SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Social Bond Framework

Finance of America Reverse LLC
15 April 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	▪ Social Bonds
Relevant standards	▪ ICMA's Social Bond Principles (SBP) (June 2021)
Scope of verification	▪ Finance of America Social Bond Framework (as of March 23, 2022) ▪ Finance of America Selection Criteria (as of March 23, 2022)
Lifecycle	▪ Pre-issuance verification
Validity	▪ As long as there is no material change to the Framework

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SCOPE OF WORK

Finance of America Reverse LLC ("the issuer" or "FAR" or "Finance of America Reverse" or ''Finance of America'') commissioned ISS ESG to assist with its Social Bonds by assessing three core elements to determine the sustainability quality of the instrument:

1. Social Bonds link to FAR's sustainability strategy – drawing on FAR's overall sustainability profile and issuance-specific Use of Proceeds categories.
2. FAR's Selection Criteria (23.03.2022 version) – benchmarked against the International Capital Market Association's (ICMA) Social Bond Principles (SBP).
3. The Selection Criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 1).

FINANCE OF AMERICA BUSINESS OVERVIEW

Finance of America Reverse LLC is an originator of reverse mortgage loans in the United States, and is licensed to originate in 50 states, Puerto Rico, the United States Virgin Islands and the District of Columbia. The Company originates reverse mortgage loans through its retail and wholesale operations and acquires loans through correspondent, principal agent and broker channels. The Company primarily originates and services Home Equity Conversion Mortgages ("HECMs") and proprietary reverse mortgage loans.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION[1]
Part 1: **Social Bonds link to issuer's sustainability strategy**	Finance of America is an originator of reverse mortgage loans mainly catering to elderly customers. Finance of America's customers often either belong to low-income groups or are part of an economically distressed community[2]. According to the issuer, the reverse mortgages provide senior homeowners with the ability to age-in-place while accessing home equity for healthcare costs, living expenses and other financial needs and/or eliminating monthly principal and interest payments. It is worth noting that there is no guarantee that borrowers will use their reverse mortgages to finance basic services. Moreover, ISS ESG observes that potential risks from the projects should be taken into consideration[3]. Finance of America transparently shares measures/processes in place to identify and mitigate those risks (please see part 3 of the document). The Use of Proceeds financed through these Social Bonds are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Social Bonds is clearly described by the issuer.	**Consistent with issuer's sustainability strategy**
Part 2: **Alignment with ICMA's SBP**	The issuer has defined a formal concept for its Social Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA Green Bond Principles (June 2021).	**Aligned**
Part 3: **Sustainability quality of the selection criteria**	The overall sustainability quality of the selection criteria in terms of sustainability benefits, risk avoidance and minimization is moderate based upon the ISS ESG assessment. The Social Bonds will (re-)finance eligible asset categories which include: Reverse Mortgages to Senior Homeowners. The Use of Proceeds category has limited contribution to SDG 1 'No Poverty' and SDG 10 'Reduced Inequalities' if provided to a low-income population and no net impact if provided to the general senior population (not considered as low income). The environmental and social risks associated with Use of Proceeds category are considered as partially managed.	**Moderate**

[1] ISS ESG's evaluation is based on the FAR's Social Bond Framework (23.03.2022 version) and its selection criteria as received on the 23.03.2022 and applicable at the SPO delivery date.
[2] Based on information provided by final borrowers. Such information is verified by Finance of America.
[3] E.g., The borrower might be evicted in case of failure to comply with the terms of a reverse mortgage, borrower's spouse might not be able to age in place in the event of a borrower death.

ISS ESG SPO ASSESSMENT

PART I : SOCIAL BONDS LINK TO FINANCE OF AMERICA'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF FINANCE OF AMERICA'S ESG PERFORMANCE

Methodological note: Please note that Finance of America Reverse is not part of the ISS ESG Corporate Rating Universe. Thus, the below sustainability profile is an assessment conducted by the analyst in charge of the Mortgage & Public Sector Finance sector mainly based on publicly available information. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

Industry classification:

Mortgage & Public Sector Finance

Key issues of the industry:

1. Sustainability impacts of lending and other financial services/products
2. Customer and product responsibility
3. Employee relations and work environment
4. Statutory ESG-standards linked to the geographical allocation of the lending portfolio

Indicative ESG risk and performance assessment

Finance of America Reverse offers a variety of reverse mortgage lending options to customers in the United States.

By mainly catering to elderly customers, who often also either belong to low-income groups or are part of an economically distressed community, Finance of America Reverse possibly fosters financial inclusion and poverty alleviation. A vast majority of its borrowers either belong to low-income groups or are part of an economically distressed community. However, the company does not seem to offer any products with substantial environmental benefits. The company seems to be mainly active in the United States, where poor environmental and social minimum standards, either set by law or industry agreements, apply to the company's portfolio. There are no indications that additional relevant ESG criteria are considered in the credit rating process.

In terms of customer and product responsibility, Finance of America Reverse refers to some measures to ensure responsible treatment of clients with debt repayment problems such as pro-actively approaching customers potentially at risk, and budget counselling. Responsible marketing and Fair and Responsible Lending and Servicing are not addressed by publicly available frameworks[4].

[4] The company has an internal Marketing Compliance Guide and a Fair and Responsible Lending and Servicing policy.

Staff related risks (e.g., discrimination, health and safety) are mitigated to some extent by high labor standards applicable in the United States. However, the company does not demonstrate how it manages additional employee-related issues such as work-life balance, and employment security.

Indicative product portfolio assessment

Social impact of the product portfolio

Finance of America Reverse offers financial services for low-income groups and therefore contributes to providing basic services and alleviating poverty. These services are estimated to account for a significant part of the company's overall business volume.

Environmental impact of the product portfolio

Finance of America Reverse's product portfolio does not seem to include any products with substantial environmental benefits.

Controversy assessment

Company Screening

The analyst in charge of producing this report conducted a high-level controversy assessment, based on publicly available information exclusively. There is no indication of Finance of America Reverse being involved in any of the below mentioned controversies.

Industry risks

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Mortgage & Public Sector Finance are as follows: Failure to pay fair share of taxes, Failure to mitigate climate change impacts and Failure to conduct human rights due diligence. This is closely followed by Failure to prevent money laundering, Failure to manage cybersecurity and Workplace discrimination on the grounds of gender.

B. CONSISTENCY OF SOCIAL BONDS WITH FINANCE OF AMERICA'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Since 2021 Finance of America has adopted an ESG Policy Statement that outlines its commitment to the integration of environmental, social and governance principles into the company strategy while offering sustainable borrowing solutions to its customers. Finance of America's mission is to help seniors meet their retirement goals and allow them to age-in-place in their homes through their financial products, and strategic partnerships.

1. The company created the FAR Aging in Place Advisory Council to
    - Help borrowers become aware of public and charitable resources available to them
    - Advocate with FAR for senior friendly customer policies (originations and servicing)

2. Finance of America Foundation was formed on July 26, 2016, as a 501(c)(3) private foundation. It provides support to US homeowners who are in distressed financial situations by connecting them with resources that may help them remain in their homes.
3. In October 2020, FAR joined the Corporate Affiliate Program of the Stanford Center on Longevity ("SCL").
    - FAR supports research that helps retirees and pre-retirees plan for their retirement.
    - Focused on addressing the retirement crisis in the U.S

For all sustainability priorities, FAR defined specific sustainability objectives and activities. However, those objectives are not quantified.

Rationale for issuance

The proceeds from the issuance of the Social Bonds by FAR will be utilized by the company to bring liquidity to their business so that they can continue offering financial products, such as the HECM and proprietary loans to the underserved population of aging homeowners in the U.S. and servicing their respective loans to enable such homeowners to age in place.

Contribution of Use of Proceeds categories to sustainability objectives and challenges

ISS ESG mapped the Use of Proceeds categories financed under this Social Bond Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Mortgage & Public Sector Finance industry. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g., climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Reverse Mortgages	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through these bonds are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Social Bonds is clearly described by the issuer.*

PART II: ALIGNMENT WITH ICMA SOCIAL BOND PRINCIPLES

1. Use of Proceeds

FROM ISSUER'S FRAMEWORK
FAR provides reverse mortgages to senior homeowners. To maximize the number of seniors that are reached, FAR employs financing activities to help fund these loans through warehouse finance and balance sheet capital. FAR issues social bonds in connection with securitizations of either the HECM or the proprietary loans, entirely. The complete proceeds of the securitizations are used to refinance warehouse debt to provide long term financing of the loans while also returning any excess capital to FAR in order to continue to operate, originate new loans and serve FAR's borrowers (i.e. further what FAR believes is an eligible social project). All of the loans that are included in the securitizations will have been originated prior to depositing them into the securitization trust as the securitization trusts are not allowed to originate loans on their own. In addition, all loans originated under the HECM and proprietary loan programs will have generally been underwritten to the guidelines for each respective program. The issuer includes all material disclosure relating to FAR's reverse mortgage loans in the related securitization's offering documents, including applicable representations and warranties in respect of the reverse loans, the product features, the applicable underwriting guidelines (unless the securitizations are of seasoned loans) and any exceptions made to FAR underwriting guidelines, including compensating factors. As described herein, the reverse mortgage loans further the sustainable development goals relating to elderly borrowers, who are vulnerable and may lack access to the financial resources afforded to younger borrowers. Even if an individual elderly person is physically able to care for themselves and is in full possession of their mental capacity, the elderly are considered vulnerable across various fields and considerations. Older adults are often economically vulnerable because their cost of care can exceed their income. In particular, chronic illness and the need for long term care is understood to increase directly with age. Whether the project is a HECM or a proprietary loan securitization, the social benefit from the financial products and services FAR provides as a servicer include (but are not limited to): a. Providing access to equity of their own home without the burden of potentially costly (or fluctuating) monthly mortgage payments. b. Allowing borrowers to stay in their homes longer or "age in place" – which, according to a report by the HUD's Office of Policy Development and Research ("PD&R)", provides a number of benefits[5], including the following (among others): 1) Cost savings for families, government, and health systems and 2) Health and emotional benefits over institutional care. c. Provide assistance to seniors that would otherwise find it difficult to navigate basic services, which can include: 1) Natural Disaster Assistance, 2) Insurance Claims, 3) Mortgagor Advocacy Teams, 4) Budget Counseling and 5) Charities and Federal Grants. d. Allow seniors the ability to access money which may keep them in their communities longer and prevent them from being forced into assisted living facilities. Most of the borrowers have reported income less than the HUD guidelines for lower income.

[5] Office of Policy Development and Research, 2013, Evidence Matters, https://www.huduser.gov/portal/periodicals/em/fall13/highlight2.html

Opinion: *ISS ESG considers the Use of Proceeds description provided by FAR's Social Bond Framework as aligned with the ICMA's SBP. The issuer provides a qualitative analysis of the social benefits of the projects categories, in line with best market practices. The issuer will provide reverse mortgages to senior homeowners through HECM and proprietary loan programs, targeting ICMA's access to essential services (financial services) category. However, both these programs are considered general purpose loans since the usage of the loans proceeds is not restricted. Reverse mortgage can allow borrowers to cover living expenses, healthcare costs and/or enable clients to meet financial obligations to be able to age-in place but there is no guarantee this will be the case. Moreover, borrowers are still required to pay property tax and insurance obligations. Failure to comply with the terms of a reverse mortgage can result in default or even foreclosure and the borrower's death might lead to the non-borrowing spouse's eviction. FAR implemented measures to identify and mitigate those risks (please see part 3 of the document).*

2. Process for Project Evaluation and Selection

FROM ISSUER'S FRAMEWORK

For any HECM loan, the borrower eligibility is set out in guidance from the HUD's HECM Loan Requirements[6]:

Borrower Requirements

- Be 62 years of age or older
- Own the property outright or paid-down a considerable amount
- Occupy the property as the principal residence
- Not be delinquent on any federal debt
- Have financial resources to continue to make timely payment of ongoing property charges such as property taxes, insurance and homeowner association fees, etc.
- Participate in a consumer information session given by a HUD- approved HECM counselor

The following eligible property types must meet all FHA property standards and flood requirements:

- Single family home or 2-4 unit home with one unit occupied by the borrower
- HUD-approved condominium project
- Individual Condominium Units that meet FHA Single Unit Approved requirements
- Manufactured home that meets FHA requirements

Financial Requirements

- Income, assets, monthly living expenses, and credit history will be verified. Timely payment of real estate taxes, hazard and flood insurance premiums will be verified

For any proprietary loan, the Company's underwriting guidelines are generally similar to HUD's guidelines. However, the Company recognizes that under various municipal programs, people aged 55 and older are considered elderly even if the HECM program does not allow for borrowers of that age. In addition, the Company also has allowances for larger property values, up to $10 million, to permit borrowings above HUD's maximum loan limits. This allows borrowers that have equity in

[6] US Department of Housing and Urban Development, How the HECM Program Works, https://www.hud.gov/program_offices/housing/sfh/hecm/hecmabou

their homes to receive their fair share of that equity, rather than be capped at the limits set by the HECM program.

FAR underwrites the reverse mortgage loans it originates based on HUD's guidelines for HECMs and its own guidelines for proprietary loans. FAR's underwriting guidelines for its proprietary loans generally follow HUD guidelines but are more stringent in certain areas to mitigate risks relating to higher balance loans. The financial assessment of the borrowers and in particular the borrower counseling feature of the financial assessment is a key area of focus in the Company's underwriting process for reverse mortgages. Only the borrower and their spouse must generally go through a counseling session provided by a FAR and HUD approved counseling agent. FAR strongly recommends counseling for any prospective borrowers' children who currently reside in the property, any person with a remainder interest in the real estate and any trustees or contingent beneficiaries of a trust on title to the property. The borrower is required to answer a series of questions after the counseling session so that the counselor can determine if the borrower was of sound mind and understood the information shared. After successful completion of that step the counselor will provide a counseling certificate that is kept on file. There are specific counseling certificates for both HECM and FAR's proprietary loan program. FAR requires their proprietary loan borrowers attend a counseling session with a counseling agency approved for its proprietary loan. FAR approved counseling agencies are also HUD-approved. The counseling sessions are similar. The counselor discusses the financial implications and responsibilities along with other options that are available to the borrower. The counselor provides a copy of the certificate and it is kept on file. If there are state-specific counseling requirements FAR ensures that those requirements are met (ex. face to face or timing requirements). As the counseling agencies are also HUD-approved for the HECM program, there is a layer of independence that comes from being able to provide the counseling for both programs.

One of the areas relating to socially responsible lending and reverse mortgage loans relates to protecting non-borrowing spouses. With respect to its proprietary loans, FAR allows non-borrowing spouses if all FAR overlays are met, which include, among other requirements that the non-borrowing spouse (i) has never been named on the title of the related property and does not have any community property rights with respect to the related property, or (ii) does not reside in the related property and does not have any community property rights with respect to the related property. If the non-borrowing spouse has previously been on title, does reside in the property and/or has community property interest in the property and such non-borrowing spouse has mental capacity, then the borrower and non-borrowing spouse must attend a videotaped interview session with their attorney to ensure they fully understand the terms of the reverse mortgage and the due and payable features of the loan in the event the borrower passes away and the non-borrower still occupies the property. Further, in the event of a borrower death, HUD guidelines and FAR's servicing strategies give the Company flexibility to allow a non-borrowing spouse with eligible attributes to continue to live in the mortgaged property and age in place. HUD guidelines have a prescribed method of dealing with the non-borrowing spouse. However, FAR can offer to underwrite the non-borrowing spouse at the time of the borrower's death in order to provide a new loan to refinance the old one.

While reverse mortgage loans do not require monthly payments of principal and interest, borrowers are required to maintain their homes and pay taxes, insurance and homeowner's association dues. As part of its origination practices, the Company reviews credit and property charge history is reviewed to determine if the borrower has demonstrated a willingness in the past to be responsible in the management of debt and payment of property charges. Property charges are reviewed to ensure there are no tax arrearages in the last twenty-four (24) months and homeowners insurance has been in place for a minimum of twelve (12) months. Generally, borrowers who fail the financial assessment and require a life expectancy set aside or a "LESA". A LESA is a set side of funds at origination of the related mortgage loan to cover payment of unpaid taxes or insurance or cover repair costs.

FAR's goal is to be socially responsible to its customers by making sure that it offers financial products and services that are beneficial to its customers and to ensure that FAR's customers understand the Company's financial products. The issuer believes those points are central to socially responsible lending. The issuer intent is to create reverse mortgages which provide a benefit to borrowers who may not have sufficient cashflows during retirement and may not have sufficient income to support their financial needs and may still be carrying traditional mortgage loan repayment obligations. There is a lack of credit available for this senior population even if they have significant equity in their homes. As such, the Company's senior level management and its origination and servicing teams are focused on monitoring the processes relating to loan origination and servicing to ensure that the Company continues to meet the sustainability goals of the organization by providing proper access to credit to seniors while also meeting their servicing needs appropriately.

***Opinion:** ISS ESG considers the Process for Project Evaluation and Selection description provided by FAR's Social Bond Framework as aligned with the ICMA's SBP. Moreover, the projects selected show alignment with the sustainability strategy of the issuer. The issuer involves stakeholders in this process, in line with best market practices. The issuer has processes in place, namely by following HUD guidelines, to identify and mitigate social risks associated with HECM reverse mortgages. However, limited information is available to ensure that proprietary loans are fully in line with HUD guidelines.*

3. Management of Proceeds

FROM ISSUER'S FRAMEWORK

The issuance of these structured finance bonds will be used to refinance loans that have already been made (usually by purchasing the loans from more expensive warehouse lines or from other earlier issued debt transactions) on the closing date for the securitization. There is a very detailed process for the securitization that ensures that the loans being refinanced have been verified by multiple parties.

Once loans are selected for a securitization, the loans are processed by a third party due diligence firm (the "TPR Firm") to verify compliance with laws and conformance with underwriting guidelines, among other items reviewed. A rating agency (for example, DBRS Morningstar, Kroll, or Moody's) will evaluate the due diligence results, the loan characteristics and the structure of the deal in order to determine ratings for each offered security. An accounting firm will then run a comparison of the loan characteristic tables ("Strats") in order to make sure the loan information is represented appropriately and matches up with the listing of the loans provided. The TPR Firm will also conduct a tape to file review where it will check certain key fields for loans to make sure that the raw data used for the Strats matches the information in the source loan documentation. Finally, the initial purchasers or underwriters (who are responsible for identifying investors and delivering the securities to investors) will (i) perform their own due diligence review to make sure the loans presented to the investors are the same ones reviewed by the third party review firms for diligence and (ii) make sure appropriate risks relating to investment in the loans are disclosed to investors and the structure of the bonds are accurately presented to the investors in the offering document relating to the securities. As part of the closing of the transaction, the warehouse providers must also recognize and release each of the loans on the day of the transaction closing in order to release the loans to the new securitization. Finally, there is also a report from the custodian or the holder of the mortgage loan files. Given the number of layers on the securitization, the proceeds from the bonds will track to the loans being placed into the securitization. There is a legal escrow agreement for each securitization which directs the flow of the proceeds of the transaction and is handled by the escrow agent. The proceeds from the bond issuance will be used generally to purchase the collateral and to cover the expenses of the transaction (including, but not limited, to reserve funds for the benefit of the trust to protect investors, cover underwriting costs to the initial purchasers/ underwriters involved in the securitization and to the vendors hired for the benefit of the transaction). All transaction parties are represented by nationally recognized securitization law firms who review the documentation. The Company's counsel and the initial purchaser's/underwriter's counsel provide customary opinion letters which cover the various transaction steps as well securities law matters (including no material misstatements or omissions in the offering document). The accounting firm and TPR Firm will also issue certifications and letters for the benefit of the Company and the initial purchasers/underwriters. The TPR Firm's report with its findings and conclusions, if obtained by the Company with a view to have the social bonds rated by a nationally recognized statistical rating organization (NRSRO), will also be publicly filed with the U.S. Securities and Exchange Commission.

Overall, there is a very robust process to ensure that the loans are being securitized appropriately and that the proceeds are actually going to pay off the warehouse line and/or refinance the loans as expected.

Opinion: *ISS ESG finds that Management of Proceeds proposed by FAR's Social Bond Framework is well aligned with the ICMA's SBP, as all the proceeds are to be directly allocated immediately on the closing date for the securitization.*

4. Reporting

FROM ISSUER'S FRAMEWORK

Prior to the issuance of social bonds there will be a review by an independent firm to ensure that the commitments of this framework and the ICMA Social Bond Principles are respected. The applicable second party opinion will be made available to bondholders at issuance (and upon request during secondary trading).

On an ongoing basis until the bonds mature or the transactions are optionally redeemed and refinanced, the investor remittance reports (starting from the First Anniversary and updated annually) will be made available on the website of the Indenture Trustee of the securitization and will include statistics as follows:

- **a.** All the bond proceeds were used to buy the loans into the securitization trust and the allocation percentage will be 100%.
- **b.** General summary of FAR's servicing efforts to assist mortgagors to realize their goal of aging in place.
- **c.** Across FAR's servicing portfolio, number of steps back that borrowers have had from the following default statuses: 1) Default, 2) Called Due and 3) Refer to Foreclosure. A "step

back" is when a loan's status changes from a more severe case of default to a less severe case of default (or an active status).

d. The percentage of borrowers that either fall under a classification of low income or, exclusive of the low income designation, fall within a QOZ[7].

e. The lookback period for FAR's servicing efforts (items (a) and (b) above) will be 1 year and for the income level of the originations (item (c) above) will be 2 years.

Additional Information Regarding FAR's Step Back Data

Note the following with respect to FAR's step back data.

- The three phases listed in the step back chart are defined under the heading "FAR's Reverse Mortgage Origination Process and Servicing Efforts" above.
- The data reflects total steps back from the above-listed phases across FAR's servicing portfolio. While a loan can step back or cure without FAR's intervention (or as a result of the intervention FAR is mandated by HUD to provide), FAR applies significant resources to affect a positive outcome for borrowers and considers these efforts to be reflected in the number of steps back across its servicing portfolio.
- FAR's data reflects total step back count, not borrower count. If a loan has had more than one step back based on its historical performance, then each step back would be reflected in the data. Accordingly, the same loan could be reflected more than once in the step back data.
- In a situation where the borrower is not evicted, but must still leave their home (i.e., cash for keys or deed-in-lieu of foreclosure) FAR does not count this outcome as a step back from "Refer to Foreclosure," as this outcome is not consistent with FAR's goal of helping borrowers stay in their home.
- If a borrower steps back from Default, the loan goes back to active status. If a borrower steps back from "Called Due," the loan moves to "Default" status. If the borrower steps back from "Refer to Foreclosure," the loan moves to "Called Due" status. As the loan continues to progress towards active status, each change in phase is counted as a step back. For example, if a loan is in "Refer to Foreclosure" status and moves to "Due and Payable Status," that is counted as one step. If the same loan moves from "Due and Payable" status to "Default" status, that is counted as another step.

<u>Borrower Populations Served by FAR</u>

Using a lookback of 24 months from the most recent quarter end, the Company will generate a report of how many of its borrowers fall within HUD specified income levels. HUD classifies borrowers by income for their location (adjusted by household members). For example, 80% or less of the Area Median Income would be classified as "Low Income". Additionally, borrowers may be located in Qualified Opportunity Zones ("QOZ"). A QOZ is an area designated by the U.S. Department of the Treasury that is an economically distressed community[5]. Localities qualify as QOZs if they have been nominated for that designation by a state, the District of Columbia, or a U.S. territory and that

[7] A list of QOZs can be found at: https://www.cdfifund.gov/opportunity-zones

nomination has been certified by the Secretary of the U.S. Treasury via their delegation of authority to the Internal Revenue Service (IRS)[8].

Eligible Social Project

The origination of reverse mortgage loans to a population of aging borrowers is intended to comprise an eligible social project ("Eligible Social Project") for the purposes of the Social Bond Principles as this activity is intended to respond to major challenges related to the financial inclusion of aging populations, which was identified by the G20 in 2019 as a priority policy, by allowing aging and underserved borrowers who otherwise have limited financial resources to cover their living expenses while continuing to live in their home by converting a portion of their home equity into cash.

Opinion: *ISS ESG finds that the reporting proposed by FAR's Social Bond Framework is aligned with the ICMA's SBP. In line with best market practices, the Issuer is transparent on the frequency, duration and information reported in the impact report.*

[8] IRS, Opportunity Zones — General Information, https://www.irs.gov/credits-deductions/opportunity-zones-frequently-asked-questions#general

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE SOCIAL BONDS TO THE UN SDGs

Based on the assessment of the sustainability quality of the Social Bonds selection criteria and using a proprietary methodology, ISS ESG assessed the contribution of the FAR's Social Bonds to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution

Each of the Social Bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Reverse mortgages to senior homeowners HECM & Proprietary loan programs to low-income population	**Limited contribution**[9]	
Reverse mortgages to senior homeowners HECM & Proprietary loan programs for general population (not considered as low income)	**No net impact**	

[9] This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology. According to ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology, the use of proceeds category (re-)financing loans extended to underserved borrowers has no net impact on UN SDGs. This is since loans granted are general purpose loans and can be used to finance any type of assets ensuring or not essential needs.

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

Key performance indicators (KPIs) covering social categories

The table below presents the findings of an ISS ESG assessment of the selection criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI	
Inclusion	
✓	FAR fosters financial inclusion by mostly serving borrowers that either belong to low-income groups or are part of an economically distressed community. Their HomeSafe Guidelines include no out-of-pocket funds required at closing (does not apply to Purchase loans) and other flexible product options for different borrower needs.
Responsible marketing	
✓	FAR policy or commitment to responsible marketing is outlined in its parent company's Marketing Compliance Guide and a Marketing Compliance Program (not publicly available). As a HUD approved mortgagee and a licensed consumer mortgage loan originator, FAR is required to originate loans in accordance with the federal Truth-in-Lending Act (TILA) and its related Regulation Z, which also impose advertising restrictions on consumer mortgages (12 CFR §1026.24).
Responsible treatment of customers	
✓	<u>Pre-emptive actions to prevent client debt repayment problems:</u> Measures/practices are in place to prevent client debt repayment problems. FAR requires HUD counselling regarding the financial responsibilities of a reverse mortgage. A financial assessment is completed to confirm the capability of supporting the property charges. Additionally, HomeSafe borrowers are required to attend a counselling session with a HomeSafe-approved counselling agency[10]. There are no policies in place regarding pre-emptive actions to actively prevent client financial distress after receiving the reverse mortgage loan. However, through its Foundation's website, homeowner-help.org, FAR identifies resources homeowners might access to strengthen their financial position. FAR also assists with the identification and application process for charities and federal programs that can provide financial aid for prescriptions, home repairs or food.
✓	<u>Selling of contractually serviced loans:</u> For both HECM and proprietary loans, the borrower agrees in its origination documents that loans may be assigned in connection with a securitization or whole loan transfer. FAR retains servicing on its origination, as a Ginnie Mae issuer and also with respect to its proprietary products. The day-to-day servicing activities are performed by FAR's subservicers who are all HUD approved entities (following HUD guidelines). FAR represents and warrants in each securitization that it is an FHA approved mortgagee and to the extent required, is licensed to service loans in each state in which it originates such loan.

[10] The HomeSafe-approved counseling agencies are also HUD-approved.

○	Protection of borrowers, non-borrowing spouses and cohabitants: Measures are in place to protect borrowers and non-borrowing spouses, however the eviction risk is not systematically eradicated. FAR follows HUD guidance for its HECM loans and generally follows similar servicing and loss mitigation principles for proprietary loans. In 2021, according to the issuer, loss mitigation measures allowed to avoid strict occupant evictions. In the event of a borrower's death, the non-borrowing spouse may stay in the home if they pay off the loan or if they meet specific eligible attributes and the obligations of the reverse loan are met and therefore the loan does not become due and payable. No specific protection is given to other cohabitants. With respect to HECM loans, if heirs intend to keep the home, they must pay the full loan balance or 95% of the home's appraised value, whichever is less (30 days to a year from receiving the due and payable notice); for proprietary loans according to the issuer a more flexible approach can be adopted on a case-by-case basis.
Responsible sales practices	
○	Reward system: Compensation to sales personnel is linked with product sales levels (loan officers are compensated based on Principal Limit in lieu of loan amount to eliminate any benefit of steering towards a certain product). However, it is worth noting that US Federal Reserve Board Regulation Z also prohibits basing a loan originator's compensation on "any of the transaction's terms or conditions.", such prohibition is codified in the Dodd-Frank Wall Street Reform and Consumer Protection Act. Additional responsible sales practices are implemented through a non-publicly available framework.
✓	Staff training: According to internal policies training on fair and responsible lending and servicing is provided. FAR has a sales trainer and a sales coach to provide all sales, systems and product details to the loan officer.
✓	Monitoring: According to internal policies monitoring and report noncompliance of fair and responsible lending and servicing is in place. The issuer states it has three auditors that focus on retail sales professionals and educators. The auditing focuses on a call rating system and measures increases/decreases in performance. FAR also has post-closing surveys that are sent to clients for feedback and development.

DISCLAIMER

1. Validity of the SPO: For as long as there is no material change to the Framework.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to standardized procedures to ensure consistent quality of responsibility research worldwide. In addition, we provide Second Party Opinion (SPO) on bonds based on data provided by the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them, and the use thereof shall be excluded. In particular, we point out that the verification of the asset pool is based on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgments given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and creditworthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

ISS ESG Social KPIs

The ISS ESG Social Bonds KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Finance of America Reverse's Social Bonds.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Social Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment "no or limited information is available" either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Social Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Finance of America Reverse (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Finance of America Reverse's Social Bonds contributes to related SDGs.

ANNEX 2: Quality management processes

SCOPE

Finance of America Reverse commissioned ISS ESG to compile a Social Bonds SPO. The Second Party Opinion process includes verifying whether the Social Bond Framework aligns with the ICMA's SBP and to assess the sustainability credentials of its Social Bonds, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA's SBP
- ISS ESG Key Performance Indicators relevant for Use of Proceeds categories selected by the issuer

ISSUER'S RESPONSIBILITY

Finance of America Reverse's responsibility was to provide information and documentation on:

- Framework
- Asset pool / Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Social Bonds to be issued by Finance of America Reverse based on ISS ESG methodology and in line with the ICMA's SBP.

The engagement with Finance of America Reverse took place from October 2021 to April 2022.

ISS ESG's BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific Social Bonds SPO, please contact: SPOOperations@iss-esg.com

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