

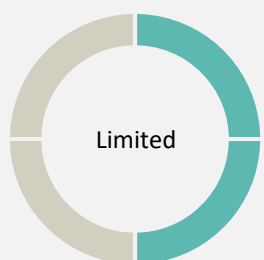
SECOND PARTY OPINION

on the sustainability of Finance of America Reverse LLC's Social Bond Framework

V.E is of the opinion that FAR's Bond Framework is partially aligned with the assessed components of the Social Bond Principles 2020 ("SBP").

Framework

Contribution to Sustainability :



Advanced Limited

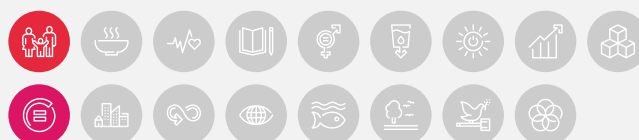
Robust Weak

Expected impacts

ESG risks management

	Weak	Limited	Robust	Advanced
Expected impacts				
ESG risks management				

SDG Mapping



Characteristics of the Framework

Social Project Categories	Reverse Mortgage Loans
Project locations	United States of America (USA)
Existence of framework	Yes
Share of refinancing	100%
Look back period	Defined

Issuer

Controversial Activities

The Issuer appears to not be involved in any of the 17 controversial activities screened under our methodology:

- | | | | |
|---|--|---|--|
| <input type="checkbox"/> Alcohol | <input type="checkbox"/> Fossil fuels industry | <input type="checkbox"/> High interest rate lending | <input type="checkbox"/> Pornography |
| <input type="checkbox"/> Animal welfare | <input type="checkbox"/> Coal | <input type="checkbox"/> Human embryonic stem cells | <input type="checkbox"/> Reproductive medicine |
| <input type="checkbox"/> Cannabis | <input type="checkbox"/> Gambling | <input type="checkbox"/> Military | <input type="checkbox"/> Tar sands and oil shale |
| <input type="checkbox"/> Chemicals of concern | <input type="checkbox"/> Genetic engineering | <input type="checkbox"/> Nuclear power | <input type="checkbox"/> Tobacco |
| <input type="checkbox"/> Civilian firearms | | | |

ESG Controversies

Number of controversies	1
Frequency	Isolated
Severity	Minor
Responsiveness	Reactive

Coherence

Coherent

Partially coherent

Not coherent

We are of the opinion that the Framework is coherent with FAR's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Key findings

Contextualisation:

V.E. values the additional borrower assistance measures implemented by FAR to limit the risks that can arise from Reverse Mortgage (RM) loans regulated by HUD's HECM programme and to help prevent unwarranted foreclosures that could occur under normal courses of action under HUD's HECM guidelines. Reverse Mortgage loans can be beneficial to elderly borrowers who might face more difficulty in accessing traditional financial products. However, RM loans present potential social risks: including their complexity for the elderly to properly understand the instrument as well as the product's requirements and regulations on lending, which make it challenging to ensure that the RM funds, in full or in part, are used by the elderly borrower to cover key socioeconomic challenges. Consequently, V.E. is of the opinion that the baseline view of the contribution to social benefits from a Reverse Mortgage programme remains unclear and the management of ESG risks shows areas for improvement (see details of the analysis on pages 10-12.). The steps FAR has taken, which go beyond the requirements of HUD's HECM guidelines, are seen as a positive such that FAR has a limited contribution to sustainability.

Finance of America Reverse LLC (hereafter "FAR") is planning to issue a social bond to refinance its portfolio of Reverse Mortgage (RM) loans. This product is under the national government programme of Home Equity Conversion Mortgage (HECM)¹. This programme allows borrowers² to access a portion of the equity in their property, which is taken as a guarantee of the loan. The RM allows homeowners to convert their home equity into cash. The funds accessible through the HECM programme can be freely used by the borrower without obligation for a particular use. RM loans have the potential to respond to major challenges related to the financial inclusion of aging populations identified by the G20 in 2019 as a priority policy. However, the RM also presents several risks inherent in the nature of the product and the beneficiary populations. In particular, the complexity for the elderly population to properly understand the instrument and the inability of RM loans to ensure the coverage of key challenges faced by the elderly – namely health and care for the elderly³. Additionally, regulations on lending, which place restrictions on a lender's ability to limit the borrower's use of funds, make it challenging to ensure that the RM funds, in full or in part, will be used by the elderly borrower to cover their key socioeconomic challenges, such as food security, increasing healthcare needs, decreasing future income streams, etc.

While the federal program imposes minimum safeguards to address these risks, the RM might be particularly risky for the most vulnerable populations, especially low-income seniors with little knowledge of financial matters. It should be noted that the proper management of Environmental and Social risks is not under the sole scope of FAR's responsibilities due to the involvement of other stakeholders in the HECM programme. It should also be noted that due to the regulated nature of the HECM program by the US Department of Housing and Urban Development ("HUD"), servicing guidelines are prescribed by HUD, and in certain cases, such guidelines may not permit FAR to exercise the requisite servicing discretion necessary to minimize Environmental and Social risks. Although FAR has implemented additional measures to provide extra support to its borrowers and prevent default, exposure of the vulnerable population is still high in terms of foreclosure and eviction processes. At the Programme level, borrower defaults, as a percentage of annual HECM terminations, reached 18 percent in fiscal year 2018⁴. This rate may vary from one territory to another depending on demographics and economic data.

The current law prohibits the RM lender from defining the borrowers' use of funds. Therefore, the social benefits intended by the HECM programme cannot be ensured. While studies show that the majority of borrowers use the funds to cover medical expenses⁵, the use of funds is not monitored and therefore no assurance can be given as to whether or not the borrower has used the funds for any given purpose related to common challenges faced by the elderly. In addition, FAR is not allowed to monitor indicators related to the borrowers' use of funds.

Use of Proceeds

- Eligible Category is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, the target populations and the location the of the beneficiaries of Eligible Loans.
- The Social Objectives are clearly defined, these are relevant for the Eligible Category and set in coherence with sustainability objectives defined in international standards.

¹ https://www.hud.gov/program_offices/housing/sfh/hecm/hecmhome

² Eligibility criteria of the borrowers is defined on page 6 of this document.

³ Knaack, Peter; Miller, Margaret J.; Stewart, Fiona Elizabeth. 2020. Reverse Mortgages, Financial Inclusion, and Economic Development: Potential Benefit and Risks (English). Policy Research working paper; no. WPS 9134. Washington, D.C : World Bank Group.
<http://documents.worldbank.org/curated/en/158231580411007157/Reverse-Mortgages-Financial-Inclusion-and-Economic-Development-Potential-Benefit-and-Risks>

⁴ US Government Accountability Officer, G. (2019, September). REVERSE MORTGAGES FHA Needs to Improve Monitoring and Oversight of Loan Outcomes and Servicing (GAO-19-702). <https://www.gao.gov/products/GAO-19-702>. Note that these figures are not adjusted for borrowers who voluntarily move.

⁵ De Nardi, M., French, E., & Jones, J. B. (2016). Savings after retirement: A survey. *Annual Review of Economics*, 8, 177-204.

- Expected Social Benefits are partially relevant, measurable and quantified. The Issuer will not monitor nor quantify the contribution of Eligible Loans to one of the Expected Social Benefits.
- The Issuer has transparently communicated on the estimated share of refinancing (repurchase), which will be 100%. The look-back period for the refinanced eligible category will be equal to or less than 24 months from the issuance date, in line with good market practices.

Evaluation and Selection

- The Process for Project Evaluation and Selection has been clearly defined by the Issuer and it is considered structured. The roles and responsibilities are clear and include relevant expertise. The process of the Reverse Mortgage programme is publicly disclosed on the HECM website.
- The Eligibility Criteria for project selection are clearly defined and detailed for the Eligible Loans.
- The process applied to identify and manage potentially material Environmental & Social (E&S) risks associated with the Eligible Loans is disclosed only to Investors and is considered overall limited. V.E values the additional borrower assistance measures implemented by FAR to limit the risks, which go beyond the requirements of the HECM programme. However, due to the weaknesses inherent in the RM product (especially for the most vulnerable) and because the programme involves different stakeholders on whom FAR is dependent to ensure responsible management of these risks, we consider the overall risk identification and management to be limited.

Management of Proceeds

- The Process for the Management and Allocation of Proceeds is defined and will be disclosed to investors in this SPO.
- The net proceeds of the Bond will be allocated immediately as it is 100% refinancing (repurchase of RM loans granted).
- Net Proceeds of the Bond will be tracked by the Issuer in an appropriate manner and attested to in a formal internal process.
- The Issuer has committed to nominally match the amount issued by the Bond with the amount of Reverse Mortgage loans to be purchased.
- The Issuer reports these funds will be fully used to repurchase loans which have already been granted and that there is no divestment possible.

Reporting

- The Issuer has committed to maintain documentation on the Use of Proceeds and to match the Bond's proceeds with an equivalent amount of Reverse Mortgage loans granted.
- The Issuer will provide monthly reporting that will cover relevant information related to the payment and allocation of collections on the HECMs to the Bonds as well as, on an annual basis the Issuer will update the expected social indicators until the maturity of the Bond. All such reporting will be available to investors on an independent trustee's website.
- The reporting methodology and assumptions used to report on social indicators of the Eligible Project will be disclosed in the report.
- Several external parties participate in the verification of the allocation of proceeds against the Reverse Mortgage loans and the creation of the ABS. These parties include a Rating Agency, an auditor as an accountant to check the ABS transaction, the banks that are underwriters and the Indenture Trustee. The ABS is based only on Reverse Mortgage loans under the HECM programme.

Contact

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SCOPE

V.E was commissioned to provide an independent opinion on the sustainability credentials and management of the Social Bond⁶ to be issued by FAR in compliance with the Social Bond Framework (the “Framework”) created by the Issuer to govern its issuance.

Our opinion is established according to V.E’s Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to ICMA’s Social Bond Principles’ (“GBP”) voluntary guidelines, updated in 2020.

The first part of our opinion is built on a review of the following components:

- Issuance: we assessed the Framework, including the coherence between the Framework and the Issuer’s social commitments, the Bond’s potential contribution to sustainability and its alignment with the four core components of the SBP 2020.
- Issuer: we assessed the Issuer’s management of potential stakeholder related ESG controversies and its involvement in controversial activities.⁷

Our sources of information are multichannel, combining data from (i) public information gathered from public sources, press content providers and stakeholders, (ii) information from V.E’s exclusive ESG rating database, and (iii) information provided by the Issuer through documents and interviews conducted with the Issuer’s managers held via a telecommunications system.

We carried out our due diligence assessment from June 16th, 2020 to March 4th, 2021. We consider that we were provided with access to all appropriate documents and interviewees we solicited. We consider that the information made available enables us to establish our opinion with a reasonable level of assurance concerning its completeness, precision, and reliability.

Type of External Reviews supporting this Framework

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

⁶ The “Social Bond” is to be considered the Bonds to be potentially issued, subject to discretion of the Issuer. The name “Social Bond” has been decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

⁷ The 17 controversial activities screened by Vigeo Eiris are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Gambling, Genetic engineering, High interest rate lending, Human Embryonic Stem Cells, Military, Nuclear power, Pornography, Reproductive medicine, Tar sands and oil shale, and Tobacco.

COHERENCE

Coherent	We are of the opinion that the contemplated operations are coherent with FAR's strategic sustainability priorities and sector issues and also contribute to achieving the Issuer's sustainability commitments.
Partially coherent	
Not coherent	

The financial sector plays a key role in promoting innovative financial instruments and mechanisms that effectively channel new financing towards initiatives that contribute to sustainable development. The UN (2017) predicts that there will be over two billion people aged 60 and above worldwide in 2050, and one in five people in developing countries will be aged 60 or higher. Financial inclusion, supported by financial consumer protection and financial education, can also contribute to greater financial system stability and reduce pressure on public pension schemes where they exist, including by increases in formal saving, the avoidance of old-age poverty, improved lifetime financial planning and intergenerational equality⁸.

The priority challenges of the financial sector with regard to social aspects include the development of socially responsible financial products, financial inclusion and the promotion of local economic and social development.

Through HUD's Reverse Mortgage Programme (HECM), FAR provides financial alternatives to an underserved population, namely, the elderly population.

FAR is part of Finance of America Companies. Finance of America Companies has a foundation formed in 2016 that seeks to provide support to United States homeowners who are in distressed financial situations by connecting them with available resources that may enable them to remain in their homes. The purpose of Homeowner-Help.org is to connect homeowners with the resources and assistance they may need when facing times of financial hardship. The Foundation seeks to offer support, education and relief to its distressed borrowers.

In addition, FAR has implemented measures in order to assist its Reverse Mortgage customers, provide customized support in order to reduce risks inherent in the RM programme.

⁸ The Global Partnership for Financial Inclusion (GPFI)
<https://www.gpfi.org/sites/gpfi/files/documents/G20%20Fukuoka%20Policy%20Priorities%20on%20Aging%20and%20Financial%20Inclusion.pdf>

ISSUANCE

The Issuer has described the main characteristics of the Bonds within a formalized Social Bond Framework which covers the four core components of the SBP 2020 (the last updated version was provided to V.E on June 17, 2020). The Issuer has committed to make this document accessible only to investors as of the Bond's issuance date.

Alignment with the Social Bond Principles

Use of Proceeds



The net proceeds of the operations will exclusively refinance, in full, projects falling under one Social Project Category ("Eligible Category"), as indicated in Table 1.

- The Eligible Category is clearly defined and detailed. The Issuer has communicated the nature of the expenditures, the eligibility criteria, the target populations and the location of the beneficiaries of Eligible Loans.
- The Social Objectives are clearly defined. These are relevant for the Eligible Category and set in coherence with sustainability objectives defined in international standards.
- Expected Social Benefits are partially relevant, measurable and quantified. The Issuer will not monitor nor quantify the contribution of Eligible Loans.
- The Issuer has transparently communicated on the estimated share of refinancing, which will be 100%. The look-back period for the refinanced eligible category will be equal to or less than 24 months from the issuance date, in line with good market practices.

Table 1. V.E analysis of the Eligible Category, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework.

ELIGIBLE CATEGORY	TARGET POPULATION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E ANALYSIS
Refinancing of Reverse Mortgage loans	Elderly (over 62 years of age) in the USA	<p><u>Financial Inclusion</u> Access to financing services for the elderly</p> <p><u>Aging in place</u> Improvement in the quality of life of elderly mortgagors</p>	<p>The definition of this category is clear.</p> <p>The target population is clearly defined.</p> <p>The intended social objective is clearly defined.</p> <p>The Issuer has identified social benefits for the Eligible category, but these are partially relevant.</p> <p>The objective of financial inclusion is tackled by increasing the coverage of the underserved population although the programme will benefit the borrowers heterogeneously. In terms of protection of this underserved population, the analysis is detailed in the expected impacts and E&S Risks section of this SPO (p. 9-11).</p> <p>Some research from US governmental institutions identify benefits related to allowing the elderly to age in their homes⁹. However, the well-being that comes from aging in place is not monitored by FAR during the life of the loan. Therefore, the effective contribution of RM loans to this benefit remains unclear. The expected benefits will be partially quantified in the post-issuance reporting.</p>

SDG Contribution

The Eligible Category is likely to contribute to two of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Refinancing of Reverse Mortgage loans	 1 No Poverty	1.4 Ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, including financial services.
	 10 Reduced Inequalities	10.2 Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

⁹ "Evidence Matters, Fall 2013", <https://www.huduser.gov/portal/periodicals/em/fall13/highlight2.html> ; "Aging in Place: Growing Older at Home", <https://www.nia.nih.gov/health/aging-place-growing-older-home>

Loans Evaluation and Selection



- The Process for Project Evaluation and Selection has been clearly defined by the Issuer and it is considered structured. The roles and responsibilities are clear and include relevant expertise. The process of the Reverse Mortgage programme is publicly disclosed on the HECM website.
- The Eligibility Criteria for project selection are clearly defined and detailed for the Eligible Loans.
- The process applied to identify and manage potentially material E&S risks associated with the Eligible Loans is disclosed only to Investors and is considered overall limited. V.E values the additional borrower assistance measures implemented by FAR to limit the risks, which go beyond the requirements of the HECM programme. However, due to the weaknesses inherent in the RM product (especially for the most vulnerable) and because the programme involves different stakeholders, on whom FAR is dependent to ensure responsible management of these risks, we consider the overall risk identification and management to be limited.

Process for Loans Evaluation and Selection

The evaluation and selection of Eligible Loans is based on the following process, with defined roles and responsibilities:

- The borrowers and lenders must follow HUD's guidelines for the HECM programme in order to be eligible for the Reverse Mortgage. Guidelines are publicly disclosed.

In the HECM guidelines, it is described in the programme outline. The programme has the following main steps:

- The borrower must receive counselling from a HUD approved housing counseling agency.
- The borrower's eligibility is verified by the underwriter of the Reverse Mortgage. The underwriter (FAR in this case) submits an application for a valuation analysis of the property to the local HUD office, and if the property is approved, then a conditional commitment is issued on the property.
- The Borrower chooses a payment plan.
- The loan is closed and the lender chooses the assignment or shared premium option for recapturing the mortgage proceeds.
- Disbursement of loan proceeds to the borrower may begin.
- When the case binder is complete, the lender submits it to the local HUD office and a Mortgage Insurance Certificate is issued, endorsing the mortgage for insurance. HUD signs the Loan Agreement.

The traceability and verification of the selection and evaluation of the project was ensured throughout the process:

- The Issuer states that all of the Reverse Mortgages originated are in accordance with HUD HECM Guidelines, as well as documentation required by HUD. The borrowers are evaluated periodically against HECM programme requirements in order to ensure they are complying with the criteria established for the HECM programme. FAR has internal documentation of Reverse Mortgage loans granted for traceability purposes.

Eligibility Criteria

The process relies on explicit eligibility, relevant to the social objectives defined for the Eligible Categories.

The selection is based on the following criteria established by the US programme "Home Equity Conversion Mortgage" (HECM). All of the following people that comply with the HECM requirements are currently eligible for the RM programme:

- Being 62 years of age or older
- Own the property outright or have equity which satisfies the lender's guidelines and HUD requirements
- Occupy the property as the principal residence
- Not be delinquent on any federal debt
- Have financial resources to continue to make timely payments 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 counsellor.

Transparency of the Environmental and Social Risk Mitigation Process

The E&S risk identification and mitigation process is publicly disclosed in the SPO and is considered limited. (see detailed analysis on pages 9-10).

Management of Proceeds



- The Process with regard to Management and Allocation of Proceeds is defined and will be disclosed to investors in this SPO.
- The net proceeds of the Bond will be allocated immediately as it is 100% refinancing (repurchase of RM loans granted).
- Net Proceeds of the Bond will be tracked by the Issuer in an appropriate manner and attested to in a formal internal process.
- The Issuer has committed to nominally match the amount issued by the Bond with the amount of Reverse Mortgages loans to be purchased.
- The Issuer reports these funds will be fully used to repurchase loans which have already been granted and that no divestment is possible.

Process and Traceability of the Management of Proceeds

The trust benefits from an independent Indenture Trustee that manages all of the funds on behalf of the securitization¹⁰ where all its funds are managed. Proceeds will be used to acquire the rights of the loans into the trust itself. The funds will be credited to an escrow account.

Through the escrow agreement, the proceeds of the Bond will be tracked and controlled in order to match the Bond's proceeds with an equivalent amount of Reverse Mortgage loans repurchased. The securitization team and legal department may determine if there are any issues that would prevent the loan from comprising the planned ABS.

¹⁰ US Bank National Association

Monitoring & Reporting



* V.E assessment of the Reporting pillar is limited due to the partially relevant social indicators.

- The Issuer has committed to maintain documentation on the Use of Proceeds and to match the Bond's proceeds with an equivalent amount of Reverse Mortgage loans granted.
- The Issuer will provide monthly reporting that will cover relevant information related to the payment and allocation of collections on the HECMs to the Bonds as well as, on an annual basis the Issuer will update the expected social indicators until the maturity of the Bond. All such reporting will be available to investors on an independent trustee's website.
- The reporting methodology and assumptions used to report on social indicators of the Eligible Project will be disclosed in the report.
- Several external parties participate in the verification of the allocation of proceeds against the Reverse Mortgage loans and the creation of the ABS. These parties include a Rating Agency, an auditor as an accountant to check the ABS transaction, the banks that are underwriters and the Indenture Trustee. The ABS is based only on Reverse Mortgage loans under the HECM programme.

Indicators

The Issuer has committed to transparently communicate at the Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds cover relevant information.

REPORTING INDICATORS
⇒ List of Loans repurchased and the equivalent amount (USD);

- Indicators used to report on the Social benefits of the Eligible Category are clearly defined but partially relevant. We have identified the following areas of improvement:
 - Assess the benefits pursued with outcome/impact indicators related to the benefits which derivate from aging in place and financial inclusion (assessing the enhancement in the quality of life of borrowers through health indicators, food security indicators, etc.)

ELIGIBLE CATEGORIES	SOCIAL BENEFIT INDICATORS
	OUTPUTS AND OUTCOMES
Refinancing of reverse mortgage loans 1	Number of beneficiaries. (#) Number (#) and amount involved (US\$) in engagement processes with clients, namely <ul style="list-style-type: none"> • Natural Disaster Assistance • Insurance Claims • Mortgagor Advocacy Teams • Provide Budget Counseling • Others

Contribution to sustainability

Expected Impacts

The potential positive impact of the Eligible loans on social objectives is considered limited.

In terms of the relevance of the RM loans to address an important social issue at the country level, the eligible loans indeed intend to contribute to the following two objectives, namely the financial inclusion of older populations and the “aging in place” of these people which remains a significant challenge in the United States¹¹.

In terms of target populations, the Federal Programme HECM is aimed at the elderly as a whole, without discrimination or restriction, as long as they comply with the Eligibility Criteria. However, there are no specific measures to ensure the coverage of those with higher needs (i.e. low-income elderly populations without pensions or health coverage).

In terms of magnitude and durability of the RM loans to provide structural/long-term improvements to the social issues mentioned above, the potential impact remains limited. Regarding financial inclusion, the programme will benefit borrowers heterogeneously. According to the World Bank report¹², the programme might benefit the so-called “house rich and cash poor” elderly households while the positive impact on poorer populations, who are also the most likely to be offered this financing, remains unclear.¹³ Low income borrowers are most likely to face a situation where they see a foreclosure on their homes. Measures implemented to address these risks are in the ‘Materiality and management of E&S Risks’.

In addition, current regulations on HUD insured HECM loans do not permit lender restrictions on borrower use of funds. Therefore, the social benefits pursued by the HECM programme cannot be ensured nor monitored after granted the RM. While studies show that the majority of borrowers use the funds to cover medical expenses,¹⁴ the use of funds is not necessarily intended to effectively tackle common challenges of the elderly (especially the most vulnerable) such as food insecurity, increasing healthcare needs, decreasing future incomes, etc.

ESG Risk Identification and Management systems in place at project level

V.E values the additional borrower assistance measures implemented by FAR to limit the risks detailed below, which go beyond the requirements of the HECM programme. However, due to the weaknesses inherent in the RM product (especially for the most vulnerable) and because the programme involves different stakeholders on whom FAR is dependent to ensure responsible management of these risks, we consider the overall risk identification and management to be limited.

ELIGIBLE CATEGORY

¹¹ Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G. (2019): Sustainable Development Report 2019. New York: Bertelsmann Stiftung and Sustainable Development Solutions Network.

¹² Knaack, P., Miller, M., & Stewart, F. (2020). Reverse Mortgages, Financial Inclusion, and Economic Development: Potential Benefit and Risks. The World Bank.

¹³ Ong, R. (2008). Unlocking housing equity through reverse mortgages: The case of elderly homeowners in Australia. European Journal of Housing Policy, 8(1), 61–79.

¹⁴ De Nardi, M., French, E., & Jones, J. B. (2016). Savings after retirement: A survey. Annual Review of Economics, 8, 177-204.

	REFINANCING OF REVERSE MORTGAGE LOANS
Climate Change Resilience	Robust
Transparency of information to customers	Limited
Responsible Relations with customers	Limited
Responsible relations with other Stakeholders	Limited
Business Ethics	Robust
Overall Assessment	Limited

Climate Change Resilience

FAR carries out measures to provide guidance to its clients that might face "climate events" or natural disasters in their homes. Follow-up calls are carried out by FAR with the clients affected or potentially affected in order to identify their needs and help them contact local authorities and charities to receive financial assistance. In addition, as required by the program, all properties are required to maintain property insurance including hazard insurance premiums. Finally, FAR provides assistance services to customers whose properties have been damaged by working with insurances adjusters, beyond FAR's legal obligation to assist their borrowers.

Transparency on Information to customers

All borrowers are required to complete a counselling session conducted by a third party on responsibilities and risks associated with reverse mortgages as part of the HECM programme. In the case that a borrower does not attend this counselling programme, he or she would not be allowed to receive a reverse mortgage. FAR complies with all TILA (Trust in Lending Act) regulations around disclosure and additionally provides the potential borrower with a cashflow schedule that highlights how the loan balance will accrue and the potential crossover point where the home would have no equity.

Due to the nature of the programme, FAR relies on HUD counsellors and FAR would not be involved in the counselling nor in granting the certification to the borrowers to pursue the reverse mortgage. FAR would not be able to ensure that the customer has received proper information about the financial product and its inherent risks¹⁵. Also, FAR would not be able to check and verify if the loan meets the borrowers' needs related to his/her future well-being¹⁶. Therefore, the capacity of informing about the product's benefits and risks is limited to the action of other stakeholders and FAR's leeway is limited to the actions authorized by the program.

Responsible relations with customers

FAR has implemented a formal management system to receive complaints from its customers. They monitor all incoming calls, including related complaints. Each complaint is monitored until a resolution is reached. As part of the HUD requirements, FAR undertakes a process to review a sample of complaint calls. In parallel, an external party performs an independent quality control review of the complaints. All content within the complaints is documented.

FAR provides assistance to its customers in other processes related to other stakeholders, such as insurance claims or local authorities' paperwork. FAR is able to evaluate each borrower's circumstance to determine the most appropriate course of action within the HUD program.

¹⁵ Snapshot of reverse mortgages complaints (2015) shows a relevant number of complaints regarding the information given to customers under the HECM Program. No evidence has been found to demonstrate an improvement in this area. https://files.consumerfinance.gov/f/201502_cfpb_report_snapshot-reverse-mortgage-complaints-december-2011-2014.pdf

¹⁶ The use of health information is not allowed in any mortgage underwriting

While FAR must adhere to the foreclosure timelines set out by HUD, FAR is able to stop foreclosure and review the loan to ensure that foreclosures are warranted and no alternative solution is available. However, due to the nature of the HECM programme, FAR would not be able to ensure responsible relations between the clients and other stakeholders involved in the process of the reverse mortgage programme. Therefore, the capacity of providing responsible relations with customers in the reverse mortgage programme, even though FAR goes beyond the HECM requirements, is dependent on the responsible actions of other stakeholders.

Responsible relations with other stakeholders

Heirs are encouraged to participate in the borrower's decision, but according to the HECM programme, they are not required to be involved in the decision, which is considered a private Issue. FAR attempts to discuss with the heirs only if the borrower has disclosed the deal to them so as not to jeopardize the confidentiality of the operation.

In case the borrower passes away, the non-borrower spouse is able to stay in the property without facing a foreclosure process if he/she demonstrates that he/she will continue living in that property and continues to honour the payment of the required taxes and insurance. However, in the case that there is no non-borrower spouse, but there are other stakeholders staying in the property (adult children, heirs or other) and they want to stay in the property, they must pay the loan, even though they did not participate in the negotiation (the awareness of the negotiation is not an obligation, as with any other collateral loan). In addition, a financial evaluation of the potential stakeholders that will have to pay the loan in the case of death of the borrower is not carried out.

Therefore, due to the nature of the RM programme, the responsible involvement of other potential stakeholders, especially those whom will be responsible for paying this product when the borrower passes away, is considered limited.

Business Ethics

FAR has in place Anti-Money Laundering (AML) programmes and a Bank Secrecy Act (BSA) developed to prevent money laundering or the financing of terrorist activities. This programme also includes compliance trainings and red flag identification processes. In addition, FAR implemented an OFAC Programme (Office of Foreign Asset Control), In order to ensure FAR does not make prohibited transactions and other dealings with targeted individuals, groups or entities.

ISSUER

Management of ESG Controversies

As of today, FAR is involved in one ESG controversy related to one domain analysed by V.E:

- Business Behaviour, namely, responsible relationships with customers: Finance of America Reverse settled for USD 2.47 million with regard to a US DOJ probe for FHA-Insured Reverse Mortgage Lending. The DOJ found that Urban Financial Group Inc., acquired by FAR in 2013, violated the False Claims Act (FCA) by knowingly originating and underwriting hundreds of Home Equity Conversion Mortgage (HECM) loans insured by the Federal Housing Administration (FHA) that did not meet critical U.S. Department of Housing and Urban Development (HUD) requirements. Of note, according to the Issuer, FAR was indemnified by the prior owner for activities that were not under the guidance or purview of FAR.

Frequency: the controversy is considered isolated and less severe than what can be considered average for the sector.

Severity: The severity of the controversy's impact on both the company and its stakeholders is considered minor.

Responsiveness: FAR was reactive to this controversy and the Issuer has agreed to settle the case.

Involvement in Controversial Activities

The Issuer appears to not be involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval of their content from V.E.

METHODOLOGY

In V.E's view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council. All employees are signatories of V.E's Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Green and/or Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by V.E according to the ICMA's Social Bond Principles - June 2020 ("SBP") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process is assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;¹⁷
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

Activities' ESG risk management

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, V.E's controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the company's involvement in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

¹⁷ The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

V.E'S ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.

Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.
Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them.
Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.

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