



Angel Oak
MORTGAGE SOLUTIONS

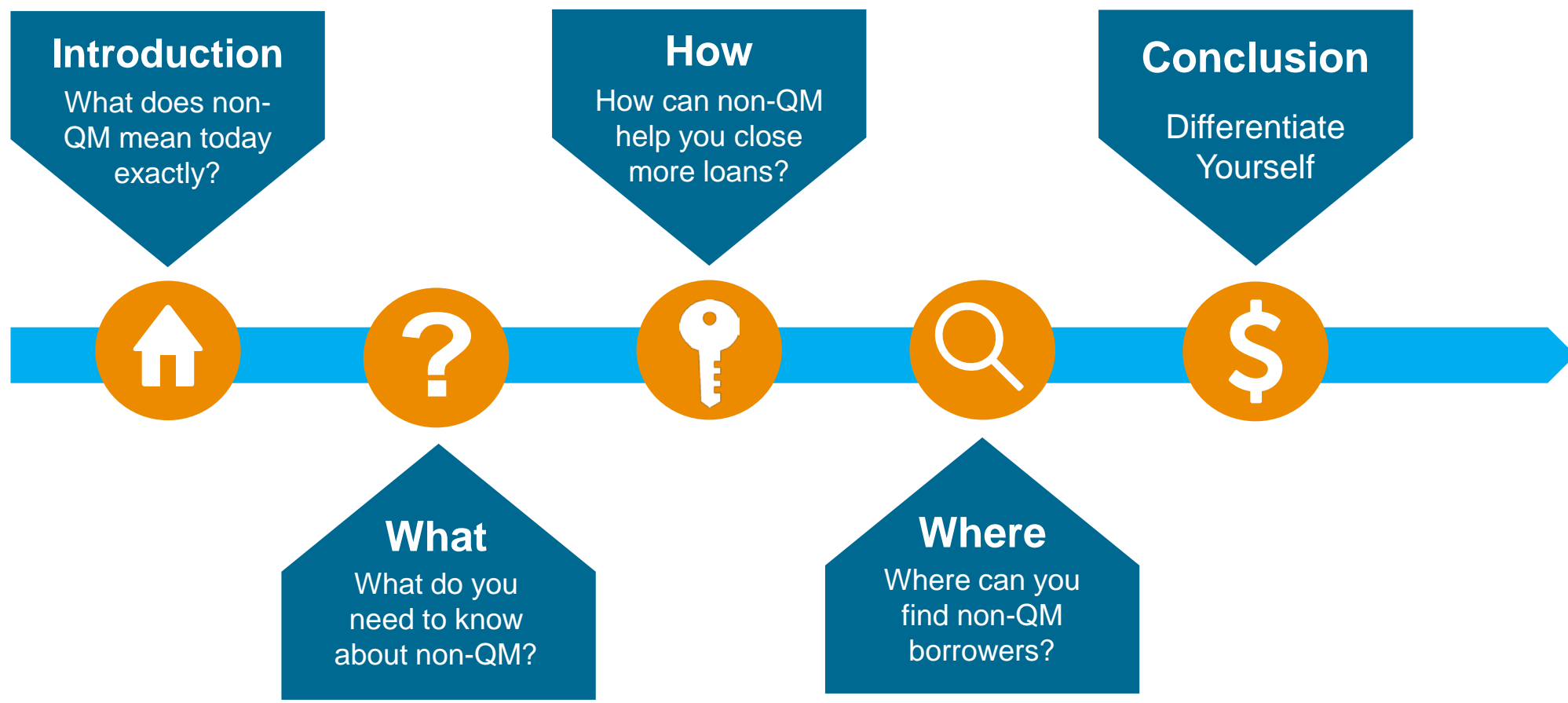
The New Non-QM: How It Works For You

John Wise | Regional VP of Sales
September 14th, 2021

Grow With the Leader in Non-QM Wholesale and Correspondent Lending.



What You Will Learn Today





Who Is Angel Oak?

3

Vertically Integrated
Our affiliated asset manager purchases our loans

Securitizing Non-QM
25 securitizations totaling \$8.6B*
•AAA rated

The largest originator of non-QM
2019 volume: \$3.3B

Market Leader since 2013
Specializing in non-Agency and non-QM

* Updated as of 8/23/2021

Customer Service Comes First

1

Access to U/W's

2

Common sense approach to U/W

3

Help originators differentiate themselves

4

Intuitive and simple website

5

Local representation

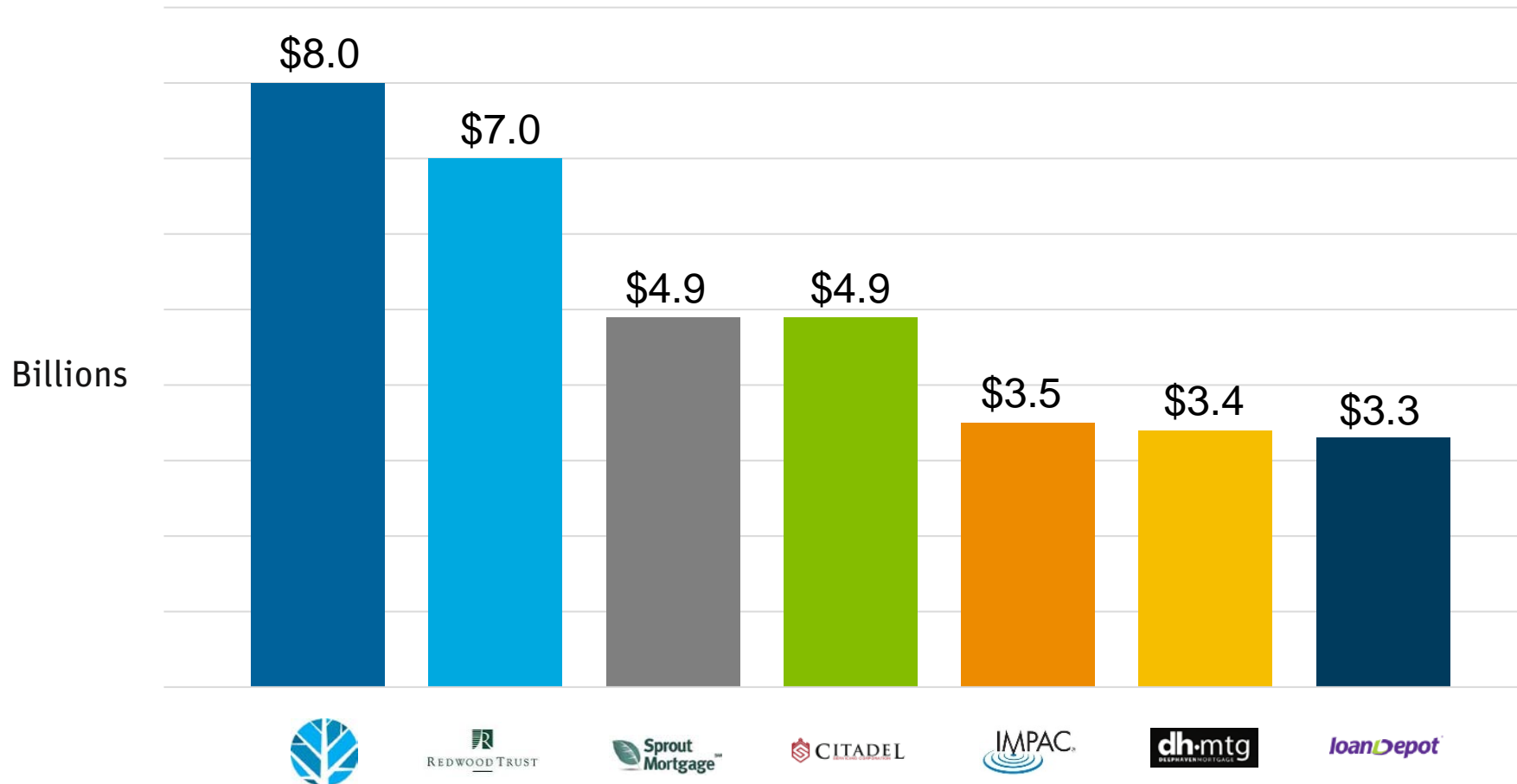
Non-QM Wholesale and Correspondent Lender



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Who Is Angel Oak?

Non-Bank Private Capital Originations Since 2017¹



**Angel Oak is
the largest
non-bank
originator of
Private Capital
since 2017**

¹Source: *Inside Mortgage Finance*, from 1/1/17 through 12/31/20.

What Is Alternative Lending And What Does It Mean Today?

Definition And Application

Advantages Of Non-QM Features vs QM

- Non-QM satisfies the Ability to Repay (ATR) rule like QM →
- Non-QM can have loan terms that exceed 30 years or interest only payments vs QM cannot
- Non-QM caps on fees and points are maxed at 5% vs 3% for QM
- Standard DTI on Primary / 2nd Home is 40/50 vs QM can Vary
- Non-QM SE borrowers can qualify off bank statements vs Tax Returns, QM Borrowers cannot
- Non-QM does not have a limit on number of NOO properties borrower can own vs QM does
- Non-QM allows NOO Properties to close in an LLC vs QM does not

**Non-QM
must also
adhere to
Ability-to-
Repay rule**



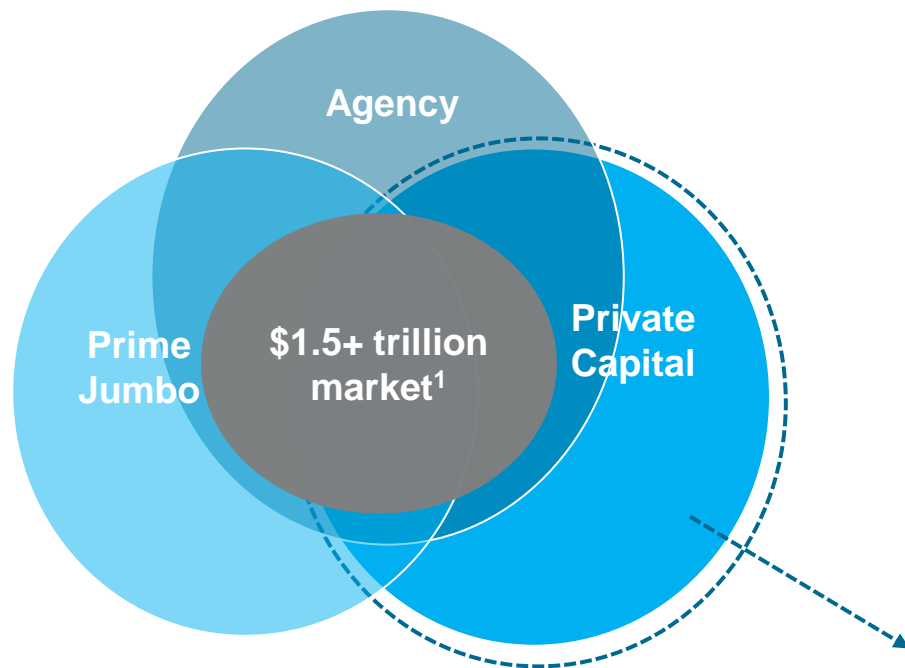
Non-QM Differs Materially from Pre-Crisis Subprime

| | Pre-crisis subprime | Non-QM |
|--------------------------|--|--|
| Regulation | No regulation | Dodd-Frank / Ability-to-Repay (“ATR”) |
| Underwriting | Stated income / no documentation | Income verification / full documentation |
| Appraisals | Incentive misalignment | Fully independent |
| Credit Statistics | <ul style="list-style-type: none"> • <620 FICO • 83% LTV • 40% DTI | <ul style="list-style-type: none"> • 740 FICO • 75% LTV • 33% DTI |



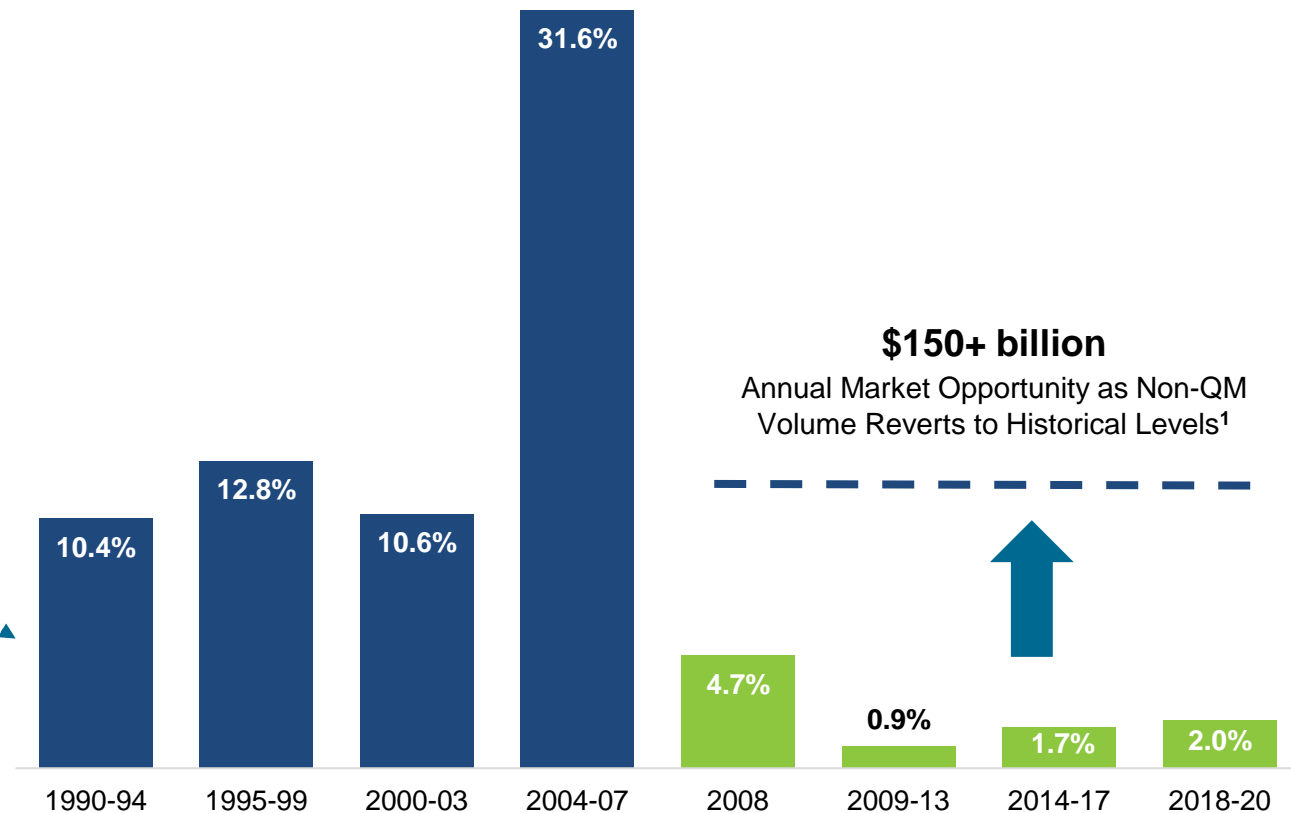
What Is The Potential For Alternative Lending?

Historically, 10%+ of the mortgage market consisted of activity that fell outside of the Agency and Prime Jumbo space (“Private Capital”)



Non-QM is the primary component of Private Capital today

Private Capital as a Percentage of Total Market Volume



Source: *Inside Mortgage Finance* as of 12/31/20.

¹Total residential mortgage originations volume from 2009 to 2019 has ranged from \$1.3 trillion to \$2.3 trillion, with an average of \$1.8 trillion. Market opportunity estimated at 10% of the \$1.5 trillion market. 10% represents Private Capital's approximate historical share of total mortgage originations.



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Non-QM Products Help Borrowers Who Can't Qualify For A QM Loan

- **Bank Statement (Personal or Business):** Help self-employed borrowers qualify by basing income on their cash flow and liquid assets since their tax returns and W-2s of pay stubs alone may not be reflective of their ability to repay.
- **Debt Service Cover Ratio (DSCR):** Helps borrowers qualify based on rental analysis to determine property cash flow versus income and debts.
- **Just Missed:** Helps well-qualified borrowers whose credit profile falls just outside of today's tight and inflexible lending standard.
- **Life/Credit Event:** Helps a borrower that was affected by a negative life or credit event (e.g., bankruptcy, foreclosure, short sale, loss of job, divorce, medical issues, recent mortgage lates).
- **No Income/High Assets:** Allows borrowers to qualify for loans using their liquid assets and does not require employment or debt to income to justify ability to repay. For borrowers who have enough assets to buy the home outright, but they don't want to liquidate their assets to do so.



Angel Oak's Averages And Non-QM Today

Non-QM loans fill an essential gap in the mortgage market and have strong credit characteristics

| Product Overview | | Average FICO | Average LTV |
|--------------------|--|--------------|-------------|
| Bank Statement | <ul style="list-style-type: none">Designed for borrowers who are self-employed and need an alternate income calculation to qualifyQualifying income is the total of deposits less business expenses | 744 | 76% |
| Investor Cash Flow | <ul style="list-style-type: none">Designed for real estate investors who are experienced in purchasing, renting, and managing investment propertiesBorrowers are qualified based on a debt service coverage ratio, FICO, and LTV | 760 | 65% |
| Just Missed Prime | <ul style="list-style-type: none">Designed for mortgagors with clean credit but who potentially seek a loan amount that exceeds Fannie Mae and Freddie Mac loan limitsWell positioned to generate volume given banks have curtailed lending | 735 | 80% |



Why Should You Care About Non-QM?

Benefits To Originating Non-QM

Market Opportunity

Where We Are Headed

Why Originate Non-QM Loans?

Be The Stand-Out Resource



Differentiate yourself

- Realtors
- Borrowers

Do the loans your competitors don't know how to do (before they learn how...)

Increase Your Earnings



- Save **Agency fall-out** loans
- Residual Income – **2 for 1**
- Strengthen relationships for more **referrals**

Investors, with us the below does **not** apply:

- Limits on properties
- Cannot close in LLC



The Costs Of Not Providing Non-QM Options



Huge Potential For Closing More Loans

Investors



36%

Percent of homes
that are rentals



10-11 million

Number of individual investor
landlords managing an average of
2 units each

Self-Employed



36%

Percent of U.S. workers are gig
workers in some capacity



59 million

Number of U.S. workers
categorized in the gig economy

Adverse Credit Events



5 million+

Number of foreclosure
filings since 2014



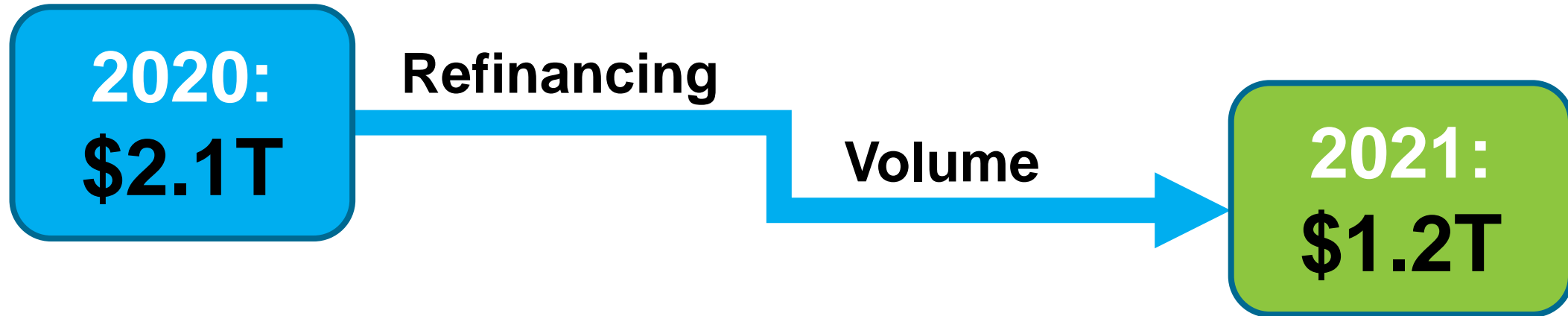
5 million+

Number of bankruptcy
filings since 2014

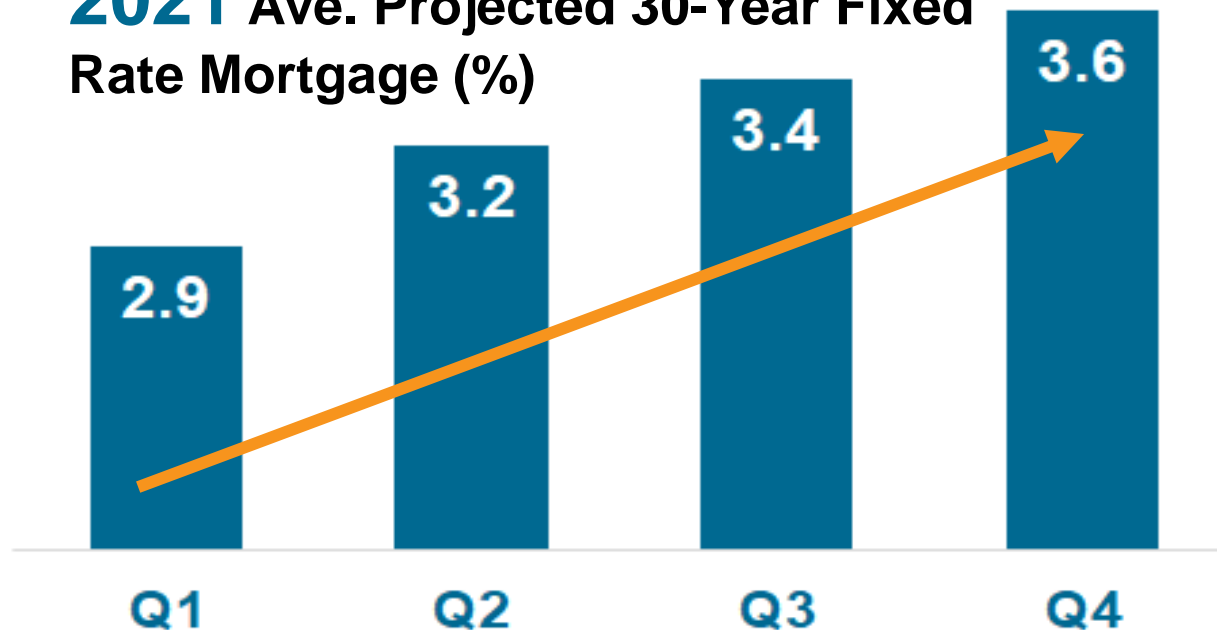


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Get Ahead Of The Looming End Of The Refinance Boom



2021 Ave. Projected 30-Year Fixed Rate Mortgage (%)



24% Increase
between
Q1 to Q4

Source:
Mortgage
Bankers
Association



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How Can Non-QM Loans Help You Close More Loans?

Stop turning down loans that make sense.
Keep doing Agency lending; Non-Agency loans are a simple add to your income.

Underserved Markets / Potential Borrowers



Bank Statement

- **90% at 700 or 85% at 660**
- **70% LTV at 600**
- **Second Homes/NOO to 85%**
- 2 years seasoning FC, SS, BK, or DIL
- Loans up to \$3 million
- Self-employed only (business owner or 1099 borrower)
- At least 50% business owner to use business statements (several options available for personal statements)
- 12 or 24 months of statements (personal or business)
- No tax returns required or 4506

30 year fixed rates are the same as ARM rates

Non-warrantable condos considered across all programs



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Investor Cash Flow

- **80% LTV Purchase, Rate-term / 75% LTV Cash-Out**
- **Credit scores start at 600**
- 4 years seasoning FC, SS, BK, or DIL
- No employment on 1003 (personal income not used nor debts)
- Qualification based on Debt Service Coverage Ratio (rent divided by PITI + HOA)
- No limit on number properties borrower currently has financed
- Must own a primary residence or has a history of currently being a landlord
- Loans can be titled in an LLC (on all investment programs as well)

30 year fixed rates are the same as ARM rates
Non-warrantable condos considered across all programs



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Asset Qualifier

- **Up to 75% LTV Purchase / 70% LTV Cash-Out**
- **Credit score starts at 700**
- No 4506 required
- 5 years seasoning FC, SS, BK, or DIL
- Loans up to \$3 million (minimum Loan \$250,000)
- No DTI restrictions
- Requires 60 months of recurring monthly payments
- Must document minimum \$500,000 in post closing assets
- Primary residence only
- Assets must be sourced/seasoned for a minimum of 6 months

30 year fixed rates are the same as ARM rates

Non-warrantable condos considered across all programs



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Platinum Jumbo Mortgage

- **Up to 95% LTV (purchase or delayed financing)**
- **80% LTV Cash-Out**
- **Second Home/NOO to 85%**
- **Credit score starts at 660**
- 4 years seasoning FC, SS, BK, or DIL
- Loans up to \$3 million (minimum Loan \$250,000)
- Owner-occupied, 2nd homes, and non-owner occupied
- Assets must be sourced/seasoned for 30 days
- Purchase and cash-out or rate-term refinance
- One year tax return available

30 year fixed rates are the same as ARM rates

Non-warrantable condos considered across all programs



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Portfolio Select → “Alt-A Borrower”

- **Up to 90% LTV**
- **Credit score starts at 600**
- **Second Homes/NOO to 85%**
- 1 years seasoning for foreclosure, short sale or DIL
- 2 years seasoning for bankruptcy
- Loans up to \$2.5 million
- Purchase and cash-out or rate-term refinance
- Owner-occupied, second homes, and investment properties
- Up to 50% DTI (Interest Only)
- One year tax returns available

30 year fixed rates are the same as ARM rates

Non-warrantable condos considered across all programs



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Foreign National

- **LTV up to 70%**
- No credit scores or any type of credit required
- Min 1.00 DSCR
- 12 months reserves in a US FDIC account
- Assets sourced 60 days and last 30 days in US FDIC account
- ACH is required for monthly payment from a US FDIC account

30 year fixed rates are the same as ARM rates
Non-warrantable condos considered across all programs



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Prime Jumbo

- **90% LTV, no MI**
- **Credit scores starts at 660**
- 7 years seasoning for foreclosure, short sale, bankruptcy or deed-in-lieu
- Loan amounts up to \$3 million
- Owner-occupied, second homes, and non-owner occupied
- Purchase, cash-out and rate-term refinance
- DTI up to 43%

30 year fixed rates are the same as ARM rates
Non-warrantable condos considered across all programs



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How Technology Advancement Is Making Non-QM Easier To Close

Technology At Angel Oak



Pricing Tool



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Get Options In Seconds

QuickQual

All rates/programs

Loan Amount Slider:

Loan Amount Text Entry:

3000000

Credit Score:

720-739

Loan to value:

75%

Housing History:

0x30

Property Type:

1 Unit

Transaction Type:

Purchase

Income Documentation:

Full Doc

Occupancy:

Owner Occ

Approval by your Account Executive

Try Our
QuickQuote
Tool



✓ Run your
scenario

✓ Get potential
rate and loan
options
immediately

angeloakms.com/quickquote



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Technology At Angel Oak



Pricing Tool

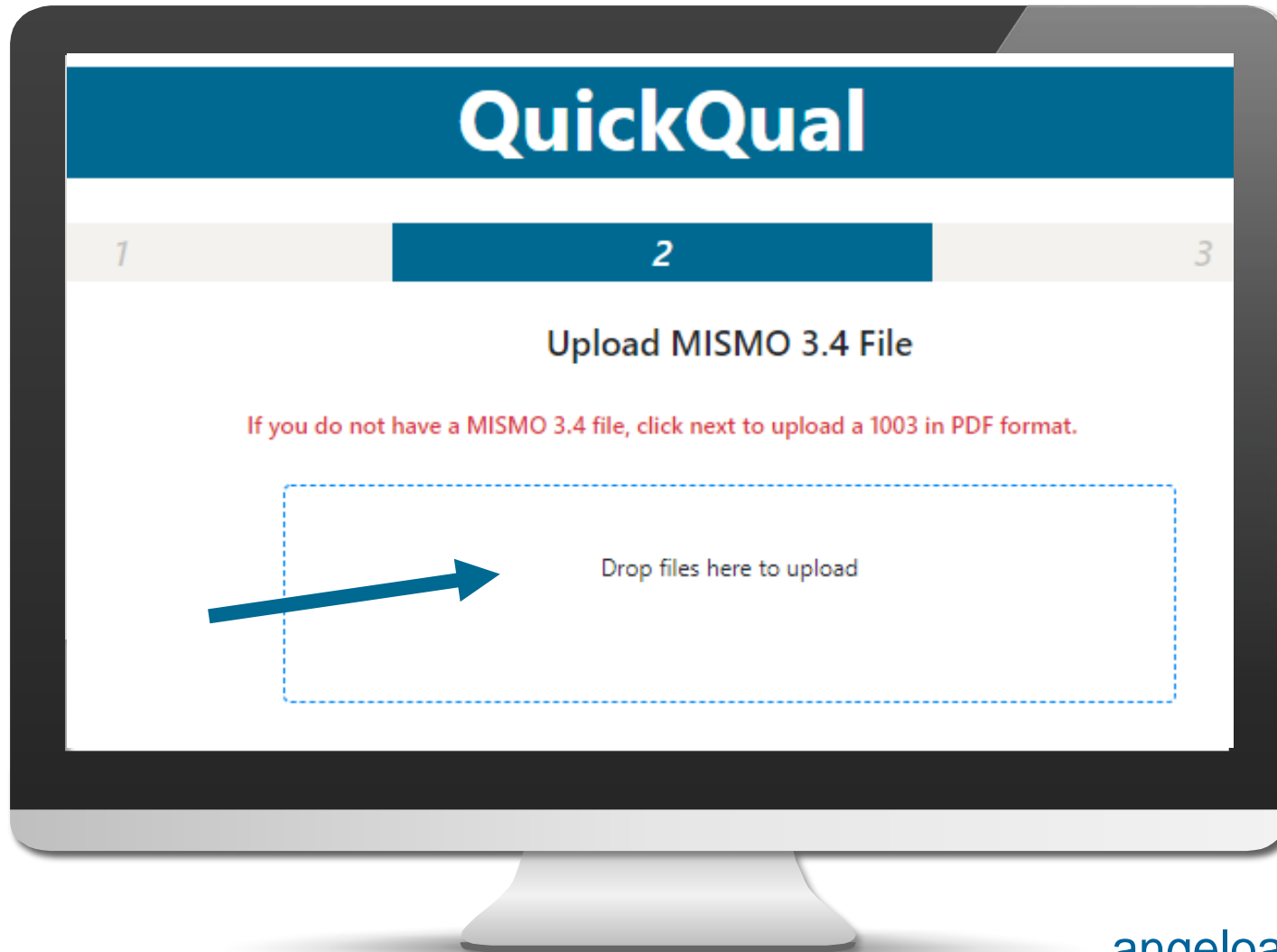



QuickQual



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Two Ways To Qualify



QuickQual 

**Reissue own
credit
and get an answer
in seconds**

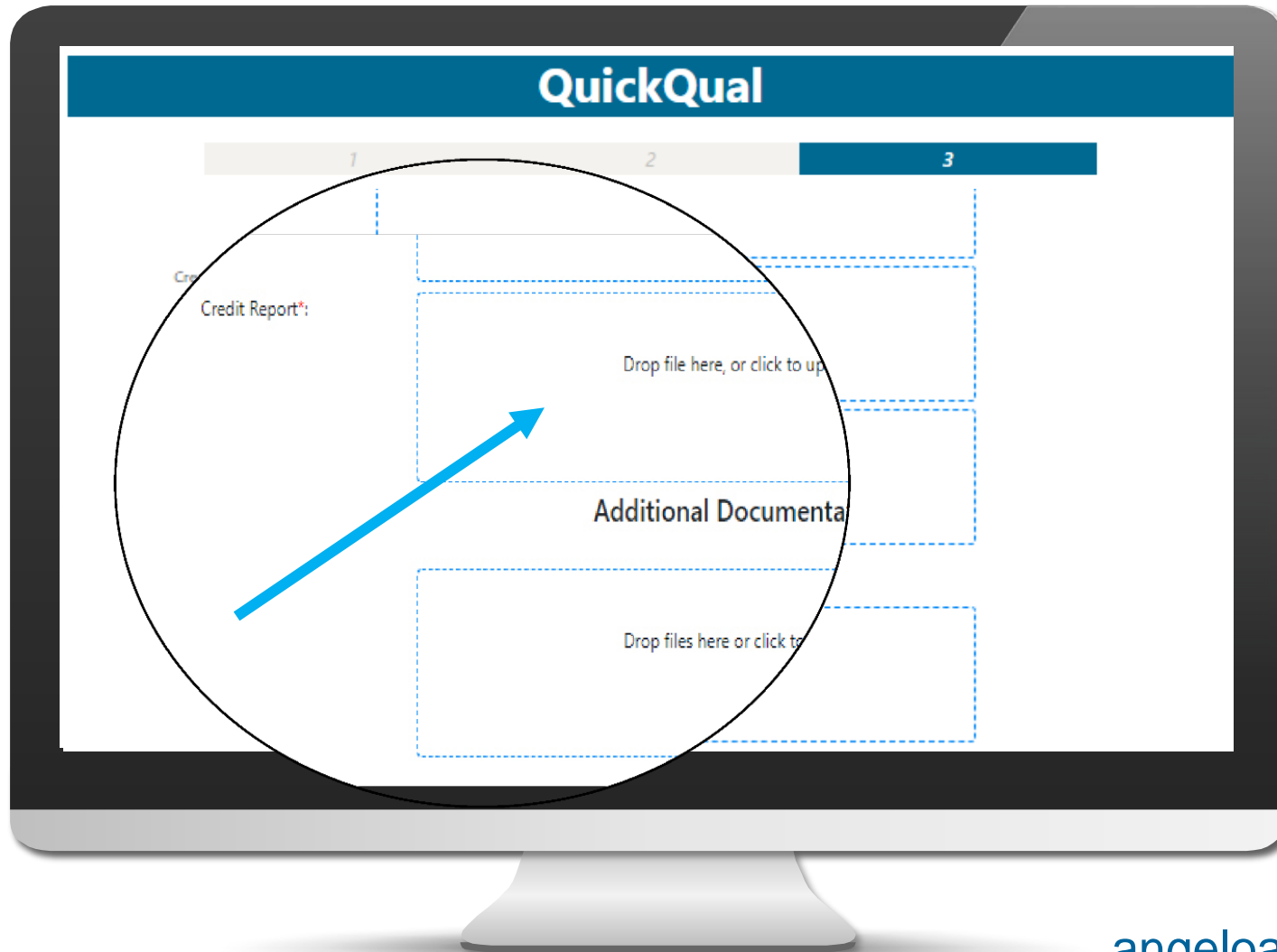
**Step 2 of 3:
File upload**

angeloakms.com/quickquote



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Two Ways To Qualify



QuickQual



**Reissue own credit
and get an answer in
seconds**

**OR manually upload PDF of issued
credit report for AE to review**

angeloakms.com/quickquote



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Technology At Angel Oak



Pricing Tool



QuickQual



Bank Statement Review Team



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Bank Statement Review Team



Our team will help our customers by:

- Completely reviewing statements
- Analyzing deposits
- Calculating income for bank statement submissions
- This means a more streamlined process to get your borrower to the closing table quickly.



Benefits to LOs:

- Income is established and approved at the time of PreQual
- Diminishes closing delays
- Time saved by not having to review bank statements on your own, so you have more time prospecting



Target Borrower:

- This program's focus is on business owners and 1099 borrowers whose personal tax returns may not be reflective of their ability to repay a mortgage obligation



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Technology At Angel Oak



Pricing Tool



QuickQual



Bank Statement Review Team

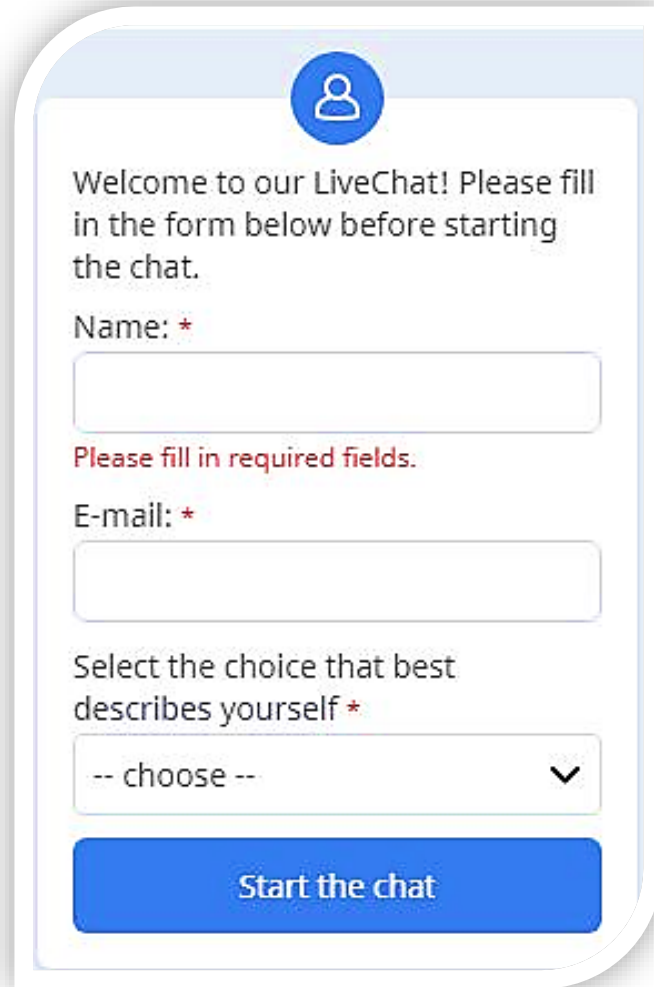


Chat



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Live Chat



A mockup of a live chat interface. At the top is a blue header with a white user icon. Below it, a welcome message reads: "Welcome to our LiveChat! Please fill in the form below before starting the chat." The form contains three fields: "Name: *" with a red asterisk, "E-mail: *" with a red asterisk, and a dropdown menu labeled "Select the choice that best describes yourself *" with "-- choose --" and a downward arrow. A red error message "Please fill in required fields." is positioned between the name and email fields. At the bottom is a blue button labeled "Start the chat".

Welcome to our LiveChat! Please fill in the form below before starting the chat.

Name: *

Please fill in required fields.

E-mail: *

Select the choice that best describes yourself *

-- choose --

Start the chat

- Accessible on our website and within portal
- Receive a response within minutes
- Real people specialists...not AI Chatbot!



Technology At Angel Oak



Pricing Tool



QuickQual



Bank Statement Review Team



Chat



TPO Portal



TPO Portal



Found on homepage under “Log In”

Conditions

**Marketing
Tools**

**Loan
Submission**

**Appraisal
Ordering**

**Closing
Scheduler**

**Live
Chat**

How Can You Grow Your Non-QM Business

Where Can You Find More Non-QM Borrowers?

- Realtors
- Other LOs
(Large banks, credit unions)
- CPA's & Tax Preparers
- Financial Planners & Wealth Advisors

**Let your referral partners know
you can access these loans...**



- Divorce Attorneys
- Business Bankers
- Builders and Developers
- Hard Money Lenders
- Lead Providers
- Appraisers

They will do the work for you!



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Whoever You Choose As Your Lender, Be This Enthusiastic!



*"I have been in the mortgage industry for 20 years now and this was **BY FAR the most positive experience** I've ever had on an **EXTREMELY challenging loan**. A huge thanks to the entire team at Angel Oak Mortgage Solutions who I had the pleasure of working with to get this loan closed despite many hurdles from A to Z. This alt doc loan closed ON TIME which was crucial for this borrower! It happened because the **team was accessible, approachable and provided direction** throughout the entire process.*

*You all made a home happen for one very grateful homebuyer! **And I am now a customer for life and looking forward to closing the next one.**"*

— Angel Oak Customer.

Market Yourself

Bank Statement
Self-employed borrowers can have a challenging time qualifying for a traditional home loan. But you don't have to worry about there not being a program available for your client to qualify for a mortgage. Bank Statement programs are designed specifically for those who do not have the tax documents-2's

Bank Statement

Designed for the Self-Employed

Investor Cash Flow

Are you a real estate investor looking to grow your portfolio? Our Investor Cash Flow program is designed specifically to serve your real estate investment goals. This program allows you to qualify based on rental analysis to determine property cash flow.

Investor Cash Flow

Help Expand Your Client's Real Estate Portfolio

Just Missed Borrower

Stop losing your "just missed" clients to your competition

Asset Qualifier

An Asset Qualifier Program is the perfect solution for borrowers with high net worth and significant assets. If you have creditworthy clients that do not qualify for traditional loans due to no employment, no income or high DTI then this solution can help you get them into the home of their dreams.

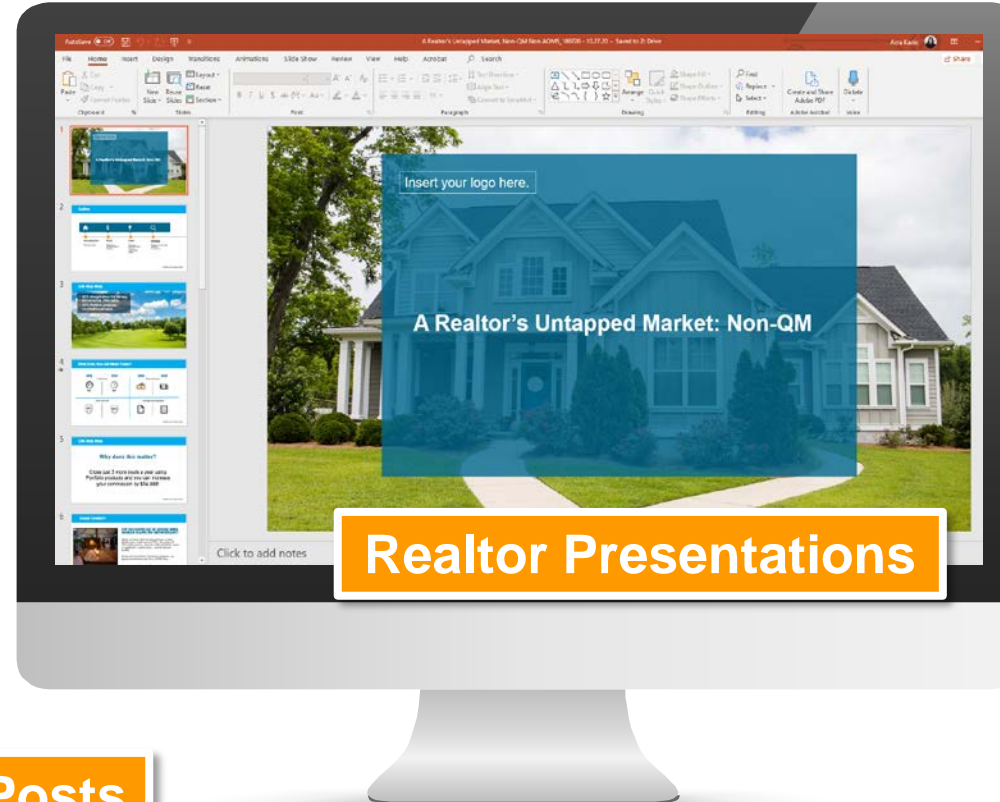
Asset Qualifier

Perfect Solution for Borrowers With High Net Worth

Social Media Posts



Whiteboard Videos



Realtor Presentations



Bank Statement

Ideal for the self-employed. Our bank statement program allows you to qualify for a mortgage based on your bank statements, instead of tax documents.



Investor Cash Flow

Property Investors Can Build Their Portfolio Faster With Our Investor Cash Flow Program.

- Qualification based on property cash flow
 - Minimum DSCR* 1.0
 - No DSCR needed with minimum 700 FICO and max 70% LTV
- Credit scores starting at 640
- No personal income / no asset / no employment
- Up to 80% LTV



Asset Qualifier

- Who Qualifies?**
- No employment, no income, no DTI
 - Primary residence
 - Credit score 700 or higher
 - Loans up to \$3 million
 - Maximum 75% LTV
 - 5 years seasoning for foreclosure, short sale, or bankruptcy

- Required Assets***
- Loan amount
 - Recurring monthly debt multiplied by 60 months
 - Funds to close and 6 months reserves
- *Borrowers must have at least \$100,000 in post-closing assets. See program guidelines for complete details.



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Differentiate Yourself



Key Characteristics In Choosing A Non-QM Lender

- Customer Centric
- Non-Agency Specialists
- Focuses On Non-QM
- Years Of Experience
- Easy To Work With
- Makes Exceptions Autonomously
- Offers Abundant Resources To Help Grow Broker Business





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Grow your business by utilizing non-QM

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