

Home Equity Conversion Mortgage (HECM) Backed Securities (HMBS) Update

Data as of April 2018

HMBS Current State Snapshot



HMBS Portfolio

- 16 Active HMBS Issuers
 - \$56.5B in UPB
 - 340,051 Loans
 - 11.4M Participations
- Fiscal year¹ (FY)-to-date growth in the outstanding portfolio is at 2.5%, up from 0.5% last year
 - This is largely driven by record issuance in the past three months, matched by record liquidations
 - Servicing is concentrated in a handful of Issuers, with the Top-3 comprising 52% of the program



HMBS Issuance

- **FY2017:**
 - \$9.6B issued in total
 - \$796M/Month
 - **FY2018 YTD:**
 - \$7.4B issued in total
 - \$1.1B/Month
- Adjustable-rate mortgage (ARM) issuance has made up 90% of FY2018 HMBS issuance – with the majority being annual adjusting LIBOR pools
 - While HMBS volume is traditionally driven by securitization of new loans, recent highs have been boosted by first securitizations of highly seasoned loans

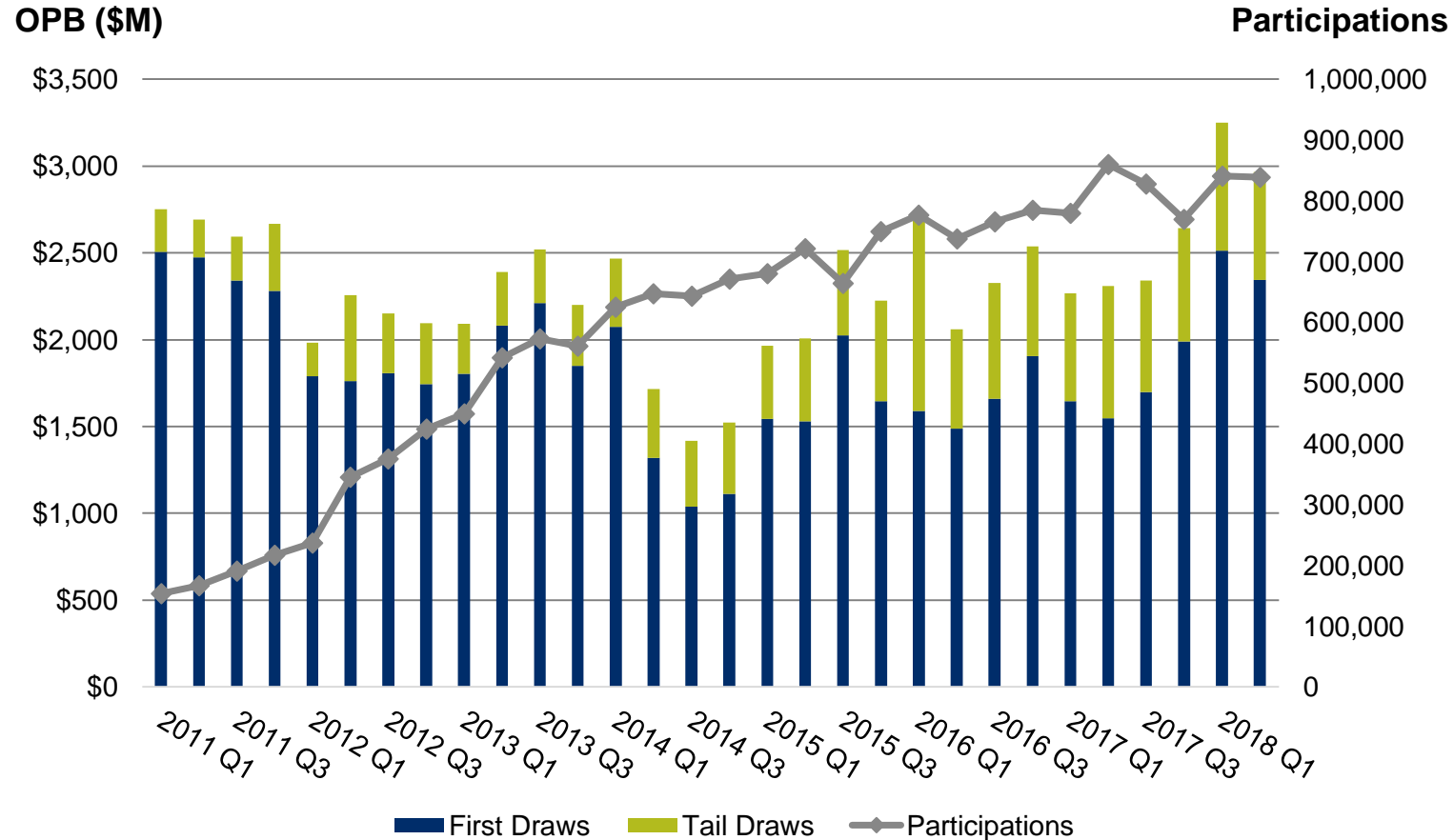


HREMIC Issuance

- **FY2017:**
 - \$9.5B issued in total
 - \$791M/Month
 - **FY2018 YTD:**
 - \$5.4B issued in total
 - \$771M/Month
- HREMIC issuance in FY2018 Q2 was the highest quarter in 3 years, but not likely to keep pace with FY2018 YTD production down 9% from last year
 - At this time last year, HREMIC issuance was 110% of that of HMBS, with HREMICs outpacing regular HMBS – currently this ratio has slowed to 72%

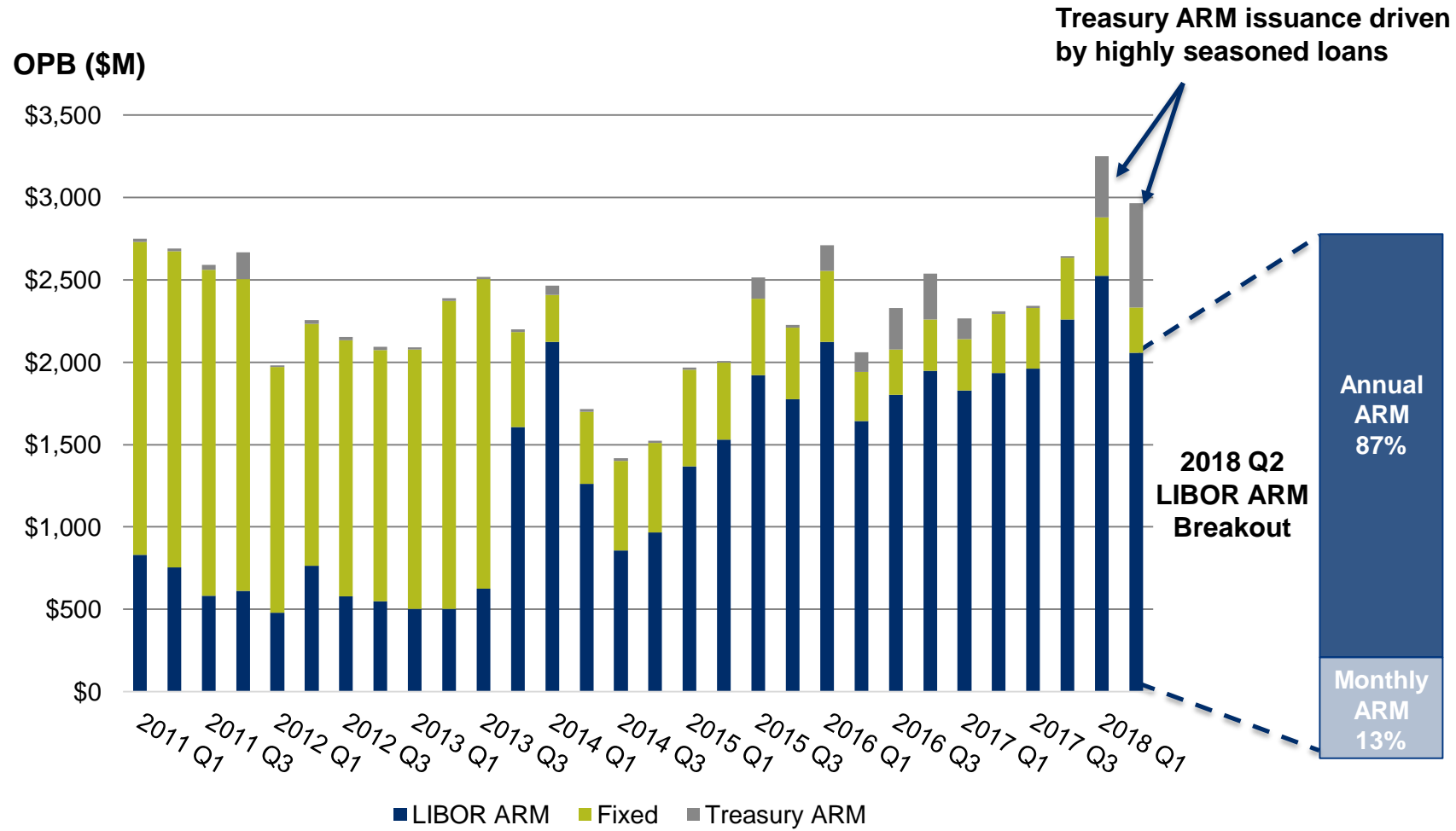
HMBS Issuance Is Driven By New Loans

While HMBS production is primarily driven by new loans, the most recent issuance highs were driven by new securitizations of highly seasoned HECMs.



HMBS Issuance Is Heavily ARM Focused

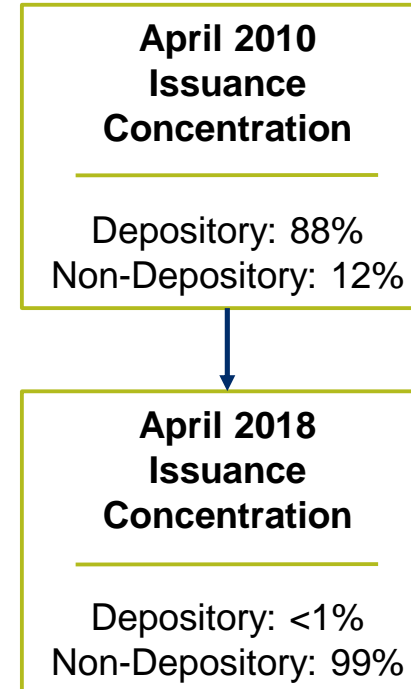
HMBS production has steadily increased over the last fiscal year, driven primarily by LIBOR ARM pools.



HMBS Issuance Is Dominated By Non-Banks

Nearly all HMBS is issued by non-bank institutions, comprising 99% of FY2018 issuance-to-date.

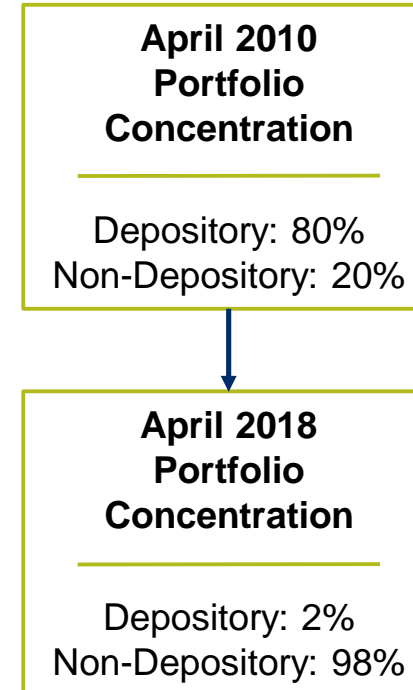
FY2018 YTD Issuance		OPB	Percent
Issuer Number	Issuer Name		
4277	REVERSE MORTGAGE FUNDING, LLC	\$2,644,553,546	35.6%
4250	AMERICAN ADVISORS GROUP, INC.	\$1,334,173,939	18.0%
4132	FINANCE OF AMERICA REVERSE LLC	\$1,092,477,406	14.7%
4153	OCWEN LOAN SERVICING, LLC	\$640,306,530	8.6%
4174	LIVE WELL FINANCIAL, INC.	\$553,076,258	7.5%
4394	LONGBRIDGE FINANCIAL, LLC	\$513,181,835	6.9%
4157	NATIONSTAR MORTGAGE LLC	\$257,679,267	3.5%
4015	REVERSE MORTGAGE SOLUTIONS, INC.	\$176,913,057	2.4%
4021	SUNWEST MORTGAGE COMPANY, INC.	\$52,798,015	0.7%
4211	PLAZA HOME MORTGAGE, INC.	\$50,047,335	0.7%
4229	CHERRY CREEK MORTGAGE CO., INC.	\$37,907,825	0.5%
4305	THE MONEY SOURCE, INC.	\$21,064,415	0.3%
4311	TRADITIONAL MORTGAGE ACCEPTANCE	\$23,873,285	0.3%
4036	BANK OF AMERICA	\$10,835,268	0.1%
4325	THE MONEY HOUSE, INC.	\$11,246,706	0.2%
4148	CIT BANK, N.A.	\$2,272,031	0.0%
Total		\$7,422,406,718	100.0%



HMBS Servicing Is Concentrated In A Few Issuers

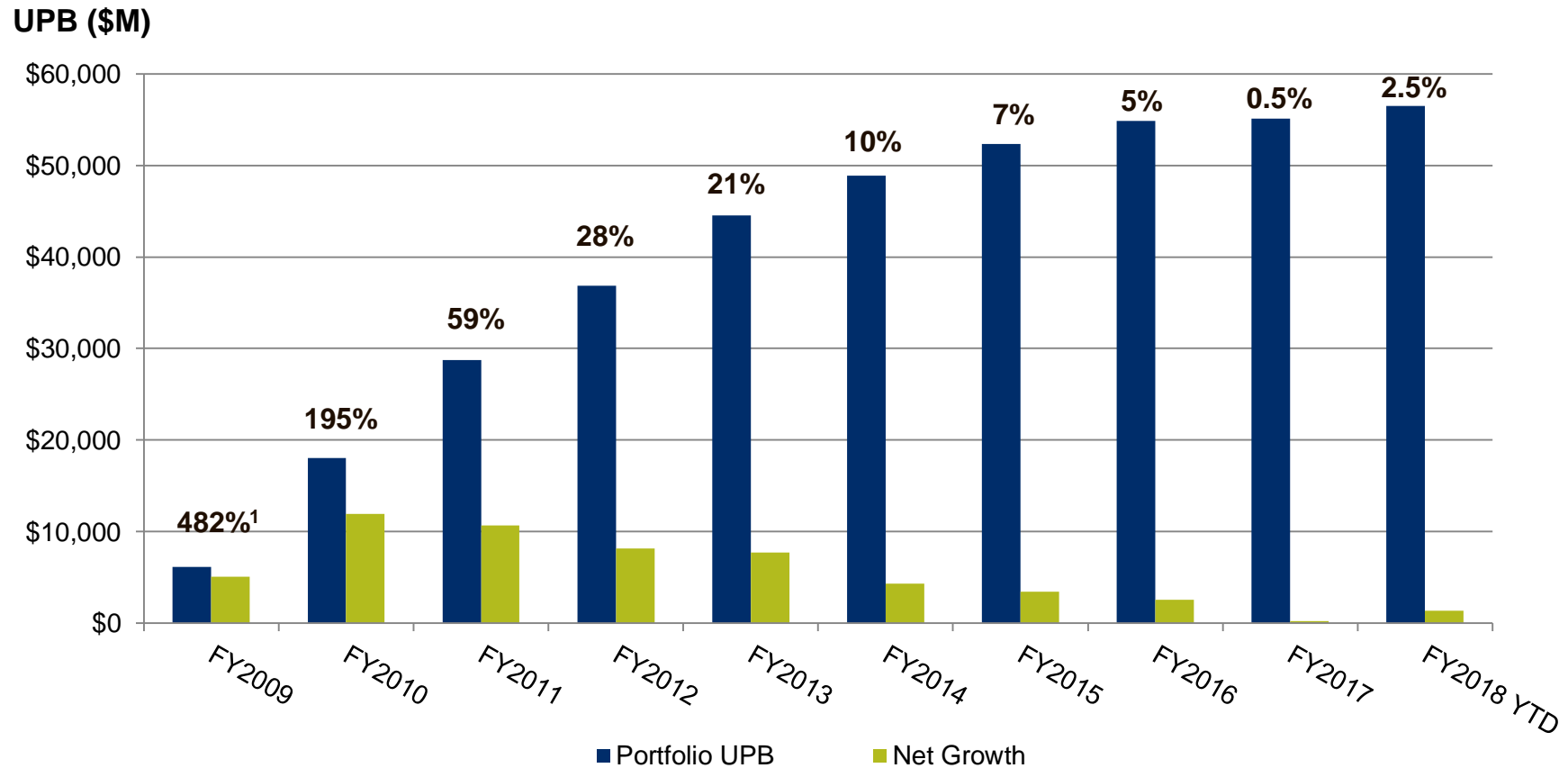
98% of all HMBS outstanding is serviced by non-banks, with the top three servicing over half of the HMBS market.

FY2018 YTD Outstanding Portfolio		UPB	Percent
Issuer Number	Issuer Name		
4157	NATIONSTAR MORTGAGE LLC	\$12,015,861,747	21.3%
4132	FINANCE OF AMERICA REVERSE LLC	\$9,359,824,499	16.6%
4015	REVERSE MORTGAGE SOLUTIONS, INC.	\$8,095,933,528	14.3%
4250	AMERICAN ADVISORS GROUP, INC.	\$7,839,868,114	13.9%
4277	REVERSE MORTGAGE FUNDING, LLC	\$7,689,743,092	13.6%
4153	OCWEN LOAN SERVICING, LLC	\$4,479,113,277	7.9%
4174	LIVE WELL FINANCIAL, INC.	\$3,967,423,235	7.0%
4394	LONGBRIDGE FINANCIAL, LLC	\$836,742,101	1.5%
4036	BANK OF AMERICA	\$617,840,750	1.1%
4148	CIT BANK, N.A.	\$368,624,238	0.7%
4305	THE MONEY SOURCE, INC.	\$348,417,031	0.6%
4211	PLAZA HOME MORTGAGE, INC.	\$308,395,073	0.5%
4021	SUNWEST MORTGAGE COMPANY, INC.	\$306,186,154	0.5%
4311	TRADITIONAL MORTGAGE ACCEPTANCE	\$138,540,497	0.2%
4229	CHERRY CREEK MORTGAGE CO., INC.	\$100,229,243	0.2%
4325	THE MONEY HOUSE, INC.	\$17,392,185	0.0%
Total		\$56,490,134,765	100.0%



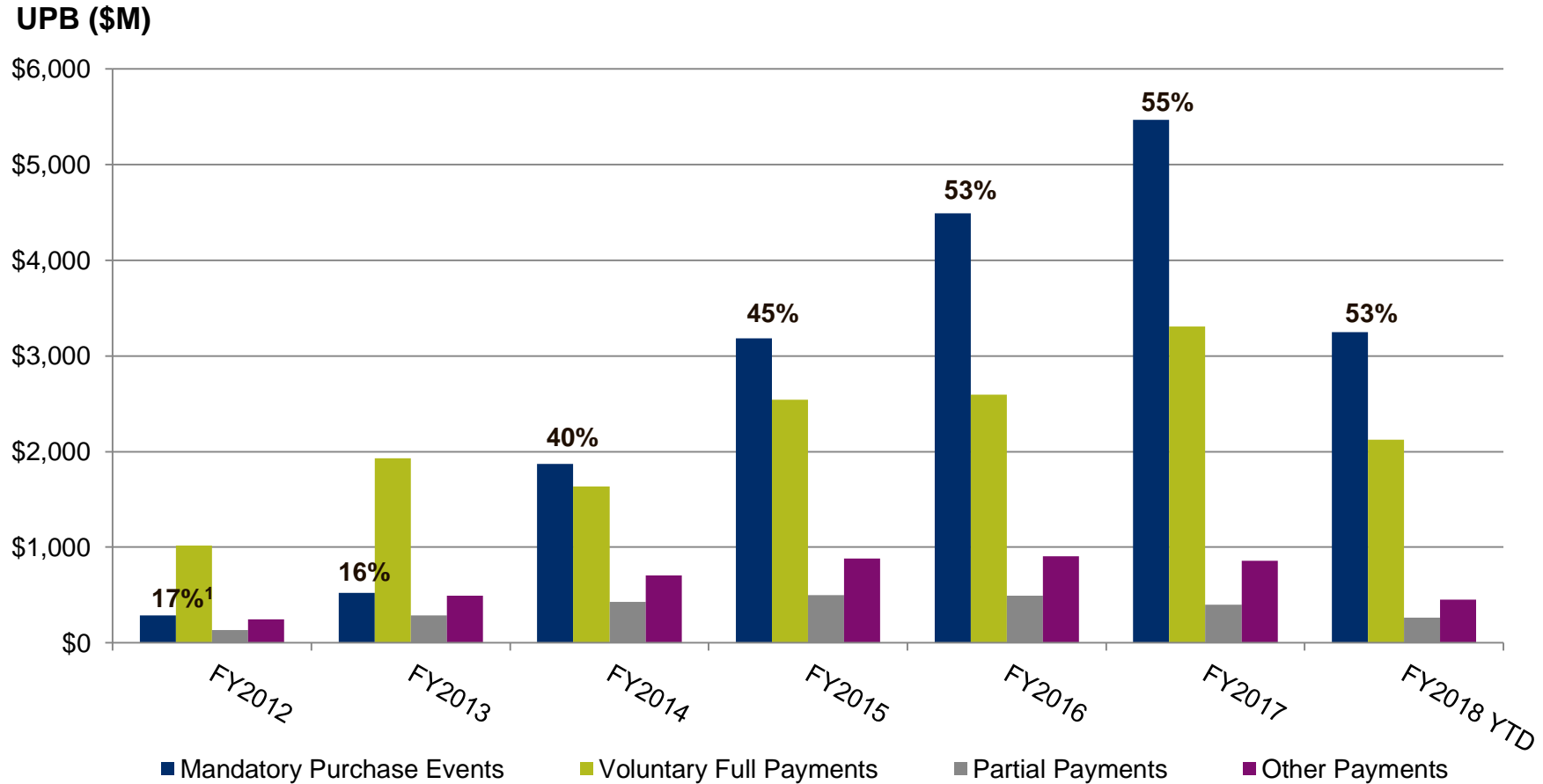
HMBS Program Growth Is Decelerating...

Net HMBS portfolio growth has slowed significantly, but has seen a recent uptick attributed to the securitization of pools backed by highly seasoned HECMs.



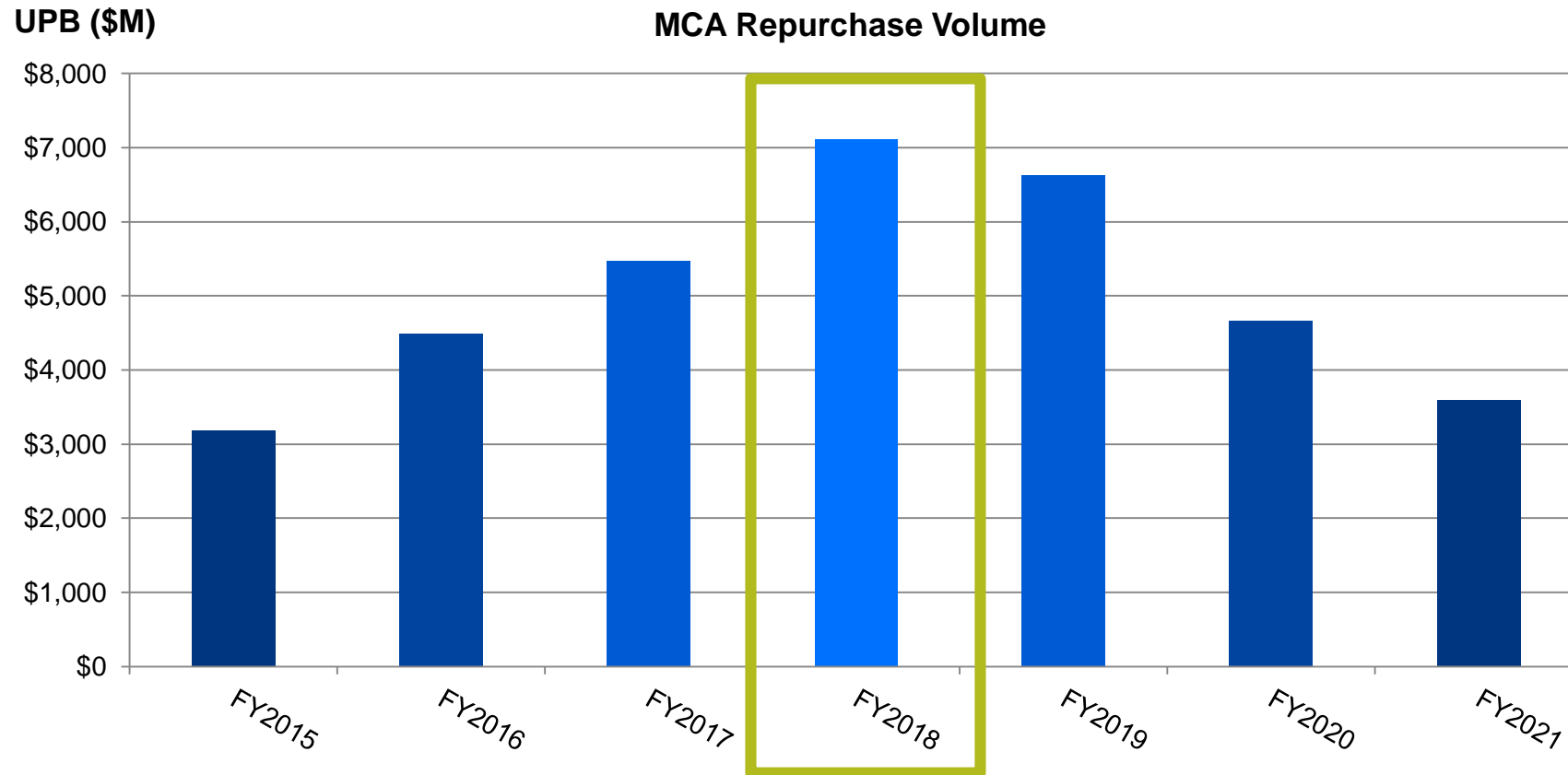
...While Mandatory Repurchases Are Accelerating

Liquidation activity has increased dramatically in recent years, driven primarily by mandatory purchase events (repurchase once HECM UPB reaches 98% of maximum claim amount (MCA)).

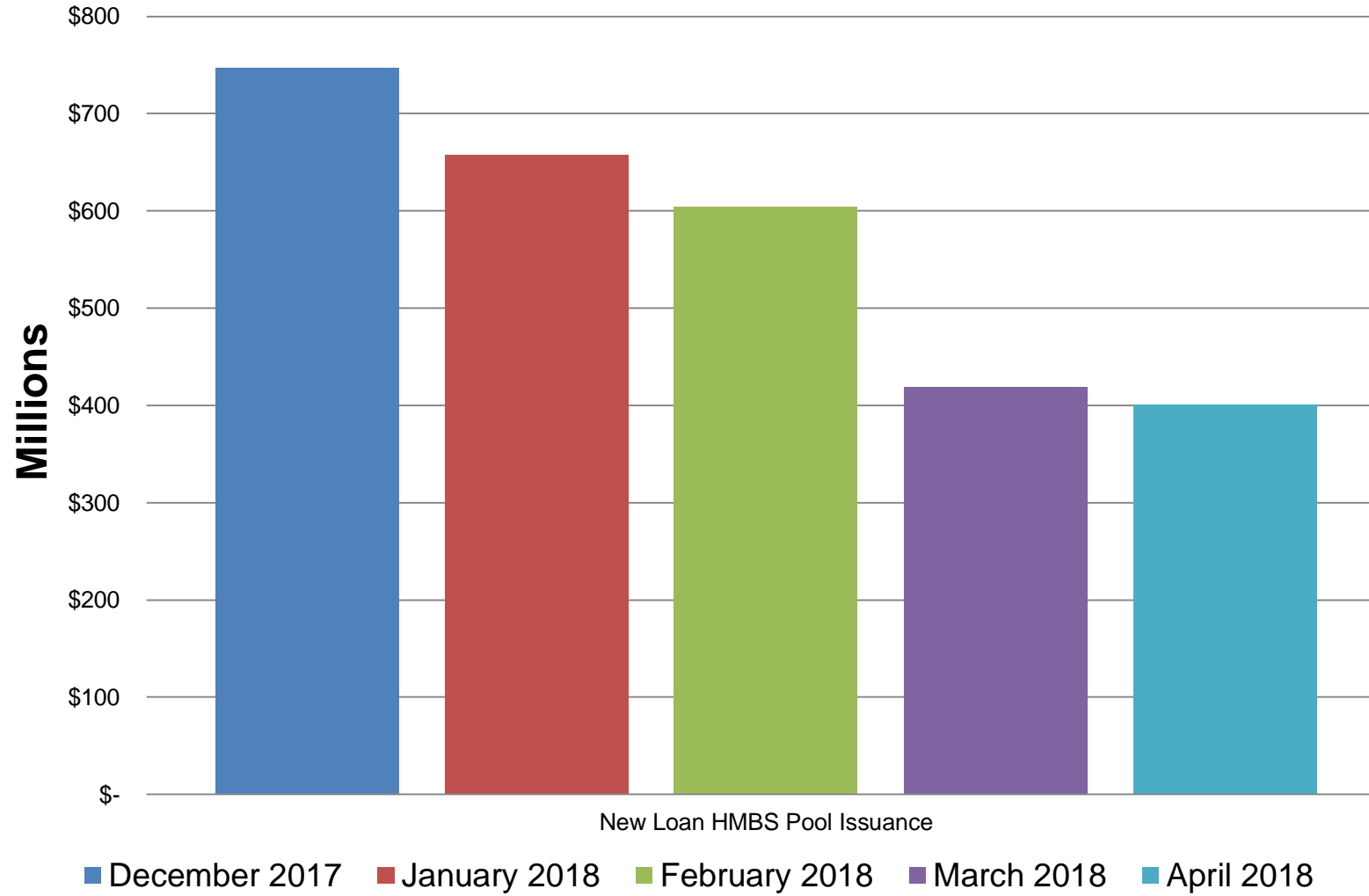


Mandatory Repurchases Are Driving Liquidity Needs

The estimated liquidity peak for mandatory repurchases is \$7B in FY2018.

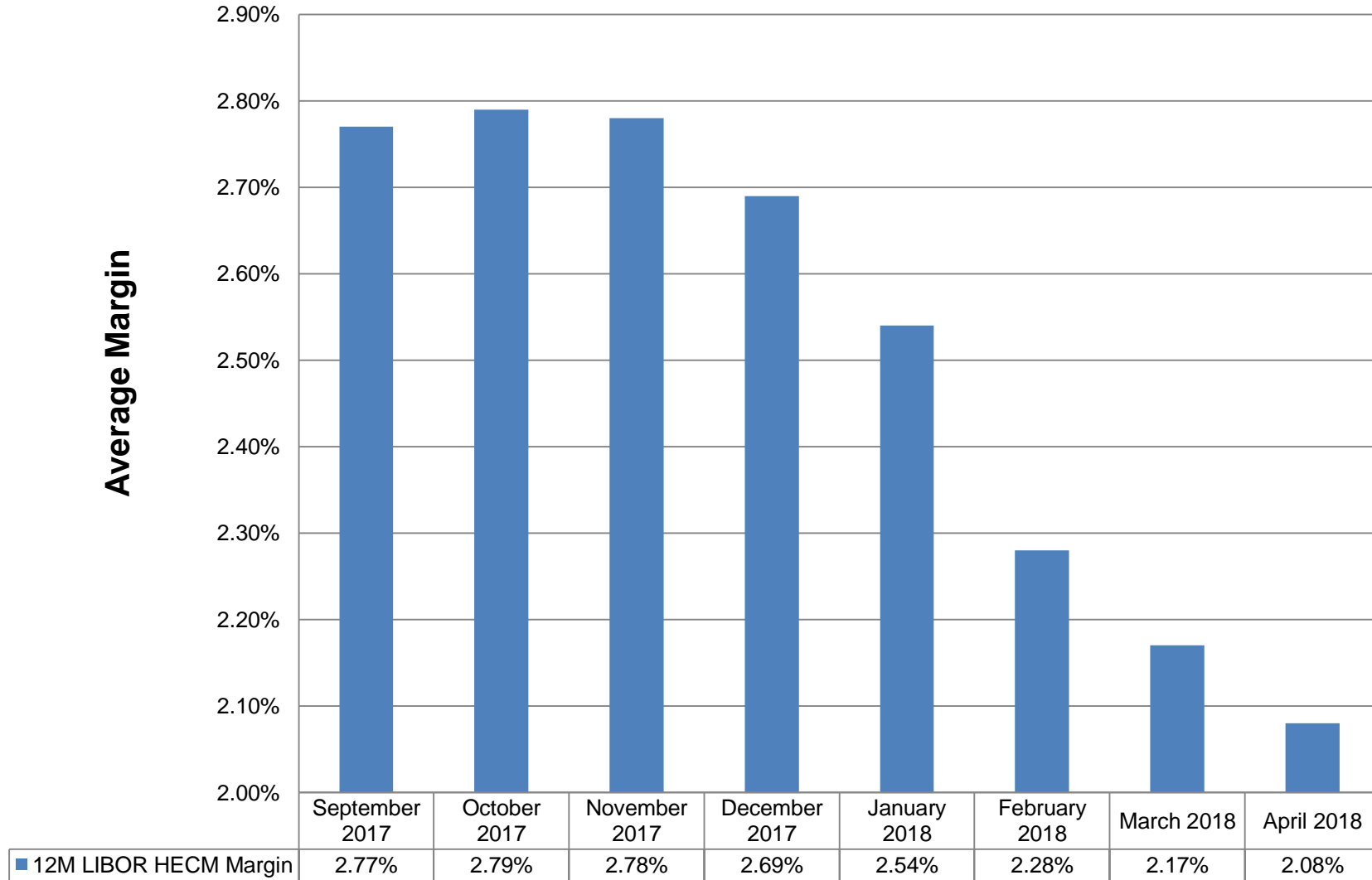


New Loan HMBS Issuance Dec 2017 - April 2018



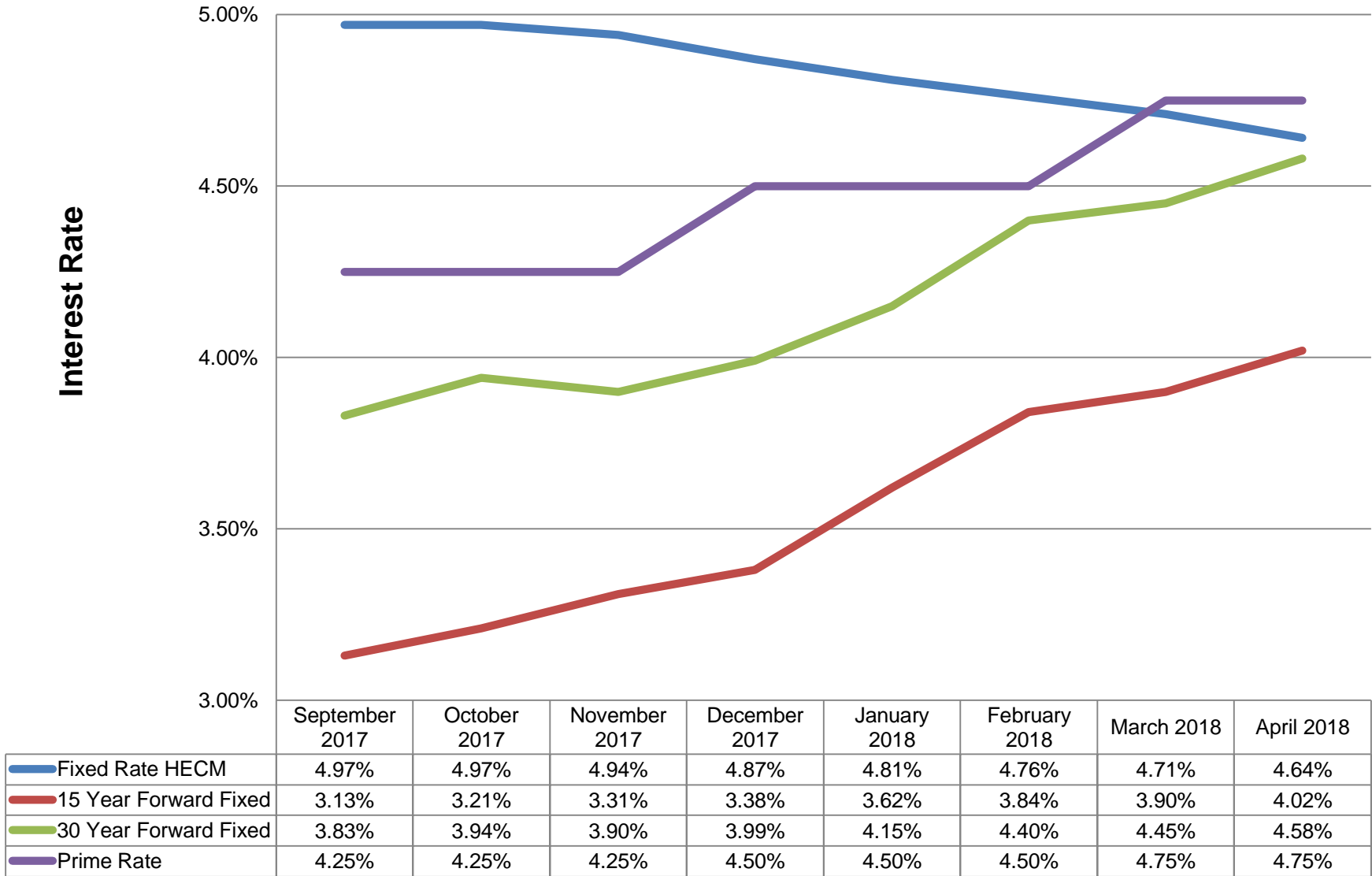
Source: Ginnie Mae /New View Advisors

12M LIBOR HECM Margin



Source: Ginnie Mae / Recursion / New View Advisors

Fixed Rate HECM vs. Forward Mortgage

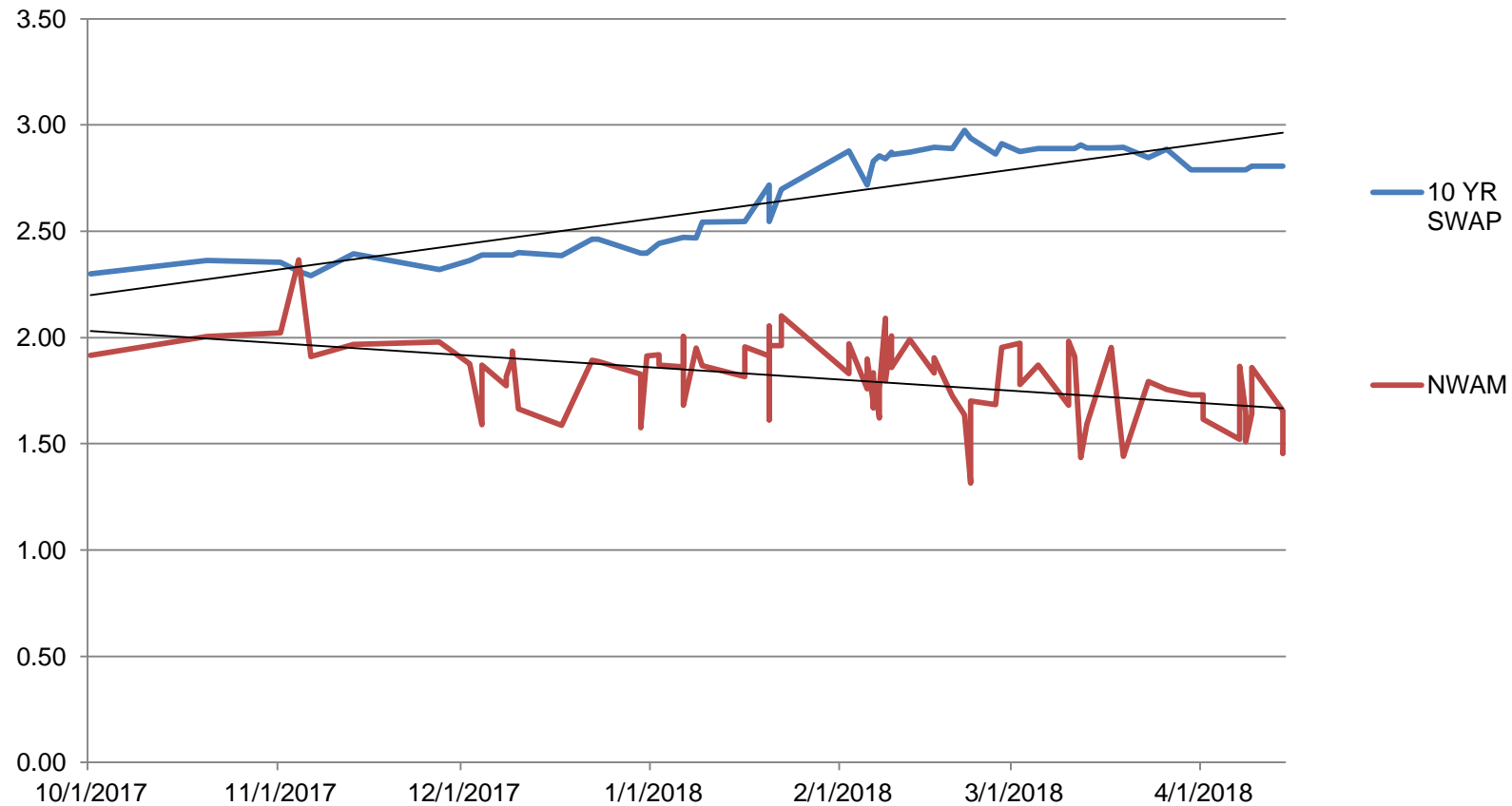


Source: Ginnie Mae / Recursion / New View Advisors

HECM Trends:

As Rates have Risen, HECM Margins have Decreased

10 -Year Swap and Margin Trends

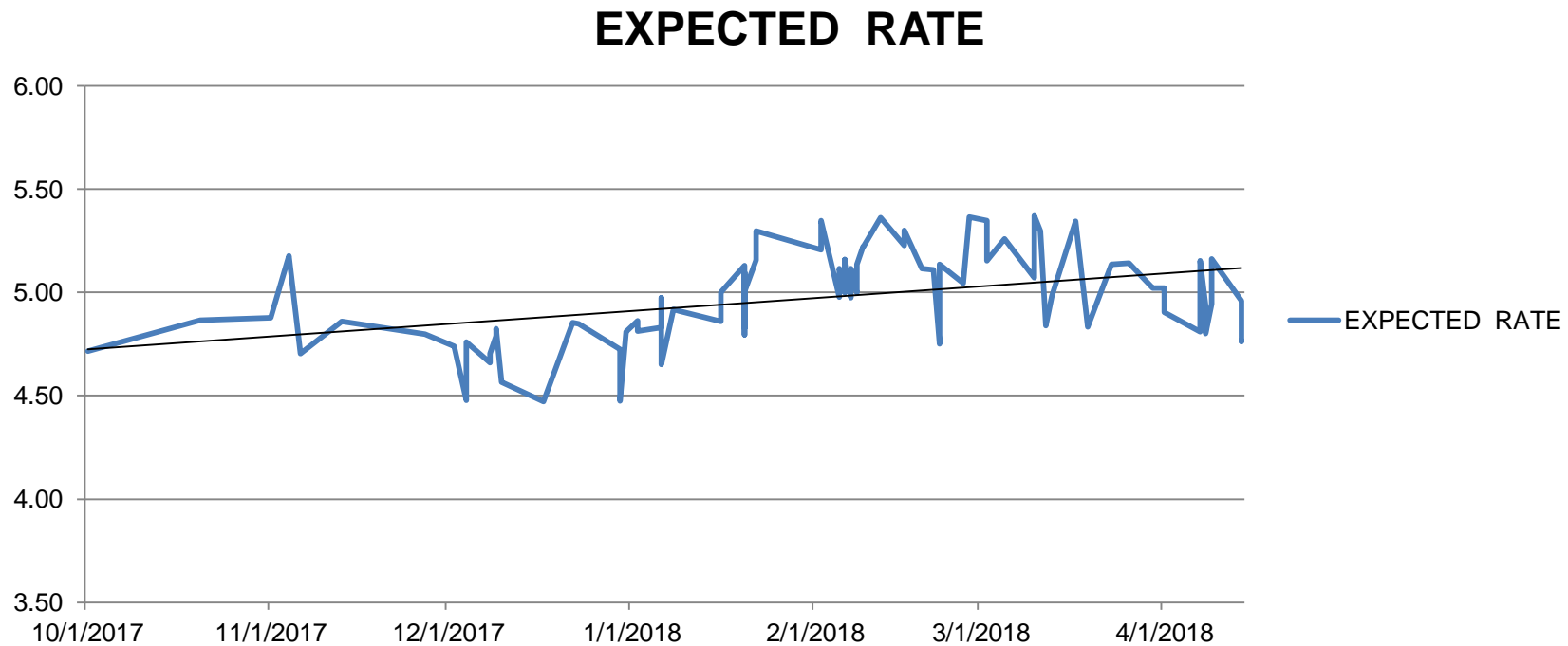


HECM Trends

Decrease in HECM Margins:

An attempt to keep the Expected Rate more stable?

- 10 Yr swap has increased 80bps since October 2017
- The average Expected Rate has only increased by about 20-40bps



HECM and Rates Tearsheet

- **Expected Rates currently 4.75%-5.1% on 2017 Production.**
- **If current trends continue, we expect to see margins decline as 10-yr swaps increase.**
- **Market believes that we will stay in a rising interest rate environment for some time.**
- **Rising Rates is Positive for the Convexity profile of already originated HECMs....but not great for Originators**
- **Should rates continue to rise, we believe HECM refi activity to be muted.**

Questions?