Lakeview Loan Servicing

California Housing Finance Agency Board of Directors Presentation

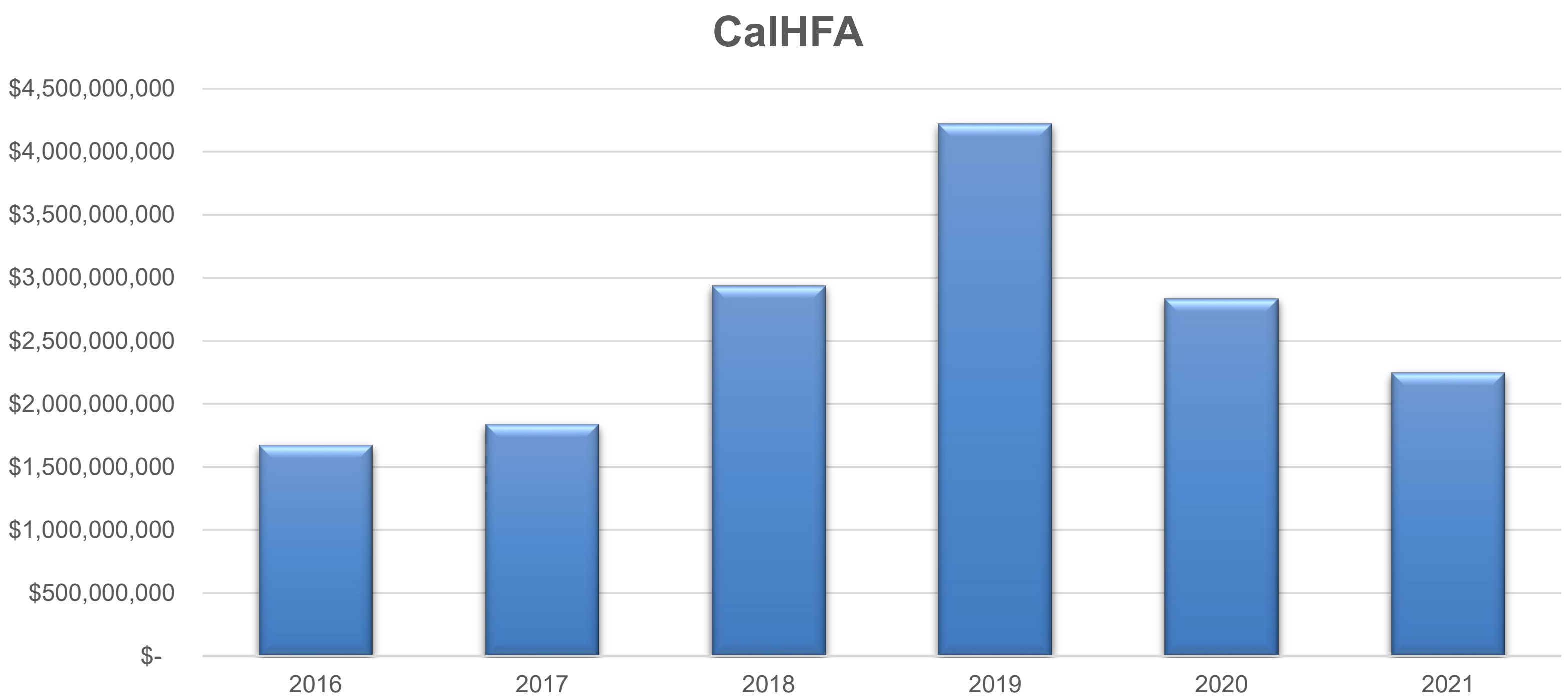
March 17, 2022

Who is Lakeview?

Lakeview Loan Servicing, LLC (Lakeview) is the 2nd largest HFA Master Servicer and the fourth largest mortgage servicer in the country. Funded almost $10B in HFA loans in 2021 across 11 HFA Relationships:

The CalHFA/Lakeview Relationship

- Lakeview has been the Master Servicer for CalHFA's single-family homeownership program since April 2016. Since that time, the program has provided $15+B in loans to over 51,000 Californians.
- In addition, since 2017, Lakeview has provided hedging services to CalHFA's loan originations and the program experienced exponential growth right up until COVID.



Current Mortgage Market Dynamics

Money Supply Up: Interest rates have been at all-time lows for the last 3-4 years. Besides a 0%-interest rate policy, the Fed added more fuel into the economy since COVID with trillions of dollars in MBS purchases.

HPA: Home price appreciation. Detrimental to first-time homebuyers and low-income borrowers (pp 5-6).

Housing Supply WAY Down: Months of supply in January 2022 fell to another record low of 1.6 months, breaking the 1.8 month record set just last month (page 7).

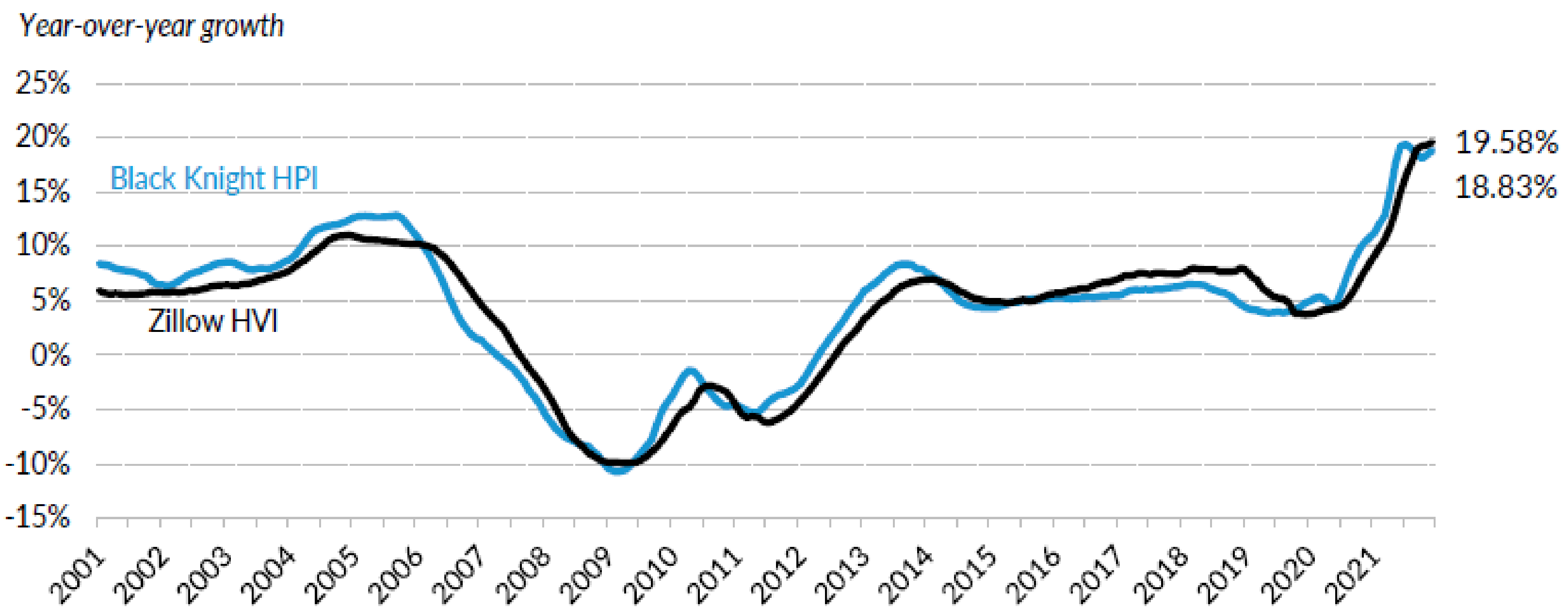
HIGHER RATES: When combined with huge home-price appreciation over last 2 years, inflation & Fed hiking cycle will weigh heavily on demand as well as qualifying for a loan.

CONSUMER STRENGTH: Rebound from COVID and higher wages still has wind in the sails of potential buyers, although inflation quickly erasing gains made.

Housing Affordability

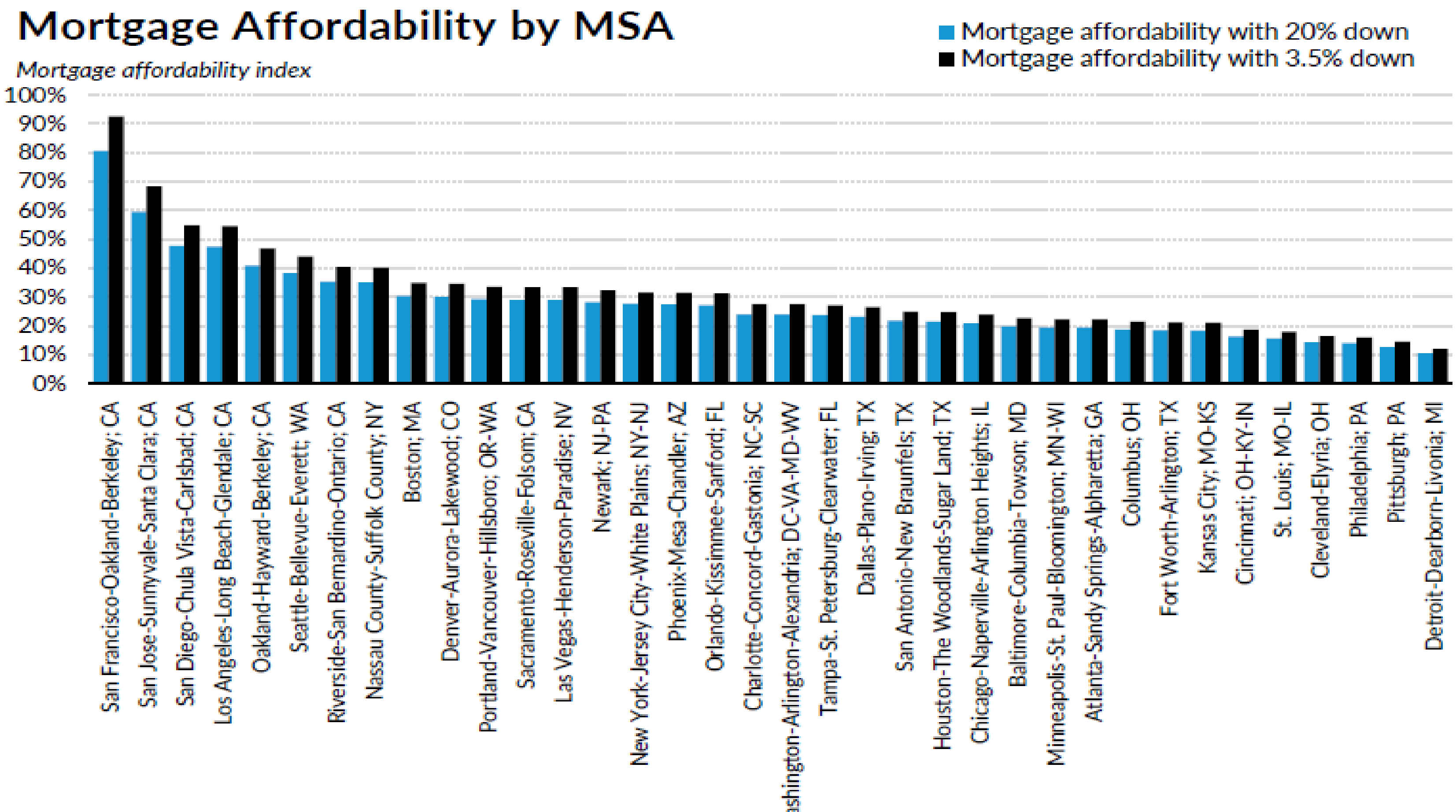
National Year-Over-Year HPI Growth

According to Black Knight's updated repeat sales index, year-over-year home price appreciation increased to 18.83 percent in December 2021, compared to 18.83 percent the previous month. Year-over-year home price appreciation as measured by Zillow's hedonic index was 19.58 percent in December 2021, up from 19.32 in November. Although housing affordability remains constrained, especially at the lower end of the market, low rates serve as a partial offset.



Sources: Black Knight, Zillow, and Urban Institute. **Note:** Black Knight modified the methodology behind their HPI in February 2021, resulting in changes to historic price estimates. Data as of December 2021.

Housing Affordability



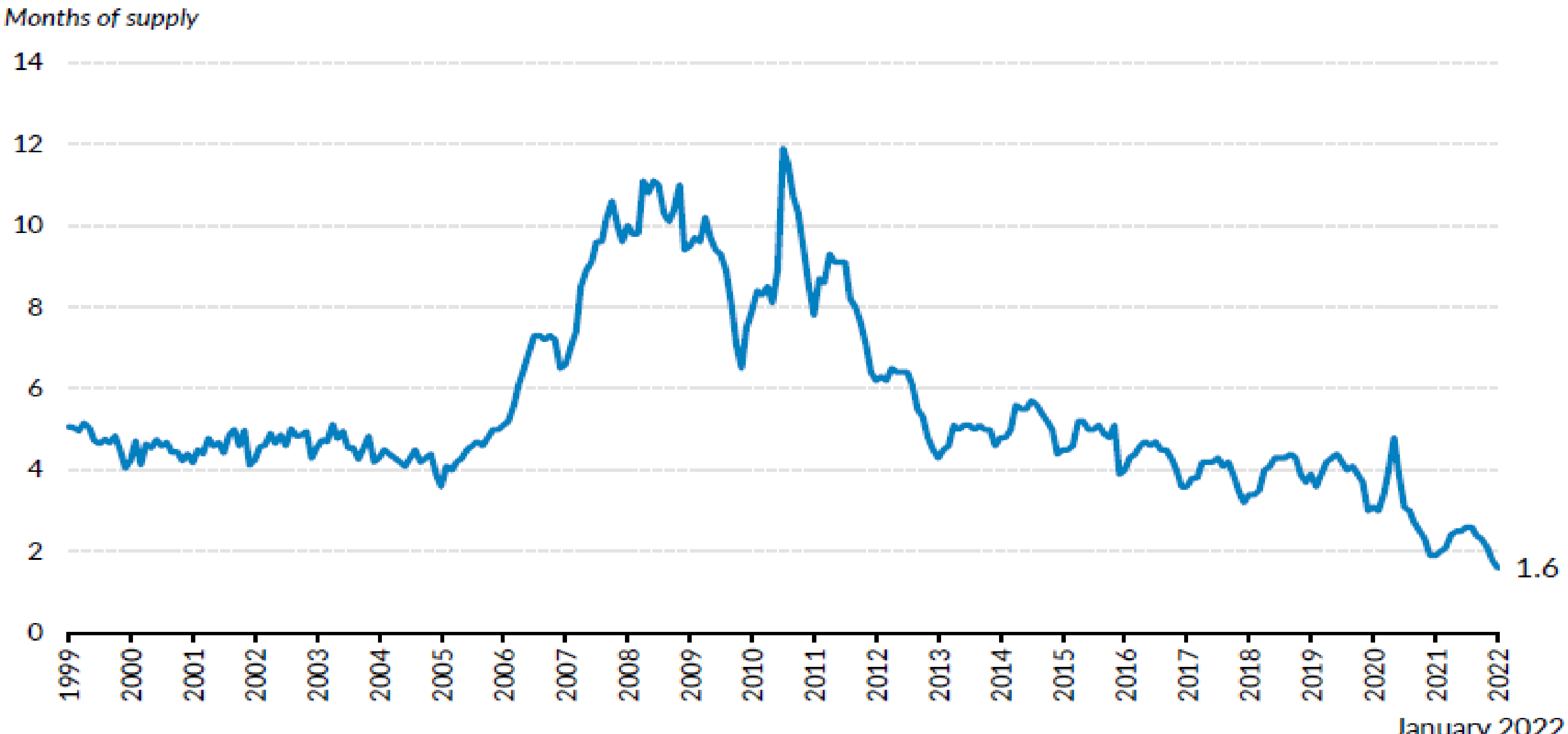
Sources: National Association of Realtors, US Census Bureau, Current Population Survey, American Community Survey, Moody's Analytics, Freddie Mac Primary Mortgage Market Survey, and the Urban Institute.

Note: Mortgage affordability is share of median family income spent on monthly PITI. Data as of Q3 2020.

Housing Supply

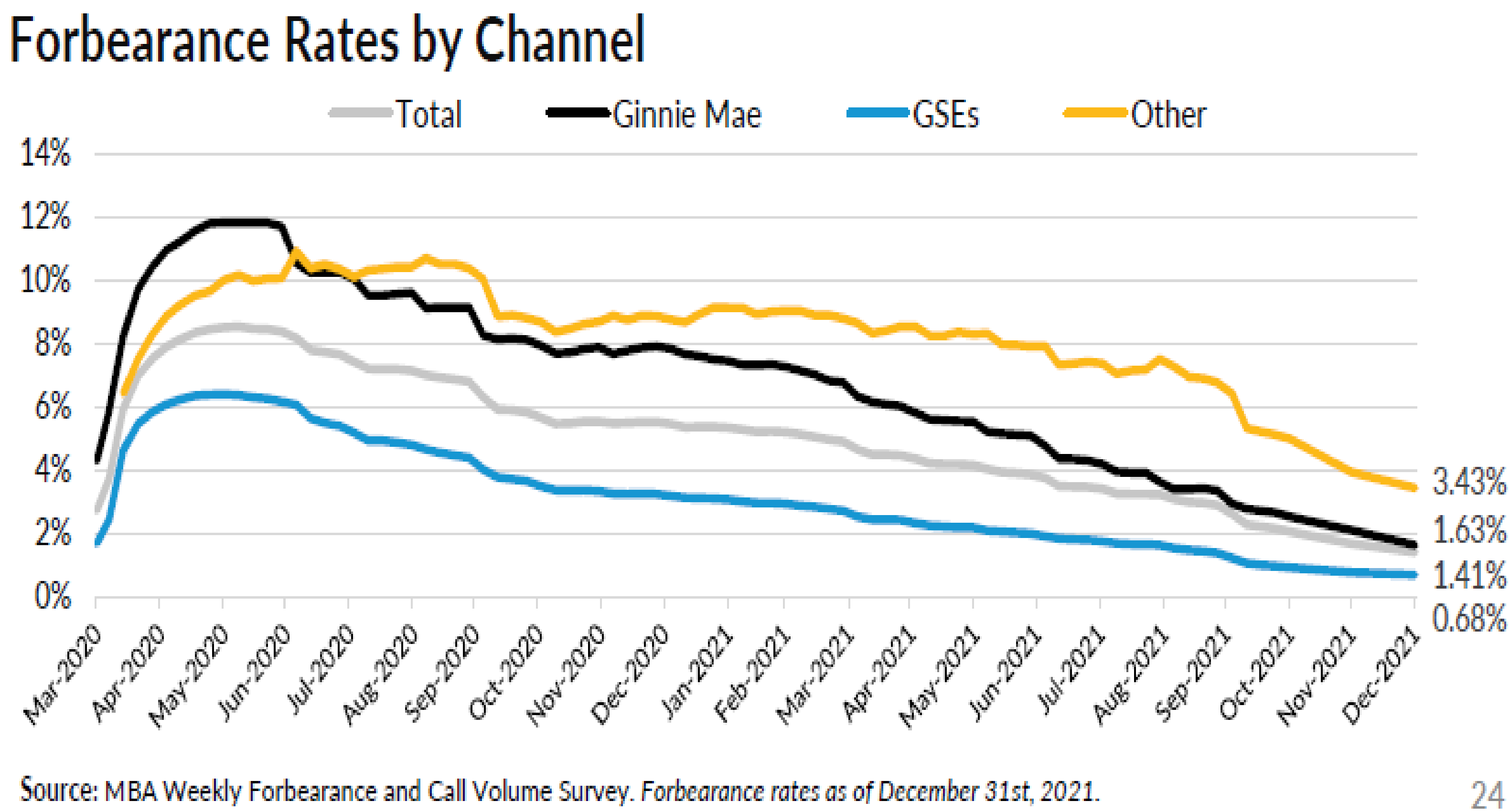
Months of supply in January 2022 fell to 1.6, setting a new record low from 1.8 the previous month. Strong demand for housing in recent years, fueled by low mortgage rates, has kept the months supply limited. Fannie Mae, the MBA, and the NAHB forecast 2022 housing starts to be between 1.63 and 1.71 million units; these 2022 forecasts are above 2021 levels. Fannie Mae, Freddie Mac, the MBA , and the NAHB predict total home sales of 6.32 to 7.33 million units in 2022, above 2021 levels.

Months of Supply



Source: National Association of Realtors and Urban Institute. Data as of January 2022.

Loan Performance

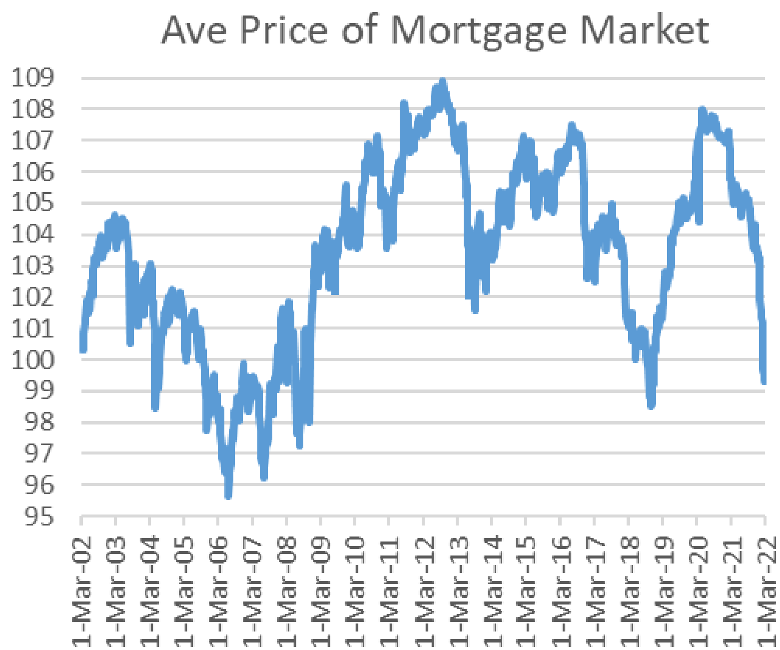


Gradual decline in forbearance rates across mortgage space (including HFA) as people use partial claims, loan modifications and new, higher paying jobs to remedy their situation.

What's Happening in Mortgage/Rates Markets?

- 1Q 2022, The Fed announced that they would begin retreating from the mortgage market. As a result, MBS spreads have widened to more normalized levels.

- The existing mortgage market went from a huge premium dollar price to a discount dollar price. As a result, call protection is not as important to investors right now.



What's Happening in Mortgage/Rates Markets?

Current Market:

- The main driver of current volatility and the move lower is the absence of Fed bond purchases, resulting in a bear market for both mortgages and specified pools.
- As TBA pricing has moved lower, funding of Down Payment Assistance programs has become more difficult, particularly for those who depend entirely on premium pricing to fund the DPA.
- As TBA pricing and Specified payups are a component of the all-in price, and have both moved lower, mortgage rates offered to LMI borrowers have increased dramatically.
- While mortgages have cheapened, liquidity remains strong as the MBS market is the second most liquid market in the world, second only to the US Treasury market.
- While mortgages have taken a significant hit, other asset classes such as Corporate and Municipal bonds as well as non-agency MBS have suffered to a greater extent, due in part to less liquid markets.

Looking Ahead:

- The forward looking outlook for mortgage rates is uncertain.
- Implied interest rate volatility has spiked, indicating that the market predicts the range of future rate outcomes is uncertain.
- Current volatility makes it very difficult to ascertain where mortgages rates will be in a year.

New Single-Family Programs for CalHFA

- Recent Enhancements to meet Lower Income Borrower need
- Accessory Dwelling Units (ADU) Program
- California Mortgage Relief Program

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