
**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, 2024**

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)

**5830 Granite Parkway, Suite 400
Plano, Texas**

(Address of Principal Executive Offices)

85-3474065

(I.R.S. Employer Identification No.)

75024

(Zip Code)

(877) 202-2666

Registrant's telephone number, including area code

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 | New York Stock Exchange |
| Warrants to purchase shares of Class A Common Stock | FOA.WS | 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, a smaller reporting company, or an emerging growth 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.

| | | | |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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 6, 2024, there were issued and outstanding 98,809,099 shares of the registrant’s Class A Common Stock, par value \$0.0001, and 15 shares of the registrant’s Class B Common Stock, par value \$0.0001.

Finance of America Companies Inc.
Quarterly Report on Form 10-Q
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Forward-Looking Statements

This Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 (the “Form 10-Q”) contains 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 our beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside of Finance of America Companies Inc.’s (the “Company”) control. These statements include, but are not limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resources, and other non-historical statements. In some cases, you can identify these forward-looking statements by the use of words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “could,” “seeks,” “projects,” “predicts,” “intends,” “plans,” “estimates,” “budgets,” “forecasts,” “anticipates,” or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties that could cause actual outcomes or results to differ materially from those indicated in these statements, including those risks described below. Given the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved. The Company cautions readers not to place undue reliance upon any forward-looking statements, which are current only as of the date of this report. Results for any specified quarter are not necessarily indicative of the results that may be expected for the full year or any future period. The Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in its expectations or any change in events, conditions, or circumstances on which any such statement is based, except as required by law. All subsequent written and oral forward-looking statements concerning the Company or other matters and attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above. A number of important factors exist that could cause future results to differ materially from historical performance and these forward-looking statements. In addition to the other information in the Form 10-Q, the following risk factors should be considered carefully in evaluating the Company and our business:

- our ability to manage the unique challenges presented by operating as a modern retirement solutions platform rather than a vertically integrated, diversified lending and complementary services platform due to the transformation of our business;
- our ability to successfully operate the recently integrated lending platform that we acquired from American Advisors Group in March 2023 and generally, our ability to operate our business profitably;
- our ability to respond to significant changes in prevailing interest rates and to resume profitable business operations;
- our geographic market concentration if the economic conditions in our current markets should decline or if our current markets are impacted by natural disasters;
- our use of estimates in measuring or determining the fair value of the majority of our financial assets and liabilities, which may require us to write down the value of these assets or write up the value of these liabilities if the estimates prove to be incorrect;
- our ability to prevent cyber intrusions and mitigate cyber risks;
- the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors in our business markets and worldwide financial markets, including a sustained period of higher interest rates;
- our ability to manage changes in our licensing status, business relationships, or servicing guidelines with the Government National Mortgage Association (“Ginnie Mae”), the United States Department of Housing and Urban Development (“HUD”), or other governmental entities;
- our ability to obtain sufficient capital and liquidity to meet the financing and operational requirements of our business and our ability to comply with our debt agreements, including warehouse lending facilities, and pay down our substantial debt;
- our ability to refinance our debt on reasonable terms as it becomes due;
- our ability to manage disruptions in the secondary home loan market, including the mortgage-backed securities market;
- our ability to finance and recover costs of our reverse mortgage servicing operations;
- our ability to maintain compliance with the extensive regulations we are subject to, including consumer protection laws applicable to reverse mortgage lenders, which may be highly complex;

- our ability to compete with national banks, which are not subject to state licensing and operational requirements;
- our ability to manage various legal proceedings, federal or state governmental examinations and enforcement investigations we are subject to from time to time, the results of which are difficult to predict or estimate;
- our continued ability to remain in compliance with the terms of the consent orders issued by the Consumer Financial Protection Bureau, which we assumed in connection with our acquisition of operational assets from American Advisors Group;
- our holding company status and dependency on distributions from Finance of America Equity Capital LLC;
- our ability to comply with the continued listing standards of the New York Stock Exchange (“NYSE”) and avoid the delisting of our common stock from trading on its exchange;
- our common stock trading history has been characterized by low trading volume, which may result in an inability to sell your shares at a desired price, if at all; and
- our “controlled company” status under NYSE rules, which exempts us from certain corporate governance requirements and affords stockholders fewer protections.

All of these factors are difficult to predict, contain uncertainties that may materially affect actual results, and may be beyond our control. New factors emerge from time to time, and it is not possible for our management to predict all such factors or to assess the effect of each such new factor on our business. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and any of these statements included herein may prove to be inaccurate. Given the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements, or our objectives and plans will be achieved. Please refer to Item 1A. Risk Factors and Management’s Discussion and Analysis of Financial Condition and Results of Operations, included in this report, and in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the U.S. Securities and Exchange Commission (the “SEC”) on March 15, 2024, for further information on these and other risk factors affecting us, as such factors may be amended and updated from time to time in the Company’s subsequent periodic filings with the SEC, which are accessible on the SEC’s website at www.sec.gov.

PART I - Financial Information

Item 1. Financial Statements

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

| | March 31, 2024 | December 31, 2023 |
|--|----------------------|----------------------|
| | (unaudited) | |
| ASSETS | | |
| Cash and cash equivalents | \$ 48,229 | \$ 46,482 |
| Restricted cash | 195,349 | 178,319 |
| Loans held for investment, subject to Home Equity Conversion Mortgage-Backed Securities (“HMBS”) related obligations, at fair value | 18,050,772 | 17,548,763 |
| Loans held for investment, subject to nonrecourse debt, at fair value | 8,407,602 | 8,272,393 |
| Loans held for investment, at fair value | 535,910 | 575,228 |
| Intangible assets, net | 244,233 | 253,531 |
| Other assets, net | 194,183 | 226,153 |
| Assets of discontinued operations | 7,290 | 6,721 |
| TOTAL ASSETS | \$ 27,683,568 | \$ 27,107,590 |
| LIABILITIES AND EQUITY | | |
| HMBS related obligations, at fair value | \$ 17,827,060 | \$ 17,353,720 |
| Nonrecourse debt, at fair value | 7,897,896 | 7,904,200 |
| Other financing lines of credit | 1,071,191 | 928,479 |
| Notes payable, net (includes amounts due to related parties of \$84,630 and \$59,130, respectively) | 436,193 | 410,911 |
| Payables and other liabilities | 174,858 | 219,569 |
| Liabilities of discontinued operations | 20,647 | 18,304 |
| TOTAL LIABILITIES | 27,427,845 | 26,835,183 |
| Commitments and Contingencies (Note 13) | | |
| EQUITY (Note 19) | | |
| Class A Common Stock, \$0.0001 par value; 6,000,000,000 shares authorized; 100,820,259 and 100,599,241 shares issued, respectively, and 96,561,759 and 96,340,741 shares outstanding, respectively | 10 | 10 |
| Class B Common Stock, \$0.0001 par value; 1,000,000 shares authorized; 15 shares issued and outstanding, respectively | — | — |
| Additional paid-in capital | 950,588 | 946,929 |
| Accumulated deficit | (721,921) | (714,383) |
| Accumulated other comprehensive loss | (266) | (249) |
| Noncontrolling interest | 27,312 | 40,100 |
| TOTAL EQUITY | 255,723 | 272,407 |
| TOTAL LIABILITIES AND EQUITY | \$ 27,683,568 | \$ 27,107,590 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Finance of America Companies Inc.
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 in the Condensed Consolidated Statements of Financial Condition above, and excludes retained bonds and beneficial interests that eliminate in consolidation.

| | March 31, 2024 | December 31, 2023 |
|---|-----------------------|--------------------------|
| | (unaudited) | |
| ASSETS | | |
| Restricted cash | \$ 183,490 | \$ 168,010 |
| Loans held for investment, subject to nonrecourse debt, at fair value | 8,026,026 | 7,881,566 |
| Other assets, net | 56,386 | 68,178 |
| TOTAL ASSETS | \$ 8,265,902 | \$ 8,117,754 |
| LIABILITIES | | |
| Nonrecourse debt, at fair value | \$ 7,536,990 | \$ 7,531,412 |
| Payables and other liabilities | 501 | 546 |
| TOTAL LIABILITIES | \$ 7,537,491 | \$ 7,531,958 |
| NET CARRYING VALUE OF ASSETS SUBJECT TO NONRECOURSE DEBT | \$ 728,411 | \$ 585,796 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

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

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|--|--|--|
| REVENUES | | |
| Net fair value gains on loans and related obligations | \$ 92,635 | \$ 176,394 |
| Fee income | 6,236 | 6,352 |
| Gain (loss) on sale and other income from loans held for sale, net | 86 | (12,426) |
| Net interest expense: | | |
| Interest income | 4,266 | 2,091 |
| Interest expense | (28,541) | (31,556) |
| Net interest expense | (24,275) | (29,465) |
| TOTAL REVENUES | 74,682 | 140,855 |
| EXPENSES | | |
| Salaries, benefits, and related expenses | 39,023 | 40,814 |
| Loan production and portfolio related expenses | 8,613 | 7,992 |
| Loan servicing expenses | 8,218 | 6,636 |
| Marketing and advertising expenses | 8,512 | 1,956 |
| Depreciation and amortization | 9,678 | 10,105 |
| General and administrative expenses | 17,271 | 16,274 |
| TOTAL EXPENSES | 91,315 | 83,777 |
| IMPAIRMENT OF OTHER ASSETS | (600) | — |
| OTHER, NET | 1,453 | 936 |
| NET INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | (15,780) | 58,014 |
| Provision for income taxes from continuing operations | — | 2,532 |
| NET INCOME (LOSS) FROM CONTINUING OPERATIONS | (15,780) | 55,482 |
| NET LOSS FROM DISCONTINUED OPERATIONS | (4,524) | (40,890) |
| NET INCOME (LOSS) | (20,304) | 14,592 |
| Net income (loss) from continuing operations attributable to noncontrolling interest | (10,145) | 36,755 |
| Net loss from discontinued operations attributable to noncontrolling interest | (2,621) | (25,217) |
| NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO CONTROLLING INTEREST | (5,635) | 18,727 |
| NET LOSS FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO CONTROLLING INTEREST | (1,903) | (15,673) |
| NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST | \$ (7,538) | \$ 3,054 |
| EARNINGS PER SHARE (Note 18) | | |
| Basic weighted average shares outstanding | 96,485,585 | 64,016,845 |
| Basic net income (loss) per share from continuing operations | \$ (0.06) | \$ 0.29 |
| Basic net income (loss) per share | \$ (0.08) | \$ 0.05 |
| Diluted weighted average shares outstanding | 96,485,585 | 190,301,012 |
| Diluted net income (loss) per share from continuing operations | \$ (0.06) | \$ 0.22 |
| Diluted net income (loss) per share | \$ (0.08) | \$ 0.07 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Finance of America Companies Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(in thousands)

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|---|--|--|
| NET INCOME (LOSS) | \$ (20,304) | \$ 14,592 |
| COMPREHENSIVE INCOME ITEM: | | |
| Impact of foreign currency translation adjustment | (17) | 64 |
| TOTAL COMPREHENSIVE INCOME (LOSS) | <u>(20,321)</u> | <u>14,656</u> |
| Less: Comprehensive income (loss) attributable to noncontrolling interest | (10) | 11,580 |
| COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST | <u>\$ (20,311)</u> | <u>\$ 3,076</u> |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

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

| | Class A Common Stock | | Class B Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Noncontrolling Interest | | Total Equity |
|---|----------------------|--------------|----------------------|-------------|----------------------------|---------------------|--------------------------------------|-------------------------|------------------|-------------------|
| | Shares | Amount | Shares | Amount | | | | Class A LLC Units | Amount | |
| Balance at December 31, 2023 | 96,340,741 | \$ 10 | 15 | \$ — | \$ 946,929 | \$ (714,383) | \$ (249) | 132,970,816 | \$ 40,100 | \$ 272,407 |
| Net loss | — | — | — | — | — | (7,538) | — | — | (12,766) | (20,304) |
| Equity-based compensation, net | — | — | — | — | 3,769 | — | — | — | — | 3,769 |
| Conversion of LLC Units for Class A Common Stock (Note 19 - Equity) | 618 | — | — | — | — | — | — | (618) | — | — |
| Settlement of long-term incentive plan (“LTIP”) restricted stock units (“RSUs”), net (Note 19 - Equity) | 88,289 | — | — | — | 22 | — | — | (88,289) | (22) | — |
| Settlement of other RSUs | 271,841 | — | — | — | — | — | — | — | — | — |
| Cancellation of shares to fund employee tax withholdings (Note 19 - Equity) | (139,730) | — | — | — | (132) | — | — | — | — | (132) |
| Foreign currency translation adjustment | — | — | — | — | — | — | (17) | — | — | (17) |
| Balance at March 31, 2024 | 96,561,759 | \$ 10 | 15 | \$ — | \$ 950,588 | \$ (721,921) | \$ (266) | 132,881,909 | \$ 27,312 | \$ 255,723 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

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

| | <u>Class A Common Stock</u> | | <u>Class B Common Stock</u> | | <u>Additional Paid-in Capital</u> | <u>Retained Earnings (Accumulated Deficit)</u> | <u>Accumulated Other Comprehensive Income (Loss)</u> | <u>Noncontrolling Interest</u> | | <u>Total Equity</u> |
|---|-----------------------------|---------------|-----------------------------|---------------|-----------------------------------|--|--|--------------------------------|-------------------|---------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Shares</u> | <u>Amount</u> | | | | <u>Class A LLC Units</u> | <u>Amount</u> | |
| Balance at December 31, 2022 | 63,423,356 | \$ 6 | 14 | \$ — | \$ 888,488 | \$ (634,295) | \$ (273) | 124,453,301 | \$ 150,915 | \$ 404,841 |
| Net income | — | — | — | — | — | 3,054 | — | — | 11,538 | 14,592 |
| Equity-based compensation, net | — | — | — | — | 8,109 | — | — | — | — | 8,109 |
| Conversion of LLC Units for Class A Common Stock (Note 19 - Equity) | 3,601 | — | — | — | 4 | — | — | (3,601) | (4) | — |
| Settlement of LTIP RSUs, net (Note 19 - Equity) | 582,698 | 1 | — | — | 748 | — | — | (582,698) | (658) | 91 |
| Settlement of other RSUs | 123,604 | — | — | — | — | — | — | — | — | — |
| Cancellation of shares to fund employee tax withholdings (Note 19 - Equity) | (292,360) | — | — | — | (437) | — | — | — | — | (437) |
| Issuance of shares (Note 17 - Related-Party Transactions) | 21,739,132 | 2 | — | — | 29,998 | — | — | — | — | 30,000 |
| Issuance of units (Note 3 - Acquisitions and Note 19 - Equity) | — | — | 1 | — | — | — | — | 19,692,990 | 33,172 | 33,172 |
| Foreign currency translation adjustment | — | — | — | — | — | — | 64 | — | — | 64 |
| Balance at March 31, 2023 | <u>85,580,031</u> | <u>\$ 9</u> | <u>15</u> | <u>\$ —</u> | <u>\$ 926,910</u> | <u>\$ (631,241)</u> | <u>\$ (209)</u> | <u>143,559,992</u> | <u>\$ 194,963</u> | <u>\$ 490,432</u> |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Finance of America Companies Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|--|--|--|
| Operating Activities⁽¹⁾ | | |
| Net income (loss) | \$ (20,304) | \$ 14,592 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities | (111,939) | 207,226 |
| Net cash provided by (used in) operating activities | (132,243) | 221,818 |
| Investing Activities⁽¹⁾ | | |
| Purchases and originations of loans held for investment | (684,204) | (875,292) |
| Proceeds/payments received on loans held for investment | 551,350 | 407,024 |
| Purchases and originations of loans held for investment, subject to nonrecourse debt | (10,522) | (26,981) |
| Proceeds/payments on loans held for investment, subject to nonrecourse debt | 188,219 | 332,659 |
| Proceeds on sale of mortgage servicing rights ("MSR") | 4,733 | 80,149 |
| Acquisition of American Advisors Group net assets | — | (140,854) |
| Acquisition of fixed assets | (461) | (1,923) |
| Other investing activities, net | 358 | (1,539) |
| Net cash provided by (used in) investing activities | 49,473 | (226,757) |
| Financing Activities⁽¹⁾ | | |
| Proceeds from issuance of HMBS related obligations | 468,520 | 293,669 |
| Payments on HMBS related obligations | (482,739) | (384,618) |
| Proceeds from issuance of nonrecourse debt | 128,185 | 662,101 |
| Payments on nonrecourse debt | (181,113) | (208,909) |
| Proceeds from other financing lines of credit | 1,277,218 | 1,335,415 |
| Payments on other financing lines of credit | (1,134,506) | (1,677,418) |
| Changes in notes payable | 26,265 | 9,790 |
| Issuance of Class A Common Stock | — | 30,000 |
| Other financing activities, net | (266) | (837) |
| Net cash provided by financing activities | 101,564 | 59,193 |
| Effect of exchange rate changes on cash and cash equivalents | | |
| | (17) | 64 |
| Net increase in cash and cash equivalents and restricted cash | 18,777 | 54,318 |
| Cash and cash equivalents and restricted cash, beginning of period⁽¹⁾ | 224,801 | 277,436 |
| Cash and cash equivalents and restricted cash, end of period⁽¹⁾ | \$ 243,578 | \$ 331,754 |
| Cash and cash equivalents and restricted cash, end of period⁽¹⁾ | | |
| Cash and cash equivalents | \$ 48,229 | \$ 103,141 |
| Restricted cash | 195,349 | 228,613 |
| Total cash and cash equivalents and restricted cash, end of period⁽¹⁾ | \$ 243,578 | \$ 331,754 |
| Supplementary Cash Flows Information | | |
| Cash paid for interest | \$ 100,346 | \$ 72,110 |
| Loans transferred to loans held for sale, at fair value, from loans held for investment, at fair value | 3,787 | 2,151 |

⁽¹⁾ Amounts presented contain results from both continuing and discontinued operations. Refer to Note 4 - Discontinued Operations for additional information regarding cash flow associated with the results of discontinued operations.

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

1. Organization and Description of Business

Finance of America Companies Inc. (“FoA,” the “Company,” “we,” “us,” or “our”) was incorporated in Delaware on October 9, 2020. FoA is a financial services holding company which, through its operating subsidiaries, is a leading provider of home equity-based financing solutions for a modern retirement. In addition, FoA offers capital markets and portfolio management capabilities primarily to optimize the distribution of its originated loans to investors.

FoA has a controlling financial interest in Finance of America Equity Capital LLC (“FoA Equity”). 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 FAH holding company subsidiary, operates a lending company, Finance of America Reverse LLC (“FAR”). Through FAR, the Company originates, purchases, sells, securitizes, and services home equity conversion mortgages (“HECM”), which are insured by the Federal Housing Administration (“FHA”), and non-agency reverse mortgages. The Company, through its Incenter holding company subsidiary, has operating service companies (the “operating service subsidiaries” and together with FAR, the “operating subsidiaries”) which provide capital markets and portfolio management capabilities such as secondary markets advisory services, mortgage trade brokerage, and capital management services.

Organizational Transformation and Realignment of Segments

During the fourth quarter of 2022 and calendar year 2023, the Company entered into a series of transactions, discontinuing certain business lines while enhancing our reverse mortgage loan business, as described in further detail below, in order to transform our business from a vertically integrated, diversified lending and complementary services platform to a modern retirement solutions platform. This transformation included the wind-down of the previously reported Mortgage Originations segment and sale of the previously reported Commercial Originations and Lender Services segments. During the quarter ended March 31, 2023, to more closely align with the business strategy, the Company restructured the reporting segments into the following: Retirement Solutions and Portfolio Management. Refer to Note 15 - Business Segment Reporting for additional information.

Transactions Relating to Discontinued Business Lines

On October 20, 2022, the Board of Directors (the “Board”) of the Company authorized a plan to discontinue the operations of the Company’s previously reported Mortgage Originations segment, other than its home improvement lending business, which commenced in the fourth quarter of 2022 and was completed on February 28, 2023. Refer to Note 4 - Discontinued Operations for additional information.

On August 31, 2023, the Company’s indirect subsidiary, Finance of America Mortgage LLC (“FAM”), entered into an agreement to sell certain operational assets of the home improvement lending business. This transaction closed on September 15, 2023. In connection with such transaction, the Company began the process of winding down the operations of the home improvement lending business, which was substantially complete as of March 31, 2024. The wind-down of the home improvement lending business is not considered by the Company to be a strategic shift that has or will have a major effect on our operations and financial results. Therefore, the operations of the home improvement lending business are reported as part of the Company’s Retirement Solutions segment rather than as discontinued operations.

On February 1, 2023, Incenter entered into an agreement to sell one hundred percent of (i) the issued and outstanding shares of capital stock of Agents National Title Holding Company (“ANTIC”), a direct subsidiary of Incenter and an indirect subsidiary of the Company, and (ii) the issued and outstanding membership interests of Boston National Holdings LLC (“BNT”), a direct subsidiary of Incenter and an indirect subsidiary of the Company. The closing of the ANTIC and BNT sale was completed on July 3, 2023. The Company historically included the operations of ANTIC and BNT in its previously reported Lender Services segment. On March 30, 2023, the FoA Equity Board authorized a plan to sell assets making up the remainder of the Company’s previously reported Lender Services segment, with the exception of its Incenter Solutions LLC operating service subsidiary. The Company completed the sale of such assets on June 30, 2023. Refer to Note 4 - Discontinued Operations for additional information.

During the quarter ended September 30, 2023, the Company ceased the operations of the Company's Incenter Solutions LLC operating service subsidiary. The wind-down of Incenter Solutions LLC was substantially complete as of December 31, 2023. The wind-down of Incenter Solutions LLC is not considered by the Company to be a strategic shift that has or will have a major effect on our operations and financial results. Therefore, the operations of Incenter Solutions LLC are reported within Corporate and Other in Note 15 - Business Segment Reporting, rather than as discontinued operations.

On February 19, 2023, FAH and FAM entered into an agreement to sell certain commercial originations operational assets of FAM, operating under the brand Finance of America Commercial ("FACo"). This transaction closed on March 14, 2023. The Company historically included the commercial originations operations of FACo in its previously reported Commercial Originations segment. In connection with the transaction, the Company discontinued the operations of and wound-down its Commercial Originations segment. Refer to Note 4 - Discontinued Operations for additional information.

American Advisors Group Transaction

On March 31, 2023, FAR acquired a majority of the assets and certain of the liabilities of American Advisors Group, now known as Bloom Retirement Holdings Inc. ("AAG/Bloom" or "Seller"), including, among other things, certain residential reverse mortgage loans and the right to service certain HECM (such acquisition, the "AAG Transaction"). These assets and liabilities were acquired pursuant to an Asset Purchase Agreement, a Servicing Rights Purchase and Sale Agreement, and a Loan Sale Agreement entered into on December 6, 2022 with AAG/Bloom. The assets, liabilities, and operations acquired by the Company as a result of the AAG Transaction are included in the Company's Retirement Solutions segment reporting. Refer to Note 3 - Acquisitions for additional information.

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. The condensed consolidated financial statements have been prepared in accordance with United States ("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 (the "SEC"). 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, 2024 and its results of operations and cash flows for the three months ended March 31, 2024 and 2023. The Condensed Consolidated Statement of Financial Condition at December 31, 2023 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 periods are not necessarily indicative of the results that may be expected for any future period or for the full year. The condensed consolidated financial statements, including the significant accounting policies, should be read in conjunction with the consolidated financial statements and notes as of and for the year ended December 31, 2023 within the Company's Annual Report on Form 10-K.

The significant accounting policies, together with the other Notes to Condensed Consolidated Financial Statements, are an integral part of the condensed consolidated financial statements.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. 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. Estimates regarding loans held for investment, subject to HMBS related obligations, loans held for investment, subject to nonrecourse debt, loans held for investment, HMBS related obligations, and nonrecourse debt are particularly subject to change. 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.

Recently Issued Accounting Guidance, Not Yet Adopted as of March 31, 2024

| Standard | Description | Date of Planned Adoption | Effect on Condensed Consolidated Financial Statements |
|--|---|---|---|
| Accounting Standards Update (“ASU”) 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures | <p>In November 2023, the Financial Accounting Standards Board (“FASB”) issued ASU 2023-07 which requires disclosures of significant reportable expenses that are regularly provided to the Chief Operating Decision Maker (“CODM”) and included within each reported measure of a segment’s profit or loss.</p> <p>This ASU also requires disclosure of the title and position of the CODM and an explanation of how the CODM uses the reported measures of a segment’s profit or loss in assessing segment performance and deciding how to allocate resources.</p> | We are currently evaluating the impact that this guidance will have on the disclosures within our financial statements, and expect to adopt this ASU for the year ending December 31, 2024. | <p>This ASU is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024.</p> <p>Adoption of the ASU should be applied retrospectively to all prior periods presented in the financial statements. Early adoption is permitted.</p> |
| ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures | In December 2023, the FASB issued ASU 2023-09 that enhances income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation, and by requiring disclosure of the amount of income taxes paid disaggregated by federal, state, and foreign taxes, as well as disaggregated by material individual jurisdictions. | We are currently evaluating the impact that this guidance will have on the disclosures within our financial statements, and expect to adopt this ASU for the year ending December 31, 2025. | <p>This ASU is effective for annual periods beginning after December 15, 2024.</p> <p>Adoption of this ASU should be applied on a prospective basis, but retrospective application is permitted. Early adoption is permitted.</p> |

3. Acquisitions

Asset Acquisition

On March 31, 2023, the Company completed the acquisition of the assets and liabilities associated with the AAG Transaction for a total purchase consideration of \$215.4 million.

The Company determined that the AAG Transaction should be considered an asset acquisition, because substantially all of the fair value of the acquired assets was concentrated in a single group of similar assets. Under the accounting for asset acquisitions, the acquisition is recorded using a cost accumulation and allocation model under which the cost of the acquisition is allocated on a relative fair value basis to the assets acquired and liabilities assumed. Acquisition-related transaction costs are capitalized as a component of the cost of the assets acquired. Consequently, no goodwill was recognized as part of this transaction.

The following table summarizes the fair value of the consideration transferred and the major classes of assets acquired and liabilities assumed in relation to the March 31, 2023 acquisition (in thousands):

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

| | |
|---|---------------------|
| Consideration transferred: | |
| FoA Class B Common Stock ⁽¹⁾ (Note 19 - Equity) | \$ — |
| Cash consideration ⁽²⁾ | 3,100 |
| Notes payable to Seller | 4,500 |
| Pay off indebtedness ⁽²⁾ | 136,984 |
| Initial equity consideration – Class A LLC Units ⁽³⁾ (Note 19 - Equity) | 24,419 |
| Deferred equity consideration – Class A LLC Units ⁽⁴⁾ (Note 19 - Equity) | 13,137 |
| Other liabilities assumed | 8,429 |
| Buyer transaction expenses ⁽²⁾ | 770 |
| Forgiveness of bridge working capital notes payable | 24,034 |
| Total cost | \$ 215,373 |
| Assets acquired: | |
| Loans held for investment, subject to HMBS related obligations | \$ 5,448,712 |
| Loans held for investment | 138,270 |
| Fixed assets and leasehold improvements | 2,400 |
| Right-of-use leased assets | 491 |
| Other assets | 6,270 |
| Total assets acquired | \$ 5,596,143 |
| Liabilities assumed: | |
| HMBS related obligations | \$ 5,354,372 |
| Operating lease liabilities | 492 |
| Payables and other liabilities | 25,906 |
| Total liabilities assumed | 5,380,770 |
| Net identifiable assets acquired | \$ 215,373 |

⁽¹⁾ The Seller owns one share of FoA Class B Common Stock. Class B Common Stock has no economic rights but entitles each holder of at least one such share (regardless of the number of shares held) to a number of votes that is equal to the aggregate number of units of FoA Equity ("Class A LLC Units") held by the holder on all matters on which Class A Common Stockholders are entitled to vote. The fair value of the Class B Common Stock was determined to be negligible as there are no economic rights associated with the Class B Common Stock.

⁽²⁾ Amounts represent the cash portion of the consideration paid to acquire the net assets of AAG/Bloom. Total cash consideration was \$140.9 million.

⁽³⁾ At the closing of the AAG Transaction, FoA Equity issued 19,692,990 Class A LLC Units to the Seller, which hold 1:1 conversion rights for Class A Common Stock of FoA. At the closing date, the fair value of these Class A LLC Units were equal to the Class A Common Stock share price of \$1.24 per share.

⁽⁴⁾ The deferred equity consideration is comprised of two forms of issuable Class A LLC Units; 7,058,416 units with a fair value of \$8.7 million that are equity classified and indemnity holdback units totaling up to 7,142,260 units as of the acquisition date with a fair value of \$4.4 million that are liability classified. The deferred equity consideration that is liability classified is recorded in payables and other liabilities in the Condensed Consolidated Statements of Financial Condition.

The indemnity holdback units to be issued to the Seller are based on set thresholds and, subject to meeting the control condition, are settled two and three years following the closing date. The amount of units released to the Seller depends on the dollar amount of indemnified claims FoA pays out on behalf of the Seller related to litigation liabilities and indemnifiable loan losses. Two years following the closing date, FoA Equity will issue to the Seller Class A LLC Units equal to the excess of the remaining indemnity holdback units over the threshold of 3,571,130. The remaining Class A LLC Units the Seller is entitled to are issued three years following the closing date. Management has included the fair value of indemnity holdback units, reduced for estimated litigation liabilities and indemnifiable loan losses, above in the consideration given to the Seller.

4. Discontinued Operations

During the fourth quarter of 2022 and calendar year 2023, the Company entered into a series of transactions, discontinuing certain business lines while enhancing our reverse mortgage loan business, in order to transform our business from a vertically integrated, diversified lending and complementary services platform to a modern retirement solutions platform. This transformation included the wind-down of the previously reported Mortgage Originations segment and sale of the previously reported Commercial Originations and Lender Services segments. This constitutes a strategic shift that has or will have a major effect on our operations and financial results.

The following table summarizes the major classes of assets and liabilities classified as discontinued operations as of March 31, 2024 and December 31, 2023 (in thousands):

| | March 31, 2024 | December 31, 2023 |
|--------------------------------|----------------|-------------------|
| Assets | | |
| Other assets, net | \$ 7,290 | \$ 6,721 |
| Liabilities | | |
| Payables and other liabilities | 20,647 | 18,304 |

The following table summarizes the major components of net loss from discontinued operations (in thousands):

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|---|--|--|
| Revenues | | |
| Net fair value gains on loans and related obligations | \$ — | \$ 308 |
| Fee income | — | 32,628 |
| Gain on sale and other income from loans held for sale, net | — | 396 |
| Net interest expense: | | |
| Interest income | — | 517 |
| Interest expense | — | (820) |
| Net interest expense | — | (303) |
| Total revenues | — | 33,029 |
| Expenses | | |
| Salaries, benefits, and related expenses | — | 30,851 |
| Loan production and portfolio related expenses | — | 1,037 |
| Marketing and advertising expenses | — | 540 |
| Depreciation and amortization | — | 2,778 |
| General and administrative expenses | 1,524 | 25,150 |
| Total expenses | 1,524 | 60,356 |
| Impairment of other assets⁽¹⁾ | — | (1,055) |
| Other, net⁽²⁾ | (3,000) | (9,089) |
| Net loss from discontinued operations before income taxes | (4,524) | (37,471) |
| Provision for income taxes from discontinued operations | — | 3,419 |
| Net loss from discontinued operations | (4,524) | (40,890) |
| Net loss from discontinued operations attributable to noncontrolling interest | (2,621) | (25,217) |
| Net loss from discontinued operations attributable to controlling interest | \$ (1,903) | \$ (15,673) |

⁽¹⁾ The Company evaluates the carrying value of long-lived assets, including fixed assets, leasehold improvements as well as right-of-use assets in operating leases when indicators of impairment exist in accordance with Accounting Standards Codification ("ASC") 360, Property, Plant, and Equipment. Based on the analysis, the Company recognized an impairment

charge in the three months ended March 31, 2023, related to the sale of the previously reported Commercial Originations segment.

⁽²⁾ Includes a \$3.0 million contingent liability related to our discontinued operations for the three months ended March 31, 2024 and a \$10.2 million loss on the sale of our commercial originations operational assets for the three months ended March 31, 2023.

The Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and 2023 included the following material activities related to discontinued operations (in thousands):

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|--|--|--|
| Gain on sale and other income from loans held for sale, net | \$ — | \$ 396 |
| Unrealized fair value changes on loans, related obligations, and derivatives | — | 308 |
| Impairment of other assets | — | 1,055 |
| Depreciation and amortization | — | 2,778 |
| Acquisition of fixed assets | — | 1,815 |

5. Variable Interest Entities and Securitizations

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

Consolidated VIEs

FAR

FAR securitizes certain of its interests in HECM buyouts and non-agency reverse mortgage loans. The transactions provide investors with the ability to invest in a pool of reverse mortgage loans secured by 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 the three months ended March 31, 2024, the Company redeemed outstanding securitized notes related to certain non-agency reverse product securitizations. As part of the redemptions, the Company paid off notes with outstanding principal balances of \$424.7 million. The notes were paid off at par.

FAM

FAM securitized certain of its interests in commercial mortgage loans. The transactions provided debt security holders the ability to invest in a pool of loans secured by an investment in real estate. The transactions provided 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, FAR and FAM retain the power to direct the VIE's activities that most significantly impact the VIE's economic performance. FAR and FAM also retain certain beneficial interests in these trusts which provide exposure to potential gains and losses based on the performance of the trust. As FAR and FAM 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 FAR and FAM subsidiaries.

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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 three months ended March 31, 2024 or 2023.

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, 2024 | December 31, 2023 |
|---|---------------------|---------------------|
| ASSETS | | |
| Restricted cash | \$ 183,490 | \$ 168,010 |
| Loans held for investment, subject to nonrecourse debt, at fair value | 8,026,026 | 7,881,566 |
| Other assets, net | 56,386 | 68,178 |
| TOTAL ASSETS | \$ 8,265,902 | \$ 8,117,754 |
| LIABILITIES | | |
| Nonrecourse debt, at fair value | \$ 8,015,402 | \$ 7,859,065 |
| Payables and other liabilities | 501 | 546 |
| TOTAL VIE LIABILITIES | 8,015,903 | 7,859,611 |
| Retained bonds and beneficial interests eliminated in consolidation | (478,412) | (327,653) |
| TOTAL CONSOLIDATED LIABILITIES | \$ 7,537,491 | \$ 7,531,958 |

Unconsolidated VIEs

Transfer of loans accounted for as sales

The Company securitized certain of its interests in non-agency reverse mortgage loans and in agency-eligible residential mortgage loans. The transactions provided investors with the ability to invest in a pool of mortgage loans secured by residential properties and provided the Company with access to liquidity for these assets and ongoing service fees. The Company's beneficial interest in the securitizations is limited to a 5% eligible vertical interest in the trusts. The Company determined that the securitization structures meet 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 transfers of the loans to the VIEs were determined to be sales. The Company derecognized the mortgage loans and did not consolidate the trusts.

The Company's continuing involvement with and exposure to loss from the VIEs includes the carrying value of the retained bonds, 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 VIEs have no recourse to the Company'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.

Transfer of loans accounted for as secured borrowings

The Company securitized certain non-agency reverse mortgage loans and commercial mortgage loans where its beneficial interest in the securitizations is limited to 5% eligible vertical interest in the trusts. The Company determined that these securitization structures meet 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 transfers of the loans to the VIEs were determined not to be sales. As such, the Company continues to recognize the loans and recognized a nonrecourse liability for the proceeds received from third parties for the transfer of the loans. Bonds issued in the securitization that were retained by the Company are not recognized. The Company's continuing involvement with and exposure to loss from the VIEs includes the carrying value of the retained bonds, servicing advances in the role as servicer, and obligations under representations and warranties contained in the loan sale agreements. Creditors of the VIEs 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.

The tables below present a summary of the unconsolidated VIEs for which the Company holds variable interests (in thousands).

| March 31, 2024 | | | | |
|---|-------------------|-------------------|--------------------------|----------------------|
| | Carrying value | | Maximum exposure to loss | Total assets in VIEs |
| | Assets | Liabilities | | |
| Transfers of loans - sale treatment | | | | |
| Retained interests | \$ 50,124 | \$ — | \$ 50,124 | \$ 996,999 |
| Transfers of loans - secured borrowing | | | | |
| Loans and nonrecourse liability | 388,565 | 367,582 | 20,983 | 388,565 |
| TOTAL | \$ 438,689 | \$ 367,582 | \$ 71,107 | \$ 1,385,564 |

| December 31, 2023 | | | | |
|---|-------------------|-------------------|--------------------------|----------------------|
| | Carrying value | | Maximum exposure to loss | Total assets in VIEs |
| | Assets | Liabilities | | |
| Transfers of loans - sale treatment | | | | |
| Retained interests | \$ 50,774 | \$ — | \$ 50,774 | \$ 1,008,152 |
| Transfers of loans - secured borrowing | | | | |
| Loans and nonrecourse liability | 389,557 | 368,343 | 21,214 | 389,557 |
| TOTAL | \$ 440,331 | \$ 368,343 | \$ 71,988 | \$ 1,397,709 |

As of March 31, 2024 and December 31, 2023, there were \$0.8 million and \$0.7 million, respectively, of mortgage loans transferred by the Company to unconsolidated securitization trusts that are 90 days or more past due.

6. 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 of the fair value hierarchy:

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 during the three months ended March 31, 2024 and 2023.

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.

| Instrument | Valuation techniques | Classification of Fair Value Hierarchy |
|---|--|--|
| Assets | | |
| Loans held for investment, subject to HMBS related obligations⁽¹⁾ | | |
| HECM loans - securitized into Ginnie Mae HMBS | These loans are valued utilizing a present value methodology that discounts estimated projected cash flows over the life of the loan portfolio using conditional prepayment rate (“CPR”), loss frequency, loss severity, borrower draw, and discount rate assumptions. | Level 3 |
| Loans held for investment, subject to nonrecourse debt⁽¹⁾ | | |
| HECM buyouts - securitized (nonperforming) | These loans are valued utilizing a present value methodology that discounts estimated projected cash flows over the life of the portfolio using CPR, loss frequency, loss severity, and discount rate assumptions. | Level 3 |
| HECM buyouts - securitized (performing) | These loans are valued utilizing a present value methodology that discounts estimated projected cash flows over the life of the portfolio using weighted average remaining life (“WAL”), CPR, loss severity, and discount rate assumptions. | Level 3 |
| Non-agency reverse mortgage loans - securitized | These loans are valued utilizing a present value methodology that discounts estimated projected cash flows over the life of the portfolio using WAL, loan-to-value (“LTV”), CPR, loss severity, home price appreciation (“HPA”), and discount rate assumptions. | Level 3 |
| Commercial mortgage loans - securitized | This product is valued using a discounted cash flow model utilizing a single monthly mortality prepayment rate (“SMM”), discount rate, and loss rate assumptions. | Level 3 |
| <i>⁽¹⁾ The Company aggregates loan portfolios based on the underlying securitization trust and values these loans using these aggregated pools. The range of inputs provided is based on the range of inputs utilized for each securitization trust.</i> | | |
| Loans held for investment | | |
| Inventory buyouts | 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 CPR, loss frequency, loss severity, and discount rate. 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. | Level 3 |
| 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 primary assumptions utilized in valuing the loans include WAL, LTV, CPR, loss severity, HPA, and discount rate. | Level 3 |

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| | | |
|---|---|---------|
| Commercial mortgage loans | This product is valued using a discounted cash flow (“DCF”) model with SMM, discount rate, and constant default rate (“CDR”) assumptions. | Level 3 |
| Other assets | | |
| Loans held for sale - residential mortgage loans | This includes all mortgage loans that can be sold to the agencies, which are valued predominantly by published forward agency prices. This will also include all non-agency loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value), or quoted market prices for similar loans are available. | Level 2 |
| Retained bonds | Management obtains third-party valuations to assess the reasonableness of the fair value calculations provided by the internal valuation model. The primary assumptions utilized include WAL and discount rate. | Level 3 |
| MSR | The Company valued MSR internally through a DCF analysis and calculated using a pricing model. This pricing model is based on the objective characteristics of the portfolio (loan amount, note rate, etc.) and commonly used industry assumptions such as discount rate and weighted average CPR. The range and weighted average of the unobservable inputs of MSR are not meaningful at March 31, 2024 or December 31, 2023. | Level 3 |
| Liabilities | | |
| HMBS related obligations | | |
| HMBS related obligations | 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 as well as 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 CPR and discount rates. | Level 3 |
| Nonrecourse debt | | |
| Nonrecourse reverse mortgage loan financing liability | 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 WAL, CPR, and discount rates. | Level 3 |
| Nonrecourse commercial loan financing liability | The estimated fair value is based on the net present value of projected cash flows over the estimated life of the liability. The primary assumptions utilized include WAL, weighted average SMM, 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. | Level 3 |
| Deferred purchase price liabilities | | |
| Deferred purchase price liabilities | These liabilities are measured based on the estimated amount of indemnified claims associated with the AAG Transaction and the closing market price of the Company’s publicly-traded stock on the applicable date of the Condensed Consolidated Statements of Financial Condition. Refer to Note 3 - Acquisitions for additional information. | Level 3 |
| Tax Receivable Agreements (“TRA”) obligation | The fair value is derived through the use of a DCF model. The significant unobservable 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 a discount rate. | Level 3 |
| Warrant liability | | |
| Warrants | 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. | Level 1 |

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

| Instrument / Unobservable Inputs | March 31, 2024 | | December 31, 2023 | | |
|---|----------------|------------------|-------------------|------------------|--------|
| | Range | Weighted Average | Range | Weighted Average | |
| Assets | | | | | |
| Loans held for investment, subject to HMBS related obligations | | | | | |
| CPR | | NM | 20.7 % | NM | 20.1 % |
| Loss frequency | | NM | 4.2 % | NM | 4.5 % |
| Loss severity | 3.6% - 14.5% | | 3.8 % | 3.4% - 12.9% | 3.5 % |
| Discount rate | | NM | 5.1 % | NM | 5.0 % |
| Average draw rate | | NM | 1.1 % | NM | 1.1 % |
| Loans held for investment, subject to nonrecourse debt: | | | | | |
| HECM buyouts - securitized (nonperforming) | | | | | |
| CPR | | NM | 39.3 % | NM | 39.8 % |
| Loss frequency | 23.1% - 100.0% | | 49.3 % | 23.1% - 100% | 51.0 % |
| Loss severity | 3.6% - 14.5% | | 7.0 % | 3.4% - 12.8% | 6.4 % |
| Discount rate | | NM | 9.0 % | NM | 8.6 % |
| HECM buyouts - securitized (performing) | | | | | |
| WAL (in years) | | NM | 7.3 | NM | 7.4 |
| CPR | | NM | 15.2 % | NM | 15.1 % |
| Loss severity | 3.6% - 14.5% | | 7.0 % | 3.4% - 12.8% | 6.9 % |
| Discount rate | | NM | 8.5 % | NM | 8.2 % |
| Non-agency reverse mortgage loans - securitized | | | | | |
| WAL (in years) | | NM | 9.9 | NM | 9.7 |
| LTV | 0.0% - 106.0% | | 45.6 % | 0.0% - 79.6% | 45.9 % |
| CPR | | NM | 14.6 % | NM | 14.7 % |
| Loss severity | | NM | 10.0 % | NM | 10.0 % |
| HPA | (6.3)% - 7.1% | | 3.3 % | (9.8)% - 7.6% | 3.3 % |
| Discount rate | | NM | 7.2 % | NM | 6.9 % |
| Commercial mortgage loans - securitized | | | | | |
| SMM | | NM | 9.2 % | NM | 10.7 % |
| Discount rate | | NM | 18.5 % | NM | 16.5 % |
| Loss rate | | NM | 3.8 % | NM | 1.0 % |
| Loans held for investment: | | | | | |
| Inventory buyouts | | | | | |
| CPR | | NM | 40.6 % | NM | 41.5 % |
| Loss frequency | | NM | 46.8 % | NM | 48.2 % |
| Loss severity | 3.6% - 14.5% | | 5.4 % | 3.4% - 12.8% | 5.1 % |
| Discount rate | | NM | 9.0 % | NM | 8.6 % |
| Non-agency reverse mortgage loans | | | | | |
| WAL (in years) | | NM | 11.5 | NM | 12.1 |
| LTV | 1.3% - 67.3% | | 34.1 % | 3.9% - 53.8% | 33.8 % |
| CPR | | NM | 14.6 % | NM | 14.4 % |
| Loss severity | | NM | 10.0 % | NM | 10.0 % |
| HPA | (6.3)% - 7.1% | | 3.2 % | (9.8)% - 7.6% | 3.1 % |
| Discount rate | | NM | 7.1 % | NM | 6.9 % |

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

| Instrument / Unobservable Inputs | March 31, 2024 | | December 31, 2023 | | |
|--|-----------------|------------------|-------------------|------------------|--------|
| | Range | Weighted Average | Range | Weighted Average | |
| Commercial mortgage loans | | | | | |
| SMM | | NM | 5.1 % | NM | 73.6 % |
| CDR | | NM | 31.2 % | NM | 25.6 % |
| Discount rate | 9.6% - 20.7% | | 13.6 % | 9.6% - 20.0% | 13.2 % |
| Other assets: | | | | | |
| Retained bonds | | | | | |
| WAL (in years) | 2.3 - 23.2 | | 4.8 | 2.3 - 23.4 | 4.9 |
| Discount rate | (24.3)% - 12.6% | | 7.3 % | (31.2)% - 12.3% | 6.7 % |
| Liabilities | | | | | |
| HMBS related obligations | | | | | |
| CPR | | NM | 24.6 % | NM | 23.8 % |
| Discount rate | | NM | 5.1 % | NM | 5.0 % |
| Nonrecourse debt: | | | | | |
| Reverse mortgage loans: | | | | | |
| Performing/Nonperforming HECM securitizations | | | | | |
| WAL (in years) | | NM | 0.7 | NM | 0.9 |
| CPR | 21.6% - 24.2% | | 23.0 % | 21.5% - 22.3% | 21.9 % |
| Discount rate | | NM | 10.3 % | NM | 10.0 % |
| Securitized non-agency reverse | | | | | |
| WAL (in years) | 1.0 - 11.1 | | 4.6 | 0.8 - 11.2 | 4.5 |
| CPR | 0.0% - 21.0% | | 13.3 % | 10.6% - 22.3% | 14.7 % |
| Discount rate | | NM | 7.2 % | NM | 7.0 % |
| Nonrecourse commercial loan financing liability | | | | | |
| WAL (in months) | | NM | 1.2 | NM | 1.8 |
| Weighted average SMM | | NM | 45.4 % | NM | 33.3 % |
| Discount rate | | NM | 10.9 % | NM | 9.1 % |
| Deferred purchase price liabilities | | | | | |
| TRA obligation | | | | | |
| Discount rate | | NM | 35.8 % | NM | 33.0 % |

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

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, 2024 | | | |
|--|----------------------|---------------|-----------------|----------------------|
| | Total Fair Value | Level 1 | Level 2 | Level 3 |
| Assets | | | | |
| Loans held for investment, subject to HMBS related obligations | \$ 18,050,772 | \$ — | \$ — | \$ 18,050,772 |
| Loans held for investment, subject to nonrecourse debt: | | | | |
| Reverse mortgage loans | 8,327,915 | — | — | 8,327,915 |
| Commercial mortgage loans | 79,687 | — | — | 79,687 |
| Loans held for investment: | | | | |
| Reverse mortgage loans | 535,159 | — | — | 535,159 |
| Commercial mortgage loans | 751 | — | — | 751 |
| Other assets: | | | | |
| Loans held for sale - residential mortgage loans | 2,465 | — | 2,465 | — |
| Retained bonds | 42,906 | — | — | 42,906 |
| MSR | 783 | — | — | 783 |
| Total assets | <u>\$ 27,040,438</u> | <u>\$ —</u> | <u>\$ 2,465</u> | <u>\$ 27,037,973</u> |
| Liabilities | | | | |
| HMBS related obligations | \$ 17,827,060 | \$ — | \$ — | \$ 17,827,060 |
| Nonrecourse debt: | | | | |
| Nonrecourse debt in consolidated VIE trusts and reverse loan financing liability | 7,883,472 | — | — | 7,883,472 |
| Nonrecourse commercial loan financing liability | 14,424 | — | — | 14,424 |
| Deferred purchase price liabilities: | | | | |
| Deferred purchase price liabilities | 2,794 | — | — | 2,794 |
| TRA obligation | 4,824 | — | — | 4,824 |
| Warrant liability | 431 | 431 | — | — |
| Total liabilities | <u>\$ 25,733,005</u> | <u>\$ 431</u> | <u>\$ —</u> | <u>\$ 25,732,574</u> |

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

| | December 31, 2023 | | | |
|--|----------------------|-----------------|-----------------|----------------------|
| | Total Fair Value | Level 1 | Level 2 | Level 3 |
| Assets | | | | |
| Loans held for investment, subject to HMBS related obligations | \$ 17,548,763 | \$ — | \$ — | \$ 17,548,763 |
| Loans held for investment, subject to nonrecourse debt: | | | | |
| Reverse mortgage loans | 8,138,403 | — | — | 8,138,403 |
| Commercial mortgage loans | 133,990 | — | — | 133,990 |
| Loans held for investment: | | | | |
| Reverse mortgage loans | 574,271 | — | — | 574,271 |
| Commercial mortgage loans | 957 | — | — | 957 |
| Other assets: | | | | |
| Loans held for sale - residential mortgage loans | 4,246 | — | 4,246 | — |
| Retained bonds | 44,297 | — | — | 44,297 |
| MSR | 6,436 | — | — | 6,436 |
| Loan purchase commitments | 630 | — | 630 | — |
| Total assets | <u>\$ 26,451,993</u> | <u>\$ —</u> | <u>\$ 4,876</u> | <u>\$ 26,447,117</u> |
| Liabilities | | | | |
| HMBS related obligations | \$ 17,353,720 | \$ — | \$ — | \$ 17,353,720 |
| Nonrecourse debt: | | | | |
| Nonrecourse debt in consolidated VIE trusts and reverse loan financing liability | 7,876,932 | — | — | 7,876,932 |
| Nonrecourse commercial loan financing liability | 27,268 | — | — | 27,268 |
| Deferred purchase price liabilities: | | | | |
| Deferred purchase price liabilities | 4,318 | — | — | 4,318 |
| TRA obligation | 4,537 | — | — | 4,537 |
| Warrant liability | 1,150 | 1,150 | — | — |
| Total liabilities | <u>\$ 25,267,925</u> | <u>\$ 1,150</u> | <u>\$ —</u> | <u>\$ 25,266,775</u> |

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

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

| Three months ended March 31, 2024 | Assets | | | |
|--|---------------------------|--|----------|----------------|
| | Loans held for investment | Loans held for investment, subject to nonrecourse debt | MSR | Retained bonds |
| Beginning balance | \$ 18,123,991 | \$ 8,272,393 | \$ 6,436 | \$ 44,297 |
| Total gain (loss) included in earnings | 604,482 | 23,599 | (920) | (742) |
| Purchases, settlements, and transfers: | | | | |
| Purchases and additions | 684,204 | 10,522 | — | — |
| Sales and settlements | (551,350) | (188,219) | (4,733) | (649) |
| Transfers in (out) between categories | (274,645) | 289,307 | — | — |
| Ending balance | \$ 18,586,682 | \$ 8,407,602 | \$ 783 | \$ 42,906 |

| Three months ended March 31, 2024 | Liabilities | | | | |
|--|--------------------------|--|---|-------------------------------------|----------------|
| | HMBS related obligations | Nonrecourse debt in consolidated VIE trusts and reverse loan financing liability | Nonrecourse commercial loan financing liability | Deferred purchase price liabilities | TRA obligation |
| Beginning balance | \$ (17,353,720) | \$ (7,876,932) | \$ (27,268) | \$ (4,318) | \$ (4,537) |
| Total gain (loss) included in earnings | (487,559) | (55,487) | 8,863 | 1,524 | (287) |
| Purchases, settlements, and transfers: | | | | | |
| Purchases and additions | (468,520) | (128,185) | — | — | — |
| Settlements | 482,739 | 177,132 | 3,981 | — | — |
| Ending balance | \$ (17,827,060) | \$ (7,883,472) | \$ (14,424) | \$ (2,794) | \$ (4,824) |

| Three months ended March 31, 2023 | Assets | | | | | |
|--|---------------------------|--|---------------------|-----------|----------------|----------------------|
| | Loans held for investment | Loans held for investment, subject to nonrecourse debt | Loans held for sale | MSR | Retained bonds | Purchase commitments |
| Beginning balance | \$ 12,022,098 | \$ 7,454,638 | \$ 161,861 | \$ 95,096 | \$ 46,439 | \$ 9,356 |
| Total gain (loss) included in earnings | 244,759 | 298,636 | (828) | (1,369) | 1,031 | — |
| Purchases, settlements, and transfers: | | | | | | |
| Purchases and additions | 6,462,274 | 26,981 | 40,468 | 405 | — | — |
| Sales and settlements | (406,942) | (333,324) | (198,338) | (80,419) | (422) | (9,356) |
| Transfers in (out) between categories | (961,660) | 927,896 | 15,580 | — | — | — |
| Ending balance | \$ 17,360,529 | \$ 8,374,827 | \$ 18,743 | \$ 13,713 | \$ 47,048 | \$ — |

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

| | Liabilities | | | | | |
|--|---------------------------------|---|--|--|--|-----------------------|
| | HMBS related obligations | Nonrecourse debt in consolidated VIE trusts and reverse loan financing liability | Nonrecourse commercial loan financing liability | Nonrecourse MSR financing liability | Deferred purchase price liabilities | TRA obligation |
| Three months ended March 31, 2023 | | | | | | |
| Beginning balance | \$ (10,996,755) | \$ (7,175,857) | \$ (106,758) | \$ (60,562) | \$ (137) | \$ (3,781) |
| Total gain (loss) included in earnings | (147,451) | (237,315) | 381 | 748 | — | 1,579 |
| Purchases, settlements, and transfers: | | | | | | |
| Purchases and additions | (5,648,041) | (639,499) | (22,600) | — | (4,385) | — |
| Settlements | 384,618 | 96,796 | 53,288 | 58,826 | — | — |
| Ending balance | <u>\$ (16,407,629)</u> | <u>\$ (7,955,875)</u> | <u>\$ (75,689)</u> | <u>\$ (988)</u> | <u>\$ (4,522)</u> | <u>\$ (2,202)</u> |

Fair Value Option

The Company has elected to measure its loans held for investment, loans held for sale, HMBS related obligations, and nonrecourse debt at fair value under the fair value option. 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 the unpaid principal balance ("UPB"), at March 31, 2024 and December 31, 2023, of financial assets and liabilities for which the Company has elected the fair value option (in thousands):

| March 31, 2024 | Estimated Fair Value | Unpaid Principal Balance |
|--|-----------------------------|---------------------------------|
| Assets at fair value under the fair value option | | |
| Loans held for investment, subject to HMBS related obligations | \$ 18,050,772 | \$ 17,113,496 |
| Loans held for investment, subject to nonrecourse debt: | | |
| Reverse mortgage loans | 8,327,915 | 8,483,961 |
| Commercial mortgage loans | 79,687 | 92,561 |
| Loans held for investment: | | |
| Reverse mortgage loans | 535,159 | 519,237 |
| Commercial mortgage loans | 751 | 1,044 |
| Other assets: | | |
| Loans held for sale - residential mortgage loans | 2,465 | 6,997 |
| Liabilities at fair value under the fair value option | | |
| HMBS related obligations | 17,827,060 | 17,113,496 |
| Nonrecourse debt: | | |
| Nonrecourse debt in consolidated VIE trusts and reverse loan financing liability | 7,883,472 | 8,447,617 |
| Nonrecourse commercial loan financing liability | 14,424 | 22,295 |

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

| December 31, 2023 | Estimated Fair Value | Unpaid Principal Balance |
|--|----------------------|--------------------------|
| Assets at fair value under the fair value option | | |
| Loans held for investment, subject to HMBS related obligations | \$ 17,548,763 | \$ 16,875,437 |
| Loans held for investment, subject to nonrecourse debt: | | |
| Reverse mortgage loans | 8,138,403 | 8,257,750 |
| Commercial mortgage loans | 133,990 | 136,622 |
| Loans held for investment: | | |
| Reverse mortgage loans | 574,271 | 558,577 |
| Commercial mortgage loans | 957 | 1,044 |
| Other assets: | | |
| Loans held for sale - residential mortgage loans | 4,246 | 9,247 |
| Liabilities at fair value under the fair value option | | |
| HMBS related obligations | 17,353,720 | 16,875,437 |
| Nonrecourse debt: | | |
| Nonrecourse debt in consolidated VIE trusts and reverse loan financing liability | 7,876,932 | 8,429,135 |
| Nonrecourse commercial loan financing liability | 27,268 | 26,661 |

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, 2024 | For the three months ended March 31, 2023 |
|--|--|--|
| Net origination gains | \$ 39,657 | \$ 24,475 |
| Interest income on mortgage loans | 460,034 | 309,494 |
| Interest expense on HMBS and nonrecourse obligations | (373,736) | (224,391) |
| Servicing related income, net ⁽¹⁾ | 10,726 | 4,391 |
| Fair value changes from model amortization ⁽²⁾ | (57,608) | (50,266) |
| Net fair value gains from portfolio activity | 39,416 | 39,228 |
| Net fair value gains from changes in market inputs or model assumptions | 13,562 | 112,691 |
| Net fair value gains on loans and related obligations | \$ 92,635 | \$ 176,394 |

⁽¹⁾ Servicing related income, net, is comprised of premiums realized on the securitization of reverse mortgage tails and miscellaneous contractual servicing fees, net of guarantee fees paid.

⁽²⁾ Fair value changes from portfolio runoff and realization of modeled income and expenses.

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 related obligations and nonrecourse debt.

Fair Value of Other Financial Instruments

As of March 31, 2024 and December 31, 2023, all financial instruments were either recorded at fair value or the carrying value approximated fair value with the exception of notes payable, net. Notes payable, net, includes our senior unsecured high-yield debt and related-party credit line recorded at the carrying value of \$36.2 million and \$410.9 million as of March 31, 2024 and December 31, 2023, respectively, and have a fair value of \$373.9 million and \$345.6 million as of March 31, 2024 and December 31, 2023, respectively. The fair value for notes payable, net, was determined using quoted market prices adjusted for accrued interest, which is considered to be a Level 2 input. For other financial instruments that were not recorded at fair value, such as cash and cash equivalents including restricted cash, promissory notes receivable, 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.

7. Reverse Mortgage Portfolio Composition

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

| | March 31, 2024 | December 31, 2023 |
|--|----------------------|----------------------|
| Reverse mortgage loans: | | |
| Reverse mortgage loans held for investment, subject to HMBS related obligations | \$ 17,113,496 | \$ 16,875,437 |
| Reverse mortgage loans held for investment, subject to nonrecourse debt: | | |
| Performing HECM buyouts | 215,839 | 216,184 |
| Nonperforming HECM buyouts | 382,644 | 409,965 |
| Non-agency reverse mortgages | 7,885,478 | 7,631,601 |
| Total reverse mortgage loans held for investment, subject to nonrecourse debt | 8,483,961 | 8,257,750 |
| Reverse mortgage loans held for investment: | | |
| Non-agency reverse mortgages | 243,500 | 241,424 |
| HECM loans not securitized ⁽¹⁾ | 107,309 | 101,820 |
| Unpoolable HECM loans ⁽²⁾ | 157,032 | 203,957 |
| Unpoolable HECM tails | 11,396 | 11,376 |
| Total reverse mortgage loans held for investment | 519,237 | 558,577 |
| Total owned reverse mortgage portfolio | 26,116,694 | 25,691,764 |
| Loans reclassified as government guaranteed receivable | 72,981 | 94,636 |
| Loans serviced for others | 156,220 | 164,742 |
| Total serviced reverse mortgage loan portfolio | \$ 26,345,895 | \$ 25,951,142 |

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

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

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

| | March 31, 2024 | December 31, 2023 |
|---|----------------------|----------------------|
| Fixed rate loans | \$ 6,951,821 | \$ 6,817,176 |
| Adjustable rate loans | 19,164,873 | 18,874,588 |
| Total owned reverse mortgage portfolio | \$ 26,116,694 | \$ 25,691,764 |

As of March 31, 2024 and December 31, 2023, there were \$463.1 million and \$525.0 million, respectively, of foreclosure proceedings in process, which are included in loans held for investment, at fair value, or loans held for investment, subject to nonrecourse debt, at fair value, in the Condensed Consolidated Statements of Financial Condition.

8. Loans, at Fair Value

Loans held for investment and held for sale consisted of the following (in thousands):

| March 31, 2024 | Unpaid Principal Balance | Fair Value Adjustments | Estimated Fair Value |
|---|--------------------------|------------------------|----------------------|
| Loans held for investment, subject to HMBS related obligations | \$ 17,113,496 | \$ 937,276 | \$ 18,050,772 |
| Loans held for investment, subject to nonrecourse debt: | | | |
| Reverse mortgage loans | 8,483,961 | (156,046) | 8,327,915 |
| Commercial mortgage loans | 92,561 | (12,874) | 79,687 |
| Total loans held for investment, subject to nonrecourse debt | 8,576,522 | (168,920) | 8,407,602 |
| Loans held for investment⁽¹⁾: | | | |
| Reverse mortgage loans | 519,237 | 15,922 | 535,159 |
| Commercial mortgage loans | 1,044 | (293) | 751 |
| Total loans held for investment | 520,281 | 15,629 | 535,910 |
| Other assets: | | | |
| Loans held for sale - residential mortgage loans | 6,997 | (4,532) | 2,465 |
| Total loan portfolio | \$ 26,217,296 | \$ 779,453 | \$ 26,996,749 |

⁽¹⁾ As of March 31, 2024, there was \$484.9 million in UPB in loans held for investment pledged as collateral for financing lines of credit.

| December 31, 2023 | Unpaid Principal Balance | Fair Value Adjustments | Estimated Fair Value |
|---|--------------------------|------------------------|----------------------|
| Loans held for investment, subject to HMBS related obligations | \$ 16,875,437 | \$ 673,326 | \$ 17,548,763 |
| Loans held for investment, subject to nonrecourse debt: | | | |
| Reverse mortgage loans | 8,257,750 | (119,347) | 8,138,403 |
| Commercial mortgage loans | 136,622 | (2,632) | 133,990 |
| Total loans held for investment, subject to nonrecourse debt | 8,394,372 | (121,979) | 8,272,393 |
| Loans held for investment⁽¹⁾: | | | |
| Reverse mortgage loans | 558,577 | 15,694 | 574,271 |
| Commercial mortgage loans | 1,044 | (87) | 957 |
| Total loans held for investment | 559,621 | 15,607 | 575,228 |
| Other assets: | | | |
| Loans held for sale - residential mortgage loans | 9,247 | (5,001) | 4,246 |
| Total loan portfolio | \$ 25,838,677 | \$ 561,953 | \$ 26,400,630 |

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⁽¹⁾ As of December 31, 2023, there was \$487.9 million in UPB in loans held for investment pledged as collateral for financing lines of credit.

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

| March 31, 2024 | Unpaid Principal Balance | Estimated Fair Value | Difference |
|---|---------------------------------|-----------------------------|--------------------|
| Loans held for investment, subject to nonrecourse debt: | | | |
| Commercial mortgage loans | \$ 33,243 | \$ 27,295 | \$ (5,948) |
| Loans held for investment: | | | |
| Commercial mortgage loans | 1,044 | 751 | (293) |
| Other assets: | | | |
| Loans held for sale - residential mortgage loans | 3,931 | 20 | (3,911) |
| Total loans 90 days or more past due and on non-accrual status | \$ 38,218 | \$ 28,066 | \$ (10,152) |

| December 31, 2023 | Unpaid Principal Balance | Estimated Fair Value | Difference |
|---|---------------------------------|-----------------------------|-------------------|
| Loans held for investment, subject to nonrecourse debt: | | | |
| Commercial mortgage loans | \$ 34,115 | \$ 31,244 | \$ (2,871) |
| Other assets: | | | |
| Loans held for sale - residential mortgage loans | 4,324 | 428 | (3,896) |
| Total loans 90 days or more past due and on non-accrual status | \$ 38,439 | \$ 31,672 | \$ (6,767) |

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

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|--|--|--|
| Beginning balance | \$ 4,246 | \$ 173,984 |
| Originations/purchases/repurchases | 2,284 | 79,286 |
| Proceeds from sales | (4,151) | (200,456) |
| Net transfers related to loans held for sale | — | 15,580 |
| Net transfers related to discontinued operations | — | 12,526 |
| Gain (loss) on loans held for sale, net | 86 | (12,387) |
| Net fair value gain on loans held for sale | — | 8,961 |
| Ending balance | \$ 2,465 | \$ 77,494 |

9. HMBS Related Obligations, at Fair Value

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

| | March 31, 2024 | December 31, 2023 |
|--|----------------------|----------------------|
| Ginnie Mae loan pools - UPB | \$ 17,113,496 | \$ 16,875,437 |
| Fair value adjustments | 713,564 | 478,283 |
| Total HMBS related obligations, at fair value | \$ 17,827,060 | \$ 17,353,720 |
| Weighted average remaining life (in years) | 4.0 | 4.1 |
| Weighted average interest rate | 6.4 % | 6.6 % |

The Company was servicing 2,622 and 2,552 Ginnie Mae loan pools at March 31, 2024 and December 31, 2023, respectively.

10. 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, 2024 | December 31, 2023 |
|--|-----------------------------|-----------------------------|---------------|-----------------------|---------------------|---------------------|
| Securitization of performing/nonperforming HECM loans | February 2022 - August 2022 | February 2032 - August 2032 | 2.69% - 9.32% | \$ 1,084,935 | \$ 623,988 | \$ 672,911 |
| Securitization of non-agency reverse loans | May 2018 - February 2024 | May 2050 - February 2074 | 1.25% - 4.50% | 9,192,451 | 7,430,291 | 7,331,305 |
| Securitization of commercial loans | April 2021 | May 2025 | 2.10% - 5.40% | \$ 268,511 | 48,051 | 83,237 |
| Total consolidated VIE nonrecourse debt UPB | | | | | 8,102,330 | 8,087,453 |
| Nonrecourse reverse loan financing liability ⁽¹⁾ | | | | | 345,287 | 341,682 |
| Nonrecourse commercial loan financing liability ⁽²⁾ | | | | | 22,295 | 26,661 |
| Fair value adjustments | | | | | (572,016) | (551,596) |
| Total nonrecourse debt, at fair value | | | | | \$ 7,897,896 | \$ 7,904,200 |

⁽¹⁾ Nonrecourse reverse loan financing liability is comprised of the balance of the nonrecourse debt for the applicable period associated with a non-agency securitization. As the 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 5 - Variable Interest Entities and Securitizations for additional information.

⁽²⁾ Nonrecourse commercial loan financing liability is comprised of the balance of the nonrecourse debt for the applicable period associated with a commercial mortgage securitization. As the 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 5 - Variable Interest Entities and Securitizations for additional information.

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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, 2024, estimated maturities for nonrecourse debt for the next five years and thereafter are as follows (in thousands):

| Year Ending December 31, | Estimated Maturities | |
|---|-----------------------------|------------------|
| Remainder of 2024 | \$ | 1,277,278 |
| 2025 | | 1,539,192 |
| 2026 | | 2,825,222 |
| 2027 | | 304,009 |
| 2028 | | 298,924 |
| Thereafter | | 2,225,287 |
| Total payments on nonrecourse debt | \$ | 8,469,912 |

11. 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, 2024 | December 31, 2023 |
| Reverse Lines: | | | | | |
| June 2024 - October 2026 | Bloomberg short-term bank yield ("BSBY") index/Secured Overnight Financing Rate ("SOFR") + applicable margin | First Lien Mortgages | \$ 932,500 | \$ 433,829 | \$ 432,918 |
| Various ⁽²⁾ | Bond accrual rate/SOFR + applicable margin | Mortgage Related Assets | 498,228 | 482,228 | 344,367 |
| October 2027 | SOFR + applicable margin | MSR | 70,000 | 69,231 | 69,231 |
| October 2024 | BSBY + applicable margin | Unsecuritized Tails | 30,000 | 28,750 | 23,620 |
| Subtotal reverse lines of credit | | | \$ 1,530,728 | \$ 1,014,038 | \$ 870,136 |
| Mortgage Lines: | | | | | |
| October 2024 | BSBY + applicable margin | First Lien Mortgages | \$ 12,500 | \$ 1,446 | \$ 2,135 |
| Various ⁽²⁾ | Bond accrual rate + applicable margin | Mortgage Related Assets | 35,707 | 35,707 | 36,208 |
| Subtotal mortgage lines of credit | | | \$ 48,207 | \$ 37,153 | \$ 38,343 |
| Commercial Lines: | | | | | |
| July 2024 | SOFR + applicable margin | Mortgage Related Assets | \$ 20,000 | \$ 20,000 | \$ 20,000 |
| Total other financing lines of credit | | | \$ 1,598,935 | \$ 1,071,191 | \$ 928,479 |

⁽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, 2024.

⁽²⁾ These lines of credit are tied to the maturity date of the underlying mortgage related assets that have been pledged as collateral.

As of March 31, 2024 and December 31, 2023, the weighted average outstanding interest rates on outstanding financing lines of credit of the Company were 6.54% and 6.90%, respectively.

The Company's financing arrangements and credit facilities contain various financial covenants, which primarily relate to required tangible net worth amounts, liquidity reserves, leverage ratios, and profitability.

As of March 31, 2024, the Company was in compliance with all of its financial covenants related to required liquidity reserves, debt service coverage ratio, tangible net worth amounts, and required profitability.

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The terms of the Company's financing arrangements and credit facilities contain covenants, and the terms of the Company's government sponsored entities ("GSE")/seller servicer contracts contain requirements that may restrict FoA Equity 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 Equity or its subsidiaries to no longer be in compliance with any of its financial covenants or GSE requirements. 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.

As of March 31, 2024, 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, 2024 | Maximum Allowable Distribution ⁽¹⁾ |
|-----------------------------|-------------|----------------|---|
| FAM | | | |
| Adjusted Tangible Net Worth | \$ 10,000 | \$ 10,667 | \$ 667 |
| Liquidity | 1,000 | 2,300 | 1,300 |
| FAR | | | |
| Adjusted Tangible Net Worth | \$ 250,000 | \$ 474,156 | \$ 224,156 |
| Liquidity | 40,000 | 42,731 | 2,731 |
| Leverage Ratio | 6:1 | 3.2:1 | 219,827 |
| FAH | | | |
| Adjusted Tangible Net Worth | \$ 220,000 | \$ 456,467 | \$ 236,467 |
| Liquidity | 40,000 | 45,763 | 5,763 |
| Leverage Ratio | 10:1 | 3.7:1 | 288,165 |

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

As of December 31, 2023, 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, 2023 | Maximum Allowable Distribution ⁽¹⁾ |
|-----------------------------|-------------|-------------------|---|
| FAM | | | |
| Adjusted Tangible Net Worth | \$ 10,000 | \$ 15,264 | \$ 5,264 |
| Liquidity | 1,000 | 2,254 | 1,254 |
| FAR | | | |
| Adjusted Tangible Net Worth | \$ 250,000 | \$ 447,571 | \$ 197,571 |
| Liquidity | 40,000 | 41,656 | 1,656 |
| Leverage Ratio | 6:1 | 3.0:1 | 223,460 |
| FAH | | | |
| Adjusted Tangible Net Worth | \$ 220,000 | \$ 446,321 | \$ 226,321 |
| Liquidity | 40,000 | 45,282 | 5,282 |
| Leverage Ratio | 10:1 | 3.3:1 | 297,445 |

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

12. 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 records 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, 2024, 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 three 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. On November 4, 2022, the court ordered that each of the plaintiffs' individual PAGA claims must be arbitrated and that their representative PAGA claims will be stayed pending a ruling by the California Supreme Court in the third-party case *Adolph v. Uber Technologies, Inc.* On July 17, 2023, the California Supreme Court issued its decision in *Adolph*, ruling that an order compelling arbitration of individual claims does not strip the plaintiff of standing to litigate the representative portion of the PAGA claim. The Company has settled one of the three individual arbitration claims for a de minimis amount and is in different stages of the remaining two individual arbitration claims. Generally, the representative PAGA claims will remain stayed until the individual claims are resolved. 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 include, among other things, settlements and the fees paid to external legal service providers, were \$0.3 million and \$0.9 million for the three months ended March 31, 2024 and 2023, respectively. These expenses are included in general and administrative expenses in the Condensed Consolidated Statements of Operations.

13. 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. The contracts are generally fixed-term arrangements, with standard notification and transition terms governing termination of such contracts.

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 loan servicing expenses in the Condensed Consolidated Statements of Operations.

Unfunded Commitments

The Company is required to fund further borrower advances (where the borrower has not fully drawn down the HECM, non-agency reverse mortgage, or commercial mortgage loan proceeds available) and fund the payment of the borrower's obligation to pay FHA monthly insurance premiums for HECM loans.

The outstanding unfunded commitments available to borrowers related to agency and non-agency reverse mortgage loans were \$4.5 billion as of both March 31, 2024 and December 31, 2023. The outstanding unfunded commitments available to borrowers related to commercial mortgage loans were \$14.9 million as of March 31, 2024 compared to \$21.4 million as of December 31, 2023. This additional borrowing capacity is primarily in the form of undrawn lines of credit.

The Company also has commitments to purchase loans totaling \$1.4 million as of March 31, 2024, compared to \$4.7 million as of December 31, 2023.

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 typically 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.

14. Income Taxes

The Company's effective tax rate on continuing operations for the three months ended March 31, 2024 differs from the U.S. federal statutory rate primarily due to anticipated state statutory income tax rates, the projected mix of earnings or loss attributable to the noncontrolling interest, the impact of discrete tax items, and changes in the valuation allowance against net deferred tax assets.

The Company's effective tax rate on continuing operations for the three months ended March 31, 2023 differs from the U.S. federal statutory rate primarily due to anticipated state statutory income tax rates, the projected mix of earnings or loss attributable to the noncontrolling interest, the impact of discrete tax items, and changes in the valuation allowance against net deferred tax assets.

FoA is taxed as a corporation and is subject to U.S. 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 it generates. FoA Equity and its disregarded subsidiaries, collectively, 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 U.S. federal, state, and local income taxes based on their allocable share of FoA Equity's pass-through taxable income.

FoA Equity wholly-owned certain corporate subsidiaries in 2023 that were regarded entities for tax purposes and subject to U.S. federal, state, and local taxes on income they generated. As such, the consolidated tax provision of FoA included corporate taxes that it incurred based on its flow-through income from FoA Equity, as well as corporate taxes that were incurred by its regarded subsidiaries.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the amounts reported for income tax purposes. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences attributable to those temporary differences and the expected benefits of net operating losses and carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

A valuation allowance is provided when it is more likely than not that a portion or all of a deferred tax asset will not be realized. 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. As of March 31, 2024, due to current year operating results and forecasted taxable income or losses, management has maintained their assessment that the existing taxable temporary differences that will reverse through the course of ordinary business will not more-likely-than-not generate sufficient taxable income to utilize the current attributes. Therefore, a valuation allowance for the deferred tax asset in excess of deferred tax liabilities has been maintained. Management also determined that the future sources of taxable income from reversing temporary differences that comprise the investment in FoA Equity deferred tax liability would only be fully realized until sale of FoA's interest in FoA Equity. Accordingly, the deferred tax liability from investment in FoA Equity has been treated as an indefinite-lived intangible and is limited by the federal net operating loss utilization rules.

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, 2019 or prior.

15. Business Segment Reporting

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

| | | | For the three months ended March 31, 2024 | | | Total |
|--|----------------------|----------------------|---|---------------------|----------------|--------------------|
| | Retirement Solutions | Portfolio Management | Total Reportable Segments | Corporate and Other | Eliminations | |
| REVENUES | | | | | | |
| Net fair value gains on loans and related obligations | \$ 39,657 | \$ 52,978 | \$ 92,635 | \$ — | \$ — | \$ 92,635 |
| Fee income | 6,127 | 232 | 6,359 | — | (123) | 6,236 |
| Gain (loss) on sale and other income from loans held for sale, net | (76) | 162 | 86 | — | — | 86 |
| Net interest expense: | | | | | | |
| Interest income | — | 3,945 | 3,945 | 321 | — | 4,266 |
| Interest expense | — | (20,068) | (20,068) | (8,473) | — | (28,541) |
| Net interest expense | — | (16,123) | (16,123) | (8,152) | — | (24,275) |
| Total revenues | 45,708 | 37,249 | 82,957 | (8,152) | (123) | 74,682 |
| Total expenses | 49,410 | 22,753 | 72,163 | 19,275 | (123) | 91,315 |
| Impairment of other assets | — | — | — | (600) | — | (600) |
| Other, net | (174) | — | (174) | 1,627 | — | 1,453 |
| Net income (loss) before taxes | \$ (3,876) | \$ 14,496 | \$ 10,620 | \$ (26,400) | \$ — | \$ (15,780) |
| Depreciation and amortization | \$ 9,488 | \$ 8 | \$ 9,496 | \$ 182 | \$ — | \$ 9,678 |
| Total assets | \$ 268,786 | \$ 27,357,160 | \$ 27,625,946 | \$ 1,455,417 | \$ (1,405,085) | \$ 27,676,278 |

| | | | For the three months ended March 31, 2023 | | | Total |
|---|----------------------|----------------------|---|---------------------|----------------|------------------|
| | Retirement Solutions | Portfolio Management | Total Reportable Segments | Corporate and Other | Eliminations | |
| REVENUES | | | | | | |
| Net fair value gains on loans and related obligations | \$ 24,475 | \$ 151,919 | \$ 176,394 | \$ — | \$ — | \$ 176,394 |
| Fee income | 3,180 | 5,463 | 8,643 | 2,953 | (5,244) | 6,352 |
| Loss on sale and other income from loans held for sale, net | (1,312) | (11,058) | (12,370) | — | (56) | (12,426) |
| Net interest expense: | | | | | | |
| Interest income | — | 1,470 | 1,470 | 621 | — | 2,091 |
| Interest expense | — | (23,996) | (23,996) | (7,560) | — | (31,556) |
| Net interest expense | — | (22,526) | (22,526) | (6,939) | — | (29,465) |
| Total revenues | 26,343 | 123,798 | 150,141 | (3,986) | (5,300) | 140,855 |
| Total expenses | 35,524 | 24,679 | 60,203 | 28,874 | (5,300) | 83,777 |
| Other, net | 31 | — | 31 | 905 | — | 936 |
| Net income (loss) before taxes | \$ (9,150) | \$ 99,119 | \$ 89,969 | \$ (31,955) | \$ — | \$ 58,014 |
| Depreciation and amortization | \$ 9,643 | \$ 14 | \$ 9,657 | \$ 448 | \$ — | \$ 10,105 |
| Total assets | \$ 296,417 | \$ 26,327,259 | \$ 26,623,676 | \$ 1,912,801 | \$ (1,861,938) | \$ 26,674,539 |

16. Liquidity and Capital Requirements

Compliance Requirements

FAR

As an issuer of HMBS, FAR is subject to minimum net worth, liquidity, and leverage requirements as well as minimum insurance coverage established by Ginnie Mae.

The net worth required is \$5.0 million plus 1% of FAR's outstanding HMBS and unused 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. The leverage requirement is to maintain a ratio of net worth to total assets of not less than 6%.

As of March 31, 2024, FAR was in compliance with the minimum net worth, liquidity, capitalization levels, and insurance requirements of Ginnie Mae. The minimum net worth required of FAR by Ginnie Mae was \$177.1 million as of March 31, 2024. FAR's actual net worth calculated based on Ginnie Mae guidance was \$466.2 million as of March 31, 2024. The minimum liquidity required of FAR by Ginnie Mae was \$35.4 million as of March 31, 2024. FAR's actual cash and cash equivalents were \$42.7 million as of March 31, 2024. FAR's actual ratio of net worth to total assets was below the Ginnie Mae requirement; however, FAR received a waiver for the minimum outstanding capital requirements from Ginnie Mae. Therefore, the Company was in compliance with all Ginnie Mae 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, 2024, FAR was in compliance with applicable requirements.

FAM

In connection with the discontinued operations of the Company's previously reported Mortgage Originations segment, FAM has surrendered many of its mortgage origination licenses and it is expected that FAM will be in a position to surrender its remaining licenses and approvals by the end of the second quarter of 2024. Until such time, FAM is required to maintain licenses and approvals needed to wind-down the remaining portfolio of mortgage servicing rights and therefore is subject to the requirements described below until such time that the respective licenses and approvals have been surrendered.

In addition to the covenant requirements of FAM mentioned in Note 11 - Other Financing Lines of Credit, FAM is subject to various capital requirements administered by Fannie Mae and Freddie Mac, 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 condensed consolidated financial statements.

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

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

Among FAM's various capital requirements related to its outstanding mortgage origination and servicing agreements, the most restrictive of these relates to Fannie Mae's and Freddie Mac's capital ratio requirement, which requires FAM to maintain a minimum adjusted net worth balance at the end of the most recent fiscal quarter of \$10.1 million as of March 31, 2024. FAM's actual net worth was \$10.3 million as of March 31, 2024. However, as of March 31, 2024, FAM was in violation of Fannie Mae's material decline in lender tangible net worth covenants. In connection with the discontinued operations of the Company's previously reported Mortgage Originations segment, FAM voluntarily surrendered its Fannie Mae selling approval effective June 30, 2023, and further, FAM has agreed with Fannie Mae, Freddie Mac, and Ginnie Mae to surrender its related approvals as well as its HUD mortgagee approval once the transfer of servicing of FAM's last mortgage loans related to such GSE/agency has

been completed, which was complete as of March 31, 2024 with respect to Ginnie Mae and HUD and is expected to be complete in the second quarter of 2024 with respect to Fannie Mae and Freddie Mac. FAM has one remaining warehouse debt arrangement and remains in compliance with the financial covenants relating to such arrangement.

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, 2024, FAM was in compliance with applicable requirements.

FoA Securities

Finance of America Securities LLC (“FoA Securities”), one of the operating service subsidiaries of Incenter, operates in a highly regulated environment and is subject to federal and state laws, SEC rules, and Financial Industry Regulatory Authority rules and guidance. Applicable laws and regulations 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, FoA Securities 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. FoA Securities is subject to the SEC’s Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital. FoA Securities computes net capital under the alternative method. Under this method, the required minimum net capital is equal to \$250 thousand. As of March 31, 2024, FoA Securities met the minimum net capital requirement amounts and was, therefore, in compliance.

Additionally, FoA Securities 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 FoA Securities 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.

17. Related-Party Transactions

Promissory Notes

The Company had two Revolving Working Capital Promissory Note Agreements (the “Working Capital Promissory Notes”) outstanding with BTO Urban Holdings and Libman Family Holdings, LLC, a Delaware limited liability company which are deemed affiliates of the Company. Amounts under the Working Capital Promissory Notes may be re-borrowed and repaid from time to time until the related maturity date. The Working Capital Promissory Notes accrue interest monthly at a rate of 10.0% per annum, which will increase to 15.0% per annum on May 15, 2024, and mature in May 2025. These notes had outstanding amounts of \$84.6 million and \$59.1 million as of March 31, 2024 and December 31, 2023, respectively, recorded within notes payable, net, in the Condensed Consolidated Statements of Financial Condition. Additionally, the Company paid \$1.2 million and \$0.4 million of interest related to the Working Capital Promissory Notes for the three months ended March 31, 2024 and 2023, respectively.

Senior Notes

Related parties of FoA purchased notes in the high-yield debt offering in November 2020 in an aggregate principal amount of \$35.0 million.

Equity Investment

On December 6, 2022, the Company entered into separate Stock Purchase Agreements (each, a “Stock Purchase Agreement”) with each of (i) BTO Urban Holdings L.L.C., Blackstone Family Tactical Opportunities Investment Partnership – NQ ESC L.P. and BTO Urban Holdings II L.P. (collectively, the “Blackstone Investor”) and (ii) Libman Family Holdings LLC (the “BL Investor”) and together with the Blackstone Investor, the “Investors”). Pursuant to each such Investor’s respective Stock Purchase Agreement, on the terms and subject to the conditions set forth therein, each of the Investors will purchase 10,869,566 shares of Company Class A Common Stock for an aggregate purchase price of \$15.0 million, representing a price per share of Company Class A Common Stock equal to the volume weighted average price per share of Company Class A Common Stock on the New York Stock Exchange over the fifteen consecutive trading days ending on December 6, 2022. On March 31, 2023, in conjunction with the closing of the AAG Transaction, the 21,739,132 shares of Company Class A Common Stock were issued to the Investors for \$0.0 million.

18. Earnings Per Share

The following tables reconcile the numerators and denominators used in the computations of both basic and diluted net income (loss) per share (in thousands, except share data):

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|---|--|--|
| Basic net income (loss) per share: | | |
| Numerator | | |
| Net income (loss) from continuing operations | \$ (15,780) | \$ 55,482 |
| Less: Income (loss) from continuing operations attributable to noncontrolling interest ⁽¹⁾ | (10,145) | 36,755 |
| Net income (loss) from continuing operations attributable to holders of Class A Common Stock - basic | <u>\$ (5,635)</u> | <u>\$ 18,727</u> |
| Net loss from discontinued operations | \$ (4,524) | \$ (40,890) |
| Less: Loss from discontinued operations attributable to noncontrolling interest ⁽¹⁾ | (2,621) | (25,217) |
| Net loss from discontinued operations attributable to holders of Class A Common Stock - basic | <u>\$ (1,903)</u> | <u>\$ (15,673)</u> |
| Denominator | | |
| Weighted average shares of Class A Common Stock outstanding - basic | <u>96,485,585</u> | <u>64,016,845</u> |
| Basic net income (loss) per share | | |
| Continuing operations | \$ (0.06) | \$ 0.29 |
| Discontinued operations | (0.02) | (0.24) |
| Basic net income (loss) per share | <u><u>\$ (0.08)</u></u> | <u><u>\$ 0.05</u></u> |

⁽¹⁾ The Class A LLC Units of FoA Equity, held by the Continuing Unitholders and AAG/Bloom (collectively "Equity Capital Unitholders"), which comprise the noncontrolling interest in the Company, represents a participating security. Therefore, the numerator was adjusted to reduce net income (loss) by the amount of net income (loss) attributable to noncontrolling interest.

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 (loss) per share calculations.

Net income (loss) attributable to noncontrolling interest includes an allocation of expense related to the Amended and Restated Long-Term Incentive Plan ("A&R MLTIP") subject to special allocation terms per the Amended and Restated Limited Liability Company Agreement ("A&R LLC Agreement").

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| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|---|--|--|
| Diluted net income (loss) per share: | | |
| Numerator | | |
| Net income (loss) from continuing operations attributable to holders of Class A Common Stock - basic | \$ (5,635) | \$ 18,727 |
| Reallocation of net income from continuing operations assuming exchange of Class A LLC Units ⁽¹⁾ | — | 23,328 |
| Net income (loss) from continuing operations attributable to holders of Class A Common Stock - diluted | <u>\$ (5,635)</u> | <u>\$ 42,055</u> |
| Net loss from discontinued operations attributable to holders of Class A Common Stock - basic | \$ (1,903) | \$ (15,673) |
| Reallocation of net loss from discontinued operations assuming exchange of Class A LLC Units ⁽¹⁾ | — | (12,470) |
| Net loss from discontinued operations attributable to holders of Class A Common Stock - diluted | <u>\$ (1,903)</u> | <u>\$ (28,143)</u> |
| Denominator | | |
| Weighted average shares of Class A Common Stock outstanding - basic | 96,485,585 | 64,016,845 |
| Effect of dilutive securities: | | |
| Assumed exchange of weighted average Class A LLC Units for shares of Class A Common Stock ⁽²⁾ | — | 124,159,953 |
| Forward sale share contracts - dilutive shares under the treasury stock method | — | 2,124,214 |
| Weighted average shares of Class A Common Stock outstanding - diluted ⁽³⁾ | <u>96,485,585</u> | <u>190,301,012</u> |
| Diluted net income (loss) per share | | |
| Continuing operations | \$ (0.06) | \$ 0.22 |
| Discontinued operations | (0.02) | (0.15) |
| Diluted net income (loss) per share | <u>\$ (0.08)</u> | <u>\$ 0.07</u> |

⁽¹⁾ For the three months ended March 31, 2024, the effect of the elimination of the noncontrolling interest due to the assumed exchange of all Class A LLC Units outstanding for shares of Class A Common Stock in FoA was determined to be anti-dilutive under the if-converted method. As such, the effect has been excluded from the calculation of diluted net income (loss) per share. For the three months ended March 31, 2023, this adjustment assumes the reallocation of noncontrolling interest earnings, on an after-tax basis, 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 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. As a result of the application of the if-converted method in arriving at diluted net income (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 income (loss) attributable to holders of the Company's Class A Common Stock.

⁽²⁾ The Exchange Agreement allows for the exchange of Class A LLC Units held by Equity Capital Unitholders, representing the noncontrolling interest, on a one-for-one basis for shares of Class A Common Stock in FoA. The 132,947,368 weighted average Class A LLC Units outstanding for the three months ended March 31, 2024 were determined to be anti-dilutive under the if-converted method and have been excluded from the computation of diluted net income (loss) per share. For the three months ended March 31, 2023, 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 Equity Capital Unitholders, representing the noncontrolling interest, exchange their units on a one-for-one basis for shares of Class A Common Stock in FoA.

⁽³⁾ As part of the AAG Transaction, there are two forms of contingently issuable Class A LLC Units: 7,058,416 Units that are equity classified and indemnity holdback units totaling up to 7,142,260 Units that are liability classified. In accordance with ASC 260, Earnings Per Share, these units are not included in the diluted weighted average shares outstanding of Class A Common Stock for the three months ended March 31, 2024 and 2023.

19. Equity

Class A Common Stock

As of March 31, 2024, there were 100,820,259 shares of Class A Common Stock issued, consisting of 96,561,759 shares issued and outstanding 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" if, and when, they become vested. The holders of the 96,561,759 issued and outstanding shares of Class A Common Stock represent the controlling interest of the Company.

Pursuant to the A&R MLTIP, certain equity holders of FoA and FoA Equity are obligated to deliver a number of shares of Class A Common Stock and Class A LLC Units for restricted stock unit awards granted by the Company. During the three months ended March 31, 2024 and 2023, in connection with FoA's settlement of restricted stock units into shares of Class A Common Stock and pursuant to the A&R MLTIP, these equity holders delivered 14,913 and 98,424 shares, respectively, of Class A Common Stock and 88,289 and 582,698 Class A LLC Units, respectively, to the Company in satisfaction of such settlement. The delivery of shares of Class A Common Stock and Class A LLC Units to the Company offset the gross award of RSUs settled. During the three months ended March 31, 2024 and 2023, the Company elected to retire 139,730 and 292,360 shares, respectively, offsetting RSUs withheld to fund employee payroll taxes and instead funded those taxes with operating cash. The future settlement of the Replacement RSUs and Earnout Rights outstanding as of March 31, 2024 will also be funded by the delivery of Class A Common Stock and Class A LLC Units from certain equity holders of FoA and FoA Equity pursuant to the A&R MLTIP.

Pursuant to the Exchange Agreement, which AAG/Bloom became a party to on March 31, 2023, the Equity Capital 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. During the three months ended March 31, 2024 and 2023, 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 618 and 3,601 Class A LLC Units, respectively, to the Company in exchange for the same number of shares of Class A Common Stock, respectively, in satisfaction of such settlement.

Class B Common Stock

As of March 31, 2024, 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 Class A Common Stock holders are entitled to vote. In consideration for the assets acquired on March 31, 2023, the Company issued to the Seller one share of Class B Common Stock (see Note 3 - Acquisitions).

Class A LLC Units

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 Equity Capital Unitholders' ownership of Class A LLC Units represents the noncontrolling interest of the Company, which is accounted for as permanent equity in the Condensed Consolidated Statements of Financial Condition. As of March 31, 2024, there were 229,443,668 Class A LLC Units outstanding. Of the 229,443,668 Class A LLC Units outstanding, 96,561,759 are held by the Class A Common Stock shareholders and 132,881,909 are held by the noncontrolling interest of the Company.

Of the 19,692,990 Class A LLC Units issued to AAG/Bloom in consideration for the assets acquired on March 31, 2023, AAG/Bloom delivered 8,000,000 Class A LLC Units to the Company in exchange for the same number of shares of Class A Common Stock during the year ended December 31, 2023. Additionally, AAG/Bloom is entitled to equity consideration comprised of two forms of contingently issuable Class A LLC Units: 7,058,416 Units that

are equity classified and indemnity holdback units totaling up to 7,142,260 Units that are liability classified (see Note 3 - Acquisitions).

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 should be read together with our condensed 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," "FoA," the "Company," "we," "us," or "our" refer to the business of Finance of America Companies Inc. and its consolidated subsidiaries. References to "FoA Equity" are to Finance of America Equity Capital LLC, a Delaware limited liability company, that the Company controls in an "UP-C" structure.

Overview

Finance of America Companies Inc. is a financial services holding company which, through its operating subsidiaries, is a leading provider of home equity-based financing solutions for a modern retirement. In addition, FoA offers capital markets and portfolio management capabilities primarily to optimize the distribution of its originated loans to investors.

FoA was incorporated in Delaware on October 9, 2020 and became a publicly-traded company on the New York Stock Exchange in April 2021, with trading beginning on April 5, 2021 under the ticker symbol "FOA." FoA has a controlling financial interest in FoA Equity. 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"). FAH is the parent of a lending company, Finance of America Reverse LLC ("FAR"), while Incenter is the parent of operating service companies (together with FAR, the "operating subsidiaries") that provide capital markets and portfolio management capabilities such as secondary markets advisory services, mortgage trade brokerage, and capital management services.

Through the end of the third fiscal quarter of 2022, the Company was principally focused on offering (1) a wide array of loan products throughout the United States ("U.S."), including reverse mortgage loans, traditional mortgage loans, business purpose loans to residential real estate investors, and home improvement loans, and (2) complementary lender services such as title insurance and settlement services to mortgage businesses. However, during the fourth quarter of 2022 and calendar year 2023, the Company exited multiple business lines, including its traditional mortgage lending segment, its commercial lending segment, its home improvement lending business, and its lender services businesses, and shifted its focus to developing a streamlined retirement solutions business.

Our strategy and long-term growth initiatives are built upon a few key fundamental factors:

- We are focused on growing our core retirement solutions businesses, which benefit from a shared set of demographic and economic tailwinds. We believe we can more effectively dispatch our innovative suite of solutions to help senior homeowners achieve their retirement goals through the use of home equity.
- We seamlessly connect borrowers with investors. Our consumer-facing business leaders interface 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, either directly via whole-loan sales or indirectly via the issuance and sale of mortgage-backed securities. We seek to programmatically and profitably monetize our loans, which minimizes capital at risk, while often retaining a future performance-based participation interest in the underlying cash flows of our monetized loans.
- We distribute our products through multiple channels, including through newer channels as a result of the asset acquisition from American Advisors Group, now known as Bloom Retirement Holdings Inc. ("AAG/Bloom"), that closed on March 31, 2023, and utilize flexible technology platforms in order to scale our businesses and manage costs efficiently.

Through FAR, the Company originates, acquires, and services home equity conversion mortgages ("HECM"), which are originated pursuant to the Federal Housing Administration (the "FHA") HECM program and are insured by the FHA, and non-agency reverse mortgage loans and hybrid mortgage loans (which combine features of both traditional residential mortgage loans and reverse mortgage loans), which are not insured by the FHA. We originate loans through a retail channel (consisting primarily of a centralized retail platform) and a third-party originator ("TPO") channel (consisting primarily of a network of mortgage brokers). We have launched several non-agency reverse mortgage loan products (including our hybrid mortgage loan product) to serve the U.S. senior population and

have plans for additional innovative products to satisfy this vast and largely underserved market. We also service the loans that we originate, contracting with various third-party servicers for the subservicing of our loans. We are a leader in this market and we are focused on developing and offering products for borrowers with interest in using the reverse mortgage loan product as a retirement planning tool.

Our Portfolio Management segment provides structuring and product development expertise as well as broker/dealer and institutional asset management capabilities, which facilitates innovation and the successful monetization of our loans. We securitize HECM into Home Equity Conversion Mortgage-Backed Securities (“HMBS”), which the Government National Mortgage Association (“Ginnie Mae”) guarantees, and sell the HMBS in the secondary market while retaining the rights to service the HECM. When HECM are not eligible for securitization into HMBS or are required to be bought out of a pool of HECM previously securitized into an HMBS, we securitize them into privately placed mortgage-backed securities or hold them for investment. We both securitize non-agency reverse mortgage loans into mortgage-backed securities sold to investors and sell them as whole loans to investors. We may also decide to strategically hold certain non-agency reverse mortgage loans for investment. The capabilities provided by the Portfolio Management segment allowed us to complete issuances and sales of mortgage-backed securities backed by our loan products in 2023 and the first quarter of 2024, demonstrating the high quality and liquidity of the loan products we originate, the deep relationships we have with our investors, and the resilience of our business model in many economic environments.

See Note 1 - Organization and Description of Business in the Notes to Condensed Consolidated Financial Statements for discussion of recent actions affecting the overall go-forward business operations, including details regarding the series of transactions entered into in order to transform our business from a vertically integrated, diversified lending and complementary services platform to a modern retirement solutions platform.

American Advisors Group Transaction

On March 31, 2023, FAR acquired a majority of the assets and certain of the liabilities of AAG/Bloom, including, among other things, certain residential reverse mortgage loans and the right to service certain HECM, pursuant to (i) an Asset Purchase Agreement, dated as of December 6, 2022 (the “Original Asset Purchase Agreement” and as amended by the Amendment Agreement entered into on March 31, 2023, the “Asset Purchase Agreement”), by and between the Company, FoA Equity, FAR, AAG/Bloom and, for the limited purposes described therein, Reza Jahangiri, an individual residing in the State of California (the “AAG Principal”), (ii) a Servicing Rights Purchase and Sale Agreement, dated as of December 6, 2022 (as amended, the “MSR Purchase Agreement”), by and between FAR and AAG/Bloom, and (iii) a Loan Sale Agreement, dated as of December 6, 2022 (as amended, the “Mortgage Loan Purchase Agreement” and collectively with the Asset Purchase Agreement and the MSR Purchase Agreement, the “AAG Purchase Agreements”), by and between FAR and AAG/Bloom (such acquisition, the “AAG Transaction”). Refer to Note 3 - Acquisitions in the Notes to Condensed Consolidated Financial Statements for additional information.

Our Segments

In connection with the transformation of our business from a vertically integrated, diversified lending and complementary services platform to a modern retirement solutions platform, we realigned our business to operate through two reportable segments: Retirement Solutions and Portfolio Management. See Note 1 - Organization and Description of Business in the Notes to Condensed Consolidated Financial Statements for more information about the realignment of our reportable segments.

Retirement Solutions

The mission of our Retirement Solutions segment is to help senior homeowners achieve their financial goals in retirement. This segment includes all loan origination activity for the Company, including the origination of HECM, non-agency reverse mortgage loans, and hybrid mortgage loans through both the retail and wholesale/TPO channels. The Retirement Solutions segment generates revenue from fees earned at the time of loan origination as well as from the initial estimate of net origination gains, with all originated loans accounted for at fair value. Once originated, the loans are transferred to our Portfolio Management segment, and any future fair value adjustments, including interest earned, on these originated loans are reflected in the revenues of our Portfolio Management segment until final disposition.

While Finance of America Mortgage LLC (“FAM”), an indirect subsidiary of the Company, has sold certain operational assets of its home improvement lending business and has substantially completed the process of winding down the operations of the home improvement lending business as of March 31, 2024, the operations of the home improvement lending business are reported as part of the Company’s Retirement Solutions segment rather than as discontinued operations. This is because the wind-down of the home improvement lending business is not considered by the Company to be a strategic shift that has or will have a major effect on our operations and financial results.

Portfolio Management

Our Portfolio Management segment provides product development, loan securitization, loan sales, risk management, servicing oversight, and asset management services to the Company. Our Portfolio Management team acts as the connector between borrowers and investors. The direct connections to investors, provided by our Financial Industry Regulatory Authority registered broker-dealer, 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 the balance sheet for attractive return opportunities. These retained investments are a source of growing and recurring interest and servicing income categorized within its net fair value gains. The Portfolio Management segment primarily generates revenue from the sale or securitization of loans and the fair value gains on portfolio assets.

See the Segment Results section below and Note 15 - Business Segment Reporting in the Notes to Condensed Consolidated Financial Statements for additional financial information about our segments.

Business Trends and Conditions

There are several key factors and trends affecting our results of operations. A summary of key factors impacting our revenues 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;
- our ability to successfully operate the newly integrated lending platform that we acquired from American Advisors Group in March 2023;
- 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;
- movement of market interest rates and yields required by investors, with the increasing of market interest rates and yields generally having negative impacts on the fair value of our financial assets, and the decreasing of market interest rates and yields generally having positive impacts on the fair value of our financial assets;
- increases or decreases in default status of loans and prepayment speeds; and
- broad economic factors such as the strength and stability of the overall economy, including sustained higher or lower interest rates and inflation, the unemployment level, and real estate values.

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.

Other Recent Events

Due to significant inflationary pressures, the U.S. Federal Reserve raised the federal funds rate during the first three quarters of 2023 and during the same period, reduced its overall purchases and holdings of government and mortgage-related bonds. Higher interest rates generally led to lower mortgage transaction volumes, increased competition, and lower profit margins. 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, the fair market value of the assets on our balance sheet, 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 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 2024 and beyond. See Results of Operations.

For further discussion on the potential impacts of the Federal Reserve's monetary policies, see "Risks Related to the Business of the Company" and "Our business is significantly impacted by changes in interest rates. Changes in prevailing interest rates due to U.S. monetary policies or other macroeconomic conditions that affect interest rates may have a detrimental effect on our operations, financial performance, and earnings" under the section entitled "Item 1A. Risk Factors" in our Annual Report on Form 10-K ("Form 10-K") for the year ended December 31, 2023, filed with the U.S. Securities and Exchange Commission (the "SEC") on March 15, 2024, as such risk factors may be amended or updated in our subsequent periodic reports filed with the SEC.

Factors Affecting the Comparability of our Results of Operations

As a result of a number of factors, our historical results of operations may not be 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.

Discontinued Operations

During the fourth quarter of 2022 and calendar year 2023, the Company entered into a series of transactions, discontinuing certain business lines while enhancing our reverse mortgage loan business, in order to transform our business from a vertically integrated, diversified lending and complementary services platform to a modern retirement solutions platform. This transformation included the wind-down of the previously reported Mortgage Originations segment, other than the home improvement lending business, and sale of the previously reported Commercial Originations and Lender Services segments, with the exception of its Incenter Solutions LLC operating service subsidiary. This constitutes a strategic shift that has or will have a major effect on our operations and financial results. As such, starting with the first fiscal quarter of 2023, results of our previously reported Mortgage Originations, Commercial Originations, and Lender Services segments, excluding the home improvement lending business and Incenter Solutions LLC, are reported as discontinued operations for all periods presented in accordance with Accounting Standards Codification 205, *Presentation of Financial Statements*. During the third fiscal quarter of 2023, the Company sold certain operational assets of the home improvement lending business and began the process of winding down the operations of the home improvement lending business, which was substantially complete as of March 31, 2024. Also during the third fiscal quarter of 2023, the Company ceased the operations of Incenter Solutions LLC. The wind-down of Incenter Solutions LLC was substantially complete by the end of December 2023. The Company's wind-down of the home improvement lending business and Incenter Solutions LLC is not considered by the Company to be a strategic shift that has or will have a major effect on our operations and financial results. Therefore, the operations of the home improvement lending business and Incenter Solutions LLC are not reported as discontinued operations. Refer to Note 1 - Organization and Description of Business and Note 4 - Discontinued Operations in the Notes to Condensed Consolidated Financial Statements for additional information.

AAG Transaction

On March 31, 2023, the Company completed the acquisition of the assets and liabilities associated with the AAG Transaction. Refer to Note 1 - Organization and Description of Business and Note 3 - Acquisitions in the Notes to Condensed Consolidated Financial Statements for additional information.

Results of Operations

Overview

The following tables present selected financial data for the three months ended March 31, 2024 and 2023.

Consolidated Results

The following table summarizes our consolidated operating results from continuing operations (in thousands):

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|---|--|--|
| Net fair value gains on loans and related obligations | \$ 92,635 | \$ 176,394 |
| Fee income | 6,236 | 6,352 |
| Gain (loss) on sale and other income from loans held for sale, net | 86 | (12,426) |
| Net interest expense | (24,275) | (29,465) |
| Total revenues | 74,682 | 140,855 |
| Total expenses | 91,315 | 83,777 |
| Impairment of other assets | (600) | — |
| Other, net | 1,453 | 936 |
| NET INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | \$ (15,780) | \$ 58,014 |

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 (“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 and repayment speeds, credit loss frequencies and severity, and discount rate assumptions. Any changes in fair value on these financial instruments are recorded as a gain or loss in net fair value gains on loans and related obligations in the Condensed Consolidated Statements of Operations.

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

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|--|--|--|
| Net origination gains | \$ 39,657 | \$ 24,475 |
| Interest income on mortgage loans | 460,034 | 309,494 |
| Interest expense on HMBS and nonrecourse obligations | (373,736) | (224,391) |
| Servicing related income, net ⁽¹⁾ | 10,726 | 4,391 |
| Fair value changes from model amortization ⁽²⁾ | (57,608) | (50,266) |
| Net fair value gains from portfolio activity | 39,416 | 39,228 |
| Net fair value gains from changes in market inputs or model assumptions | 13,562 | 112,691 |
| Net fair value gains on loans and related obligations | \$ 92,635 | \$ 176,394 |

⁽¹⁾ Servicing related income, net, is comprised of premiums realized on the securitization of reverse mortgage tails and miscellaneous contractual servicing fees, net of guarantee fees paid.

⁽²⁾ Fair value changes from portfolio runoff and realization of modeled income and expenses.

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. However, for our outstanding financing lines of credit and non-funding debt, we have not elected to account for these liabilities under the fair value option. Accordingly, interest expense is presented separately in our Condensed Consolidated Statements of Operations. Further, interest income on loans held for investment are reflected in net fair value gains on loans and related obligations in the Condensed Consolidated Statements of Operations, while the associated

interest expense on the warehouse financing for loans held for investment is 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 (in thousands):

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|--|--|--|
| Interest income on mortgage loans ⁽¹⁾ | \$ 460,034 | \$ 309,494 |
| Interest income on mortgage loans held for sale and other interest income ⁽²⁾ | 3,945 | 1,470 |
| Portfolio interest income | 463,979 | 310,964 |
| Interest expense on HMBS and nonrecourse obligations ⁽¹⁾ | (373,736) | (224,391) |
| Interest expense on warehouse lines of credit ⁽²⁾ | (20,068) | (23,996) |
| Portfolio interest expense | (393,804) | (248,387) |
| Portfolio net interest margin | 70,175 | 62,577 |
| Non-portfolio interest income ⁽²⁾ | 321 | 621 |
| Non-funding debt and other interest expense ⁽²⁾ | (8,473) | (7,560) |
| NET INTEREST MARGIN | \$ 62,023 | \$ 55,638 |

⁽¹⁾ Amounts include interest income and expense on all reverse and commercial mortgage loans and their related nonrecourse obligations. These amounts are included in net fair value gains on loans and related obligations in the Condensed Consolidated Statements of Operations.

⁽²⁾ Amounts are included in net interest expense in the Condensed Consolidated Statements of Operations.

For the three months ended March 31, 2024 versus the three months ended March 31, 2023

Net income (loss) from continuing operations before income taxes decreased \$73.8 million or 127.2% primarily as a result of the following:

- Net fair value gains on loans and related obligations decreased \$83.8 million primarily as a result of lower net fair value gains from changes in market inputs or model assumptions compared to the 2023 period, partially offset by higher net origination gains due to increased funded volume and improved margins in our Retirement Solutions segment. The lower net fair value gains from changes in market inputs or model assumptions was primarily related to market interest rate and yield volatility, which generated lower net fair value gains during the three months ended March 31, 2024 compared to the 2023 period. See Note 6 - Fair Value within the Notes to Condensed Consolidated Financial Statements for additional information on assumptions impacting the value of our loans held for investment. The \$1.2 million increase in net interest margin included in net fair value gains on mortgage loans and the \$6.3 million increase in servicing related income, net, during the three months ended March 31, 2024 compared to the 2023 period was due to increased servicing portfolio size from the HECM portfolio acquired from AAG/Bloom, which was mostly offset by fair value changes from model amortization of \$7.3 million.

The Retirement Solutions segment recognized \$39.7 million in net origination gains on originations of \$423.5 million of reverse mortgage loans for the three months ended March 31, 2024 compared to \$24.5 million in net origination gains on originations of \$311.4 million of reverse mortgage loans for the comparable 2023 period. The increase in net origination gains in the Retirement Solutions segment was due to higher reverse mortgage loan origination volumes, as well as higher margins associated with the increase in volumes from our retail platform acquired from AAG/Bloom.

- Fee income decreased \$0.1 million or 1.8% primarily related to lower mortgage servicing rights (“MSR”) servicing fee income due to a much lower MSR portfolio balance for the three months ended March 31, 2024 compared to the 2023 period. This was mostly offset by higher loan origination fees through our retail platform acquired from AAG/Bloom.
- Gain (loss) on sale and other income from loans held for sale, net, improved \$12.5 million primarily as a result of minimal activity for the three months ended March 31, 2024 compared to fair value losses on commercial loans held for sale in the 2023 period.

- Net interest expense decreased \$5.2 million or 17.6% primarily due to lower average outstanding balances on warehouse lines of credit during the three months ended March 31, 2024 compared to the 2023 period.
- Total expenses increased \$7.5 million or 9.0% primarily due to an increase in marketing and advertising expenses within our retail platform acquired from AAG/Bloom. This was partially offset by a decrease in salaries, benefits, and related expenses due to our lower average onshore headcount and cost-cutting measures associated with the restructuring of the business.

SEGMENT RESULTS

Revenues and fees are directly attributed to their respective segments at the time services are performed. Revenues generated on inter-segment services performed are valued based on estimated market value. 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, 2024 and 2023. Expenses for enterprise-level general overhead, such as executive administration, are not allocated to the business segments.

Retirement Solutions Segment

The following table summarizes our Retirement Solutions segment's results (in thousands):

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|---|--|--|
| Net origination gains | \$ 39,657 | \$ 24,475 |
| Fee income | 6,127 | 3,180 |
| Loss on sale and other income from loans held for sale, net | (76) | (1,312) |
| Total revenues | 45,708 | 26,343 |
| Total expenses | 49,410 | 35,524 |
| Other, net | (174) | 31 |
| NET LOSS BEFORE INCOME TAXES | \$ (3,876) | \$ (9,150) |

Our Retirement Solutions segment generates its revenues primarily from the origination of reverse mortgage loans, including HECM insured by FHA and non-agency reverse mortgage loans. Revenues from our Retirement Solutions segment include both our initial estimate of net origination gains from reverse mortgage loans, 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.

On August 31, 2023, FAM entered into an agreement to sell certain operational assets of the home improvement lending business. This transaction closed on September 15, 2023. In connection with such transaction, the Company began the process of winding down the operations of the home improvement lending business, which was substantially complete as of March 31, 2024. As of March 31, 2024, there were no loans in the home improvement lending pipeline. As such, there will be no home improvement funding going forward. The wind-down of the home improvement lending business is not considered by the Company to be a strategic shift that has or will have a major effect on our operations and financial results. Therefore, the operations of the home improvement lending business are reported as part of the Company's Retirement Solutions segment rather than as discontinued operations.

KEY METRICS

The following table provides a summary of our Retirement Solutions segment's key metrics (in thousands, except units):

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|--|--|--|
| Reverse mortgage loan origination volume | | |
| Total loan origination volume ⁽¹⁾ | \$ 423,453 | \$ 311,430 |
| Total loan origination volume - tails ⁽²⁾ | 261,704 | 155,632 |
| Total loan origination volume | <u>\$ 685,157</u> | <u>\$ 467,062</u> |
| Total reverse loan origination volume - units | <u>2,036</u> | <u>1,213</u> |
| Reverse mortgage loan origination volume - by channel⁽¹⁾ | | |
| TPO | \$ 257,186 | \$ 259,892 |
| Retail | 166,267 | 51,538 |
| Total reverse mortgage loan origination volume | <u>\$ 423,453</u> | <u>\$ 311,430</u> |
| Home improvement loan origination volume | | |
| Total loan origination volume | \$ 807 | \$ 45,542 |
| Total loan origination volume - units | 36 | 3,630 |

⁽¹⁾ 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.

Revenues

In the table below is a summary of the components of our Retirement Solutions segment's total revenues (in thousands):

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|--|--|--|
| Net origination gains: | | |
| TPO | \$ 31,351 | \$ 27,524 |
| Retail | 18,512 | 6,618 |
| Acquisition costs | (10,206) | (9,667) |
| Total net origination gains | <u>39,657</u> | <u>24,475</u> |
| Fee income | <u>6,127</u> | <u>3,180</u> |
| Loss on sale and other income from loans held for sale, net | <u>(76)</u> | <u>(1,312)</u> |
| Total revenues | <u>\$ 45,708</u> | <u>\$ 26,343</u> |

For the three months ended March 31, 2024 versus the three months ended March 31, 2023

Total revenues increased \$19.4 million or 73.5% as a result of the following:

- Net origination gains increased \$15.2 million or 62.0% as a result of higher reverse mortgage loan origination volumes, as well as higher margins associated with the increase in volumes from our retail platform acquired from AAG/Bloom. We originated \$423.5 million of reverse mortgage loans for the three months ended March 31, 2024, an increase of 36.0%, compared to \$311.4 million for the comparable 2023 period. During the three months ended March 31, 2024, the weighted average margin on reverse mortgage loan production was 9.37% compared to 7.86% in 2023, an increase of 1.51% due primarily to the increase in retail production mix associated with the onboarding of our retail platform acquired from AAG/Bloom.

- Fee income increased \$2.9 million due to loan origination fees generated through our retail platform acquired from AAG/Bloom.

Expenses

In the table below is a summary of the components of our Retirement Solutions segment's total expenses(in thousands):

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|---|--|--|
| Salaries | \$ 13,910 | \$ 11,164 |
| Commissions and bonuses | 4,725 | 4,385 |
| Other salary related expenses | 2,498 | 2,179 |
| Total salaries, benefits, and related expenses | 21,133 | 17,728 |
| Loan production expenses | 3,081 | 1,292 |
| Marketing and advertising expenses | 8,491 | 1,848 |
| Depreciation and amortization | 9,488 | 9,643 |
| General and administrative expenses | 7,217 | 5,013 |
| Total expenses | \$ 49,410 | \$ 35,524 |

For the three months ended March 31, 2024 versus the three months ended March 31, 2023

Total expenses increased \$13.9 million or 39.1% as a result of the following:

- Total salaries, benefits, and related expenses increased \$3.4 million or 19.2% primarily due to an increase in average headcount for the three months ended March 31, 2024 at 535 compared to 364 for the 2023 period related to the onboarding of our retail platform acquired from AAG/Bloom, partially offset by cost-cutting measures associated with the restructuring of the business for the three months ended March 31, 2024 when compared to the 2023 period.
- Marketing and advertising expenses increased \$6.6 million or 359.5% primarily within our retail platform acquired from AAG/Bloom.
- General and administrative expenses increased \$2.2 million or 44.0% primarily due to an increase in communications and data processing expenses and other general and administrative expenses from the onboarded infrastructure of our retail platform acquired from AAG/Bloom, partially offset by cost-cutting measures associated with the restructuring of the business for the three months ended March 31, 2024 when compared to the 2023 period.

Portfolio Management Segment

The following table summarizes our Portfolio Management segment's results (in thousands):

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|--|--|--|
| Net fair value gains on loans and related obligations | \$ 52,978 | \$ 151,919 |
| Fee income | 232 | 5,463 |
| Gain (loss) on sale and other income from loans held for sale, net | 162 | (11,058) |
| Net interest expense | (16,123) | (22,526) |
| Total revenues | 37,249 | 123,798 |
| Total expenses | 22,753 | 24,679 |
| NET INCOME BEFORE INCOME TAXES | \$ 14,496 | \$ 99,119 |

Our Portfolio Management segment generates its revenues primarily from the sale or securitization of mortgages into the secondary market and fair value gains and losses on portfolio assets. 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 net of contractual interest expense from related liabilities and any contractual service fees earned while servicing these assets.

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

- Loans held for investment, subject to HMBS related obligations, 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 related obligations, 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.

KEY METRICS

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

| | March 31, 2024 | December 31, 2023 |
|---|-------------------|-------------------|
| Cash and cash equivalents | \$ 31,045 | \$ 32,245 |
| Restricted cash | 194,349 | 178,319 |
| Loans held for investment, subject to HMBS related obligations, at fair value | 18,050,772 | 17,548,763 |
| Loans held for investment, subject to nonrecourse debt, at fair value | 8,407,602 | 8,272,393 |
| Loans held for investment, at fair value | 535,910 | 575,228 |
| Other assets, net | 137,481 | 166,153 |
| Total earning assets | 27,357,159 | 26,773,101 |
| HMBS related obligations, at fair value | 17,827,060 | 17,353,720 |
| Nonrecourse debt, at fair value | 7,897,896 | 7,904,200 |
| Other financing lines of credit | 1,071,191 | 928,479 |
| Payables and other liabilities | 74,529 | 107,664 |
| Total financing of portfolio | 26,870,676 | 26,294,063 |
| Net carrying value of earning assets | \$ 486,483 | \$ 479,038 |

The following tables provide a summary of our Portfolio Management segment's key metrics(dollars in thousands):

| | March 31, 2024 | | December 31, 2023 | | |
|---|----------------|------------|-------------------|------------|---|
| Reverse Mortgages | | | | | |
| Loan count | | 91,416 | | 91,888 | |
| Active unpaid principal balance ("UPB") | \$ | 25,330,570 | \$ | 24,923,313 | |
| Due and payable | | 436,252 | | 371,913 | |
| Foreclosure | | 463,128 | | 524,988 | |
| Claims pending | | 115,945 | | 130,928 | |
| Ending UPB | \$ | 26,345,895 | \$ | 25,951,142 | |
| Average UPB | \$ | 288 | \$ | 282 | |
| Weighted average coupon | | 7.20 | % | 7.35 | % |
| Weighted average age (in months) | | 41 | | 40 | |
| Percentage in foreclosure | | 1.8 | % | 2.0 | % |

| | For the three months ended March 31, 2024 | | For the three months ended March 31, 2023 | |
|---------------------------------------|---|---------|---|---------|
| Investment and Capital Markets | | | | |
| Number of structured deals | | 2 | | 2 |
| Structured deals (size in notes) | \$ | 719,513 | \$ | 837,887 |

Revenues

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

| | For the three months ended March 31, 2024 | | For the three months ended March 31, 2023 | |
|--|---|-----------------|---|-----------------|
| REVENUES | | | | |
| Net fair value gains on loans and related obligations: | | | | |
| Interest income on mortgage loans | \$ | 460,034 | \$ | 309,494 |
| Interest expense on HMBS and nonrecourse obligations | | (373,736) | | (224,391) |
| Servicing related income, net ⁽¹⁾ | | 10,726 | | 4,391 |
| Fair value changes from model amortization ⁽²⁾ | | (57,608) | | (50,266) |
| Net fair value gains from portfolio activity | | 39,416 | | 39,228 |
| Net fair value gains from changes in market inputs or model assumptions | | 13,562 | | 112,691 |
| Net fair value gains on loans and related obligations | | 52,978 | | 151,919 |
| Fee income | | 232 | | 5,463 |
| Gain (loss) on sale and other income from loans held for sale, net | | 162 | | (11,058) |
| Net interest expense | | (16,123) | | (22,526) |
| Total revenues | \$ | 37,249 | \$ | 123,798 |

⁽¹⁾ Servicing related income, net, is comprised of premiums realized on the securitization of reverse mortgage tails and miscellaneous contractual servicing fees, net of guarantee fees paid.

⁽²⁾ Fair value changes from portfolio runoff and realization of modeled income and expenses.

Certain of our financial instruments are valued utilizing a process that combines the use 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

and repayment speeds, credit loss frequencies and severity, and discount rate assumptions. Any changes in fair value on these financial instruments are recorded as a gain or loss in net fair value gains on loans and related obligations in the Condensed Consolidated Statements of Operations.

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. However, for 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 in our Condensed Consolidated Statements of Operations. Further, interest income on loans held for investment are reflected in net fair value gains on loans and related obligations in the Condensed Consolidated Statements of Operations, while the associated interest expense on the warehouse financing for loans held for investment is included as a component of net interest expense. We evaluate 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 portfolio NIM (in thousands):

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|--|--|--|
| Interest income on mortgage loans ⁽¹⁾ | \$ 460,034 | \$ 309,494 |
| Interest income on mortgage loans held for sale and other interest income ⁽²⁾ | 3,945 | 1,470 |
| Portfolio interest income | 463,979 | 310,964 |
| Interest expense on HMBS and nonrecourse obligations ⁽¹⁾ | (373,736) | (224,391) |
| Interest expense on warehouse lines of credit ⁽²⁾ | (20,068) | (23,996) |
| Portfolio interest expense | (393,804) | (248,387) |
| PORTFOLIO NET INTEREST MARGIN | \$ 70,175 | \$ 62,577 |

⁽¹⁾ Amounts include interest income and expense on all reverse and commercial mortgage loans and their related nonrecourse obligations. These amounts are included in net fair value gains on loans and related obligations in the Condensed Consolidated Statements of Operations.

⁽²⁾ Amounts are included in net interest expense in the Condensed Consolidated Statements of Operations.

For the three months ended March 31, 2024 versus the three months ended March 31, 2023

Total revenues decreased \$86.5 million as a result of the following:

- Net fair value gains on loans and related obligations decreased \$98.9 million primarily as a result of lower net fair value gains from changes in market inputs or model assumptions compared to the 2023 period. The lower net fair value gains from changes in market inputs or model assumptions was primarily related to market interest rate and yield volatility, which generated lower net fair value gains during the three months ended March 31, 2024 compared to the 2023 period. See Note 6 - Fair Value within the Notes to Condensed Consolidated Financial Statements for additional information on assumptions impacting the value of our loans held for investment. The \$1.2 million increase in net interest margin included in net fair value gains on mortgage loans and the \$6.3 million increase in servicing related income, net, during the three months ended March 31, 2024 compared to the 2023 period was due to increased servicing portfolio size from the HECM portfolio acquired from AAG/Bloom, which was mostly offset by fair value changes from model amortization of \$7.3 million.
- Fee income decreased \$5.2 million primarily related to lower MSR servicing fee income due to a much lower MSR portfolio balance for the three months ended March 31, 2024 compared to the 2023 period.
- Gain (loss) on sale and other income from loans held for sale, net, improved \$11.2 million primarily as a result of minimal activity for the three months ended March 31, 2024 compared to fair value losses on commercial loans held for sale in the 2023 period.
- Net interest expense decreased \$6.4 million due primarily to lower average outstanding balances on our financing lines of credit during the three months ended March 31, 2024 compared to the 2023 period.

Expenses

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

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|---|--|--|
| Salaries | \$ 2,957 | \$ 6,344 |
| Commissions and bonuses | 1,044 | 1,113 |
| Other salary related expenses | 1,063 | 667 |
| Total salaries, benefits, and related expenses | 5,064 | 8,124 |
| Loan portfolio related expenses | 5,532 | 6,700 |
| Loan servicing expenses | 8,218 | 6,636 |
| Marketing and advertising expenses | 15 | 3 |
| Depreciation and amortization | 8 | 14 |
| General and administrative expenses | 3,916 | 3,202 |
| Total expenses | \$ 22,753 | \$ 24,679 |

For the three months ended March 31, 2024 versus the three months ended March 31, 2023

Total expenses decreased \$1.9 million or 7.8% as a result of the following:

- Salaries, benefits, and related expenses decreased \$3.1 million primarily due to a decrease in average headcount and cost-cutting measures associated with the restructuring of the business for the three months ended March 31, 2024 compared to the 2023 period. Average headcount was 69 for the three months ended March 31, 2024 compared to 80 for the 2023 period.
- Loan portfolio related expenses decreased \$1.2 million due to a decrease in expenses related to the securitization of assets into nonrecourse securitizations during the three months ended March 31, 2024 compared to the 2023 period.
- Loan servicing expenses increased \$1.6 million due to the increase in size of our HECM portfolio acquired from AAG/Bloom.

Corporate and Other

Corporate and Other consists of our 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 Corporate and Other.

The following table summarizes Corporate and Other results (in thousands):

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|-------------------------------------|--|--|
| Fee income | \$ — | \$ 2,953 |
| Net interest expense | (8,152) | (6,939) |
| Total revenues | (8,152) | (3,986) |
| Total expenses | 19,275 | 28,874 |
| Impairment of other assets | (600) | — |
| Other, net | 1,627 | 905 |
| NET LOSS BEFORE INCOME TAXES | \$ (26,400) | \$ (31,955) |

In the table below is a summary of the components of Corporate and Other total expenses(in thousands):

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|--|--|--|
| Salaries and bonuses | \$ 14,728 | \$ 22,186 |
| Other salary related expenses | 3,308 | 3,933 |
| Shared services - payroll allocations | (5,210) | (11,157) |
| Total salaries, benefits, and related expenses | 12,826 | 14,962 |
| Marketing and advertising expenses | 6 | 105 |
| Depreciation and amortization | 182 | 448 |
| Communications and data processing and other expenses | 7,140 | 14,707 |
| Professional and consulting fees | 2,661 | 3,082 |
| Shared services - general and administrative allocations | (3,540) | (4,430) |
| Total general and administrative expenses | 6,261 | 13,359 |
| Total expenses | \$ 19,275 | \$ 28,874 |

For the three months ended March 31, 2024 versus the three months ended March 31, 2023

Total revenues decreased \$4.2 million as a result of the following:

- Fee income decreased \$3.0 million related to the decline in services provided by the Company's operational fulfillment services team. As of September 30, 2023, the Company ceased the operations of the offshore fulfillment services team.

Total expenses decreased \$9.6 million or 33.2% as a result of the following:

- Salaries, benefits, and related expenses, net of allocations, decreased \$2.1 million or 14.3% primarily due to a decrease in salaries and bonuses of \$7.5 million for the three months ended March 31, 2024 compared to the 2023 period as the Company focused on cost-cutting initiatives related to the restructuring of the Company's strategic vision. Compared to 2023, average onshore headcount declined by 40.5% from 467 for the three months ended March 31, 2023 to 278 for the three months ended March 31, 2024. The decrease in average onshore headcount was primarily related to groups supporting our operating segments. These reductions were partially offset by a \$5.9 million decrease in shared services allocations due to the reduction in supported business in the three months ended March 31, 2024.
- General and administrative expenses, net of shared services allocations, decreased \$7.1 million or 53.1% due to a \$7.6 million decrease in communications and data processing and other expenses and a \$0.4 million decrease in professional and consulting fees. These reductions are due to general cost-cutting measures associated with the restructuring of the business. This was partially offset by a \$0.9 million decrease in shared services allocations due to the reduction in supported business lines in the three months ended March 31, 2024.

NON-GAAP FINANCIAL MEASURES

The Company's management evaluates performance of the Company through the use of certain non-GAAP financial measures, including Adjusted Net Loss, Adjusted EBITDA, and Adjusted Loss 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 U.S. generally accepted accounting principles ("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 alternative to net income (loss), operating cash flows, or any other performance measures determined in accordance with U.S. GAAP. Adjusted Net Loss, Adjusted EBITDA, and Adjusted Loss per Share 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 U.S. 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 Loss, Adjusted EBITDA, and Adjusted Loss 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 U.S. GAAP results and using our non-GAAP financial measures only as a supplement. Users of our condensed consolidated financial statements are cautioned not to place undue reliance on our non-GAAP financial measures.

Adjusted Net Loss

We define Adjusted Net Loss as consolidated net income (loss) from continuing operations adjusted for:

1. Changes in fair value of loans and securities held for investment and related obligations due to assumption changes, deferred purchase price obligations (including earnouts and Tax Receivable Agreements (“TRA”) obligation), contingent earnout, warrant liability, and minority investments
2. Amortization of intangibles and impairment of other assets
3. Equity-based compensation
4. Certain non-recurring costs
5. Pro-forma income tax provision adjustments to apply an effective combined corporate tax rate to adjusted consolidated pre-tax loss from continuing operations.

Management considers Adjusted Net Loss 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 Loss is not a presentation made in accordance with U.S. GAAP, and our definition and use of this measure may vary from other companies in our industry.

Adjusted Net Loss 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 Loss 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) from continuing operations adjusted for:

1. Taxes
2. Interest on non-funding debt
3. Depreciation
4. Change in fair value of loans and securities held for investment and related obligations due to assumption changes, deferred purchase price obligations (including earnouts and TRA obligation), contingent earnout, warrant liability, and minority investments
5. Amortization of intangibles and impairment of other assets
6. Equity-based compensation
7. 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 U.S. 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 Loss Per Share

We define Adjusted Loss Per Share as Adjusted Net Loss (defined above) divided by the weighted average outstanding shares, which includes outstanding Class A Common Stock plus the Class A Units of FoA Equity ("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 Loss Per Share is not a presentation made in accordance with U.S. 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 (loss) from continuing operations to Adjusted Net Loss and Adjusted EBITDA (in thousands, except for share data):

Reconciliation to GAAP

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|--|--|--|
| Reconciliation of Net Income (Loss) from Continuing Operations to Adjusted Net Loss and Adjusted EBITDA | | |
| Net income (loss) from continuing operations | \$ (15,780) | \$ 55,482 |
| Add back: Provision for income taxes | — | (2,532) |
| Net income (loss) from continuing operations before taxes | (15,780) | 58,014 |
| Adjustments for: | | |
| Changes in fair value ⁽¹⁾ | (8,917) | (94,020) |
| Amortization of intangibles and impairment of other assets ⁽²⁾ | 9,898 | 9,297 |
| Equity-based compensation ⁽³⁾ | 2,935 | 3,607 |
| Certain non-recurring costs ⁽⁴⁾ | 1,974 | 2,333 |
| Adjusted Net Loss before taxes | (9,890) | (20,769) |
| Benefit for income taxes ⁽⁵⁾ | 2,412 | 5,585 |
| Adjusted Net Loss | (7,478) | (15,184) |
| Benefit for income taxes ⁽⁵⁾ | (2,412) | (5,585) |
| Depreciation | 380 | 807 |
| Interest expense on non-funding debt | 8,471 | 7,557 |
| Adjusted EBITDA | \$ (1,039) | \$ (12,405) |
| GAAP PER SHARE MEASURES | | |
| Net income (loss) from continuing operations attributable to controlling interest | \$ (5,635) | \$ 18,727 |
| Basic weighted average shares outstanding | 96,485,585 | 64,016,845 |
| Basic Net Income (Loss) per Share from Continuing Operations | \$ (0.06) | \$ 0.29 |
| If-converted method net income (loss) from continuing operations | \$ (5,635) | \$ 42,055 |
| Diluted weighted average shares outstanding | 96,485,585 | 190,301,012 |
| Diluted Net Income (Loss) per Share from Continuing Operations | \$ (0.06) | \$ 0.22 |
| NON-GAAP PER SHARE MEASURES | | |
| Adjusted net loss | \$ (7,478) | \$ (15,184) |
| Weighted average shares outstanding | 229,432,953 | 190,301,012 |
| Adjusted Loss per Share | \$ (0.03) | \$ (0.08) |

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

Changes in fair value of loans and securities held for investment and related liabilities due to assumption changes - This adjustment relates to changes in the significant market or model input components of the fair value for loans and securities and related obligations, which are held for investment. 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 and related obligations include changes in fair value and related hedge gains and losses for the following MSR, 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. Retained bonds, at fair value;
5. MSR, 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 and related obligations due to assumption changes is calculated based on changes in fair value associated with the above assets and liabilities calculated in accordance with U.S. 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 model amortization (i.e. 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 U.S. 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 certain exchanges of Class A LLC Units into Class A Common Stock (TRA obligation). Change in fair value of deferred purchase price obligations represents impacts to revenue or expense due to changes in the estimated fair value of expected payouts as a result of changes in various assumptions, including future performance, timing and realization of tax benefits, and discount rates.

Change in fair value of contingent earnout- We are entitled to receive certain contingent consideration from the buyers of our disposed businesses based on future performance of those businesses. Change in fair value of contingent earnout represents impacts to revenue or expense due to changes in the estimated fair value of expected payouts as a result of changes in various assumptions, including future performance and discount rates.

Change in fair value of the warrant liability- The adjustment to the warrant liability is based on the change in its measured fair value. Although the change in fair value of the warrant liability is a recurring part of our business, the change in fair value is unrealized, and we believe the adjustment is appropriate as the fair value fluctuations from period to period may make it difficult to analyze core-operating trends.

Change in fair value of minority investments - The adjustment to minority equity investments and debt investments is based on the change in their measured fair value. 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 may make it difficult to analyze core-operating trends.

⁽²⁾ *Amortization of intangibles and impairment of other assets* - Includes amortization of intangibles recognized from various business combinations and impairment of certain other long-lived assets.

⁽³⁾ *Equity-based compensation* - Includes equity-based compensation for Replacement Restricted Stock Units and Earnout Right Restricted Stock Units, which are funded 100% by existing non-controlling shareholders or outstanding Class A Common Stock.

⁽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 or divestiture 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 loss for the respective period to determine the tax effect of adjusted consolidated net loss.

Liquidity and Capital Resources

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 Equity Capital Unitholders, in an amount sufficient to cover all applicable taxes at assumed tax rates, payments under the TRA, and dividends, if any, declared by FoA. Deterioration in the financial condition, earnings, or cash flow of FoA Equity and its subsidiaries for any reason could limit or impair FoA Equity's ability to make such distributions. In addition, 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. Further, our existing financing arrangements include, and any financing arrangement that we enter into in the future may include, restrictions that impact FoA Equity's ability to make distributions to FoA.

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 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. 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.

Sources and Uses of Cash

Our primary sources of funds for liquidity include: (i) payments received from the sale or securitization of loans; (ii) payments from the liquidation or securitization of our outstanding participating interests in loans; and (iii) advances on 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; and (iv) repayment of borrowings and repurchases or redemptions of outstanding indebtedness.

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 amounts from our Condensed Consolidated Statements of Cash Flows (in thousands):

| | For the three months ended March 31, 2024 | For the three months ended March 31, 2023 |
|--|--|--|
| Net cash provided by (used in): | | |
| Operating activities | \$ (132,243) | \$ 221,818 |
| Investing activities | 49,473 | (226,757) |
| Financing activities | 101,564 | 59,193 |
| Effect of exchange rate changes on cash and cash equivalents | (17) | 64 |
| Net increase in cash and cash equivalents and restricted cash⁽¹⁾ | \$ 18,777 | \$ 54,318 |
| Net increase in cash and cash equivalents | 1,747 | 5,780 |
| Net increase in restricted cash | 17,030 | 48,538 |

⁽¹⁾ Amounts presented contain results from both continuing and discontinued operations. Refer to Note 4 - Discontinued Operations in the Notes to Condensed Consolidated Financial Statements for additional information regarding cash flow associated with the results of discontinued operations.

Our cash and cash equivalents and restricted cash increased by \$18.8 million for the three months ended March 31, 2024 compared to an increase of \$54.3 million during the comparable period in 2023. Our cash and cash equivalents, excluding restricted cash, increased by \$1.7 million for the three months ended March 31, 2024 compared to an increase of \$5.8 million during the comparable period in 2023.

Operating Cash Flow

Cash flows from operating activities decreased by \$354.1 million for the three months ended March 31, 2024 compared to the corresponding 2023 period. The decrease was primarily attributable to a \$249.1 million decrease in proceeds from the sale of loans held for sale, net of cash used for originations, and a \$109.8 million change in other operating assets and liabilities.

Investing Cash Flow

The increase of \$276.2 million in cash provided by our investing activities during the three months ended March 31, 2024 compared to the 2023 period was primarily attributable to a \$335.4 million decrease in cash used for purchases and originations of loans held for investment, net of proceeds/payments, and a \$140.9 million cash outlay for the AAG Transaction in the 2023 period. This was partially offset by a decrease of \$128.0 million in proceeds on loans held for investment, subject to nonrecourse debt, net of payments, and a decrease of \$75.4 million in proceeds from the sale of MSR.

Financing Cash Flow

The increase of \$42.4 million in cash provided by our financing activities during the three months ended March 31, 2024 compared to the 2023 period was primarily driven by a \$484.7 million decrease in payments on other financing lines of credit, net of proceeds, and a \$76.7 million increase in proceeds from the securitizations of loans, subject to HMBS related obligations, net of payments, partially offset by a \$506.1 million decrease in proceeds from issuance of nonrecourse debt, net of payments.

Financial Covenants

Our credit facilities contain various financial covenants, which primarily relate to required tangible net worth amounts, liquidity reserves, leverage ratios and profitability. These covenants are measured at our holding company subsidiary or our operating subsidiaries. The Company was in compliance with the financial covenants as of March 31, 2024.

Seller/Servicer Financial Requirements

We are also subject to net worth, capital ratio, and liquidity requirements established by the FHA for Fannie Mae and Freddie Mac Seller/Servicers, and Ginnie Mae for single family issuers. In both cases, these requirements apply to FAR and FAM, which are licensed sellers/servicers of the respective government sponsored entities (“GSE”). As of March 31, 2024, FAM was in violation of Fannie Mae’s material decline in lender tangible net worth covenants. In connection with the discontinued operations of the Company’s previously reported Mortgage Originations segment, FAM voluntarily surrendered its Fannie Mae selling approval effective June 30, 2023, and further, FAM has agreed with Fannie Mae, Freddie Mac, and Ginnie Mae to surrender its related approvals as well as its United States Department of Housing and Urban Development (“HUD”) mortgagee approval once the transfer of servicing of FAM’s last mortgage loans related to such GSE/agency has been completed, which was complete as of March 31, 2024 with respect to Ginnie Mae and HUD and is expected to be complete in the second quarter of 2024 with respect to Fannie Mae and Freddie Mac. As of March 31, 2024 and December 31, 2023, we were in compliance with or had received waivers for all of the other seller/servicer financial requirements for FHA and Ginnie Mae. For additional information see Note 16 - Liquidity and Capital Requirements within the Notes to Condensed 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 \$5.0 million plus 1% of the total outstanding HMBS and unused commitment authority.
- Tangible Net Worth is defined as total equity less goodwill, intangible assets, affiliate receivables, and certain pledged assets.

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 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 GSE, U.S. 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, 2024, our debt obligations were approximately \$27.2 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

Reverse mortgage facilities

As of March 31, 2024, we had \$0.9 billion in warehouse lines of credit capacity collateralized primarily by first lien mortgages with a \$0.4 billion aggregate principal amount drawn through seven funding facility arrangements with six 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 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 2024 and 2026. Under the facilities, loans are generally transferred at an advance rate less than the principal balance of the loans (the “haircut”), which serves as the primary credit enhancement for the lender. Six of our warehouse lines of credit are guaranteed by FAH, a consolidated subsidiary of the Company and the parent holding company to the reverse mortgage 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. 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 the Bloomberg Short-Term Bank Yield Index (“BSBY”) or Secured Overnight Financing Rate (“SOFR”), plus applicable margin.

The following table presents additional information about our warehouse facilities as of March 31, 2024 (in thousands):

| Reverse Warehouse Facilities | Maturity Date | Total Capacity | Outstanding Balance |
|---|--------------------------|-----------------------|----------------------------|
| Committed | June 2024 - October 2024 | \$ 285,000 | \$ 102,692 |
| Uncommitted | June 2024 - October 2026 | 647,500 | 331,137 |
| Total reverse warehouse facilities | | \$ 932,500 | \$ 433,829 |

Mortgage facility

As of March 31, 2024, we had \$12.5 million in warehouse line of credit capacity collateralized by first lien mortgages with \$1.4 million aggregate principal amount drawn through one funding facility arrangement with one active lender. This facility is structured as a master repurchase agreement under which ownership of the related eligible loans is temporarily transferred to the lender.

When we draw on this facility, we generally must transfer and pledge eligible loans to the lender and comply with various financial and other covenants. The facility expires in October 2024. Under the facility, loans are generally transferred at a haircut, which serves as the primary credit enhancement for the lender. Our one warehouse line of credit is guaranteed by FAH, a consolidated subsidiary of the Company and the parent holding company to the mortgage 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. Upon expiration, the warehouse facility will either be closed or combined with other facilities. The interest rate on the outstanding facility is the BSBY, plus applicable margin.

The following table presents additional information about our warehouse facility as of March 31, 2024 (in thousands):

| Mortgage Warehouse Facility | Maturity Date | Total Capacity | Outstanding Balance |
|------------------------------------|----------------------|-----------------------|----------------------------|
| Uncommitted | October 2024 | \$ 12,500 | \$ 1,446 |

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 the principal is payable upon receipt of loan sale or securitization 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 generally 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 SOFR or BSBY, 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 our borrowing subsidiaries to comply with various customary operating and financial covenants, including, without limitation, the following tests:

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

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, 2024, we collectively had \$0.7 billion in additional secured facilities with \$0.6 billion aggregate principal amount drawn through credit agreements or master repurchase agreements with seven funding facility arrangements and five active lenders. These facilities are secured by, among other things, eligible asset-backed securities, MSR, 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. These facilities are generally structured as master repurchase agreements under which ownership of the related eligible assets is 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. Five of these facilities are guaranteed by FAH, a consolidated subsidiary of the Company.

The following table presents additional information about our other financing lines of credit as of March 31, 2024 (in thousands):

| Other Financing Lines of Credit | Maturity Date | Total Capacity | Outstanding Balance |
|--|--------------------------|-----------------------|----------------------------|
| Committed | July 2024 - October 2027 | \$ 623,935 | \$ 607,166 |
| Uncommitted | October 2024 | 30,000 | 28,750 |
| Total other secured lines of credit | | \$ 653,935 | \$ 635,916 |

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 or securitization 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 was in compliance with all financial covenants as of March 31, 2024.

HMBS related obligations

FAR is an approved issuer of HMBS securities that are guaranteed by Ginnie Mae and collateralized by participation interests in HECM insured by the FHA. We originate HECM insured by the FHA. Participations in the HECM 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 HECM 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 HECM 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 properties and events of default as stipulated in the reverse loan agreements with borrowers. As an HMBS issuer, FAR assumes certain obligations related to each security it issues. The most significant obligation is the requirement to purchase loans out of the Ginnie Mae securitization pools once they reach certain limits set at loan origination for the maximum UPB allowed. Performing repurchased loans are generally conveyed to HUD, and nonperforming repurchased loans are generally liquidated in accordance with program requirements.

As of March 31, 2024, we had HMBS-related borrowings of \$17.8 billion and HECM pledged as collateral to the pools of \$18.1 billion, both carried at fair value.

Additionally, as the servicer of reverse mortgage loans, we are obligated to fund additional borrowing capacity primarily in the form of undrawn lines of credit on floating rate reverse mortgage 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, which are referred to as HECM buyouts, commercial mortgage loans, and non-agency reverse mortgages. 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 Condensed Consolidated Statements of Financial Condition as loans held for investment, subject to nonrecourse debt, at fair value, and nonrecourse debt, at fair value. As of March 31, 2024, we had nonrecourse debt-related borrowings of \$7.9 billion.

Notes Payable

Senior unsecured notes

On November 5, 2020, FOAF, a consolidated subsidiary of the Company, issued \$350 million aggregate principal amount of senior unsecured notes due November 15, 2025 (the "Notes"). The 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 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 consolidated domestic subsidiaries, excluding FOAF and subsidiaries.

In accordance with the agreement, FOAF may redeem some or all of the 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 the twelve-month period following November 15, 2023 and at any time after November 15, 2024 is 101.969% and 100%, respectively, of the principal amount plus accrued and unpaid interest thereon. Upon the occurrence of a change of control, the holders of the Notes will have the right to require FOAF to make an offer to repurchase each holder's Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest. FOAF has not redeemed any of the Notes since they were issued in November 2020.

The Notes contain covenants limiting, among other things, FOAF 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 FOAF's assets. These incurrence-based covenants are subject to exceptions and qualifications. Many of these covenants will cease to apply during any time that the Notes have investment grade ratings and no default with respect to the Notes has occurred and is continuing. The Company was in compliance with all required covenants related to the Notes as of March 31, 2024.

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.

Related-party notes

The Company had two Revolving Working Capital Promissory Note Agreements (the "Working Capital Promissory Notes") outstanding with BTO Urban Holdings and Libman Family Holdings, LLC, a Delaware limited liability company which are deemed affiliates of the Company. Amounts under the Working Capital Promissory Notes may be re-borrowed and repaid from time to time until the related maturity date. The Working Capital Promissory Notes accrue interest monthly at a rate of 10.0% per annum, which will increase to 15.0% per annum on May 15, 2024, and mature in May 2025.

Contractual Obligations and Commitments

The following table provides a summary of obligations and commitments outstanding as of March 31, 2024 (in thousands):

| | Total | Less than 1 year | 1- 3 years | 3 - 5 years | More than 5 years |
|--------------------------------------|----------------------|---------------------|---------------------|-------------------|---------------------|
| Contractual cash obligations: | | | | | |
| Warehouse lines of credit | \$ 435,275 | \$ 373,239 | \$ 62,036 | \$ — | \$ — |
| MSR line of credit | 69,231 | — | — | 69,231 | — |
| Other secured lines of credit | 566,685 | 180,575 | — | — | 386,110 |
| Nonrecourse debt | 8,469,912 | 1,662,076 | 4,055,618 | 676,393 | 2,075,825 |
| Notes payable | 436,193 | — | 436,193 | — | — |
| Operating leases | 40,121 | 5,626 | 9,602 | 7,571 | 17,322 |
| Total | \$ 10,017,417 | \$ 2,221,516 | \$ 4,563,449 | \$ 753,195 | \$ 2,479,257 |

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 in the Condensed Consolidated Statements of Financial Condition and recognizing the asset-backed certificates acquired by third parties as HMBS related 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 properties. The outstanding principal balance of loans held for investment, subject to HMBS related obligations, was \$17.1 billion as of March 31, 2024.

The Company's TRA obligation will require payments to be made that may be significant and are not reflected in the contractual obligations tables set forth above.

CRITICAL ACCOUNTING ESTIMATES

For a description of our critical accounting estimates, see the Form 10-K filed with the SEC on March 15, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

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

Retirement Solutions

- an increase in prevailing interest rates could adversely affect our loan origination volume as new loans or refinancing an existing loan will be less attractive to borrowers.

Portfolio Management

- an increase in interest rates could generate an increase in delinquency, default, and foreclosure rates resulting in an increase in both servicing costs and interest expense on our outstanding debt.
- an increase in interest rates will lead to a higher cost of funds on our financing lines of credit.
- 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 increase prepayment speeds of our long-term assets which could lead to a reduction in the fair value of our long-term assets.

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.

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.

We estimate the fair value of the outstanding mortgage loans and related liabilities using a process that combines the use of a DCF model and analysis of current market data. The cash flow assumptions used in the model are based on various factors. Refer to Note 6 - Fair Value in the Notes to Condensed Consolidated Financial Statements for further discussion of the key assumptions and valuation techniques.

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 following table summarizes the estimated change in the fair value of our significant assets and liabilities sensitive to interest rates as of March 31, 2024 (in thousands).

| | March 31, 2024 | |
|--|-------------------|---------------------|
| | Down 25 bps | Up 25 bps |
| Increase (decrease) in assets | | |
| Loans held for investment, subject to HMBS related obligations | \$ 31,833 | \$ (33,863) |
| Loans held for investment, subject to nonrecourse debt: | | |
| Reverse mortgage loans | 115,261 | (113,250) |
| Commercial mortgage loans | 143 | (143) |
| Loans held for investment: | | |
| Reverse mortgage loans | 5,629 | (5,441) |
| Total assets | \$ 152,866 | \$ (152,697) |
| Increase (decrease) in liabilities | | |
| HMBS related obligations | \$ 27,656 | \$ (29,642) |
| Nonrecourse debt | 62,153 | (69,376) |
| Total liabilities | \$ 89,809 | \$ (99,018) |

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 Securities Exchange Act of 1934, as amended (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 defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) 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, 2024, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

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 quarter ended March 31, 2024, 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 12 - Litigation in our Notes to Condensed 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 Form 10-K filed with the SEC on March 15, 2024.

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 “Forward-Looking Statements” prior to 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 10-K 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

Not applicable.

Item 5. Other Information

Section 13(r) Disclosure

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) of the Exchange Act, we hereby incorporate by reference herein Exhibit 99.1 of this report, which includes disclosures regarding activities at Mundys S.p.A., which may be, or may have been at the time considered to be, an affiliate of Blackstone and, therefore, our affiliate.

Item 6. Exhibits

| Exhibit Number | Description | Incorporated by Reference | | | Filed or Furnished Herewith |
|----------------|--|---------------------------|---------|-------------|-----------------------------|
| | | Form | Exhibit | Filing Date | |
| 2.1 | Transaction Agreement, dated as of October 12, 2020, by and among Replay Acquisition Corp; Finance of America Equity Capital LLC; Finance of America Companies Inc.; RPLY Merger Sub LLC; RPLY BLKR Merger Sub LLC; Blackstone Tactical Opportunities Fund (Urban Feeder) – NQ L.P.; Blackstone Tactical Opportunities Associates – NQ L.L.C.; the Sellers; and the Seller Representative. | 8-K | 2.1 | 4/7/2021 | |
| 2.2 | Letter Agreement, dated April 1, 2021, by and among Seller Representative and Replay. | 8-K | 2.2 | 4/7/2021 | |
| 2.3 | Letter Agreement, dated April 5, 2021, by and among Seller Representative and Replay. | 8-K | 2.3 | 4/7/2021 | |

| | | | | | |
|---------|--|-----|-----|----------|---|
| 2.4 | Letter Agreement, dated March 31, 2021, by and among Family Holdings; TMO; BTO Urban; BTO Urban Holdings II L.P.; and ESC. | 8-K | 2.4 | 4/7/2021 | |
| 3.1 | Amended and Restated Certificate of Incorporation of Finance of America Companies Inc. | 8-K | 3.2 | 4/7/2021 | |
| 3.2 | Amended and Restated Bylaws of Finance of America Companies Inc. | 8-K | 3.3 | 4/7/2021 | |
| 31.1 | Certificate of Graham A. Fleming, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 31.2 | Certificate of Matthew A. Engel, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 32.1 | Certificate of Graham A. Fleming, 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. | | | | X |
| 32.2 | Certificate of Matthew A. Engel, 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. | | | | X |
| 99.1 | Section 13(r) Disclosure. | | | | X |
| 101.INS | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | | | | X |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. | | | | X |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. | | | | X |
| 101.DEF | Inline XBRL Taxonomy Definition Linkbase Document. | | | | X |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. | | | | X |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. | | | | X |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document). | | | | X |

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 thereunto duly authorized.

Date: May 10, 2024

Finance of America Companies Inc.

By: /s/ Matthew A. Engel
Matthew A. Engel
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Graham A. Fleming, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 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 financial 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 financial 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, 2024

/s/ Graham A. Fleming
Graham A. Fleming
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Matthew A. Engel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 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 financial 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 financial 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, 2024

/s/ Matthew A. Engel

Matthew A. Engel

Chief Financial Officer

(Principal Financial Officer)

**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, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Graham A. Fleming, 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, to the best of my knowledge:

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, 2024

/s/ Graham A. Fleming

Graham A. Fleming
Chief Executive Officer
(Principal Executive Officer)

**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, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew A. Engel, 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, to the best of my knowledge:

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, 2024

/s/ Matthew A. Engel

Matthew A. Engel
Chief Financial Officer

(Principal Financial Officer)

Section 13(r) Disclosure

The disclosure reproduced below was initially included in the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission by Blackstone Inc. (“Blackstone”) with respect to its fiscal quarter ended March 31, 2024, in accordance with Section 13(r) of the Securities Exchange Act of 1934, as amended, in regard to Mundys S.p.A. (formerly, Atlantia S.p.A.). Mundys S.p.A. may be, or may have been at the time considered to be, an affiliate of Blackstone, and therefore, an affiliate of Finance of America Companies Inc. (“FOA”). FOA did not independently verify or participate in the preparation of the disclosure reproduced below.

Blackstone included the following disclosure in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2024:

Mundys S.p.A. (formerly “Atlantia S.p.A.”) provided the disclosure reproduced below in connection with activities during the quarter ended March 31, 2024. We have not independently verified or participated in the preparation of this disclosure.

“Disclosure pursuant to Section 13(r) of the Securities Exchange Act of 1934. Funds affiliated with Blackstone first invested in Mundys S.p.A. on November 18, 2022 in connection with the voluntary public tender offer by Schema Alfa S.p.A. for all of the shares of Mundys S.p.A., pursuant to which such funds obtained a minority non-controlling interest in Mundys S.p.A. Mundys S.p.A. owns and controls Aeroporti di Roma S.p.A. (“ADR”), an operator of airports in Italy including Leonardo da Vinci-Fiumicino Airport. Iran Air has historically operated periodic flights to and from Leonardo da Vinci-Fiumicino Airport as authorized, from time to time, by an aviation-related bilateral agreement between Italy and Iran, scheduled in compliance with European Regulation 95/93, and approved by the Italian Civil Aviation Authority. ADR, as airport operator, is under a mandatory obligation to provide airport services to all air carriers (including Iran Air) authorized by the applicable Italian authority. The relevant turnover attributable to these activities (whose consideration is calculated on the basis of general tariffs determined by such independent Italian authority) in the quarter ended March 31, 2024 was less than €70,000. Mundys S.p.A. does not track profits specifically attributable to these activities.”