

The Product Pivot: An Evolving Origination Marketplace



Hosted By: 
Altisource
YOUR ONE SOURCE™

MAY 6
3:00 p.m. – 4:00 p.m.

Scott Gesell, *CEO and General Counsel, Gateway First Bank*

Patti Cook, *Chief Executive Officer, Finance of America Equity Capital LLC*

Stan Middleman, *President and CEO, Freedom Mortgage Corporation*

THEFIVESTARINSTITUTE

MBA
MORTGAGE BANKERS ASSOCIATION

IWMN

HW HOUSINGWIRE

Speakers

MODERATOR:



JUSTIN DEMOLA
President
Lenders One®



SCOTT GESELL
CEO and General Counsel
Gateway First Bank



PATTI COOK
Chief Executive Officer
Finance of America Equity
Capital LLC



STAN MIDDLEMAN
President and CEO
Freedom Mortgage
Corporation



AN EVOLVING ORIGINATION MARKETPLACE

SCOTT GESELL

CEO and General Counsel
Gateway First Bank

Transitioning Back to Post-Pandemic Operation Environment: What Do We Expect

1. Operations

- a. In office or at home
 - Production
 - Back office
- b. Data security

2. Customer application, closing and servicing experience

- a. Complementary customer experiences — in person versus online/digital
 - High, medium and low touch
- b. Pandemic drove a rapid adoption of technology with even nontechnology-driven consumers
- c. High expectations for a seamless digital experience
- d. Website access and functionality

3. Business relationships with realtors and title companies

Being a Bank in the Mortgage Industry

Benefits

- Funding sources
- Funding costs
- Cross-selling of financial services opportunities

Being a Bank in the Mortgage Industry

Burdens

- Mortgage servicing rights
- Capital requirements
- Regulatory focus — reporting and oversight costs and burdens

Poll Question

2020 was an amazing year for lenders in volume, margin and profitability

Q: How is your institution addressing 2021 volume and margin compression?

- a) Increase market share by expanding origination capabilities
- b) Decrease fixed and variable origination costs (commissions, technology, outsourcing)
- c) Right-size institution for lower volumes and margins



AN EVOLVING ORIGINATION MARKETPLACE

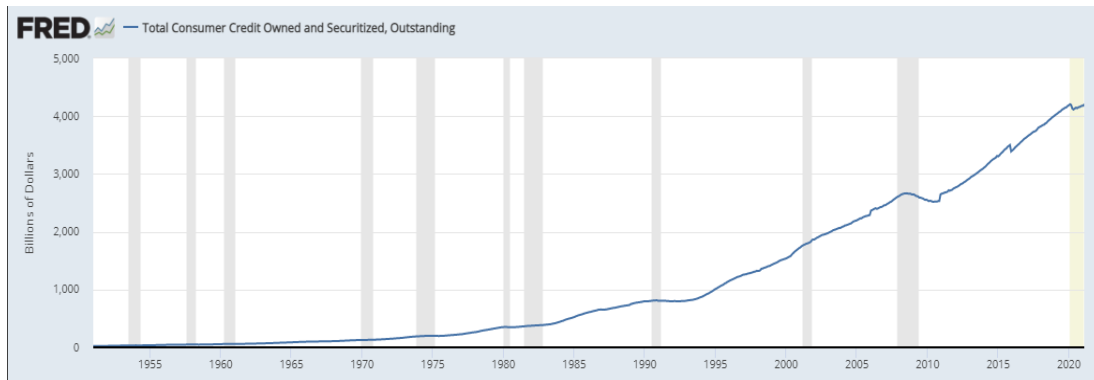
PATTI COOK

Chief Executive Officer
Finance of America Equity Capital LLC

Consumer Financial Health Is Improving

Consumer credit has increased every year for the last 70 years except for 2008

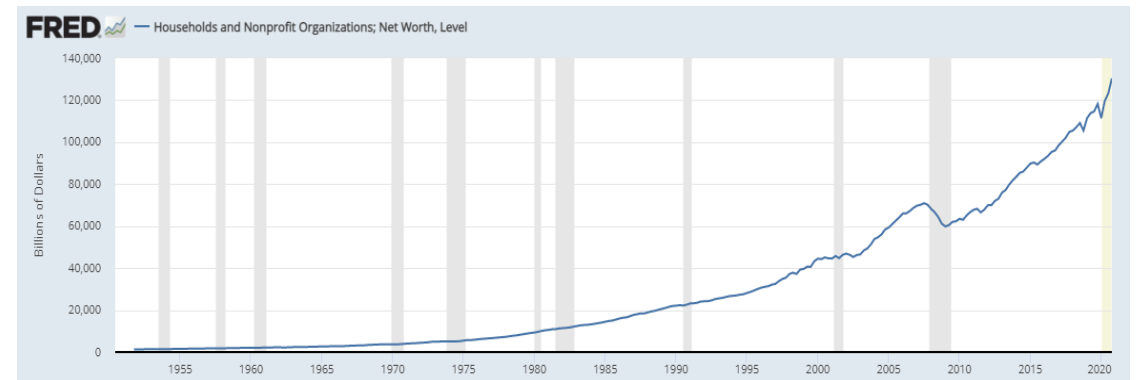
- Consumers are borrowing differently
- Compound annual growth rate during low-rate environment (post-2008): 4%



Source: <https://fred.stlouisfed.org/series/TOTALSL>

Consumer wealth has also increased, if not outpaced, this growth

- Debt-to-income ratios have improved
- Compound annual growth rate during low-rate environment (post-2008): 7%



Source: <https://fred.stlouisfed.org/series/TNWBSHNO>

Finance of America Is Ready to Help With Other Products



Home Improvement

- Point-of-sale financing and payment solutions to contractors and consumers
- Financing across product types: HVAC, windows and doors, remodels, renovations, etc.
- 77% of U.S. homeowners plan to make home improvements in 2021*



Home Equity

- Second lien financing for larger renovations or additions
- Decreasing housing supply reducing opportunity to “move up”



EquityAvail™

- Over 1 million people 60+ enter in to a new 30-yr. mortgage every year
- Over 1 million more people attempt to refinance and don't qualify due to DTI ratios
- By combining elements of a forward and reverse mortgage into one loan, we can offer a higher LTV than a typical reverse and a lower payment than a traditional mortgage

* Source: McKinsey & Company Research

Tailwinds

Total Addressable Market

Mortgage

\$11T

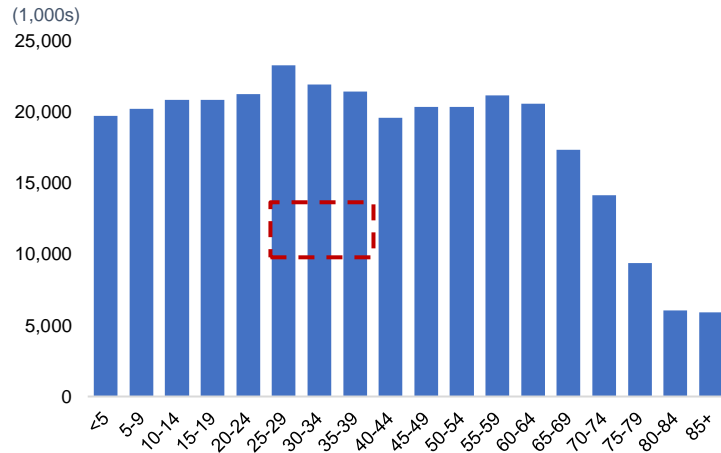
Mortgage Debt Outstanding

Why Target This Market

Enables Purchase of a Customer's Largest Financial Asset and Achieve Goal of Homeownership

Structural Tailwinds

Millennials Reaching Prime Homeownership Age¹



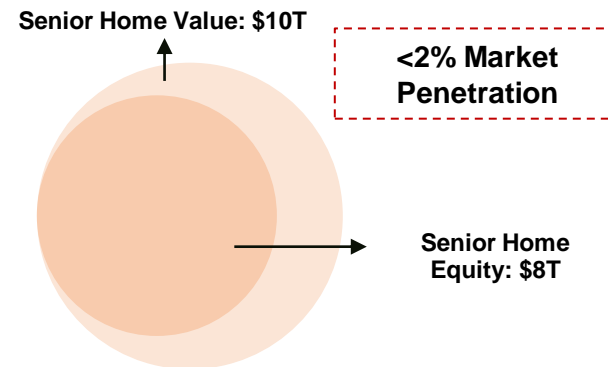
Reverse Mortgage

\$8T

Untapped Senior Home Equity

Strong Value Proposition for Customers With Low Market Penetration Today

Significant Untapped Equity Among Seniors²



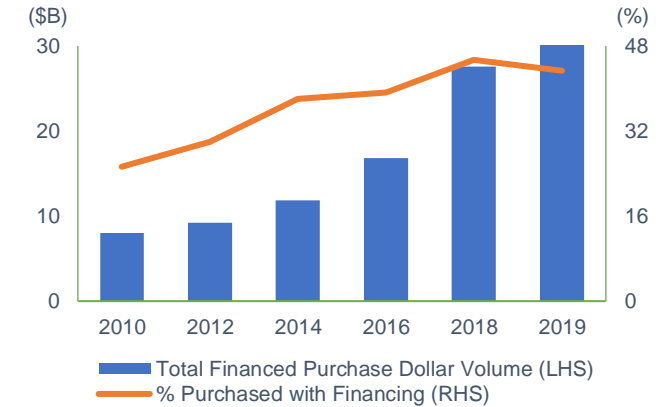
Commercial

\$3T

Home Value of Investor Properties

Growing Demographic Demand With Aging Housing Stock in Need of Upgrade

Fix-and-Flip Financing Trends



Poll Question

Q:

With shift to a purchase market, what is the future of the distributed loan originator?

- a) Stays at current level of market
- b) Declines as % of total market
- c) Increases as % of total market



AN EVOLVING ORIGINATION MARKETPLACE

STAN MIDDLEMAN
President and CEO
Freedom Mortgage Corporation

Q ■ ■ How do I grow my production in a shrinking volume environment?

Myth:

My volume can stay high by capturing market share.

Truth:

If your market share grows, your profits evaporate.

Myth:

I can capture more purchase money business to overcome my loss of refinance activity.

Truth:

You can't capture enough to compensate for reduction in refinance volume to maintain your profits.

Origination

Problem:

What can I do if all this is true?

Poll Question

Q:

If you suspect your business will be impacted by shrinking refi volume, how will you respond?

- a) Increase your refi market share by lowering price
- b) Increase your total market share by increasing your market share of purchase
- c) Improve your price to gain market share across the board
- d) Reduce expenses to meet the new volume levels of activity
- e) Retain the status quo until volume returns and absorbs any losses you may incur

Q&A



**THANK YOU
FOR ATTENDING**

