit.

10. Mortgage Servicing Rights, at Fair Value

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

	March 31, 2022	December 31, 2021
Fannie Mae/Freddie Mac	**$31,324,584**	$37,079,995
Ginnie Mae	**1,656,411**	1,109,962
Private investors	**1,077,563**	1,109,459
Total UPB	**$34,058,558**	$39,299,416
Weighted average interest rate	**3.12%**	3.03%

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

	For the three months ended March 31, 2022	January 1, 2021 to March 31, 2021
	Successor	Predecessor
Beginning UPB	**$39,299,416**	$ 22,269,362
Originated MSRs	**4,257,281**	6,312,227
Purchased MSRs	—	866,806
Sold MSRs	**(8,368,734)**	(1,090,267)
Portfolio runoff	**(805,668)**	(1,488,977)
Other	**(323,737)**	(193,793)
Ending UPB	**$34,058,558**	$ 26,675,358

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The activity in the MSRs asset consisted of the following (in thousands):

	For the three months ended March 31, 2022	January 1, 2021 to March 31, 2021
	Successor	Predecessor
Beginning balance	**$ 427,942**	$ 180,684
Originations	**53,444**	65,964
Purchases	**—**	9,014
Sales	**(107,652)**	(8,647)
Changes in fair value due to:		
Changes in market inputs or assumptions used in valuation model	**63,890**	35,109
Changes in fair value due to portfolio runoff and other	**(11,522)**	(14,760)
Ending balance	**$ 426,102**	$ 267,364

The value of MSRs 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 $14.3 million for the Successor three months ended March 31, 2022, and $13.0 million for the Predecessor period from January 1, 2021 to March 31, 2021. These fees and changes in fair value of the MSRs are recorded within fee income on the Condensed Consolidated Statements of Operations (Unaudited). As of March 31, 2022 and December 31, 2021, there were $164.0 million and $142.4 million, respectively, in MSRs, at fair value pledged as collateral for nonrecourse debt.

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

	March 31, 2022		December 31, 2021	
	Number of Loans	Unpaid Balance	Number of Loans	Unpaid Balance
Portfolio delinquency 30 days	**0.4%**	**0.4%**	0.4%	0.3%
60 days	**0.1%**	**0.1%**	0.1%	0.0%
90 or more days	**0.1%**	**0.1%**	0.1%	0.1%
Total	**0.6%**	**0.6%**	0.6%	0.4%
Foreclosure/real estate owned	**0.0%**	**0.0%**	0.0%	0.0%

11. 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 MBS or whole loans and interest rate swaps.

The Company did not have any derivative instruments designated as hedging instruments or subject to master netting and collateral agreements as of March 31, 2022 and December 31, 2021.

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

	March 31, 2022					
	Derivative assets			Derivative liabilities		
	Fair value	Notional amount	Unrealized gains (losses)	Fair value	Notional amount	Unrealized gains (losses)
IRLCs	**$ 2,736**	**$ 2,182,604**	**$ (20,486)**	**$ —**	**$ —**	**$ —**
Forward commitments, TBAs and Treasury Futures	**2,172**	**81,737**	**408**	**57**	**362,000**	**129**
Interest rate swaps and futures contracts	**241,430**	**7,317,500**	**218,781**	**90,124**	**4,732,700**	**(65,276)**
Forward MBS	**34,867**	**2,326,213**	**33,632**	**1,183**	**243,000**	**461**
Net fair value of derivative financial instruments	**$281,205**	**$11,908,054**	**$ 232,335**	**$91,364**	**$5,337,700**	**$ (64,686)**

	December 31, 2021					
	Derivative assets			Derivative liabilities		
	Fair value	Notional amount	Unrealized gains (losses)	Fair value	Notional amount	Unrealized gains (losses)
IRLCs	$23,222	$ 2,047,938	$ (64,354)	$ —	$ —	$ —
Forward commitments, TBAs and Treasury Futures	1,763	6,171,300	(43)	186	6,113,000	1,146
Interest rate swaps and futures contracts	22,650	6,143,300	19,966	24,848	6,094,100	(24,093)
Forward MBS	1,235	658,000	1,235	1,644	1,501,000	16,991
Net fair value of derivative financial instruments	$48,870	$15,020,538	$ (43,196)	$26,678	$13,708,100	$ (5,956)

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 held deposits from its clearing broker of $163.4 million as of March 31, 2022 and had provided deposits to its clearing broker of $23.2 million as of December 31, 2021. Total margin collateral is included in other assets, net, when in a net receivable position or in payables and other liabilities when in a net payable position in the Company's Condensed Consolidated Statements of Financial Condition.

12. Goodwill

Goodwill consisted of the following (in thousands):

	As of March 31, 2022	As of March 31, 2021
	Successor	Predecessor
Beginning balance	**$ —**	$ 121,233
Additions from acquisitions	**—**	7,517
Ending balance	**$ —**	$ 128,750

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The Company did not record any goodwill or related impairment for the Successor three months ended March 31, 2022 and no impairment was recorded for the Predecessor period from January 1, 2021 to March 31, 2021.

	As of March 31, 2022 Successor	As of March 31, 2021 Predecessor
Reporting units:		
Mortgage Originations	$ —	$ 51,946
Commercial Originations	—	43,113
Lender Services	—	25,247
Portfolio Management	—	8,444
Total goodwill	**$ —**	$ 128,750

13. Intangible Assets, Net

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

March 31, 2022	Amortization Period (Years)	Cost	Accumulated Amortization	Impairment	Net
Successor:					
Non-amortizing intangibles					
Trade name	**N/A**	**$ 91,600**	**$ —**	**$ —**	**$ 91,600**
Total non-amortizing intangibles		**$ 91,600**	**$ —**	**$ —**	**$ 91,600**
Amortizing intangibles					
Broker/customer relationships	**8 - 15**	**$541,100**	**$ (52,948)**	**$ —**	**$488,152**
Trade names and other	**5 - 10**	**10,937**	**(1,597)**	**—**	**9,340**
Total amortizing intangibles		**$552,037**	**$ (54,545)**	**$ —**	**$497,492**
Total intangibles		**$643,637**	**$ (54,545)**	**$ —**	**$589,092**

December 31, 2021	Amortization Period (Years)	Cost	Accumulated Amortization	Impairment	Net
Successor:					
Non-amortizing intangibles					
Trade name	N/A	$178,000	$ —	$ (86,400)	$ 91,600
Total non-amortizing intangibles		$178,000	$ —	$ (86,400)	$ 91,600
Amortizing intangibles					
Broker/customer relationships	8 - 15	$541,100	$ (39,711)	$ —	$501,389
Trade names and other	5 - 10	10,937	(1,026)	—	9,911
Total amortizing intangibles		$552,037	$ (40,737)	$ —	$511,300
Total intangibles		$730,037	$ (40,737)	$ (86,400)	$602,900

Amortization expense was $13.8 million for the Successor three months ended March 31, 2022, and $0.6 million for the Predecessor period from January 1, 2021 to March 31, 2021.

The estimated amortization expense for each of the five succeeding fiscal years and thereafter as of March 31, 2022 is as follows (in thousands):

Year Ending December 31,	Amount
2022	$ 41,645
2023	55,233
2024	55,233
2025	55,233
2026	55,126
Thereafter	235,022
Total future amortization expense	**$497,492**

14. HMBS Related Obligations, at Fair Value

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

	March 31, 2022	December 31, 2021
Ginnie Mae loan pools - UPB	**$ 10,109,820**	$ 9,849,835
Fair value adjustments	**438,311**	572,523
Total HMBS related obligations, at fair value	**$ 10,548,131**	$ 10,422,358
Weighted average remaining life (in years)	**4.4**	4.6
Weighted average interest rate	**2.6%**	2.5%

HMBS related obligations represent the issuance of pools of HMBS, which are guaranteed by GNMA, 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 the Condensed Consolidated Statements of Financial Condition as loans held for investment, subject to HMBS related obligations, at fair value and recording the pooled HMBS as HMBS related obligations, at fair value. Monthly cash flows generated from the HECM loans are used to service the outstanding HMBS.

The Company was servicing 1,896 and 1,849 Ginnie Mae loan pools at March 31, 2022 and December 31, 2021, respectively.

15. Nonrecourse Debt, at Fair Value

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

	Issue Date	Final Maturity Date	Interest Rate	Original Issue Amount	March 31, 2022	December 31, 2021
Securitization of performing / nonperforming HECM loans	July 2020 - February 2022	July 2030 - February 2032	0.88% - 9.32%	$1,805,528	**$1,026,869**	$922,970
Securitization of non-agency reverse loans	May 2018 - February 2022	May 2023 - November 2069	1.25% - 4.50%	6,345,967	**4,857,333**	4,630,203
Securitization of Fix & Flip loans	April 2021	November 2024 - May 2025	2.10% - 5.40%	268,511	**268,511**	268,511
Total consolidated VIE nonrecourse debt UPB					**6,152,713**	5,821,684
Nonrecourse MSR financing liability, at fair value					**163,981**	142,435
Nonrecourse commercial loan financing liability[1]					**123,900**	107,744
Fair value adjustments					**(116,817)**	39,379
Total nonrecourse debt, at fair value					**$ 6,323,777**	**$ 6,111,242**

[1] Nonrecourse commercial loan financing liability, comprise the balance of the nonrecourse debt for the applicable period associated with the CAPT securitization. As the CAPT securitization was determined to be an unconsolidated VIE and failed sale treatment, the associated nonrecourse debt is accounted for by FoA and presented separately from the other nonrecourse debts. Refer to Note 3—Variable Interest Entities and Securitizations for additional information.

Future repayment of nonrecourse debt issued by securitization trusts is dependent on the receipt of cash flows from the corresponding encumbered loans receivable. As of March 31, 2022, estimated maturities for nonrecourse debt, at fair value, for the next five years and thereafter are as follows (in thousands):

Year Ending December 31,	Estimated Maturities[1]
2022	$1,242,161
2023	2,644,434
2024	2,088,782
2025	301,236
Thereafter	—
Total payments on nonrecourse debt	**$6,276,613**

(1) Nonrecourse MSR financing liability is excluded from this balance, as the timing of the payments of the nonrecourse MSR financing liability is dependent on the payments received on the underlying MSRs and no contractual maturity date is applicable.

16. Other Financing Lines of Credit

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

Maturity Date	Interest Rate	Collateral Pledged	Total Capacity[1]	Outstanding borrowings at March 31, 2022	Outstanding borrowings at December 31, 2021
Mortgage Lines:					
April 2022 - June 2023	LIBOR/SOFR + applicable margin	First Lien Mortgages	$3,225,000	**$1,431,784**	$ 1,802,348
May 2022 - November 2022	LIBOR/ AMERIBOR + applicable margin	MSRs	95,329	**110,885**	138,524
March 2026	LIBOR + applicable margin	Mortgage Related Assets	150,000	**51,269**	55,666
Subtotal mortgage lines of credit			$3,470,329	**$1,593,908**	$ 1,996,538
Reverse Lines:					
April 2022 - April 2023	LIBOR + applicable margin	First Lien Mortgages	$1,275,000	**$ 887,435**	$ 714,013
April 2022 - September 2023	Bond accrual rate + applicable margin	Mortgage Related Assets	397,500	**300,834**	297,893
February 2024	LIBOR + applicable margin	MSRs	90,000	**70,365**	78,952
May 2022	Prime + .50%; 6% floor	Unsecuritized Tails	50,000	**44,257**	38,544
Subtotal reverse lines of credit			$1,812,500	**$1,302,891**	$ 1,129,402
Commercial Lines:					
June 2022 - August 2022	LIBOR/SOFR + applicable margin	Encumbered Agricultural Loans	$ 125,000	**$ 25,036**	$ 25,127
April 2022 - January 2024	LIBOR + applicable margin	First Lien Mortgages	432,500	**237,921**	167,159
August 2022	10%	Second Lien Mortgages	30,000	**30,000**	24,175
N/A	LIBOR + applicable margin	Mortgage Related Assets	—	**—**	5,041
Subtotal commercial lines of credit			$ 587,500	**$ 292,957**	$ 221,502
Total other financing lines of credit			$5,870,329	**$3,189,756**	$ 3,347,442

[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 March 31, 2022.*

As of March 31, 2022 and December 31, 2021, the weighted average outstanding interest rates on outstanding financing lines of credit of the Company were 2.74% and 2.75%, 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 of March 31, 2022, the Company was in compliance with its liquidity requirements and net worth covenants. With respect to certain profitability requirements, the Company obtained waivers or amendments to its profitability covenants as of March 31, 2022.

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 or its subsidiaries to no longer be in compliance with any of its financial covenants or

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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.

As of March 31, 2022, 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	Requirement	March 31, 2022	Maximum Allowable Distribution [1]
FAM			
Adjusted Tangible Net Worth[2]	$ 225,000	$ 243,900	$ 18,900
Liquidity	55,000	68,451	$ 13,451
Leverage Ratio	15:1	10.2:1	78,327
Material Decline in Lender Adjusted Net Worth:			
Lender Adjusted Tangible Net Worth (Quarterly requirement)[3]	$ 161,235	$ 301,073	$ 139,838
Lender Adjusted Tangible Net Worth (Two-Consecutive Quarterly requirement)[3]	120,432	301,073	$ 180,641
FAR			
Adjusted Tangible Net Worth[2]	$ 417,826	$ 452,613	$ 34,787
Liquidity	20,000	113,656	$ 93,656
Leverage Ratio	6:1	4.3:1	$ 126,542

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

(2) *This amount is based on the most restrictive financing line of credit covenant.*

(3) *This amount is the covenant calculation specific to FNMA.*

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As of December 31, 2021, 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	Requirement	December 31, 2021	Maximum Allowable Distribution [1]
FAM			
Adjusted Tangible Net Worth[2]	$ 150,000	$ 180,032	$ 30,032
Liquidity	40,000	43,734	3,734
Leverage Ratio	15:1	13.9:1	12,154
Material Decline in Lender Adjusted Net Worth:			
Lender Adjusted Tangible Net Worth (Quarterly requirement)[3]	$ 150,539	$ 214,979	$ 64,440
Lender Adjusted Tangible Net Worth (Two-Consecutive Quarterly requirement)[3]	114,830	214,979	100,149
FACo			
Adjusted Tangible Net Worth	$ 85,000	$ 87,350	$ 2,350
Liquidity	20,000	32,728	12,728
Leverage Ratio	6:1	2.8:1	46,895
FAR			
Adjusted Tangible Net Worth	$ 417,826	$ 527,443	$ 109,617
Liquidity	20,000	23,845	3,845
Leverage Ratio	6:1	2.9:1	264,134

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

(2) *This amount is based on the most restrictive financing line of credit covenant.*

(3) *This amount is the covenant calculation specific to FNMA.*

17. Payables and Other Liabilities

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

	March 31, 2022	December 31, 2021
Accrued liabilities	**$ 259,133**	$ 114,931
Derivative liabilities	**91,364**	26,678
Accrued compensation expense	**82,052**	129,919
Lease liabilities	**62,933**	65,518
Deferred purchase price liabilities	**42,541**	47,479
GNMA reverse mortgage buyout payable	**33,601**	31,274
Deferred tax liability, net	**19,658**	18,581
Estimate of claim losses	**15,821**	14,993
Liability for loans eligible for repurchase from GNMA	**10,345**	7,956
Repurchase reserves	**7,856**	8,685
Warrant liability	**5,648**	5,497
Total payables and other liabilities	**$ 630,952**	$ 471,511

Warrants

As of March 31, 2022, there were14,375,000 Public Warrants outstanding. As of March 31, 2022, and December 31, 2021, the Warrants had a fair value of $5.6 million and $5.5 million, respectively. These liability-classified Public Warrants are out of the money and thus have no impact on diluted EPS.

18. Notes Payable, Net

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

Description	Maturity Date	Interest Rate	March 31, 2022	December 31, 2021
Senior Unsecured Notes	November 2025	7.9%	**$ 350,000**	$ 350,000
Fair value adjustment, net of amortization[(1)]			**3,196**	3,383
Total notes payable, net			**$ 353,196**	**$ 353,383**

(1) *In conjunction with the Business Combination, 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 $6.7 million for the Successor three months ended March 31, 2022, and $7.7 million for the Predecessor period from January 1, 2021 to March 31, 2021. The Company was in compliance with all required covenants related to the Notes as of March 31, 2022.

19. 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, alterations in business practices, or 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 establishes 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 March 31, 2022, there were no matters that the Company considered to be 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 stayed pending a ruling by the Supreme Court of the United States in Viking River Cruises, Inc. v. Moriana. 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 be presently determined, and a range of possible losses cannot be reasonably estimated. 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.

Legal expenses, which includes, among other things, settlements and the fees paid to external legal service providers, were $0.9 million for the Successor three months ended March 31, 2022, and $4.2 million for the Predecessor period from January 1, 2021 to March 31, 2021. These expenses are included in general and administrative expenses in the Condensed Consolidated Statements of Operations (Unaudited).

20. 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, collecting and processing payments of interest and principal 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 Condensed Consolidated Statements of Operations (Unaudited).

Unfunded Commitments

The Company is required to fund further borrower advances (where the borrower has not fully drawn down the HECM,non-agency reverse mortgage, 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 agency andnon-agency reverse mortgage loans were approximately $2.8 billion as of March 31, 2022, compared to $2.6 billion as of December 31, 2021. The outstanding unfunded commitments available to borrowers related to fix & flip loans were approximately $10.3 million and $9.9 million as of March 31, 2022 and December 31, 2021, 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 $33.7 million and $140.6 million, respectively, as of March 31, 2022, compared to $47.3 million and $0, respectively, as of December 31, 2021.

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.

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 MBS 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 MBS 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.

21. Equity Based Compensation

Restricted Stock Units

Pursuant to the terms of the A&R MLTIP, there are two 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 by pre-transaction ownership 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.

Additionally, pursuant to the terms of the 2021 Omnibus Incentive Plan, the Company granted equity based compensation to certain employees and non-employee board of directors members, henceforth referred to as Non-LTIP Restricted Stock Units ("Non-LTIP RSUs"). Vested Non-LTIP RSUs will be settled with issuance of shares of Class A Common Stock of FoA to the participant and a respective count of Class A LLC units of FoA Equity to FoA.

Each type of RSUs is classified as equity and FoA accounts for the RSUs following the fair value method. Each type of RSUs' fair values is fixed on the grant date and not remeasured unless the award is subsequently modified.

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 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.

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 out of thirty consecutive trading days. 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 out of thirty consecutive trading days.

Non-LTIP RSUs

Pursuant to the terms of the 2021 Omnibus Incentive Plan executed on November 18, 2021, the Company granted Non-LTIP RSUs to employees and non-employee board of directors members. The RSUs granted have various grant dates and vesting schedules.

All vesting is subject to each holder's continued employment and are subject to forfeiture if the participant leaves the company for reasons other than those permitted under the plan.

Employee Stock Purchase Plan

On January 1, 2022, FoA opened an initial offering period for our Employee Stock Purchase Plan (the "ESPP") for the benefit of Company employees. Participation in the ESPP is voluntary and is open to any Company employee who satisfies the eligibility requirements under the ESPP other than the Company's "officers" (as defined in Rule 16a-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). The ESPP allows for shares of the Company's Class A Common Stock to be purchased on behalf of participants, using funds contributed by participants through payroll deductions. Participants can contribute up to the lesser of 15% of the participant's Base Earnings (as defined in the ESPP) or $50,000 per participant in any calendar year. The ESPP includes a matching component pursuant to which participating employees will be eligible to receive a grant of restricted stock units ("Match RSUs") pursuant to and in accordance with the Company's 2021 Omnibus Incentive Plan. The number of Match RSUs to be granted to participants with respect to each offering period will equal to 20% of the shares purchased by participants under the ESPP with respect to such offering period. The Company recorded $0.1 million in expense associated with the ESPP within salaries, benefits and related expenses on the Condensed Consolidated Statement of Operations (Unaudited) for the Successor three months ended March 31 2022.

A summary of the each classification of RSU activity for the periods indicated is presented below in thousands, except for share information:

				Grant Date Fair Value	
Replacement RSUs	**Number of Units Unvested**	**Number of Units Vested**	**Total Number of Units**	**Weighted Average Price Per Unit**	**Total Fair Value (in thousands)**
Outstanding, December 31, 2021	**10,392,226**	**20,640**	**10,412,866**	**$ 9.48**	**$ 98,714**
Granted	—	—	—	—	—
Vested	(722,398)	722,398	—	—	—
Forfeited	—	—	—	—	—
Settled	—	(20,640)	(20,640)	9.48	(196)
Outstanding, March 31, 2022	**9,669,828**	**722,398**	**10,392,226**	**$ 9.48**	**$ 98,518**

On March 15, 2022, there was a good leaver event that resulted in722,398 RSUs being vested. There are3,704,860 Replacement RSUs that are scheduled to vest from April 1, 2022 to December 31, 2022 on the first anniversary of the Business Combination (April 1, 2022). Equity based compensation expense for the Replacement RSUs totaled $15.3 million and $0 for the Successor three months ended March 31, 2022 and the Predecessor period from January 1, 2021 to March 31, 2021, respectively. Unrecognized equity based compensation expense for the Replacement RSUs totaled $51.9 million as of March 31, 2022.

				Grant Date Fair Value	
Earnout Right RSUs	**Number of Units Unvested**	**Number of Units Vested**	**Total Number of Units**	**Weighted Average Price Per Unit**	**Total Fair Value (in thousands)**
Outstanding, December 31, 2021	**1,531,440**	**—**	**1,531,440**	**$ 8.91**	**$ 13,638**
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Outstanding, March 31, 2022	**1,531,440**	**—**	**1,531,440**	**$ 8.91**	**$ 13,638**

No Earnout Right RSUs are scheduled to vest from April 1, 2022 to December 31, 2022. Equity based compensation expense for the Earnout Right RSUs totaled $2.2 million and $0 for the Successor three months ended March 31, 2022 and the Predecessor period from January 1, 2021 to March 31, 2021, respectively. Unrecognized equity based compensation expense for the Earnout Right RSUs totaled $4.0 million as of March 31, 2022.

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

Non-LTIP RSUs	Number of Units Unvested	Number of Units Vested	Total Number of Units	Grant Date Fair Value Weighted Average Price Per Unit	Grant Date Fair Value Total Fair Value (in thousands)
Outstanding, December 31, 2021	**168,221**	**—**	**168,221**	**$ 5.35**	**$ 900**
Granted	409,835	—	409,835	3.35	1,373
Vested	—	—	—	—	—
Settled	—	—	—	—	—
Outstanding, March 31, 2022	**578,056**	**—**	**578,056**	**$ 3.93**	**$ 2,273**

219,987 of the Non-LTIP RSUs are scheduled to vest from April 1, 2022 to December 31, 2022. Equity based compensation expense for the Non-LTIP RSUs totaled $0.4 million and $0 for the Successor three months ended March 31, 2022 and the Predecessor period from January 1, 2021 to March 31, 2021, respectively. Unrecognized equity based compensation expense for the Non-LTIP RSUs totaled $1.8 million as of March 31, 2022.

LTIP

On January 1, 2015, the Company established an LTIP 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 were accounted for as a profit-sharing arrangement, as they did 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 related 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 was considered to have been incurred “on the line.” The balance of the Company’s obligation under the Plan was replaced by the issuance of Replacement RSUs and Earnout Right RSUs described above as governed by the A&R MLTIP.

22. Business Segment Reporting

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

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

	For the three months ended March 31, 2022								
	Successor								
	Mortgage Originations	Reverse Originations	Commercial Originations	Lender Services	Portfolio Management	Total Operating Segments	Corporate and Other	Elim	Total
REVENUES									
Gain on sale and other income from loans held for sale, net	$ 111,921	$ —	$ —	$ 210	$ 10,928	$ 123,059	$ —	$ (4,707)	$ 118,352
Net fair value gains on loans and related obligations	—	105,755	3,475	—	(102,785)	6,445	—	3,990	10,435
Fee income	20,149	1,816	17,158	76,152	54,525	169,800	—	(12,196)	157,604
Net interest income (expense)									
Interest income	12,572	—	—	160	1,047	13,779	94	—	13,873
Interest expense	(9,371)	—	—	(33)	(16,723)	(26,127)	(6,703)	—	(32,830)
Net interest income (expense)	3,201	—	—	127	(15,676)	(12,348)	(6,609)	—	(18,957)
Total revenue	135,271	107,571	20,633	76,489	(53,008)	286,956	(6,609)	(12,913)	267,434
Total expenses	156,783	43,179	23,087	70,756	34,711	328,516	34,038	(13,018)	349,536
Other, net	—	3,214	124	1,664	27	5,029	(152)	(105)	4,772
Net (loss) income before taxes	$ (21,512)	$ 67,606	$ (2,330)	$ 7,397	$ (87,692)	$ (36,531)	$ (40,799)	$ —	$ (77,330)
Depreciation and amortization	$ 2,820	$ 9,598	$ 514	$ 3,112	$ 91	$ 16,135	$ 509	$ —	$ 16,644
Total assets	1,761,388	416,127	26,752	224,673	19,628,648	22,057,588	1,755,154	(1,734,835)	22,077,907

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

	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 and other income from loans held for sale, net	$ 286,481	$ —	$ —	$ —	$ 5,065	**$ 291,546**	$ —	$ (212)	**$ 291,334**
Net fair value gains on loans and related obligations	—	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 income (expense)									
Interest income	12,483	—	—	28	138	**12,649**	12	—	**12,661**
Interest expense	(11,592)	—	—	(64)	(14,954)	**(26,610)**	(7,756)	—	**(34,366)**
Net interest income (expense)	**891**	**—**	**—**	**(36)**	**(14,816)**	**(13,961)**	**(7,744)**	**—**	**(21,705)**
Total revenue	**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	5,925	**373,314**
Other, net	—	34	149	2	895	**1,080**	(9,464)	(508)	**(8,892)**
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**

23. Liquidity and Capital Requirements

FAM

In addition to the covenant requirements of FAM mentioned in Note 16 - 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 Condensed Consolidated Financial Statements (Unaudited).

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 $183.1 million as of March 31, 2022. FAM's adjusted net worth was $301.1 million as of March 31, 2022. FAM is also subject to requirements related to material declines in quarterly and two consecutive quarter tangible net worth. As of March 31, 2022, FAM was in compliance with these covenants.

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 March 31, 2022, 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.

As of March 31, 2022, FAR was in compliance with the minimum net worth, liquidity, capitalization levels and insurance requirements of Ginnie Mae. The minimum tangible net worth required of FAR by Ginnie Mae was $106.6 million as of March 31, 2022. FAR's actual net worth calculated based on Ginnie Mae guidance was $439.0 million as of March 31, 2022. 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 March 31, 2022, 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. As of March 31, 2022, ISG met the minimum net capital requirement amounts and was therefore in compliance.

Additionally, the ISG claims the exemption provision of SEC Rule 15c3-3(k)(2)(ii). ISG does not hold customer funds or safekeep customer securities. ISG introduces and clears its customers' transactions through a third party on a fully-disclosed basis. ISG also claims the exemption provision of Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. § 240.17a-5 because ISG's other business activities are limited to (1) proprietary trading; (2) receiving transaction-based compensation for referring securities transactions to other broker-dealers; and (3) participating in distributions of securities (other than firm commitment underwritings) in accordance with the requirements of paragraphs (a) or (b)(2) of Rule 15c2-4.

Agents National Title Insurance Company ("ANTIC"), 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, ANTIC entered into a capital maintenance agreement in conjunction with the approval for the certificate of authority for California. This agreement requires ANTIC to maintain a minimum of $8.0 million in policyholder surplus. If ANTIC falls below this requirement in any given quarter, Incenter must contribute cash, cash equivalents securities or other instruments to bring ANTIC in compliance. The Company's insurance company subsidiaries met the existing minimum statutory capital and surplus requirements as of March 31, 2022.

ANTIC is also required to maintain bonds, certificates of deposit and interest bearing accounts in accordance with applicable state regulatory requirements. The total requirement was $4.0 million across all states as of March 31, 2022. The Company was in compliance with these requirements as of March 31, 2022.

24. Related Party Transactions

Promissory Notes

The Company had two Revolving Working Capital Promissory Note Agreements (the "2021 Promissory Notes") outstanding with BTO Urban Holdings and Libman Family Holdings, LLC, which are deemed affiliates of the Company. Amounts under the 2021 Promissory Notes may be re-borrowed and repaid from time to time until the related maturity date. The 2021 Promissory Notes accrue interest monthly at a rate of 6.5% per annum mature in January 2023. There were not amounts outstanding and no interest on these notes paid during the Successor three months ended March 31, 2022 or for the Predecessor period from January 1, 2021 to March 31, 2021.

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 $73.3 million and $88.7 million, respectively, for the Successor three months ended March 31, 2022, and $83.0 million and $82.1 million, respectively, for the Predecessor period from January 1, 2021 to March 31, 2021.

The Company had promissory notes outstanding with FarmOps of $4.2 million and $4.1 million, including accrued interest, as of March 31, 2022 and December 31, 2021, 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 FarmOps at the contractual cash exercise price of $0.0001 per unit. Following this exercise, FoA's percentage of fully-diluted equity ownership of FarmOps 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 all shares held by 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.

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 March 31, 2022 and December 31, 2021, the Company had an outstanding advance of $160.1 million and $115.4 million, respectively, against this commitment for the purchase of beneficial interests in servicing fees associated with MSRs with a fair value of $176.1 million and $155.1 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 March 31, 2022 and $0.1 million for the Predecessor period from January 1, 2021 to March 31, 2021.

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.

25. Income Taxes

The components of income tax expense were as follows:

	For the three months ended March 31, 2022	January 1, 2021 to March 31, 2021
	Successor	Predecessor
Net income before income taxes	**$ (77,330)**	$ 125,457
Provision for income taxes	**(13,335)**	1,137
Effective tax provision rate	**17.24%**	0.91%

The Company's effective tax rate for the three months ended March 31, 2022 differs from the U.S.'s statutory rate primarily due to anticipated state statutory income tax rates as well as the projected mix of earnings or loss attributable to the noncontrolling interest not allocable to FoA. Prior to the Business Combination, FoA Equity operated as a U.S. Partnership which, generally, are not subject to federal and state income taxes.

After the Business Combination, 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 or loss.

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 includes corporate taxes that it incurs based on its flow-through income from FoA Equity as well as its allocable portion of corporate taxes that are incurred by its regarded subsidiaries.

The Company recognizes deferred tax assets to the extent it believes these assets aremore-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 notmore-likely-than-not a tax position will be sustained upon examination. As of March 31, 2022, the Company has recognized uncertain tax positions related to positions taken at FoA and lower tier subsidiaries. There were no significant changes to the Company's uncertain tax positions for the current period. 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 three months ended March 31, 2022. 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, 2017 or prior.

26. 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 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 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.

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 share data and per share amounts):

	For the three months ended March 31, 2022 Successor
Basic net loss per share:	
Numerator	
Net loss	$ (63,995)
Less: loss attributable to noncontrolling interests[1]	(55,502)
Net loss attributable to holders of Class A Common Stock - basic	$ (8,493)
Denominator	
Weighted average shares of Class A Common Stock outstanding - basic	60,773,891
Basic net loss per share	$ (0.14)

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

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(1) *The Class A LLC Units of FoA Equity, held by the Continuing Unitholders, which comprise the noncontrolling interest in the Company, 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.

Loss attributable to noncontrolling interest includes an allocation of expense related to the A&R MLTIP. See Note 21 — Equity Based Compensation for additional details.

	For the three months ended March 31, 2022
	Successor
Diluted net loss per share:	
Numerator	
Net loss attributable to holders of Class A Common Stock	$ (8,493)
Reallocation of net loss assuming exchange of Class A LLC Units [1]	(48,753)
Net loss attributable to holders of Class A Common Stock - diluted	$ (57,246)
Denominator	
Weighted average shares of Class A Common Stock outstanding - basic	60,773,891
Effect of dilutive securities:	
Assumed exchange of weighted average Class A LLC Units for shares of Class A Common Stock [2]	128,675,045
Weighted average shares of Class A Common Stock outstanding - diluted	189,448,936
Diluted net loss per share	$ (0.30)

(1) *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 (loss) 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 the Company to such Class A LLC unitholders. The remaining compensation cost associated with the Replacement RSUs and Earnout Right RSUs will be born by FoA for the share attributable to Blackstone Tactical Opportunities Fund (Urban Feeder) - NQ L.P., a Delaware limited partnership ("Blocker"). As a result of the application of the if-converted method, in arriving at diluted net loss 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 loss attributable to holders of the Company's Class A Common Stock.

(2) *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 assumes the Class A LLC Units held by Continuing Unitholders, 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 RSUs outstanding during the Successor three months ended March 31, 2022. The effects of the RSUs following the treasury stock method have been excluded from the computation of diluted net loss per share given that the if-converted method was determined to be more dilutive.

27. Equity

Class A Common Stock

As of March 31, 2022 (Successor), there were 65,074,069 shares of Class A Common Stock outstanding, consisting of 60,815,569 issued and outstanding 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. 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 60,815,569 issued and outstanding shares of Class A Common Stock represent the controlling interest of the Company.

Pursuant to the Exchange Agreement, the Continuing Unitholders may elect to 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. On March 4, 2022, in connection with FoA's settlement of the exchange of Class A LLC Units for shares of Class A Common Stock and pursuant to the Exchange Agreement, certain equity holders delivered 49,696 Class A LLC Units to the Company in exchange for 49,696 shares of Class A Common Stock in satisfaction of such settlement.

Class B Common Stock

As of March 31, 2022, there are 15 shares of Class B Common Stock outstanding, all holders of which are Class A LLC Unit holders. The Class B Common Stock, par value $0.0001 per share, 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.

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 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 Condensed Consolidated Statements of Financial Condition. As of March 31, 2022, there were 189,448,936 Class A LLC Units outstanding. Of the 189,448,936 Class A LLC Units outstanding, 60,815,569 are held by the Class A Common Stock shareholders and 128,633,367 are held by the noncontrolling interest of the Company.

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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, consumer and specialty 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 MSRs 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, home improvement 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 2 securitization during the successor period for the three months ended March 31, 2022 and 1 securitization during the Predecessor period from January 1, 2021 to March 31, 2021.

The Business Combination

On October 12, 2020, FoA, a Delaware corporation and wholly owned subsidiary of 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.

Our Segments

We manage our Company in five reportable segments: Mortgage Originations, Reverse Originations, Commercial Originations, Lender Services, and Portfolio Management. 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 FAM subsidiary. This segment generates revenue throughfee-based mortgage loan origination services and the origination and sale of agency and non-agency 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 MSRs in gain on sale and other income from loans held for sale, net, until the date of loan sale. Subsequent fair value changes of the retained MSRs are accounted for within fee income in the Portfolio Management segment results.

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.

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- 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 GSEs, including Fannie Mae, Freddie Mac, 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, and fees earned on the successful origination of mortgage loans.

Reverse Originations

Our Reverse Originations segment originates or acquires reverse mortgage loans through our FAR subsidiary. This segment originates HECM and non-agency reverse mortgages.

We securitize HECMs into 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 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 field offices and 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 FAM subsidiary (prior to January 1, 2022 through FACo). The segment provides business purpose lending solutions for 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 also provides government-insured agricultural lending solutions to farmers to fund their inputs and operating expenses for the upcoming growing season. 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 complementary business services around the residential mortgage, student lending, and commercial lending industries. These complementary services include title agency and title insurance services, MSR valuation and trade brokerage, transactional fulfillment services, and appraisal management services to our retail customers. The team is primarily based in St. Paul, MN and Charlotte, NC. The segment also operates a foreign branch in the Philippines for transactional fulfillment and administrative support.

- Title agency and title insurance services - Lender Services provides consumers with in house title agency and title insurance services, which contributes to a more efficient close process by eliminating the need to shop out necessary services to finalize the loan process.
- MSR valuation and trade brokerage - Lender Services provides MSR valuation services through a wholly owned subsidiary for both internal and external parties. Additionally, lender services facilitates MSR trades through the same wholly owned subsidiary.

Our Lender Services segment generates revenue and earnings in the form offee-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. Our deep experience in product development and innovation allows us to assist borrowers in new and unique ways by connecting their needs with our proprietary products. 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 HECM securitizations prior to assignment to Ginnie Mae. Long-term investments are primarily made up of MSRs, 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 on portfolio assets, interest income, and fee income related to MSRs, 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 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.

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 and Other Recent Events

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified theCOVID-19 outbreak as a pandemic (the "COVID-19 pandemic"), which continues to evolve, including with respect to current and future variants ofCOVID-19.

The COVID-19 pandemic has materially impacted and continues to materially impact the markets in which the Company operates. It has caused significant volatility in market liquidity as well as fluctuations in yields required by market investors in the type of financial instruments originated by the Company's primary operating subsidiaries. While vaccine availability and uptake has increased, the longer-term macro-economic effects of the pandemic on global supply chains, inflation, labor shortages and wage increases continue to impact many industries, including the industries in which our Company and its subsidiaries operate. Moreover, with the potential for new strains of COVID-19 to emerge, governments and businesses mayre-impose aggressive measures to help slow its spread in the future. For this reason, among others, as the COVID-19 pandemic continues, the potential global impacts are uncertain and difficult to assess.

In the U.S., significant fiscal stimulus measures, monetary policy actions and other relief measures helped to moderate the negative economic impacts of COVID-19. 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-enacted by the federal government, provided 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 included quantitative easing (such as a decrease in the benchmark interest rates) and the provision of liquidity to financial institutions and credit markets. Many of the federal, state and local government enacted measures which provided relief in the housing market, such as forbearance on mortgages, foreclosure and eviction, however, such relief measures have since lapsed or are set to lapse in 2022.

Further, in the recent months, the Board of Governors of the Federal Reserve System (the "Federal Reserve") has shifted its monetary policies and scaled back certain of the measures it had initially put in place in response to the COVID-19 pandemic in an effort to combat inflationary pressures in the U.S. The combined disruptive impact of the COVID-19 pandemic and the conflict between Russia and the Ukraine has, among other things, caused global supply chain issues and oil and other commodity price increases. These global macroeconomic events (among others) have in turn contributed to significant increases in consumer prices in the U.S. The Consumer Price Index for All Urban Consumers ("CPI"), a widely followed inflation gauge published by the Bureau of Labor Statistics, increased 7.0% from December 2020 to December 2021, its highest rate in nearly forty (40) years. The CPI rose 8.5% in March 2022 compared with a year earlier. The general effects of inflation on the economy of the United States can be wide ranging, evidenced by rising wages and rising costs of consumer goods and necessities. On March 16, 2022, in an effort to tamp down inflationary pressures, the Federal Reserve increased interest rates for the first time since December 2018 and signaled future rate increases. Additionally, the Federal Reserve has announced plans to decrease purchases of government and mortgage-related bonds. Volatility in market conditions, resulting from the foregoing events have caused and may continue to cause credit spreads to widen, which reduces, among other things, availability of credit to our Company on favorable terms, liquidity in the market and price transparency of real estate related or asset-backed assets.

Our Company is actively monitoring these events and their effects on the Company's financial condition, liquidity, operations, industry, and workforce.

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 2022 and beyond. See Results of Operations.

For further discussion on the potential impacts of the COVID-19 pandemic, the Ukraine-Russia conflict and the Federal Reserve's monetary policies, see "Risks Related to the Business of the Company—Risks Related to COVID-19", "—Our business is significantly impacted by interest rates. Changes in prevailing interest rates or U.S. monetary policies that affect interest rates may have a detrimental effect on our business", "—Our hedging strategies may not be successful in mitigating our risks associated with changes in interest rates; our Company is exposed to other credit risk." and "—Escalating global trade tensions, and the conflict between Russia and Ukraine, and the adoption or expansion of economic sanctions or trade restrictions could negatively impact us" under the section entitled "Item 1A.Risk Factors" in our Annual Report on 10-K filed with the SEC on March 15, 2022, as such risk factors may be amended or updated in our subsequent periodic reports.

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."

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.

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 prior to the Business Combination consisted of tax expense related only 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. Subsequent to the Business Combinations, 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 intangible assets resulting from adjusting the basis of intangible assets to their fair value have resulted in increased amortization expense in the periods following the consummation of the Business Combination.

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, require public companies to implement specified corporate governance practices that are not applicable to a private company. These additional rules and regulations increase our legal, regulatory and financial compliance costs and make some activities more time-consuming and costly.

Components of Our Results of Operations

Revenue

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

Gain on sale and other income from 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 MSRs. 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 MSRs 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, and hedging derivatives, from the time of origination to the ultimate sale of the loan or other settlement of those financial instruments.

Net fair value gains on 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 components of net fair value gains on loans and related obligations. See Note 4—Fair Value within our 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 or when the service to the third-party has been provided.

In addition to the fees earned from customers, we recognize the changes in fair value of MSRs as current period income (loss). To hedge against volatility in the fair value of certain MSRs, we enter into various derivative agreements, which may include but are not limited to interest rate swap futures. Changes in the fair value of such derivative instruments and the related hedging gains and losses are also included as a component of fee income.

Net interest income (expense)

We earn interest income on mortgage loans and incur interest expense on our warehouse lines of credit andnon-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 loans and related obligations.

Operating Expenses

Salaries, benefits and related expenses

Salaries, benefits and related expenses includes commissions, bonuses, equity based compensation, 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 onnon-operating assets, revaluation of the warrant liability, and remeasurement of the TRA obligations.

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. Prior to the Business Combination, provision for income taxes consisted of tax expense related only 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.

Subsequent to the Business Combination, 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 March 31, 2022, and for the Predecessor period from January 1, 2021 to March 31, 2021.

Consolidated Results

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

	For the three months ended March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Gain on sale and other income from loans held for sale, net	**$ 118,352**	$ 291,334
Net fair value gains on loans and related obligations	**10,435**	76,663
Fee income	**157,604**	161,371
Net interest expense	**(18,957)**	(21,705)
Total revenue	**267,434**	507,663
Total expenses	**349,536**	373,314
Other, net	**4,772**	(8,892)
NET INCOME (LOSS) BEFORE TAXES	**$ (77,330)**	$ 125,457

Net fair value gains on loans and related obligations

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 loans and related obligations on the Condensed Consolidated Statements of Operations (Unaudited).

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

	For the three months ended March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Net origination gains	**$ 109,230**	$ 73,880
Net fair value gains from portfolio activity[1]	**38,868**	32,386
Net fair value gains (losses) from changes in market inputs or model assumptions	**(137,663)**	(29,603)
Net fair value gains on loans and related obligations	**$ 10,435**	$ 76,663

[1] This line item includes realization of interest income and interest expense related to loans held for investment and securitization trusts, runoff and portfolio amortization

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 loans and related obligations in the Condensed Consolidated Statements of Operations (Unaudited). 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 Condensed Consolidated Statements of Operations (Unaudited). Further, interest income on collateralized loans may be reflected in net fair value gains on loans and related obligations on the Condensed Consolidated Statements of Operations (Unaudited), 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 March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Interest income on commercial and reverse loans	**$ 163,694**	$ 160,568
Interest expense on HMBS and nonrecourse obligations	**(106,643)**	(119,201)
Net interest margin included in net fair value gains on mortgage loans [(1)]	**57,051**	41,367
Interest income on mortgage loans held for sale	**12,946**	12,621
Interest expense on warehouse lines of credit	**(26,065)**	(26,546)
Non-funding debt interest expense	**(6,703)**	(7,756)
Other interest income	**927**	40
Other interest expense	**(62)**	(64)
Net interest expense	**(18,957)**	(21,705)
NET INTEREST MARGIN	**$ 38,094**	$ 19,662

(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 in the Company's Annual Report on Form 10-K filed with the SEC on March 15, 2022 for additional information on the Company's accounting related to commercial and reverse mortgage loans.

For the three months ended March 31, 2022 (Successor) versus the three months ended March 31, 2021 (Predecessor)

Net income (loss) before taxes decreased $202.8 million or 161.6% primarily as a result of the following:

- Gain on sale and other income from loans held for sale, net, decreased $173.0 million or 59.4% primarily as a result of lower volume and margin within our Mortgage Originations segment. Our Mortgage Originations segment had $5.3 billion in net rate lock volume for the three months ended March 31, 2022 compared to $8.4 billion for the comparable 2021 period, and mortgage origination margin of 2.11% for the three months ended March 31, 2022 compared to 3.41% for the comparable 2021 period. Gain on sale margins decreased primarily due to rate volatility during both periods and competitive pressure on margins in the 2022 period.

- Net fair value gains on loans and related obligations decreased by $66.2 million or 86.4% primarily as a result of fair value losses from market inputs or model assumptions, offset by growth in net origination gains from our Reverse Originations segments. Fair value losses from changes in market inputs or model assumptions were $137.7 million for the three months ended March 31, 2022 primarily due to fair value adjustments related predominantly to increases in market discount rate assumptions and market yield assumptions. This compares to $29.6 million in fair value losses from changes in market inputs or model assumptions for the three months ended March 31, 2021. See Note 4 - Fair Value within the condensed consolidated financial statements for additional information on assumptions impacting the value of our loans held for investment. The Reverse Originations segment recognized $105.8 million in net origination gains on originations of $1,474.5 million of reverse mortgage loans for the three months ended March 31, 2022 compared to $68.4 million on originations of $768.8 million for the comparable 2021 period.

- Total expenses decreased $23.8 million or 6.4% due to lower salaries, benefits and related expenses partially offset by increased general and administrative expenses. Salaries, benefits and related expenses decreased by $29.5 or 12.3% primarily as a result of our lower loan origination volumes during the three months ended March 31, 2022, partially offset by increases related to the Business Combination.

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. The allocation methodology is reviewed annually. There were no changes to methodology during the three months ended March 31, 2022. 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 March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Gain on sale and other income from loans held for sale, net	**$ 111,921**	$ 286,481
Fee income	**20,149**	32,731
Net interest income (expense)	**3,201**	891
Total revenue	**135,271**	320,103
Total expenses	**156,783**	224,246
NET INCOME (LOSS) BEFORE TAXES	**$ (21,512)**	$ 95,857

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, closed-end second mortgages and home improvement loans 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 (in thousands):

	For the three months ended March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Loan origination volume (dollars)		
Conforming	**$ 3,330,465**	$ 5,397,708
Government	**705,299**	1,068,650
Non-conforming	**1,022,591**	1,937,860
Home improvement	**47,903**	—
Total loan origination volume	**$ 5,106,258**	$ 8,404,218
Loan origination volume by type (dollars)		
Agency	**$ 3,939,695**	$ 7,367,044
Non-agency	**1,118,660**	1,037,174
Home improvement	**47,903**	—
Total loan origination volume by type	**$ 5,106,258**	$ 8,404,218
Loan origination volume by channel (dollars)		
Retail	**$ 2,933,566**	$ 5,622,487
Wholesale/Correspondent	**1,657,307**	1,706,365
Consumer direct	**467,482**	1,075,366
Home improvement	**47,903**	—
Total loan origination volume by channel	**$ 5,106,258**	$ 8,404,218
Loan origination volume by type (dollars)		
Purchase	**$ 2,766,119**	$ 2,664,493
Refinance	**2,292,236**	5,739,725
Home improvement	**47,903**	—
Total loan origination volume by type	**$ 5,106,258**	$ 8,404,218
Loan origination volume (units)		
Conforming	**9,242**	18,090
Government	**2,117**	3,426
Non-conforming	**1,102**	2,472
Home improvement	**4,007**	—
Total loan origination volume	**16,468**	23,988
Loan origination volume by type (units)		
Agency	**11,002**	22,763
Non-agency	**1,459**	1,225
Home improvement	**4,007**	—
Total loan origination volume by type	**16,468**	23,988
Loan origination volume by channel (units)		

	For the three months ended March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Retail	**7,824**	16,123
Wholesale/Correspondent	**3,339**	4,745
Consumer direct	**1,298**	3,120
Home improvement	**4,007**	—
Total loan origination volume by channel	**16,468**	23,988
Loan origination volume by type (units)		
Purchase	**6,725**	7,534
Refinance	**5,736**	16,454
Home improvement	**4,007**	—
Total loan origination volume by type	**16,468**	23,988
Loan sales by investor (dollars)		
Agency	**$ 4,262,735**	$ 7,246,418
Private	**1,130,284**	1,152,810
Total loan sales by investor	**$ 5,393,019**	$ 8,399,228
Loan sales by type (dollars)		
Servicing released	**$ 1,482,935**	$ 2,086,550
Servicing retained	**3,910,084**	6,312,678
Total loan sales by type	**$ 5,393,019**	$ 8,399,228
Net rate lock volume	**$ 5,316,742**	$ 8,405,313
Mortgage originations margin (including servicing margin)[(1)]	**2.11%**	3.41%
Capitalized servicing rate (in bps)	**125.7**	89.1

(1) *Calculated for each period as Gain on sale and other income from loans held for sale, net, divided by Net rate lock volume.*

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 March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Gain on sale, net	**$ 66,160**	$ 200,874
Provision for repurchases	**(1,631)**	(2,258)
Realized hedge gains	**81,108**	74,823
Changes in fair value of loans held for sale	**(41,772)**	(41,485)
Changes in fair value of interest rate locks	**(20,486)**	(49,946)
Changes in fair value of derivatives/hedges	**28,542**	104,473
Gain on sale and other income from loans held for sale, net	**111,921**	286,481
Origination related fee income	**20,149**	32,731
Net interest income	**3,201**	891
Total revenue	**$ 135,271**	$ 320,103

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

	For the three months ended March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Interest income	**$ 12,572**	$ 12,483
Interest expense	**(9,371)**	(11,592)
Net interest income (expense)	**$ 3,201**	$ 891
WAC - loans held for sale	**4.0%**	2.9%
WAC - warehouse lines of credit	**3.6%**	3.0%

For the three months ended March 31, 2022 (Successor) versus the three months ended March 31, 2021 (Predecessor)

Total revenue decreased $184.8 million or 57.7% as a result of the following:

- Gain on sale, net, decreased $134.7 million or 67.1% as a result of decreased gain on sale margins on lower sales volume during the three months ended March 31, 2022. We sold $5.4 billion in mortgage loans for the three months ended March 31, 2022 compared to $8.4 billion for the comparable 2021 period. Weighted average gain on sale margins on sold loans were 1.2% for the three months ended March 31, 2022 compared to 2.4% for the comparable 2021 period. Gain on sale margins decreased primarily due to rate volatility during both periods and competitive pressure on margins in the 2022 period.

- During the three months ended March 31, 2022, net realized and unrealized hedge gains were $109.7 million compared to $179.3 million in the comparable 2021 period, driven by increases in average market interest rates.

- Changes in fair value of interest rate locks improved $29.5 million or 59.0% as a result of lower net change in our interest rate lock pipeline. The fair value of the interest rate lock pipeline decreased from $87.6 million at December 31, 2020 to $37.6 million at March 31, 2021. Comparatively, the fair value of the interest rate lock pipeline decreased from $23.2 million at December 31, 2021 to $2.7 million at March 31, 2022 due to higher average interest rates.
- Origination related fee income decreased $12.6 million or 38.4% as a result of lower loan origination volume during the three months ended March 31, 2022.

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 March 31, 2022	January 1, 2021 to March 31, 2021
	Successor	Predecessor
Commissions and bonuses	**$ 47,828**	$ 111,766
Salaries	**44,156**	46,232
Other salary related expenses	**20,812**	18,451
Total salaries, benefits and related expenses	**112,796**	176,449
Loan origination fees	**10,188**	14,003
Loan processing expenses	**4,009**	5,462
Other general and administrative expenses	**25,180**	23,112
Total general and administrative expenses	**39,377**	42,577
Occupancy, equipment rentals and other office related expenses	**4,610**	5,220
Total expenses	**$ 156,783**	$ 224,246

For the three months ended March 31, 2022 (Successor) versus the three months ended March 31, 2021 (Predecessor)

Total expenses decreased $67.5 million or 30.1% as a result of the following:

- Salaries, benefits and related expenses decreased $63.7 million or 36.1%, primarily due to a decrease of $63.9 million in commissions and bonus, as well as, a reduction in average headcount. Commissions and bonuses decreased due to channel mix with wholesale/correspondent comprising a larger percentage of funded volume and a reduction in funded volume during the three months ended March 31, 2022 when compared to the same period for 2021. Average headcount for the three months ended March 31, 2022 was 2,819 compared to 3,058 for the 2021 period.
- General and administrative expenses decreased $3.2 million or 7.5% primarily due to lower origination volume which resulted in a decrease of $3.8 million in loan origination expenses and a decrease of $1.5 million in loan processing expenses. This was partially offset by an increase of $2.0 million in other general and administrative expenses due to higher amortization of intangibles relating to the Business Combination during the three months ended March 31, 2022.

Reverse Originations Segment

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

	For the three months ended March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Net origination gains	105,755	$ 68,449
Fee income	1,816	524
Total revenue	**107,571**	68,973
Total expenses	**43,179**	23,693
Other, net	**$ 3,214**	34
NET INCOME (LOSS) BEFORE TAXES	**$ 67,606**	$ 45,314

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.

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 March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Loan origination volume		
Total loan origination volume - new originations[1]	**$ 1,474,537**	$ 768,795
Total loan origination volume - tails[2]	**157,293**	120,775
Total loan origination volume	**$ 1,631,830**	$ 889,570
Total loan origination volume - units	**4,374**	2,864
Loan origination volume - new originations by channel[3]		
Retail	**$ 206,198**	$ 127,679
TPO	**1,268,339**	641,116
Total loan origination volume - new originations by channel	**$ 1,474,537**	$ 768,795

(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 which 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 March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Net origination gains:		
Retail	**$ 19,311**	$ 16,913
TPO	**160,542**	99,678
Acquisition costs	**(74,098)**	(48,142)
Total net origination gains	**105,755**	68,449
Fee income	**1,816**	524
Total revenue	**$ 107,571**	$ 68,973

For the three months ended March 31, 2022 (Successor) versus the three months ended March 31, 2021 (Predecessor)

Total revenue increased $38.6 million or 56.0% as a result of the following:

- Net origination gains increased $37.3 million or 54.5% as a result of higher loan origination volume during the three months ended March 31, 2022, slightly offset by lower margins due to rising yields. The higher origination volume is attributable to home price appreciation leading to an increase in market size, more equity available to seniors, and increased refinance volumes in the three months ended March 31, 2022. We originated $1,474.5 million of reverse mortgage loans for the three months ended March 31, 2022, an increase of 91.8%, compared to $768.8 million for the comparable 2021 period.

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 months ended March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Salaries and bonuses	**$ 16,356**	$ 11,692
Other salary related expenses	**6,030**	1,395
Total salaries, benefits and related expenses	**22,386**	13,087
Loan origination fees	**2,663**	3,258
Professional fees	**130**	2,079
Other general and administrative expenses	**17,543**	4,958
Total general and administrative expenses	**20,336**	10,295
Occupancy, equipment rentals and other office related expenses	**457**	311
Total expenses	**$ 43,179**	$ 23,693

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For the three months ended March 31, 2022 (Successor) versus the three months ended March 31, 2021 (Predecessor)

Total expenses increased $19.5 million or 82.2% as a result of the following:

- Salaries and bonuses and other salary related expenses increased $9.3 million or 71.1% primarily due to an increase in average headcount, as well as an increase in bonuses and allocated corporate expenses. Average headcount for the three months ended March 31, 2022 was 493 compared to 329 for the 2021 period.
- General and administrative expenses increased $10.0 million or 97.5% primarily due to an increase in amortization expenses related to the Business Combination, coupled with an increase in marketing expenses.

Commercial Originations Segment

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

	For the three months ended March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Net origination gains	**$ 3,475**	$ 5,431
Fee income	**17,158**	8,930
Total revenue	**20,633**	14,361
Total expenses	**23,087**	13,391
Other, net	**124**	149
NET INCOME (LOSS) BEFORE TAXES	**$ (2,330)**	$ 1,119

Our Commercial Originations segment generates its revenues primarily from the origination of loans secured byl-8 family residential properties, which are owned for investment purposes as either long-term rentals ("SRL") or "fix and flip" properties that 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 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 (in thousands):

	For the three months ended March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Loan origination volume (dollars)[1]		
Portfolio	**$ 114,001**	$ 59,458
SRL	**268,173**	104,992
Fix & flip	**94,680**	90,018
New construction	**22,647**	3,422
Agricultural[2]	**73,349**	83,013
Total loan origination volume	**$ 572,850**	$ 340,903
Loan origination volume (units)[1]		
Portfolio	**142**	71
SRL	**1,389**	643
Fix & flip	**430**	430
New construction	**49**	13
Agricultural[2]	**26**	27
Total loan origination volume	**2,036**	1,184

(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.

(2) Revenue from origination and management of agricultural loans is recognized in our Portfolio Management segment.

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 March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Net origination gains	**$ 3,475**	$ 5,431
Fee income	**17,158**	8,930
Total revenue	**$ 20,633**	$ 14,361

For the three months ended March 31, 2022 (Successor) versus the three months ended March 31, 2021 (Predecessor)

Total revenue increased $6.3 million or 43.7% as result of the following:

- Net origination gains decreased by $2.0 million or 36.0%, primarily as a result of a decrease in margin. The decrease in margin was driven by volatility in market interest rates and increased investor yield requirements not passed through to borrowers during the three months ended March 31, 2022. This was partially offset by an increase in loan origination volume. We originated $572.9 million in commercial loans for the three months ended March 31, 2022 compared to $340.9 million during the comparable 2021 period.

- Fee income increased $8.2 million or 92.1% primarily as a result of a 68.0% increase in loan origination volume and an 11.7% increase in fee income per originated loan during the three months ended March 31, 2022. The increase in fee income per originated loan was driven by higher average loan sizes for the three months ended March 31, 2022 when compared to the same period in 2021.

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 March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Salaries	**$ 6,632**	$ 4,769
Commissions and bonus	**3,829**	2,092
Other salary related expenses	**3,029**	797
Total salaries, benefits and related expenses	**13,490**	7,658
Loan origination fees	**5,482**	3,140
Professional fees	**928**	891
Other general and administrative expenses	**2,818**	1,164
Total general and administrative expenses	**9,228**	5,195
Occupancy, equipment rentals and other office related expenses	**369**	538
Total expenses	**$ 23,087**	$ 13,391

For the three months ended March 31, 2022 (Successor) versus the three months ended March 31, 2021 (Predecessor)

Total expenses increased $9.7 million or 72.4% as a result of the following:

- Salaries, benefits and related expenses increased $5.8 million or 76.2% primarily due to the increase in average headcount and production related compensation to support the increased origination volume and allocation of share based compensation. Salaries and other salary related expenses increased $4.1 million or 73.6% primarily due to the increase in average headcount for the three months ended March 31, 2022 of 325 compared to 179 for the 2021 period. Commissions and bonuses increased $1.7 million or 83.0% primarily as a result of a 68.0% increase in loan origination volume during the three months ended March 31, 2022 compared to the comparable 2021 period.
- General and administrative expenses increased $4.0 million or 77.6% primarily due to the increase in loan origination fees and other general and administrative expenses. Loan origination fees increased $2.3 million or 74.6% primarily as a result of a 68.0% increase in loan origination volume during the three months ended March 31, 2022 compared to the comparable 2021 period, and other general and administrative expenses increased $1.6 million due to an increase in amortization expenses related to the Business Combination.

Lender Services Segment

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

	For the three months ended March 31, 2022	January 1, 2021 to March 31, 2021
	Successor	**Predecessor**
Gain on sale and other income from loans held for sale, net	**$ 210**	$ —
Fee income	**76,152**	76,383
Net interest expense	**127**	(36)
Total revenue	**76,489**	76,347
Total expenses	**70,756**	62,970
Other, net	**1,664**	2
NET INCOME (LOSS) BEFORE TAXES	**$ 7,397**	$ 13,379

Our Lender Services segment generates its revenues primarily from fee income. Revenue from our Lender Services include both the title agent closing and underwriting services. These services are directly tied to the number of closings and orders that are processed throughout the period. In addition, student and consumer loan processing, fulfillment services, and MSR valuation services all contribute to our total revenue in the Lender Services segment.

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KEY METRICS

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

	For the three months ended March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Incenter title agent orders	**29,449**	54,960
Incenter title agent closings	**26,641**	46,991
Total appraisals	**10,793**	7,427
Title insurance underwriter policies	**46,803**	48,814
FTE count for fulfillment revenue	**991**	858
Total MSR valuations performed	**146**	124

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 March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Title agent and closing services	**$ 23,876**	$ 31,750
Insurance underwriting services	**35,428**	33,322
Student and consumer loan origination services	**2,457**	2,012
Fulfillment services	**7,666**	6,779
MSR trade brokerage, valuation and other services	**5,700**	2,462
Other income	**1,235**	58
Net interest expense	**127**	(36)
Total revenue	**$ 76,489**	$ 76,347

For the three months ended March 31, 2022 (Successor) versus the three months ended March 31, 2021 (Predecessor)

Total revenue increased $0.1 million or 0.2% as a result of the following:

- For the three months ended March 31, 2022, title agent and closing revenue decreased $7.9 million or 24.8%, as a result of lower volume. We acted as title agent on 26,641 loan closings, compared to 46,991 loan closings for the 2021 period, a decrease of 43.3%. The decrease in volume was primarily the result of increasing interest rates resulting in a decline in refinance volumes. This decrease was offset by an increase of $2.1 million or 6.3% in insurance underwriting services, an increase of $3.2 million or 131.5% in MSR trade volume, as a result of increased activity in the MSR market, and an increase of $1.2 million of other income.

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 March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Salaries	$ 18,499	$ 16,715
Commissions and bonus	5,753	7,045
Other salary related expenses	5,828	4,001
Total salaries, benefits and related expenses	**30,080**	27,761
Title and closing	26,643	25,062
Communication and data processing	3,095	2,960
Other general and administrative expenses	9,980	6,040
Total general and administrative expenses	**39,718**	34,062
Occupancy, equipment rentals and other office related expenses	958	1,147
Total expenses	**$ 70,756**	$ 62,970

For the three months ended March 31, 2022 (Successor) versus the three months ended March 31, 2021 (Predecessor)

Total expenses increased $7.8 million or 12.4% as a result of the following:

- Salaries, benefits and related expenses increased $2.3 million or 8.4%, primarily due to the 15.5% increase in headcount. Our average headcount increased for the three months ended March 31, 2022 compared to the 2021 period in order to accommodate the demands of the business. On-shore headcount averaged 991 for the three months ended March 31, 2022, and 858 for the comparable 2021 period. Commissions and bonus expense decreased $1.3 million in conjunction with the decrease in title agent and closing services revenue.
- General and administrative expenses increased $5.7 million or 16.6% primarily due to higher other general and administrative expenses associated with a higher headcount and amortization of intangibles relating to the Business Combination.

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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 March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Gain on sale and other income from loans held for sale, net	**$ 10,928**	$ 5,065
Net fair value gains (losses)	**(102,785)**	2,750
Fee income	**54,525**	36,191
Net interest expense	**(15,676)**	(14,816)
Total revenue	**(53,008)**	29,190
Total expenses	**34,711**	24,406
Other, net	**27**	895
NET INCOME (LOSS) BEFORE TAXES	**$ (87,692)**	$ 5,679

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 MSRs that we hold to maturity, servicing fee income related to the MSRs, 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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KEY METRICS

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

	March 31, 2022	December 31, 2021
Cash and cash equivalents	**$ 45,420**	$ 43,261
Restricted cash	**313,699**	320,116
Loans held for investment, subject to HMBS liabilities, at fair value	**10,672,152**	10,556,054
Loans held for investment, subject to nonrecourse debt, at fair value	**6,235,990**	6,218,194
Loans held for investment, at fair value	**1,218,990**	1,031,328
MSRs, at fair value	**426,102**	427,942
Other assets, net	**497,827**	228,069
Total long-term investment assets	**19,410,180**	18,824,964
Loans held for sale, at fair value	**218,468**	149,425
Total earning assets	**19,628,648**	18,974,389
HMBS related obligations, at fair value	**10,548,131**	10,422,358
Nonrecourse debt, at fair value	**6,323,777**	6,111,242
Other financing lines of credit	**1,753,417**	1,525,529
Payables and other liabilities	**94,454**	96,080
Total financing of portfolio	**18,719,779**	18,155,209
Net equity in earning assets	**$ 908,869**	$ 819,180

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

	March 31, 2022	December 31, 2021
MSRs Portfolio		
Loan count	**103,277**	118,939
Ending unpaid principal balance	**$ 33,008,009**	$ 38,219,162
Average unpaid principal balance	**$ 320**	$ 321
Weighted average coupon	**3.11%**	3.01%
Weighted average age (in months)	**12**	11
Weighted average FICO credit score	**752**	756
90+ day delinquency rate	**0.1%**	0.1%
Total prepayment speed	**6.7%**	8.3%
Reverse Mortgages		
Loan count	**60,737**	59,480
Active unpaid principal balance	**$ 15,648,425**	$ 14,902,734
Due and payable	**320,870**	322,057
Foreclosure	**595,653**	599,087
Claims pending	**85,477**	73,327
Ending unpaid principal balance	**$ 16,650,425**	$ 15,897,205
Average unpaid principal balance	**$ 274**	$ 267
Weighted average coupon	**4.02%**	3.92%
Weighted average age (in months)	**42**	43
Percentage in foreclosure	**3.6%**	3.8%
Commercial (SRL/Portfolio/Fix & Flip)		
Loan count	**2,490**	2,222
Ending unpaid principal balance	**$ 553,109**	$ 479,190
Average unpaid principal balance	**$ 216**	$ 216
Weighted average coupon	**6.40%**	7.43%
Weighted average loan age (in months)	**7**	8
SRL conditional prepayment rate	**0.1%**	1.4%
SRL non-performing (60+ days past due)	**1.3%**	1.3%
F&F single month mortality	**10.1%**	8.9%
F&F non-performing (60+ days past due)	**10.4%**	13.6%
Agricultural Loans		
Loan count	**82**	80
Ending unpaid principal balance	**$ 178,473**	$ 144,328
Average unpaid principal balance	**$ 1,804**	$ 1,804
Weighted average coupon	**7.17%**	7.14%
Weighted average loan age (in months)	**5**	7

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	For the three months ended March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Investment and Capital Markets		
Number of structured deals	**2**	1
Structured deals (size in notes)	**$ 1,090,038**	$ 571,448
Number of whole loan trades	**15**	8
UPB of whole loan trades	**$ 318,724**	$ 195,929

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 March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
REVENUE		
Gain on sale and other income from loans held for sale, net	**$ 10,928**	$ 5,065
Net fair value gains:		
Net fair value gains from portfolio activity	**36,784**	32,386
Net fair value gains (losses) from changes in market inputs or model assumptions	**(139,569)**	(29,636)
Total net fair value gains (losses)	**(102,785)**	2,750
Net interest expense	**(15,676)**	(14,816)
Fee income:		
Servicing income (MSR)	**50,168**	33,698
Underwriting, advisory and valuation fees	**493**	997
Asset management fees	**—**	9
Other fees	**3,864**	1,487
Total fee income	**54,525**	36,191
Total revenue	**$ (53,008)**	$ 29,190

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 loans and related obligations in the Condensed Consolidated Statements of Operations (Unaudited). 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 Condensed Consolidated Statements of Operations (Unaudited). Further, interest income on collateralized loans may be reflected in net fair value gains on loans and related obligations on the Condensed Consolidated Statements of Operations (Unaudited), 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 March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Interest income on commercial and reverse loans	**$ 163,694**	$ 160,568
Interest expense on HMBS and nonrecourse obligations	**(106,643)**	(119,201)
Net interest margin included in net fair value gains and losses on mortgage loans [(1)]	**57,051**	41,367
Interest income on mortgage loans held for sale	**327**	138
Interest expense on warehouse lines of credit	**(16,003)**	(14,954)
Net interest expense	**(15,676)**	(14,816)
NET INTEREST MARGIN	**$ 41,375**	$ 26,551

(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 consolidated financial statements in the Company's Annual Report on Form 10-K filed with the SEC on March 15, 2022, 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 DCF 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 loans and related obligations on the Condensed Consolidated Statements of Operations (Unaudited).

For the three months ended March 31, 2022 (Successor) versus the three months ended March 31, 2021 (Predecessor)

Total revenue decreased $82.2 million or 281.6% as a result of the following:

- Gain on sale and other income from loans held for sale, net, increased $5.9 million primarily due to increased commercial loan sales as a result of the increased commercial loan volume during the three months ended March 31, 2022 compared to the 2021 period.
- Net fair value losses from changes in market inputs or model assumptions decreased $109.9 million due to fair value adjustments related predominantly to increases in modeled prepayment speeds and market discount rate assumptions on securitized mortgage assets for the three months ended March 31, 2022 compared to the 2021 period.
- Net interest expense on our warehouse lines increased $1.0 million due primarily to a higher average cost of funds on our financing lines of credit.
- Fee income increased $18.3 million primarily related to fair market value gains on the MSR portfolio due to higher average interest rates, slightly offset by lower servicing fee income due to a decrease of loans in the MSR portfolio for the three months ended March 31, 2022 compared to the 2021 period.

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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 March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Salaries and bonuses	$ 10,723	$ 5,650
Other salary related expenses	1,091	497
Total salaries, benefits and related expenses	11,814	6,147
Securitization expenses	6,794	4,459
Servicing related expenses	5,954	8,651
Other general and administrative expenses	9,951	4,887
Total general and administrative expenses	22,699	17,997
Occupancy, equipment rentals and other office related expenses	198	262
Total expenses	$ 34,711	$ 24,406

For the three months ended March 31, 2022 (Successor) versus the three months ended March 31, 2021 (Predecessor)

Total expenses increased $10.3 million or 42.2% as a result of the following:

- Salaries, benefits and related expenses increased $5.7 million or 92.2%, primarily due to allocated costs associated with the Business Combination, an increase in bonus compensation, and an increase in allocated shared services.
- General and administrative expenses increased $4.7 million or 26.1% primarily due to an increase in fees related to the securitization of assets into nonrecourse securitizations and an increase in other general and administrative expenses as a result of higher allocated shared services. This was slightly offset by a decrease in loan portfolio expenses related to the subservicing expense on the retained MSR portfolio, as a result of a decrease in the number of loans being serviced within the MSR portfolio during the three months ended March 31, 2022 compared to the 2021 period.

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 March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Net interest expense	$ (6,609)	$ (7,744)
Total interest and other expense	(6,609)	(7,744)
Total expenses	34,038	18,683
Other, net	(152)	(9,464)
NET INCOME (LOSS) BEFORE TAXES	$ (40,799)	$ (35,891)

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 March 31, 2022	January 1, 2021 to March 31, 2021
	Successor	Predecessor
Salaries and bonuses	**$ 38,700**	$ 22,779
Other salary related expenses	**3,259**	3,306
Shared services - payroll allocations	**(23,386)**	(18,657)
Total salaries, benefits and related expenses	**18,573**	7,428
Communication and data processing	**4,616**	3,015
Professional fees	**8,557**	10,334
Other general and administrative expenses	**4,630**	1,481
Shared services - general and administrative allocations	**(3,583)**	(3,694)
Total general and administrative expenses	**14,220**	11,136
Occupancy, equipment rentals and other office related expenses	**1,245**	119
Total expenses	**$ 34,038**	$ 18,683

For the three months ended March 31, 2022 (Successor) versus the three months ended March 31, 2021 (Predecessor)

Net loss increased $4.9 million or 13.7% as a result of the following:

- Salaries, benefits, and related expenses, net of allocations, increased $11.1 million or 150.0% primarily due to an increase in average headcount, higher average compensation per employee, bonus compensation and cost allocations related to the Business Combination. Average headcount for the three months ended March 31, 2022 was 512 compared to 353 for the 2021 period. The increase in higher average compensation per employee was driven by shared based compensation along with inflationary costs related to hiring specific positions related to the Business Combination.
- General and administrative expenses, net of shared services allocations, increased $3.1 million or 27.7% due to increased other general and administrative expenses related to higher unallocated corporate costs of $3.1 million due to the Business Combination and increased communications and data processing expenses of $1.6 million, offset slightly by lower professional fees due to legal and accounting advisory fees of $1.7 million related to the Business Combination incurred during the 2021 period.
- Other, net increased $9.3 million or 98.4% due to a $9.5 million decrease in the fair value of minority investments during the three months ended March 31, 2021.

NON-GAAP FINANCIAL MEASURES

The Company's management evaluates performance of the Company through the use of certainnon-GAAP financial measures, including Adjusted Net Income, Adjusted EBITDA and Adjusted Diluted Earnings per 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 GAAP. Management believes 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 income (loss) or any other performance measures determined in accordance with GAAP or (ii) operating cash flows determine 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 the limitations of these metrics are: (i) cash expenditures for future contractual commitments; (ii) cash requirements for working capital needs; (iii) cash requirements for certain tax payments; and (iv) all non-cash income/expense items.

Because of these limitations, Adjusted Net Income, Adjusted EBITDA, and Adjusted Diluted Earnings per Share 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 condensed 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 (loss) adjusted for:

1. Change in fair value of loans and securities held for investment due to assumption changes
2. Amortization and other impairment of goodwill and intangible assets
3. Equity 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 income tax provision adjustments to apply the combined corporate statutory tax rates to adjusted consolidated pre-tax income (loss).

Management believes 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. 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 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 (loss) 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 impairment of goodwill and 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.

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

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Reconciliation to GAAP

	For the three months ended March 31, 2022 Successor	January 1, 2021 to March 31, 2021 Predecessor
Reconciliation of Net Income (Loss) to Adjusted Net Income and Adjusted EBITDA		
Net income (loss)	**$ (63,995)**	$ 124,320
Addback: Provision for income taxes	**(13,335)**	1,137
Net income (loss) before taxes	**(77,330)**	125,457
Adjustments for:		
Changes in fair value[1]	**95,773**	11,536
Amortization and impairment of goodwill and intangibles[2]	**13,808**	629
Equity-based compensation[3]	**9,470**	—
Certain non-recurring costs[4]	**8,837**	6,719
Adjusted Net Income before taxes	**50,558**	144,341
Provision for income taxes[5]	**(13,257)**	(37,529)
Adjusted Net Income	**37,301**	106,812
Effective Income Taxes[5]	**13,257**	37,529
Depreciation	**2,520**	2,163
Interest expense on non-funding debt	**6,703**	7,706
Adjusted EBITDA	**$ 59,781**	$ 154,210
GAAP PER SHARE MEASURES		
Net loss attributable to controlling interest	**$ (8,493)**	**N/A**
Weighted average shares outstanding	**60,773,891**	**N/A**
Basic earnings per share	**$ (0.14)**	**N/A**
If-converted method net income	**$ (57,246)**	**N/A**
Weighted average diluted shares	**189,448,936**	**N/A**
Diluted earnings per share	**$ (0.30)**	**N/A**
NON-GAAP PER SHARE MEASURES		
Adjusted Net Income	**$ 37,301**	$ 106,812
Weighted average diluted shares	**189,448,936**	191,200
Adjusted Diluted Earnings per Share	**$ 0.20**	$ 0.56
Book equity	**$ 1,032,095**	$ 844,386
Ending diluted shares	**189,448,936**	191,200
Book Equity per Diluted Share	**$ 5.45**	$ 4.42

(1) Changes in Fair Value - The adjustment for changes in fair value includes changes in fair value of loans and securities held for investment, deferred purchase price obligations, warrant liability, and minority investments.

Changes in fair value of loans and securities held for investment - 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 include changes in fair value for the following MSRs, 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. MSRs, 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.

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 businesses (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 invarious assumptions, including future performance, timing and realization of tax benefits and discount rates.

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.

(2) *Amortization and impairment of goodwill and intangible* - Successor period amortization includes amortization of intangibles recognized from the business combination with Replay.

(3) *Equity-based compensation* - Funded 85% by the non-controlling shareholders.

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

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

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, 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.

TRAs

In connection with the Business Combination, concurrently with the Closing, the Company entered into 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 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, 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.

As of March 31, 2022, the Company had a liability of $34.7 million related to its projected obligations under the TRA, which is included in deferred purchase price liabilities within payables and other liabilities on the Unaudited Condensed 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.

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Our cash flow from operating activities when combined with net proceeds from our portfolio financing 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

The following table presents net cash provided by (used in) operating activities, investing activities and financing activities (in thousands) for three months ended March 31, 2022 (Successor), and for the period from January 1, 2021 to March 31, 2021 (Predecessor):

	For the three months ended March 31, 2022	January 1, 2021 to March 31, 2021
	Successor	Predecessor
Net cash provided by (used in):		
Operating activities	$ 323,741	$ 118,043
Investing activities	(600,105)	(312,047)
Financing activities	355,538	307,695

Our cash increased $79.2 million for the three months ended March 31, 2022 (Successor) and increased $113.7 million for the three months from January 1, 2021 to March 31, 2021 (Predecessor).

Operating Cash Flow

Net cash provided by operating activities totaled $323.7 million for the three months ended March 31, 2022 (Successor) and $118.0 million for the three months from January 1, 2021 to March 31, 2021 (Predecessor).

Cash flows from operating activities improved $205.7 million for the three months ended March 31, 2022 (Successor) compared to the three months from January 1, 2021 to March 31, 2021 (Predecessor). The improvement was primarily attributable to higher proceeds from sale of loans held for sale, net of cash used for originations, and proceeds from hedge margin deposits reflecting as an increase in payables and accrued expenses and a decrease in Other assets, net. Proceeds from the sale of loans held for sale were $5.9 billion and $8.9 billion during the three months ended March 31, 2022 (Successor) and for the three months from January 1, 2021 to March 31, 2021 (Predecessor), respectively. Cash used for originations of loans held for sale was $5.4 billion and $8.6 billion for the three months ended March 31, 2022 (Successor) and for the three months from January 1, 2021 to March 31, 2021 (Predecessor), respectively.

Investing Cash Flow

Net cash used in investing activities totaled $600.1 million for the three months ended March 31, 2022 (Successor) and $312.0 million for the three months from January 1, 2021 to March 31, 2021 (Predecessor).

The increase of $288.1 million in cash used in our investing activities during the three months ended March 31, 2022 (Successor), compared to the three months from January 1, 2021 to March 31, 2021 (Predecessor), was primarily attributable to higher purchases/advances net of proceeds/payments on loans held for investment. We originated $1.9 billion and $1.2 billion of loans for the three months ended March 31, 2022 (Successor) and for the three months from January 1, 2021 to March 31, 2021 (Predecessor), respectively. These amounts were partially offset by higher proceeds and payments received on loans held for investment, at fair value and loans held for investment, subject to nonrecourse debt (change of $304.0 million) and higher proceeds on sale of mortgage servicing rights, net of purchases (change of $98.1 million).

Financing Cash Flow

Net cash provided by financing activities totaled $355.5 million for the three months ended March 31, 2022 (Successor) and $307.7 million for the three months from January 1, 2021 to March 31, 2021 (Predecessor).

The increase of $47.8 million in cash provided by our financing activities during the three months ended March 31, 2022 (Successor) compared to the three months from January 1, 2021 to March 31, 2021 (Predecessor), was primarily driven by a $380.9 increase in proceeds from issuance, net of payments on nonrecourse debt, a $115.3 million increase in proceeds from securitizations of loans, subject to HMBS related obligations, net of payments, and a $75 million increase in member distributions. This was partially offset by a $524.8 million increase in net cash payments from other financing lines of credit, net of proceeds.

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. The Company was in compliance or obtained waivers or amendments to the terms of financial covenants as of March 31, 2022.

Seller/Servicer Financial Requirements

We are also subject to net worth, capital ratio and liquidity requirements established by 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 March 31, 2022, we were in compliance with all of our seller/servicer financial requirements for FHA and Ginnie Mae. For additional information see Note 23—Liquidity and Capital Requirements within the consolidated financial statements.

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 March 31, 2022, our debt obligations were approximately $17.4 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 March 31, 2022, our Mortgage Originations segment had $3.3 billion in warehouse lines of credit collateralized by first lien mortgages with $1.4 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 2022 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 a spread, the prime rate plus a spread or an alternative short term index plus a spread.

The following table presents additional information about our Mortgage Originations segment's warehouse facilities as of March 31, 2022 (in thousands):

Mortgage Warehouse Facilities	Maturity Date	Total Capacity	March 31, 2022
Committed	May 2022 - November 2022	$ 1,025,000	**$ 547,353**
Uncommitted	May 2022 - June 2023	2,250,000	**890,370**
Total mortgage warehouse facilities		$ 3,275,000	**$ 1,437,723**

Reverse mortgage facilities

As of March 31, 2022, our Reverse Originations segment had $1.3 billion in warehouse lines of credit collateralized by first lien mortgages with $0.9 billion 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 2022 through 2023. 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.

The following table presents additional information about our Reverse Origination segment's warehouse facilities as of March 31, 2022 (in thousands):

Reverse Warehouse Facilities	Maturity Date	Total Capacity	March 31, 2022
Committed	June 2022 - April 2023	$ 475,000	**$ 419,417**
Uncommitted	April 2022 - November 2022	800,000	**468,018**
Total reverse warehouse facilities		$ 1,275,000	**$ 887,435**

Commercial loan facilities

As of March 31, 2022, our Commercial Originations segment had $0.4 billion in warehouse lines of credit collateralized by first lien mortgages and encumbered agricultural loans with $0.2 billion aggregate principal amount drawn through 5 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 guaranteed and another warehouse line of credit is partially guaranteed by our wholly-owned subsidiary, 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 a spread, the prime rate plus a spread or an alternative short term index plus a spread.

The following table presents additional information about our Commercial Origination segment's warehouse facilities as of March 31, 2022 (in thousands):

Commercial Warehouse Facilities	Maturity Date	Total Capacity	March 31, 2022
Committed	February 2022 - November 2023	$ 420,000	**$ 225,422**
Uncommitted	January 2024	12,500	**12,500**
Total commercial warehouse facilities		$ 432,500	**$ 237,922**

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.

Interest on our warehouse facilities vary by facility and may depend on the type of asset that is being financed. The interest rate on all outstanding facilities is LIBOR plus a spread, the prime rate plus a spread or an alternative short term index plus a spread.

Loans financed under certain of our warehouse facilities are subject to changes in fair value and margin calls. The fair value of our loans depends on a variety of economic conditions, including interest rates and market demand for loans. Under certain facilities, if the fair 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;

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- 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.

Other Secured Lines of Credit

As of March 31, 2022, our Mortgage, Reverse, and Commercial Originations segments collectively had $0.9 billion in additional secured facilities with $0.6 billion aggregate principal amount drawn through credit agreements or master repurchase agreements with 11 funding facility arrangements and 12 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 our shareholders, Blackstone, Inc. 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.

The following table presents additional information about our other secured lines of credit for our Mortgage, Reverse and Commercial Originations segments March 31, 2022 (in thousands):

Other Financing Lines of Credit	Maturity Date	Total Capacity	March 31, 2022
Committed	April 2022 - N/A	$ 842,500	**$ 581,347**
Uncommitted	May 2022 - June 2022	45,329	**45,329**
Total other secured lines of credit		$ 887,829	**$ 626,676**

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. The Company obtained waivers or revisions to terms of the affected covenants for the covenant violations and was in compliance with all other financial covenants as of March 31, 2022.

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 the HUD and nonperforming repurchased loans are generally liquidated in accordance with program requirements.

As of March 31, 2022, we had HMBS-related borrowings of $10.5 billion and HECMs pledged as collateral to the pools of $10.7 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 a HMBS pool ("HECM Buyouts"), fix & flip securitized loans, securitized agricultural 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 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 March 31, 2022, we had nonrecourse debt-related borrowings of $6.3 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 March 31, 2022, the Company had an outstanding advance against this commitment of $108.2 million, with a fair value of $164.0 million, for the purchase of MSRs. The Company accrued for excess servicing and ancillary fees against the outstanding advances in the amount of $5.3 million and $1.1 million, respectively, to these investors for the three months ended March 31, 2022 and March 31, 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.

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. The Company was in compliance with all required covenants related to the Notes as of March 31, 2022.

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.

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Contractual Obligations and Commitments

The following table provides a summary of obligations and commitments outstanding as of March 31, 2022 (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	$2,557,141	$2,249,024	$ 308,117	$ —	$ —
MSR line of credit	181,220	—	70,365	110,855	—
Other secured lines of credit	451,396	172,173	52,500	—	226,723
Nonrecourse debt(1)	6,276,613	1,242,161	5,034,452	—	—
Notes payable	353,196	—	—	353,196	—
Operating leases	79,216	14,727	34,640	8,491	21,358
Total	$9,898,782	$3,678,085	$5,500,074	$472,542	$248,081

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

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 Condensed 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 $10,109.8 million as of March 31, 2022.

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 MSRs. These transactions are treated as structured financings on the Condensed 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 MSRs.

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.

CRITICAL ACCOUNTING POLICIES

For a description of our critical accounting policies, see FoA’s Annual Report on Form10-K filed with the SEC on March 15, 2022.

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. The table below is presented in thousands.

	March 31, 2022	
	Down 25 bps	Up 25 bps
	(in thousands)	
Increase (decrease) in assets		
Reverse mortgage loans held for investment, subject to HMBS related obligations	$ 27,180	$ (26,978)
Mortgage loans held for investment, subject to nonrecourse debt:		
Reverse mortgage loans	63,542	(62,608)
Fix & flip mortgage loans	464	(462)
Agricultural loans	216	(216)
Mortgage loans held for investment:		
Reverse mortgage loans	12,650	(12,632)
Fix & flip mortgage loans	199	(198)
Agricultural loans	28	(28)
Mortgage loans held for sale:		
Residential mortgage loans	13,241	(14,788)
SRL	970	(956)
Portfolio	790	(777)
MSRs	(11,688)	9,924
Other assets	500	(501)
Derivative assets:		
Forward MBS	(22,118)	16,617
IRLCs	8,441	(9,428)
Total assets	$ 94,415	$(103,031)
Increase (decrease) in liabilities		
HMBS related obligation	$ 24,654	$ (24,421)
Nonrecourse debt	15,529	(17,298)
Derivative liabilities:		
Forward MBS, net	(1,414)	(6,124)
Interest rate swaps and futures contracts	38,335	(38,335)
Total liabilities	$ 77,104	$ (86,178)

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.

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 March 31, 2022, our disclosure controls and procedures not effective due to the material weakness in internal control over financial reporting discussed below.

Material Weakness in Internal Controls Over Financial Reporting

As previously reported, following the Business Combination, we identified a material weakness in Replay's internal controls over the accounting for temporary and permanent equity and complex financial instruments. Replay's internal controls to evaluate the accounting for complex financial instruments, such as temporary and permanent equity and warrants issued by a SPAC, did not operate effectively to appropriately apply the provisions of Accounting Standards Codification ("ASC"), Contracts in Entity's Own Equity (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 for the year ended December 31, 2020 and periods prior thereto.

Management has concluded that the material weakness continued to exist March 31, 2022. We identified that the controls over the accounting for significant and unusual transactions did not operate effectively with respect to application of the provisions of ASC 740 related to the accounting for the deferred tax asset related to the full impairment of goodwill generated as part of the Company's Business Combination on April 1, 2021. While this control deficiency did not result in any revision to the financial statements included in this Quarterly Report on Form 10-K, this deficiency, if not remediated, could have resulted in a material misstatement to our annual or interim consolidated statements that may not have been prevented or detected in a timely manner. Accordingly, we have determined that this control deficiency constitutes a material weakness.

Notwithstanding the material weakness described above, based on the additional analysis and other post-closing procedures performed, the Company believes the interim unaudited consolidated financial statements and other financial information included in this Quarterly Report on Form 10-Q, are fairly presented, in all material respects, in conformity with GAAP.

Plan of Remediation of Material Weakness in Internal Control Over Financial Reporting

As previously described in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2021, beginning in the second quarter of fiscal year 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 described above:

a. While we have processes to properly identify and evaluate the appropriate technical accounting 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 timely and correctly 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 additional 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.

In addition to the steps described above, management has previously engaged and continues to engage a third-party tax consultant well-versed in ASC 740 to assist management in evaluating the accounting for complex tax matters. We have also begun the process of executing the following remediation plan that further addresses the material weakness and have begun to implement the changes below to our processes to improve our internal control over financial reporting:

a. Review the organization structure, resources, processes, and controls in place to measure and record income taxes related to significant and unusual transactions to enhance the effectiveness of the design and operation of those controls.

b. Evaluate and enhance the level of precision in the management review controls related to income taxes for significant and unusual transactions.

Management is committed to remediating the material weakness in a timely fashion. Management believes it has made substantial progress towards remediating the material weakness, subject to continuous management testing of the operating effectiveness of these internal controls. Given the steps outlined above, management believes such efforts will effectively remediate the material weakness. Management will continually assess the effectiveness of the remediation efforts and may determine to take additional measures to address control deficiencies or modify the remediation plan described above.

The material weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control Over Financial Reporting

Other than the remediation efforts 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 March 31, 2022, 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 19—Litigation to our consolidated financial statements included in Part I, Item 1 of this Report.

Item 1A. Risk Factors

We are not aware of any material changes from the risk factors set forth under “Item 1A. Risk Factors” included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, originally filed with the SEC on March 15, 2022, which may be amended, supplemented, or suspended from time to time by other reports we file with the SEC (the “Form 10K”).

In addition to the other information included in this Report, you should carefully consider the factors discussed in “Item 1A. Risk Factors” included in the Form 10-K, 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 Form 10K 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

Exhibit No.	Description
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 Certificate of Incorporation of Finance of America Companies Inc. (incorporated by Reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on April 7, 2021).
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. 6 to Master Repurchase Agreement, dated as of March 22, 2022, 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.
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.

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.

Finance of America Companies Inc.

Date: May 10, 2022

By: /s/ Johan Gericke
Johan Gericke
Executive Vice President and Chief Financial Officer
(Authorized Signatory and Principal Financial Officer)

Certain confidential information contained in this document, marked by brackets ("[***]"), has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EXECUTION

AMENDMENT NO. 6 TO MASTER REPURCHASE AGREEMENT

Amendment No. 6 to Master Repurchase Agreement, dated as of March 18, 2022 (this "Amendment"), among NATIONAL FOUNDERS LP (the "Buyer"), FACO CROP LOANS LLC (the "Seller"), FACO CROP LOAN FINANCING TRUST C1 (the "Trust Subsidiary") and FINANCE OF AMERICA MORTGAGE LLC, as successor-in-interest to Finance of America Commercial LLC, as guarantor (the 'Guarantor").

RECITALS

The Buyer, Seller and Trust Subsidiary are parties to that certain Master Repurchase Agreement, dated as of March 18, 2020 (as amended by Amendment No. 1, dated as of July 30, 2020, Amendment No. 2, dated as of October 21, 2020, Amendment No. 3, dated as of March 19, 2021 Amendment No. 4, dated as of September 17, 2021 and Amendment No. 5, dated as of November 19, 2021, the "Existing Repurchase Agreement"; and as amended by this Amendment, the "Repurchase Agreement"). The Guarantor is party to that certain Guaranty, dated as of March 18, 2020, (as amended, restated, supplemented or otherwise modified from time to time, the "Guaranty") made in favor of the Buyer. Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Existing Repurchase Agreement.

The Buyer, Seller, Trust Subsidiary and Guarantor have agreed, subject to the terms and conditions of this Amendment, that the Existing Repurchase Agreement be amended to reflect certain agreed upon revisions to the terms of the Existing Repurchase Agreement. As a condition precedent to amending the Existing Repurchase Agreement, the Buyer has required the Guarantor to ratify and affirm the Guaranty on the date hereof.

Accordingly, the Buyer, Seller, Trust Subsidiary and Guarantor hereby agree, in consideration of the mutual promises and mutual obligations set forth herein, that the Existing Repurchase Agreement be hereby amended as follows:

SECTION 1. Amendments.

1.1 Definitions. Section 2 of the Existing Repurchase Agreement is hereby amended by:

(a) adding the following definitions in their proper alphabetical order:

"Sixth Amendment Effective Date" means March 18, 2022.

(b) deleting the definitions of "Availability Period", "Maximum Aggregate Purchase Price", "Termination Date" and "Yield Maintenance Fee", in their entirety and replacing them with the following:

"Availability Period" means the period commencing on the Effective Date through and including the earlier of (a) the later of (i) June 17, 2022 and (ii) any date agreed to by Buyer in writing if extended pursuant to Section 7 hereof and (b) such date as determined by Buyer pursuant to its rights and remedies under the Agreement following an Event of Default.

"Maximum Aggregate Purchase Price" means (a) on the Effective Date, $75,000,000, (b) on the Third Amendment Effective Date, $100,000,000, (c) on the Fourth Amendment Effective Date, $150,000,000, (d) on the Sixth Amendment Effective Date, $50,000,000 or (e) on any day thereafter, the amount increased or decreased pursuant to Section 7 hereof, which in no event shall exceed $150,000,000.

"Termination Date" means the earlier of (a) the later of (i) June 17, 2022 and (ii) any date agreed to by Buyer in writing if extended pursuant to Section 7 hereof and (b) such date as determined by Buyer pursuant to its rights and remedies under this Agreement following an Event of Default.

"Yield Maintenance Fee" means an amount equal to the difference of (a) the product of (i) the Non-Usage Threshold during such Yield Maintenance Period, multiplied by (ii) the Pricing Rate in effect for Transactions entered into as of the first date of the applicable Yield Maintenance Period, multiplied by (iii) [***] minus (b) the sum of (i) all total amounts of Price Differential paid to Buyer plus (ii) any Non-Usage Fees paid to Buyer, in each case, during the applicable Yield Maintenance Period.

1.2 Section 7(b) of the Existing Repurchase Agreement is hereby amended by deleting the language indicated in ~~strikethrough~~ text below:

"(b) Provided that no Default or Event of Default has occurred and is continuing, the Seller may request an extension of the Termination Date and Availability Period for an additional 364 days. Any such request shall be submitted to Buyer by Seller in writing no later than ninety (90) calendar days prior to and no more than one hundred ninety (190) calendar days prior to the end of the then existing Availability Period. Buyer shall use its commercially reasonable efforts to accept or reject such request within thirty (30) days of receipt thereof and Buyer's failure to respond promptly in writing shall be deemed to be a rejection of an extension request, at which point the Termination Date and Availability Period shall remain fixed. Any such extension of the Termination Date and/or Availability Period may be approved in the sole discretion of the Buyer and shall be further subject to any conditions set forth in the Agreement, any amendments to the terms hereof required by Buyer and the payment of any additional Commitment Fee. In no event shall the Termination Date or Availability Period be extended in excess of the three (3) year anniversary of the Effective Date. To the extent the parties fail to agree to extend the Availability Period, the Termination Date shall be ~~extended ninety (90) calendar days from~~ the then-existing Termination Date."

SECTION 2. Conditions Precedent. This Amendment shall become effective as of the date hereof, subject to the satisfaction of the following conditions precedent:

2.1 Delivered Documents. On the date hereof, the Buyer shall have received the following documents, each of which shall be satisfactory to the Buyer in form and substance:

(a) this Amendment, executed and delivered by the duly authorized officers of the Buyer, Seller, Trust Subsidiary and Guarantor; and

(b) such other documents as the Buyer or counsel to the Buyer may reasonably request.

2.2 The Seller shall remit an amendment fee in the amount of $[***] on the Sixth Amendment Effective Date.

SECTION 3. Representations and Warranties. Each of the Seller and Trust Subsidiary hereby represents and warrants to the Buyer that it is in compliance with all the terms and provisions set forth in the Repurchase Agreement on Seller's or Trust Subsidiary's part, as applicable, to be observed or performed, and that no Default or Event of Default has occurred or is continuing, and the Seller and Trust Subsidiary hereby confirms and reaffirms the representations and warranties contained in Section 13 of the Repurchase Agreement as of the date hereof are true and correct in all material respects, except to the extent such representations relate to a date prior to the date hereof, in which case the representations and warranties are true and correct in all material respects as of such date.

SECTION 4. Limited Effect. Except as expressly amended and modified by this Amendment, the Existing Repurchase Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms.

SECTION 5. Severability. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

SECTION 6. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Amendment by signing any such counterpart. Delivery of an executed counterpart of a signature page of this Amendment in Portable Document Format (PDF) or by facsimile shall be effective as delivery of a manually executed original counterpart of this Amendment. The parties agree that this Amendment, any addendum or amendment hereto or any other document necessary for the consummation of the transaction contemplated by this Amendment may be accepted, executed or agreed to through the use of an electronic signature in accordance with the Electronic Signatures in Global and National Commerce Act, 15 U.S.C. § 7001 *et seq*, Official Text of the Uniform Electronic Transactions Act as approved by the National Conference of Commissioners on Uniform State Laws at its Annual Conference on July 29, 1999 and any applicable state law. Any document accepted, executed or agreed to in conformity with such laws will be binding on all parties hereto to the same extent as if it were physically executed and each party hereby consents to the use of any secure third party electronic signature capture service providers, as long as such service providers use system logs and audit trails that establish a temporal and process link between the presentation of identity documents and the electronic signing, together with identifying information that can be used to verify the electronic signature and its attribution to the signer's identity and evidence of the signer's agreement to conduct the transaction electronically and of the signer's execution of each electronic signature.

SECTION 7. **GOVERNING LAW. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.**

SECTION 8. Reaffirmation of Guaranty. Guarantor hereby ratifies and affirms all of the terms, covenants, conditions and obligations of the Guaranty and acknowledges and agrees that the term "Obligations" as used in the Guaranty shall apply to all of the Obligations of Seller and Trust Subsidiary to Buyer under the Existing Repurchase Agreement, as amended hereby.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be duly executed as of the date first above written.

NATIONAL FOUNDERS LP, as Buyer

By: /s/ Brett M. Samsky
Name: Brett M. Samsky
Title: Chief Executive Officer

FACO CROP LOANS LLC, as Seller

By: /s/ Cameron Seymore
Name: Cameron Seymore
Title: Authorized Signer

FACO CROP LOAN FINANCING TRUST C1, as Trust Subsidiary

By: FACO Crop Loans LLC, as its Administrator

By: /s/ Cameron Seymore
Name: Cameron Seymore
Title: Authorized Signer

FINANCE OF AMERICA MORTGAGE LLC, as Guarantor

By: /s/ Robert Conway
Name: Robert Conway
Title: Treasurer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Patricia L. Cook, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 of Finance of America Companies Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financing reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financing reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2022

/s/ Patricia L. Cook

Patricia L. Cook
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Johan Gericke, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 of Finance of America Companies Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financing reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financing reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2022

/s/ Johan Gericke
Johan Gericke
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Finance of America Companies Inc. (the "Company") for the quarterly period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patricia L. Cook, Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2022

/s/ Patricia L. Cook
Patricia L. Cook
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Finance of America Companies Inc. (the "Company") for the quarterly period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Johan Gericke, Executive Vice President, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2022

/s/ Johan Gericke
Johan Gericke
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)