

NatEquity Knowledge Base

Why is NatEquity Servicing the Contract They Originate to Portfolio

The question has been raised about why is NatEquity going to service the contracts they write rather than contracting or selling their servicing to an established outside loan servicer. The answer is there are no servicers today who take a hands-on approach to servicing and monitoring both the borrower and the property. NatEquity's shared appreciation product design obligates us to monitor the property because our investors have an ownership interest in the future appreciated value of each home in their portfolio. Servicing is integral to both NatEquity's portfolio management responsibilities and our obligation to use proprietary IP and methodology to fair value each portfolio. This unified management approach is key to our vision of supporting our borrowers as resident managers of their largest earning asset – their home.

Today's proprietary jumbo reverse mortgage product market focuses on large lump sum payout loans to seniors where servicing is principally monitoring to make sure homeowners pay their property taxes and keep homeowner's insurance in force. In fact, those functions are subcontracted to tax service companies like Transamerica or First American. Government guaranteed HECM reverse mortgages have had a long-standing marketplace problem with minimalized hands off loan servicing. It too is considered to be a low-cost unimportant part of the product life cycle best handled by a computer switch in the Midwest. In all of these markets the servicer only steps in after the "barn door is open" to try to minimize losses. Conventional loan services fall into the same bucket.

NatEquity's team have the years of experience and credentials to service contracts in the portfolios we manage. Importantly all the homes involved are within 30-miles of the ocean in three mega markets: The Bay Area, Los Angeles and the South Coast. NatEquity will have field inspectors in each market. Peter Mazonas, our CEO, created and managed Transamerica HomeFirst (THF), the most successful full service proprietary jumbo reverse mortgage company to date. THF had a similar hands-on approach to its 15,000-contract servicing portfolio because Transamerica held all the loans on its own balance sheet. Pete DeRooy, NatEquity's CFO, was the CFO of a \$4 billion wholesale mortgage company that engaged in both self-servicing and service release. Eric Ranson, NatEquity's Portfolio Manager, was portfolio manager of a mortgage company where he securitized \$7 billion per year of contracts while managing a \$20 billion mortgage portfolio.

NatEquity servicing platform is part of the Company's Microsoft Enterprise CRM/GP operating platform that is being upgraded to a fourth-generation product. Management configured and successfully operated under the prior three platforms. The platform is designed to have all homeowner and property data at the fingertips of call center staff and field inspectors who engage with each homeowner quarterly and perform a home inspection

annually. Their job is to anticipate, isolate and deal with issues before they become problems.

NatEquity operates as a California licensed finance lender regulated by the California Department of Business Oversight. As an entity operating only in California, we adhere to but are not required to be licensed to service Fannie Mae and Freddie Mac loans.

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