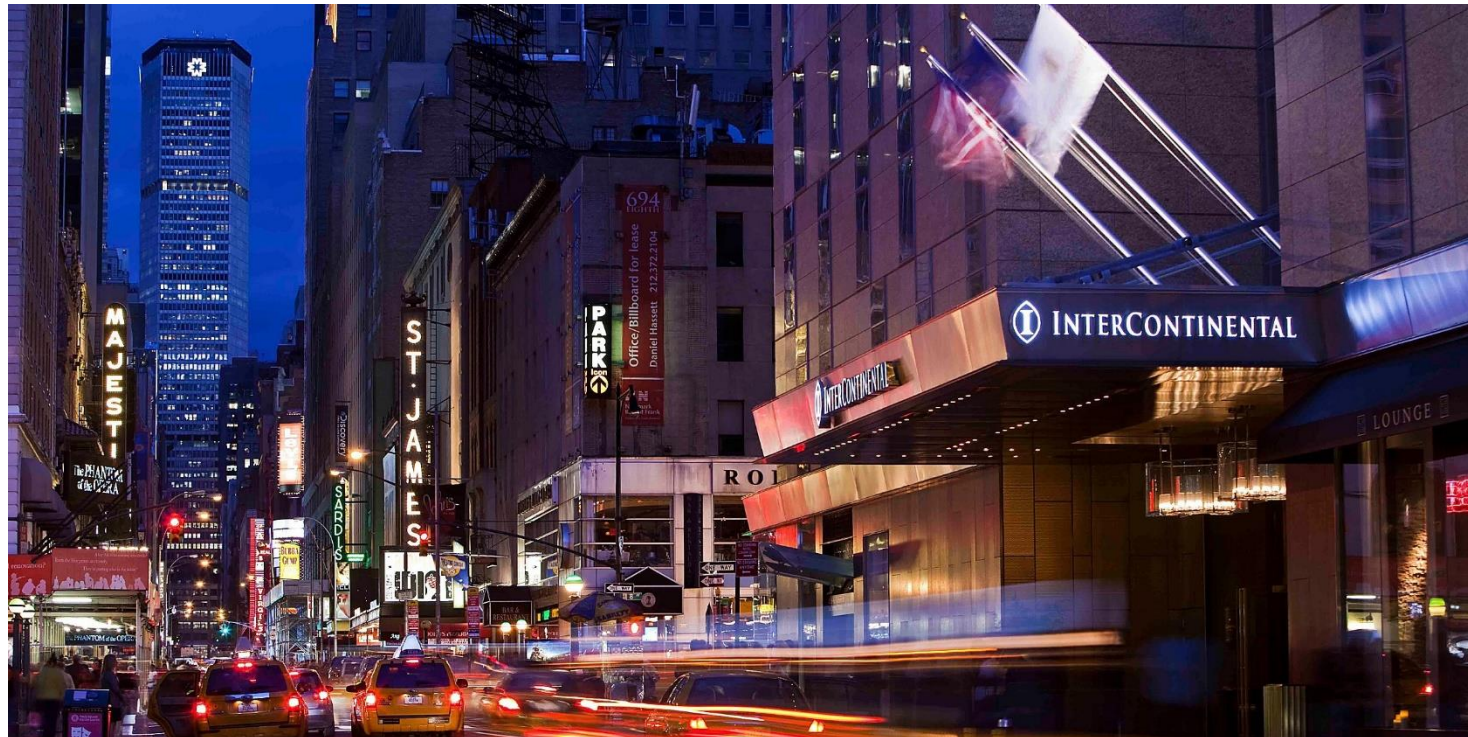


National Reverse Mortgage Lenders Association Eastern Regional Meeting

May 20-21, 2019 New York, NY





HECM Mortgage-Backed Securities and Secondary Market Trends

Moderator: Joe Kelly, New View Advisors, New York, NY

Presenters:

- John Kozak, Ginnie Mae, Washington, DC
- Vanessa Warren, Brean Capital, New York, NY
- Michelle Williamson, Nomura Securities International, New York, NY



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

Data as of April 2019

HMBS Current State Snapshot



HMBS Portfolio

- 17 Active HMBS Issuers
 - \$54.3B in UPB
 - 320,475 Loans
 - 11.5M Participations
- The FY19 HMBS outstanding portfolio has decreased 1.7% from FY18¹ due to increasing liquidation volume and decreased production.
 - Servicing is concentrated in a handful of Issuers, with the Top-6 comprising over 90% of the program.



HMBS Issuance

- **FY2018:**
 - \$10.7B issued in total
 - \$890M/Month
 - **FY2019 YTD:**
 - \$4.4B issued in total
 - \$627M/Month
- FY19 “New Issuance” (pools backed by first participations of, unseasoned HECM loans) has dropped significantly. FY19 issuance of seasoned pools has also slowed.
 - The drop in “new” volume is driven by FHA program changes and the HECM endorsement freeze during the FY19 partial government shutdown.



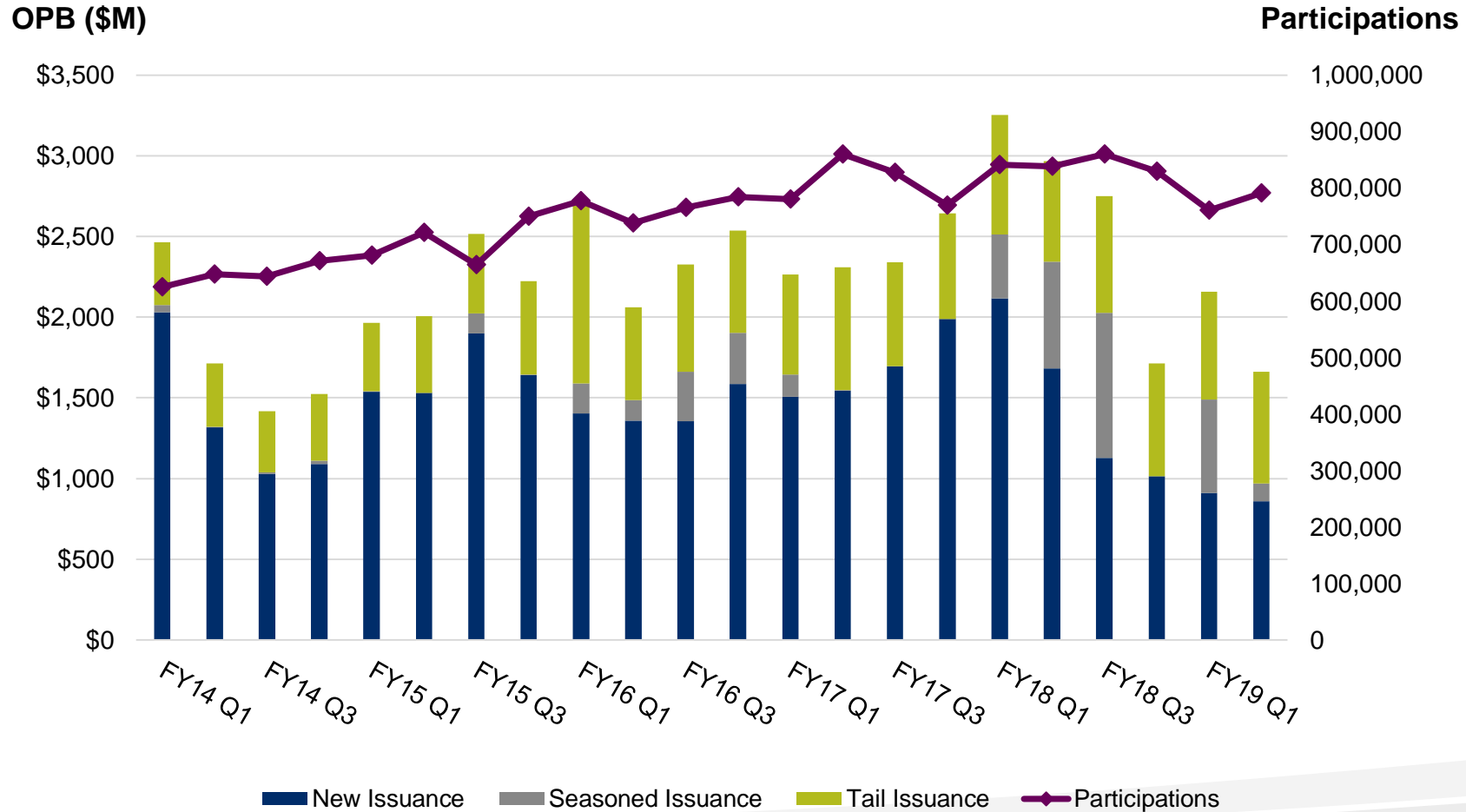
HREMIC Issuance

- **FY2018:**
 - \$8.5B issued in total
 - \$711M/Month
 - **FY2019 YTD:**
 - \$4.6B issued in total
 - \$651M/Month
- Bank of America recently joined Nomura and Citigroup as the only Issuers of HREMICs in FY19.
 - HREMIC issuance has dropped in FY19 due to a decline in HMBS production.

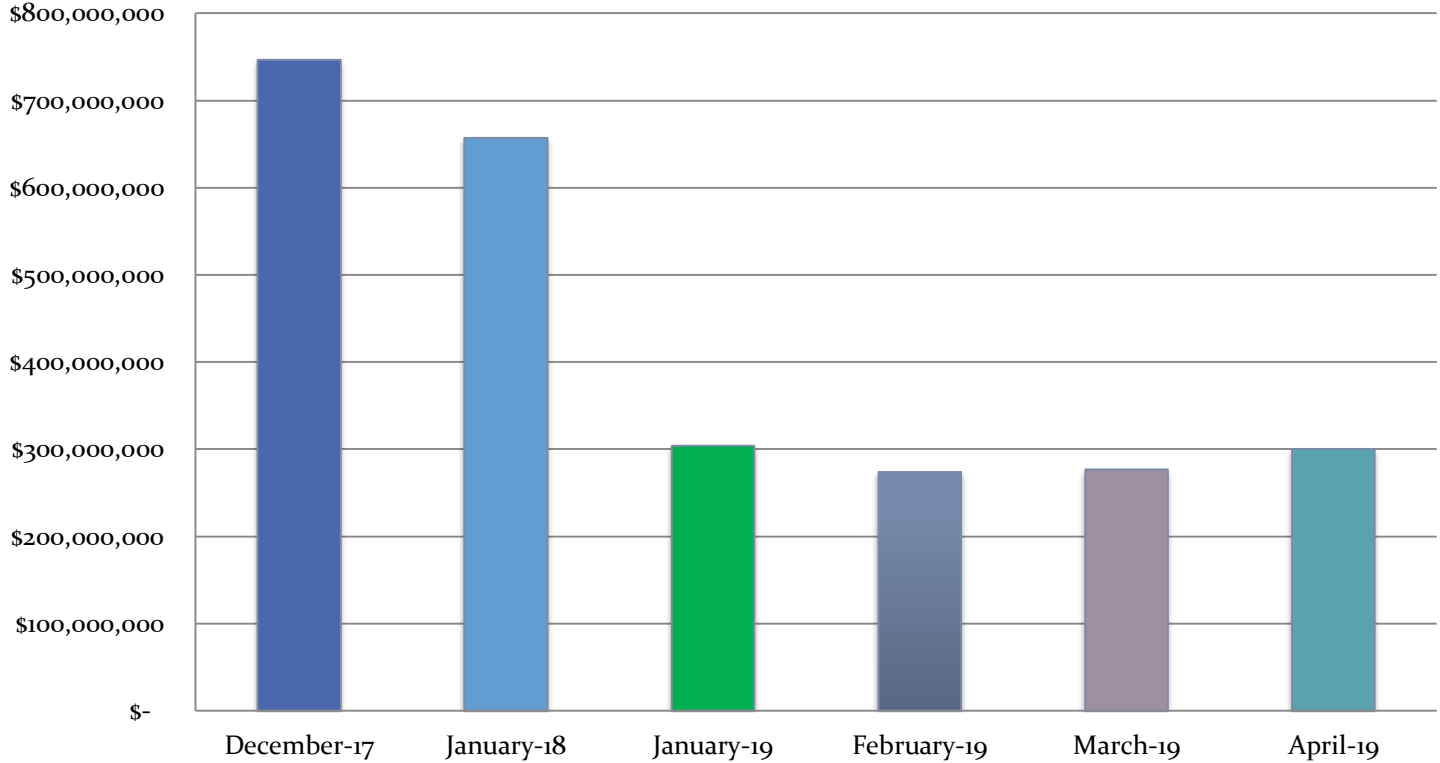
¹ Fiscal year is defined as October through September

“New” HMBS Issuance Has Fallen to Record Lows

New HMBS issuance has fallen consistently since FY18, while Tail Issuance has remained consistent and Seasoned HMBS Issuance has seen less activity.



New Loan HMBS Pool Issuance

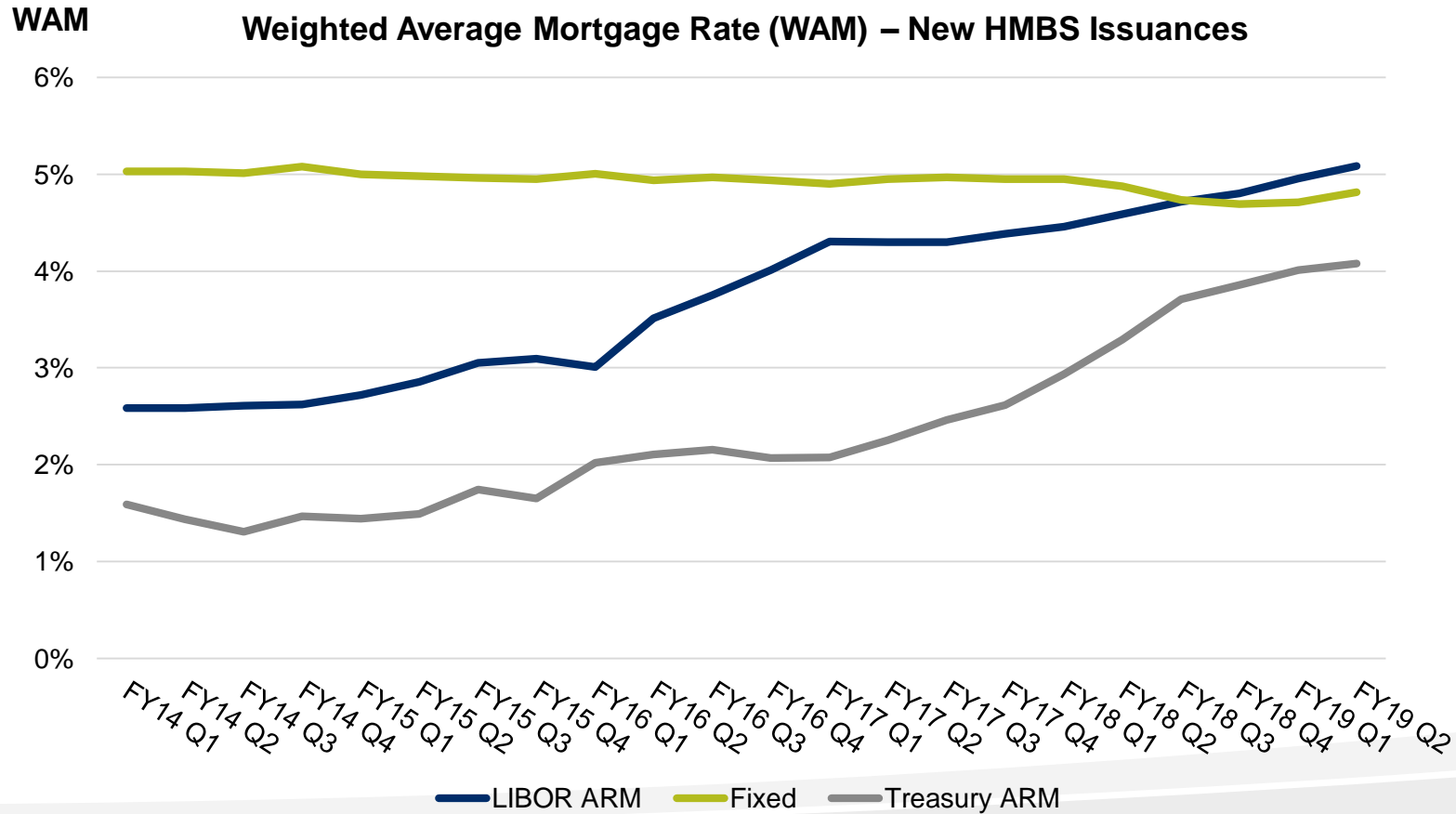


Monthly Issuance of 1st Participations of Unseasoned HECM Loans

Source: Ginnie Mae /New View Advisors

Rising LIBOR Rates May Increase the Liquidity Crunch

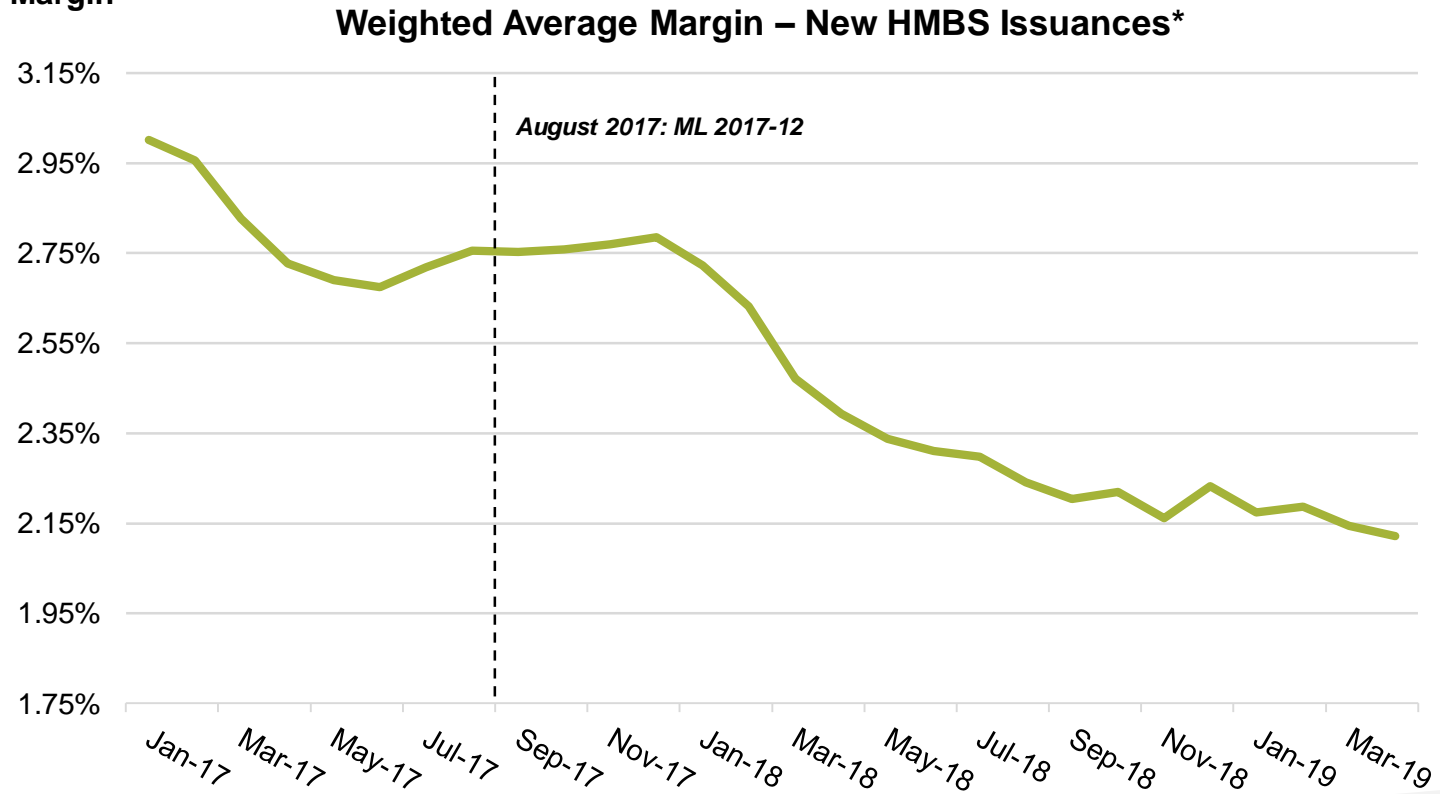
Rising LIBOR rates will also increase the cost of financing HMBS repurchases and the speed at which ARMs grow towards the mandatory repurchase event.



FHA Program Changes Have Impacted HMBS Margins

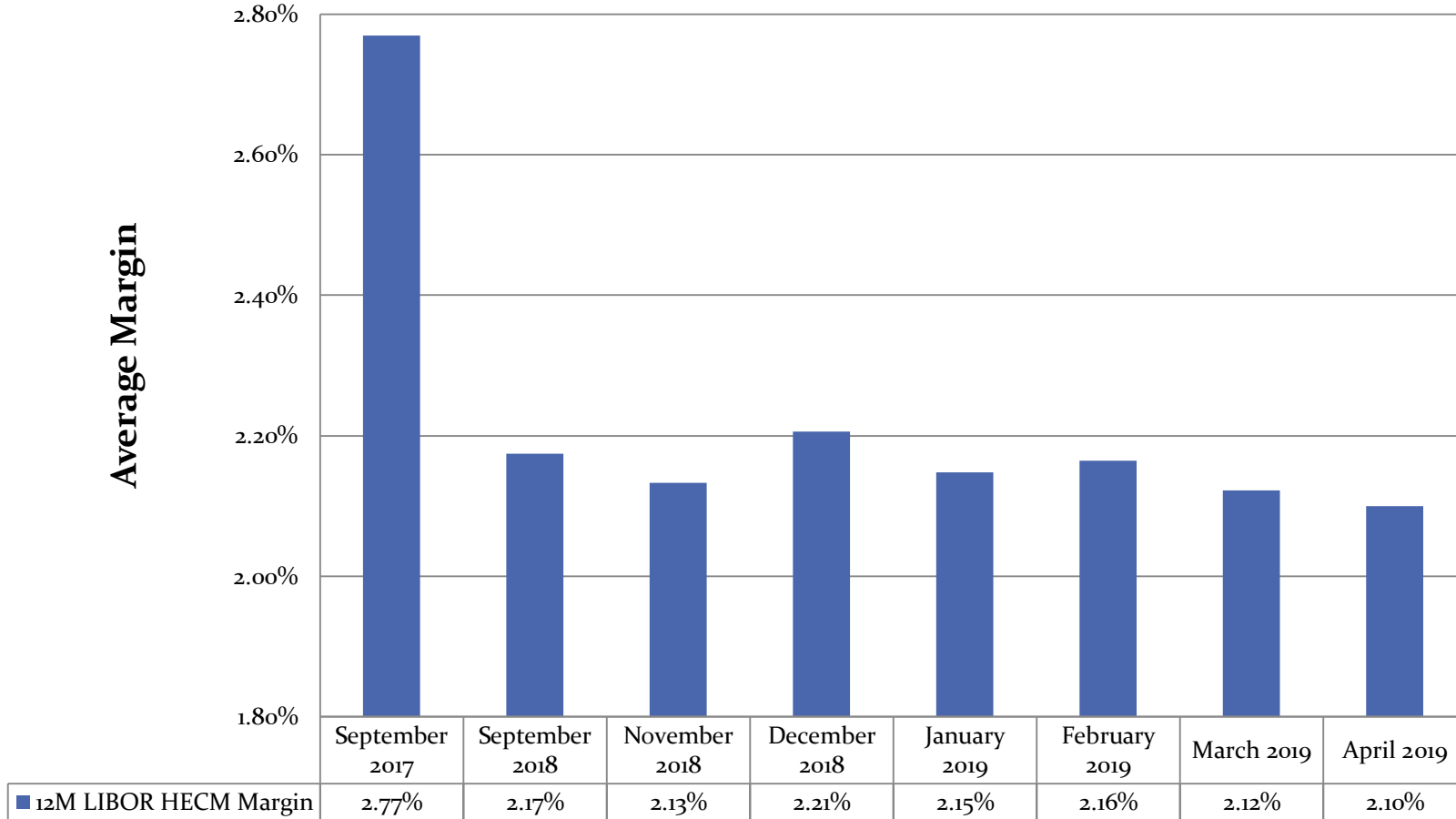
HECM Margins have decreased significantly since the implementation of ML 2017-12, leading to lower profit margins for both HECM Lenders and HMBS Issuers.

Weighted Average Margin



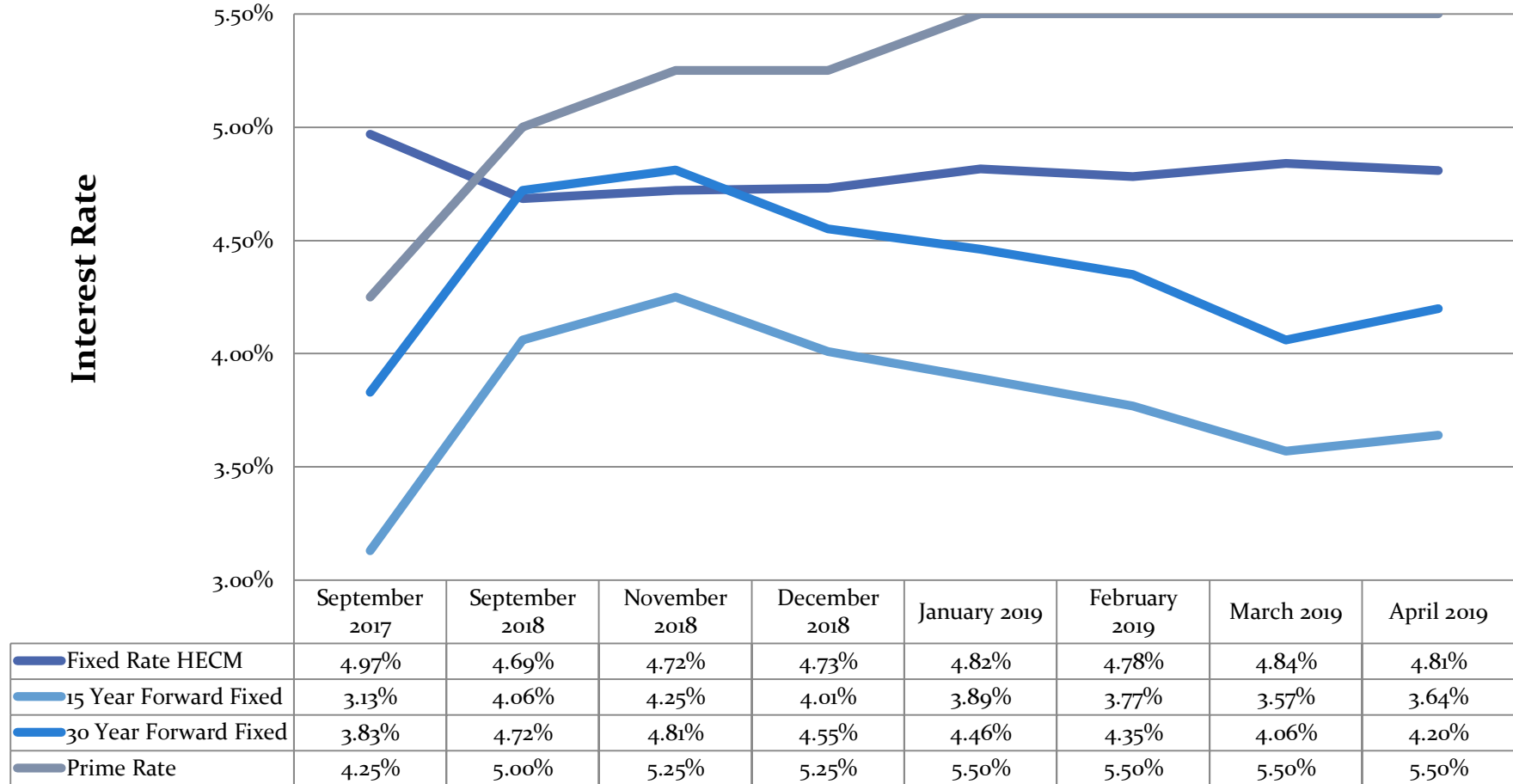
* The graph above represents issuances of LIBOR ARMs in new HMBS securities. Highly seasoned HECMs have been removed from this analysis.

12M LIBOR HECM Margin



Source: Ginnie Mae / Recursion / New View Advisors

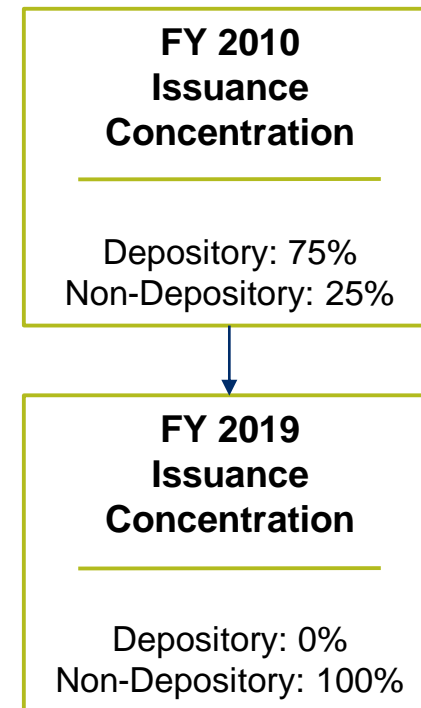
Fixed Rate HECM vs. Forward Mortgage



HMBS Issuance Is Dominated By Non-Depositories

All FY19 HMBS production has been issued by non-depository institutions.

FY2019 YTD Issuance		New Issuances*	Tail Issuances
Issuer Number	Issuer Name		
4277	REVERSE MORTGAGE FUNDING, LLC	\$898,319,836	\$ 346,775,669
4250	AMERICAN ADVISORS GROUP, INC.	\$580,716,988	\$ 368,148,245
4132	FINANCE OF AMERICA REVERSE LLC	\$355,022,499	\$ 254,789,891
4153	OCWEN LOAN SERVICING,LLC	\$322,188,780	\$ 178,016,920
4174	LONGBRIDGE FINANCIAL, LLC	\$273,858,673	\$ 65,280,276
4394	NATIONSTAR MORTGAGE LLC	\$60,648,796	\$ 170,194,060
4157	LIVE WELL FINANCIAL, INC.	\$199,139,606	\$ 20,403,050
4015	REVERSE MORTGAGE SOLUTIONS, INC.	\$0	\$ 123,552,432
4311	TRADITIONAL MORTGAGE ACCEPTANCE	\$38,872,387	\$ 6,063,640
4021	SUNWEST MORTGAGE COMPANY, INC.	\$25,943,171	\$ 12,467,395
4211	PLAZA HOME MORTGAGE, INC.	\$26,436,058	\$ 11,581,381
4229	CHERRY CREEK MORTGAGE CO., INC.	\$26,288,289	\$ 7,748,070
4305	THE MONEY SOURCE, INC.	\$0	\$ 8,243,984
4325	THE MONEY HOUSE, INC.	\$4,426,910	\$ 1,066,142
4391	SYNERGY ONE LENDING	\$1,526,178	\$ -
Total		\$2,813,388,171	\$ 1,574,331,154



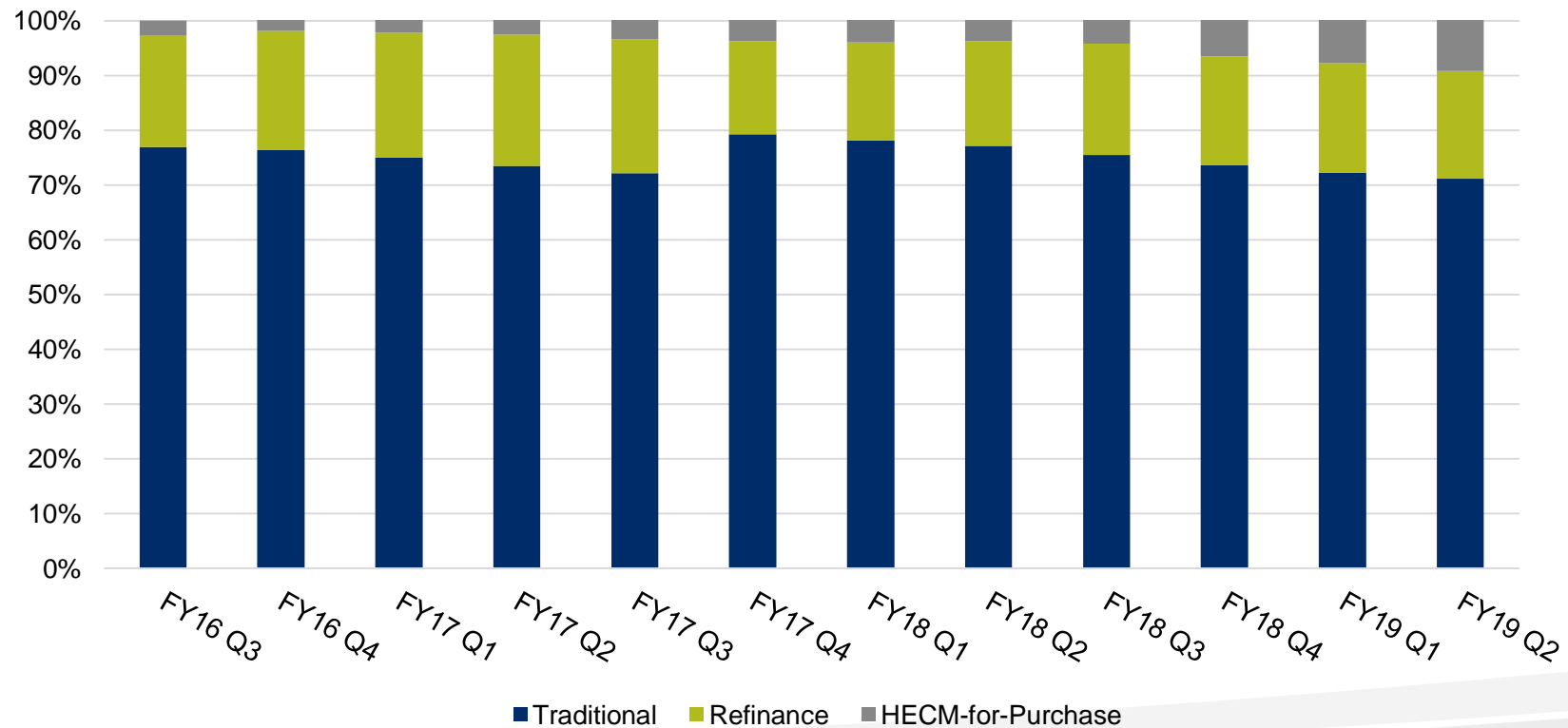
*New Issuances includes Highly Seasoned Issuances

The HMBS Portfolio is Shifting Product Types

Over the past fiscal year, the share of HECM-for-Purchase has grown, driven by ML 2017-12 and a decrease of Traditional HECMs.

**% of HMBS
Outstanding
(Securitized UPB)**

Outstanding HECMs by Purpose



HMBS Servicing Is Concentrated In 6 Issuers

99% of all HMBS outstanding is serviced by non-depositories, with the top six servicing over 90% of the HMBS market.

FY2019 Outstanding Portfolio		UPB	Percent
Issuer Number	Issuer Name		
4277	REVERSE MORTGAGE FUNDING.LLC	\$12,699,092,291	23.4%
4250	AMERICAN ADVISORS GROUP, INC.	\$9,248,824,612	17.0%
4132	FINANCE OF AMERICA REVERSE LLC	\$8,767,148,219	16.1%
4157	NATIONSTAR MORTGAGE LLC	\$8,550,034,992	15.7%
4015	REVERSE MORTGAGE SOLUTIONS, INC.	\$6,134,315,752	11.3%
4153	OCWEN LOAN SERVICING, LLC	\$5,174,254,569	9.5%
4394	LONGBRIDGE FINANCIAL, LLC	\$1,407,543,250	2.6%
4036	BANK OF AMERICA	\$494,897,346	0.9%
4021	SUNWEST MORTGAGE COMPANY, INC.	\$363,173,771	0.7%
4211	PLAZA HOME MORTGAGE, INC.	\$355,791,921	0.7%
4305	THE MONEY SOURCE, INC.	\$339,983,835	0.6%
4148	CIT BANK, N.A.	\$262,980,358	0.5%
4311	TRADITIONAL MORTGAGE ACCEPTANCE	\$192,465,154	0.4%
4174	LIVE WELL FINANCIAL, INC.	\$164,768,380	0.3%
4229	CHERRY CREEK MORTGAGE CO., INC.	\$154,125,590	0.3%
4325	THE MONEY HOUSE, INC	\$27,550,359	0.1%
4391	SYNERGY ONE LENDING	\$1,537,254	0.0%
Total		\$54,338,487,653	100.0%

FY 2010 Portfolio Concentration

Depository: 76%
Non-Depository: 24%

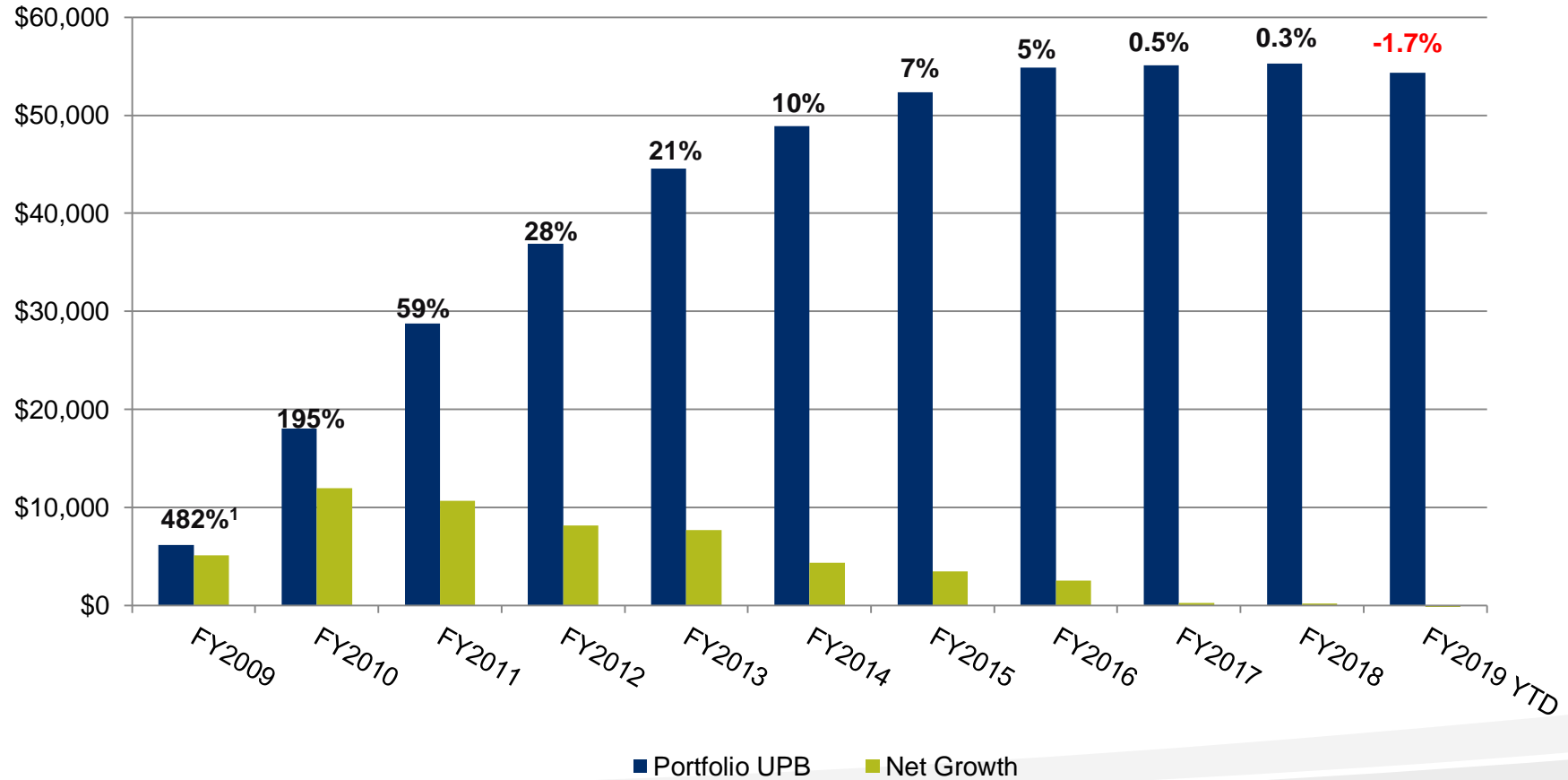
FY 2019 Portfolio Concentration

Depository: 1%
Non-Depository: 99%

The HMBS Program is Shrinking in FY19

The HMBS portfolio has decreased in FY19 due to increasing liquidation volumes and decreasing HMBS production.

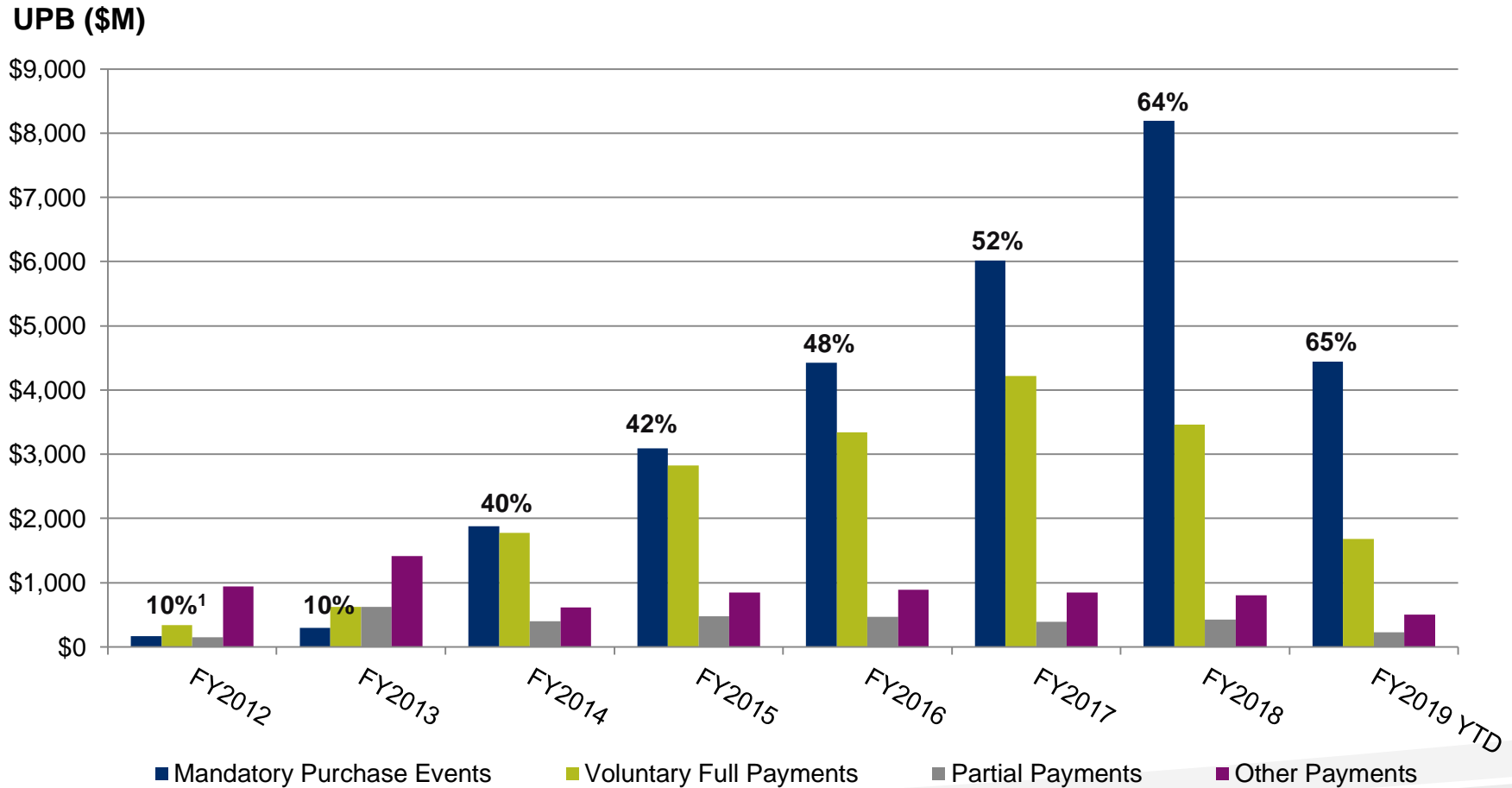
UPB (\$M)



¹ Year-over-Year Portfolio Growth

Mandatory Repurchases Drive HMBS Liquidations

Mandatory Buyouts hit the highest levels in FY2018 and will continue to be a challenge for Issuers going forward (although some relief should come in the near future).



¹ Liquidation Share of Mandatory Purchase Events

Platinum Program

- Bond aggregation program
- Permits aggregation of smaller bond sizes by pool types.
- Promotes trading and liquidity

What Happens When an HMBS Issuer Exits?

- **Strategy/Motivation**
 - **Exiting Reverse Mortgage Business**
 - **Raise Cash / Capital**
 - **Forced Exit**
- **Examples: Lehman Brothers, MetLife, Bank of America, Wells Fargo**
- **Assets Involved**
 - **Securitized HMBS Portfolio**
 - **Closed Loans not yet Securitized**
 - **Assignable Buyouts**
 - **Unassignable Buyouts**
 - **Other: Proprietary Loans/Securities/Servicing Rights**
- **Market exists for each of these asset classes**

Questions?