

APPL Private Lending Educational Webinar



Reducing the Risk of Loan Delinquency and Foreclosure in a Changing Market

June 8 2022



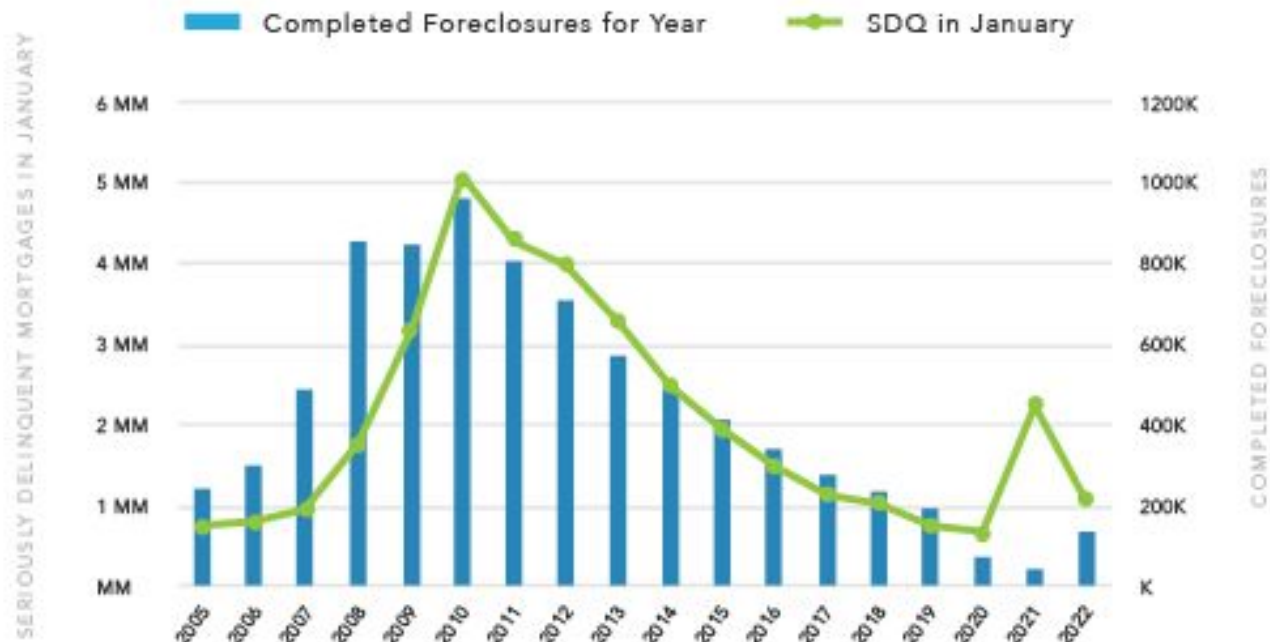
Loan Servicing - Best Practice Considerations to Reduce Risk

- **Know Your Customer - cash flow (not DTI), prior work/knowledge, Fraud checks**
- **Be proactive and monitor your portfolio**
- **Monitor the construction projects closely**
- **Maturities and extensions**
- **Know your workout and exit options**
- **Build in interest reserves**
- **Work in Experienced MSAs**
- **Long Foreclosure timelines (judicial states)**



Residential Mortgage SDQ near historic lows but expected to rise in 2022

2022 FORECLOSURE FORECAST



SOURCE: BLACK KNIGHT, ATTOM DATA SOLUTIONS



ALPHAFLOW

Worst Housing Affordability Since the 1990s

NATIONAL PAYMENT TO INCOME RATIO*

— Payment-to-Income Ratio(Left Axis) — Freddie 30-Year Fixed Interest Rate(Right Axis)



Source: Black Knight HPI, FHLMC PMMS, Moody's

*The National Payment to Income Ratio is the share of median income needed to make the monthly principal and interest payment on the purchase of the average-priced home using a 20% down 30-year fixed rate mortgage at the prevailing interest rate



ALPHAFLOW

Home price growth showed modest signs of cooling in April

BLACK KNIGHT HOME PRICE INDEX

■ 1-Month Home Price Change — Annual Home Price Growth Rate



Source: Black Knight HPI



ALPHAFLOW

MSAs Vary Greatly Across Appreciation and Risk

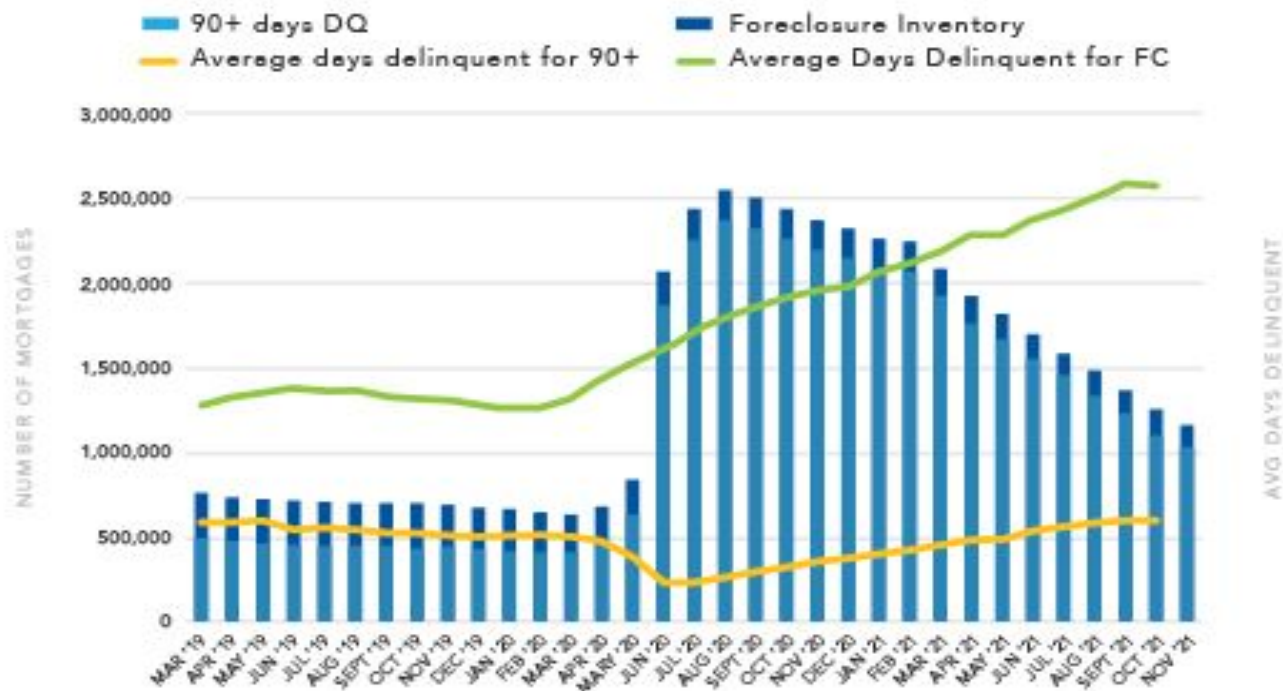
Figure 4: Home Prices Have Increased 37% Since the Pandemic Started

Phoenix saw the highest cumulative gain in prices since COVID-19 started



Estimated DQ and Foreclosure - Mortgage Residential

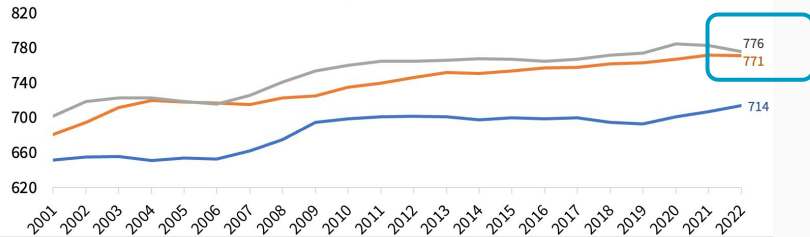
SMALLER BUT DEEPER POOL OF SERIOUSLY DELINQUENT



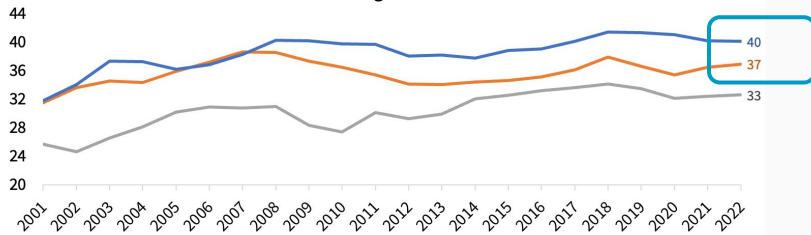
SOURCE: BLACK KNIGHT

Residential Mortgage Credit Drivers of DQ

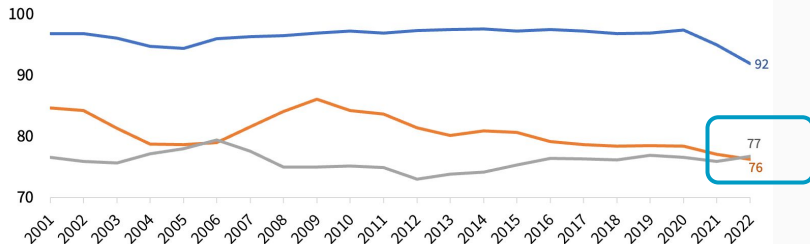
Average Credit Score



Average DTI



Average LTV



— Non-QM — Government — QM-Conventional

