

Home Partners of America

Choice Lease: Home Partners' LMI Lease Purchase Program

September 17, 2019

Strength Matters: Financial Management Conference

Single-Family Strategies to Promote Equity

Disclaimer

Certain information contained in this presentation may constitute forward-looking statements, within the meaning of the federal securities laws. Forward-looking statements involve significant risks and uncertainties, which are difficult to predict, and are not guarantees of future performance. Such statements can generally be identified by words such as “anticipates,” “expects,” “intends,” “may,” “will,” “should,” “could,” “believes,” “estimates,” “project,” “plan,” “continue,” and similar expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain financial and operating projections or state other forward-looking information. Our ability to predict results or the actual effect of future events, actions, plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in, or implied by, the forward-looking statements. Factors that could materially and adversely affect our business, financial condition, liquidity, results of operations and prospects, as well as our ability to make distributions to our shareholders, include, but are not limited to: expectations regarding the timing of generating revenues; changes in our business and growth strategies; volatility in the real estate industry, interest rates and spreads, the debt or equity markets, the economy generally or the rental home market specifically; events or circumstances that undermine confidence in the financial markets or otherwise have a broad impact on financial markets; declines in the value of homes, and macroeconomic shifts in demand for, and competition in the supply of, rental homes; the availability of attractive investment opportunities in homes that satisfy our investment objective and business and growth strategies; the impact of changes to the supply of, to lease or re-lease our homes to qualified residents on attractive terms or at all; our resident’s ability to purchase a house, the failure of residents to pay rent when due or otherwise perform their lease obligations; our ability to manage our portfolio of homes; the concentration of credit risks to which we are exposed; the availability, terms and deployment of short-term and long-term capital; the adequacy of our cash reserves and working capital; our ability to retain qualified personnel; unanticipated increases in financing and other costs; our expected leverage; the ability of our investors to fund capital commitments; changes in governmental regulations, tax laws and rates and similar matters; limitations imposed on our business and our ability to satisfy complex rules in order for us to qualify as a REIT for U.S. federal income tax purposes; and estimates relating to our ability to make distributions to our shareholders in the future. You should not place undue reliance on any forward-looking statement and should consider all of the uncertainties and risks described above. These forward-looking statements speak only as of the date of this presentation. We expressly disclaim any obligation or undertaking to update or supplement any forward-looking statement contained in this presentation.

This presentation is not, and should not be construed as, an offer to sell or a solicitation of an offer to buy any securities of or to make any investments in, Home Partners of America, Inc. in any jurisdiction. This presentation does not create any binding obligation on Home Partners of America, Inc., which may be created only through our entry into a definitive agreement. We do not make any representation or warranty, either express or implied, as to the accuracy, completeness or reliability of the information contained in this presentation, except as set forth in a definitive agreement to which we are a party. This presentation and the information contained herein are strictly confidential and may not be shared with any third party.

Summary – Home Partners Core Lease Purchase Program

Home Partners of America (HPA) introduced the Lease with a Right to Purchase Program in 2012



1. Apply for approval

Prospective residents are approved based on analysis of income, credit history and a criminal background check



2. Find a qualified home

Approved applicants are allowed to pick a property listed for sale on the MLS, meeting residents income limitations



3. HPA buys the qualified home, household leases the home

Prospective residents are required to sign a one-year Lease for the home and a Right to Purchase Agreement, no down payment needed



SOLD

4. Household has right to purchase the home

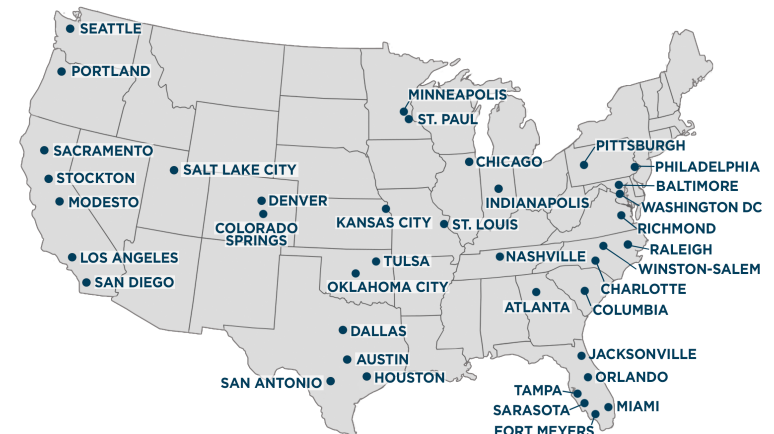
HPA buys the home. Residents lease it (up to 5-years) and have the right to buy it (price increases annually)

- ✓ 49,000+ PEOPLE AND 33,000+ PETS IN 14,000+ HOMES
- ✓ INVESTED TOTAL OF APPROX. \$4 BILLION
- ✓ 1,000+ HOMES SOLD BACK TO RESIDENTS ~ 5% per year
- ✓ ESTABLISHED RELATIONSHIP WITH 80,000+ REALTORS
- ✓ TOTAL SHAREHOLDER EQUITY CAPITAL ABOVE \$1.3B
- ✓ MAJOR SHAREHOLDERS – BLACKROCK, TRS, and KKR



Home Partners
of America

LEASE PURCHASE SERVICE AREAS



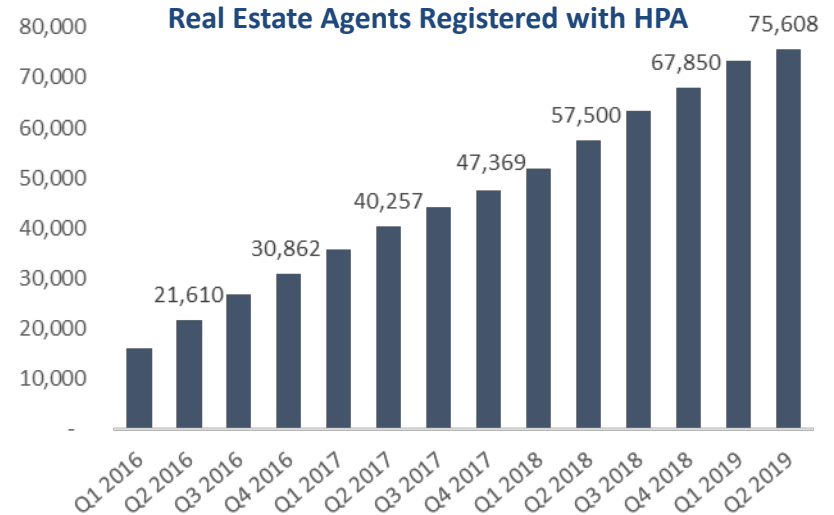
Home Partners
of America

Proactively Engaging the Real Estate Industry

Home Partners has formed partnerships with large and reputable US real estate brokerage firms:

- Realogy/NRT
 - Owns Coldwell Banker, Century 21, ERA and Better Homes and Gardens
 - Staffed call center with more than 40 people dedicated to assisting Home Partners' residents
 - Lease with a Right to Purchase program presented on select Coldwell Banker, Better Homes and Gardens and Century21 websites
- Berkshire Hathaway HomeServices ("BHHS") working on pilot program for select websites

HPA technology is integrated into websites and proprietary tools used by real estate agents to transact efficiently



Real Estate Agent Testimonials

"It's been great, and they've been a pleasure to work with. The biggest positive is how easy it is – it's such an easy transaction on the back end once you've found the house. That's what I love about it." ~K.B.

"If you're in a position where your credit score won't qualify you for a mortgage, or if you don't have a down payment, or if you're just not sure where you want to live, this is the program for you. They're a cash buyer and can close quickly. It's a great program, and I would strongly recommend it to anybody." ~G.W.

QUALIFICATION CRITERIA

PROSPECTIVE RESIDENT

We evaluate household rent-to-income and debt-to-income ratios, rental and housing history, employment history, criminal history, FICO® scores, and other elements of an application:

- Annual household income of \$45,000+
- Stable employment
- No recent history of eviction and no pending bankruptcy
- Acceptable criminal history
- Application fee (\$75 total per household)

PROPERTY

Approved households work with you to find a home they want us to buy. Home must meet the following requirements:

- Single family home or fee-simple townhome
- Located in an approved community
- List price between \$100,000 and \$400,000
- Minimum of two above-grade bedrooms on a lot of two acres or less
- Other exclusions apply



PROPERTY SEARCH

Once a household has been approved, they can shop for homes with a trained agent that are listed for sale on the local MLS.

homepartners.com/results/TX/dallas-metro/marketId=4,maxRent=2000,swlat=32.39166661001008,swlng=-97.45510288690895,nelat...

Home Partners of America
A NEW PATH TO HOMEOWNERSHIP

Find A Home How It Works About Us Contact Us

Address, City, Zip, Neighborhood

Search

Dallas Metro

Est. Rent: No min - \$2,000

Est. Price: No min - No max

Bedrooms: Any

Bathrooms: Any

High Schools: 0

Advanced Search (0)

Homes Available in Dallas Metro

View Dallas Metro Community Information

List Price (High-Low)

Est. Rent

Showing 500 homes. Zoom in, or use filters to narrow your search

Est. Rent: \$2,000

List Price: \$247,000

1602 Mountain Side Drive, Allen, TX 75002

3 beds | 2.1 baths | 1736 sq ft

MLS # 14165619

Listing Courtesy Of Keller Williams Central

Est. Rent: \$2,000

List Price: \$246,900

414 Hanbee Street, Richardson, TX 75080

3 beds | 1.1 baths | 1400 sq ft

MLS # 14157120

Listing Courtesy Of B.P.H. Realty, LLC.

Map showing Dallas Metro area with property markers.

PROPERTY SEARCH

- Click on a listing to view the property details.
- The detail profile provides the resident with “live” rent pricing for each lease year through year 5 (3 years in Texas).
 - The rent pricing escalates at 3.75% per year.
- It also provides an estimate their purchase right pricing through the same five year period.
 - The purchase right is 3.5% to 5% over Home Partner’s total acquisition costs compounded annually.



1500 Terminal Court, McDonough, GA 30252

4 beds | 2.5 baths | 2781 sq ft

MLS # 8391915



155 Mill Wood Lanes, Fayetteville, GA 30214

4 beds | 2.5 baths | 3009 sq ft

MLS # 8391454

155 Mill Wood Ln, Fayetteville, GA 30214 (MLS # 8391454)

List Price: **\$269,900** 4 Bedrooms 2.5 Bathrooms 3009 sq ft Listing Courtesy Of Harry Norman Realtors,PTC

Estimated Rent

Based upon the list price of this home, **\$269,900**, the estimated **Home Partners Monthly Rent*** breakout is as follows:

Home Partners Monthly Rent: \$1,900

	Rent	Estimated Right to Purchase
Year 1	\$1,900	\$285,370
Year 2	\$1,980	\$299,630
Year 3	\$2,050	\$314,620
Year 4	\$2,130	\$330,350
Year 5	\$2,210	\$346,860

Data Analytics

Rent Pricing:

- Yield based pricing initiatives, understanding of market rent

Market Selection:

- Focused metropolitan rankings
- Sub market selection
 - Affordability and rate change sensitivity, new construction impact, and population migration and density

Portfolio Management:

- Ongoing budgeting and monitoring
- Dispositions of current portfolio

Cost management

- Cost to Maintain -> Costs are relatively fixed across price point.
- Vendor management

Consumer Underwriting


- Identify consumer/home pairs that generate positive outcomes.
- Credit Underwriting

Maintain and support data feeds to source all initiatives:

- MLS data feeds and other primary sources

Convert “For Sale” Inventory to Live Rental

Dedicated Data Science Team to price approximately 100,000 homes on our website

**Home Partners of America**
A NEW PATH TO HOMEOWNERSHIP

[Find A Home](#) [How It Works](#) [About Us](#) [Contact Us](#)

[Login](#) [Sign Up](#)

Search

Plano, TX

Est. Rent

No min - No max

Est. Price

No min - No max

Bedrooms

Any

Bathrooms

Any

High Schools


0

[Advanced Search \(0\)](#)

Homes Available in Plano TX

[View Dallas Metro Community Information](#)

Showing 35 homes. Zoom in, or use filters to narrow your search



Est. Rent


\$3,070

List Price

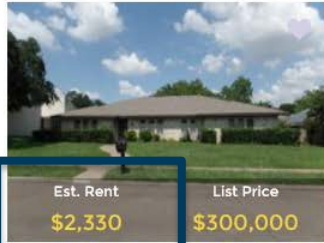
\$425,900

3920 Sandia Drive, Plano, TX 75023

3 beds | 3 baths | 2757 sq ft

 MLS # 13943613

Listing Courtesy Of The Michael Group



Est. Rent


\$2,330

List Price

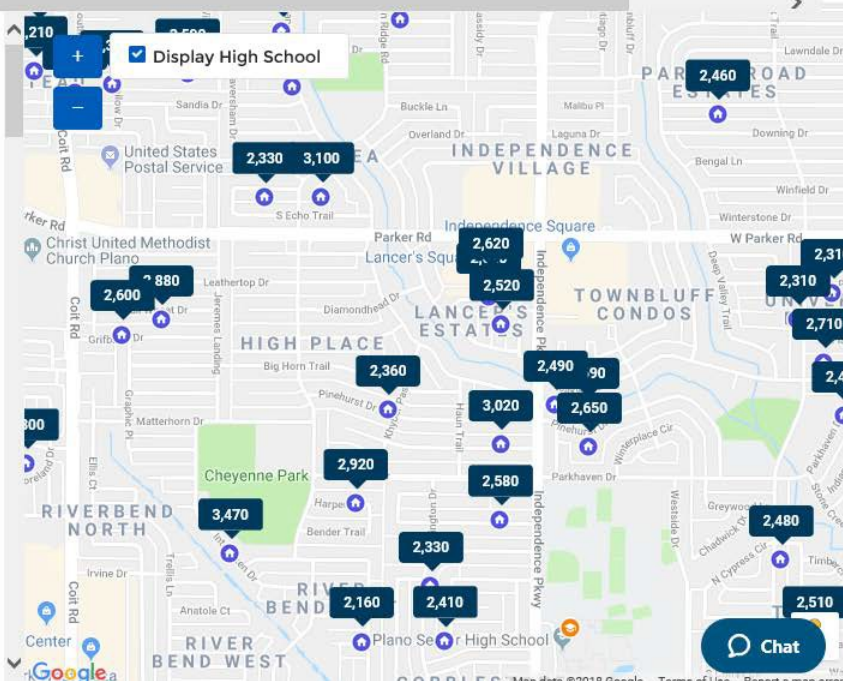
\$300,000

3613 South Echo Trail, Plano, TX 75023

4 beds | 3 baths | 2357 sq ft

 MLS # 13943276

Listing Courtesy Of Metroplex R.E.Services



Display High School

2,330 3,100

2,620 2,520

2,360 2,920

3,470 2,160 2,410

2,330 2,160 2,410

2,490 3,020 2,650

2,480 2,510


2,310 2,710

2,460

2,310

2,480

2,510

 Home Partners of America

Confidential 9

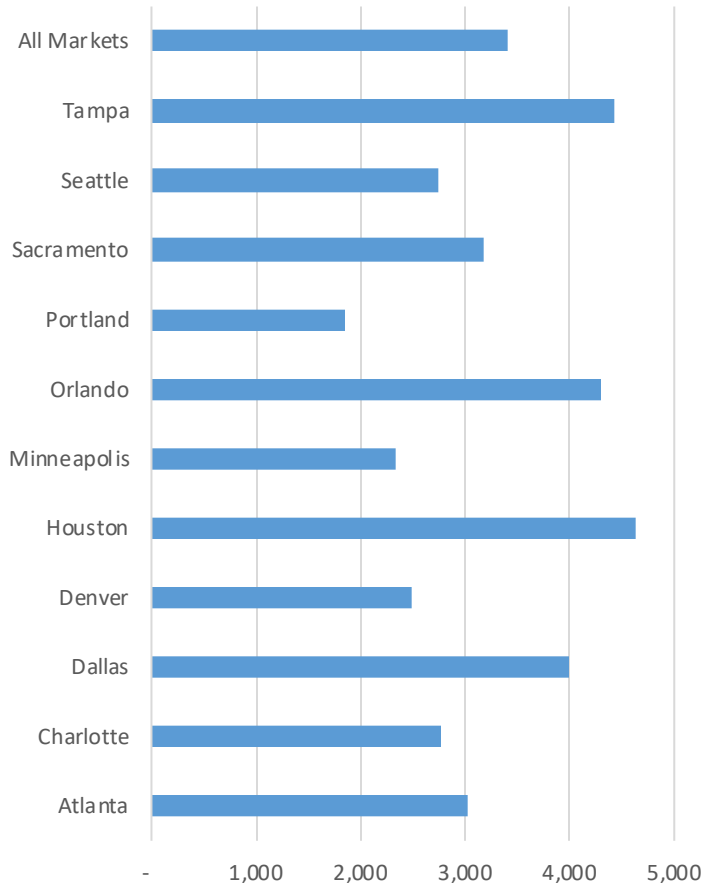
Market Selection Process

We leverage a proprietary data library to power market selection initiatives

- Our library includes 200 mm data points, 25 mm property observations including property taxes, 4 mm rental observations, and 100 mm mortgage and income data points.
- Over-weight metropolitan area investment focus:
 - Power rank metropolitan areas depending on home price appreciation and target yields
- Micro market selection:
 - Communities where the housing is affordable
 - Markets where we believe homes will generate attractive operating margins
 - Machine learning algorithm that estimates market rents and property cash flow
 - Retention and purchase data to estimate expected value
- Homes and price points that generate attractive results

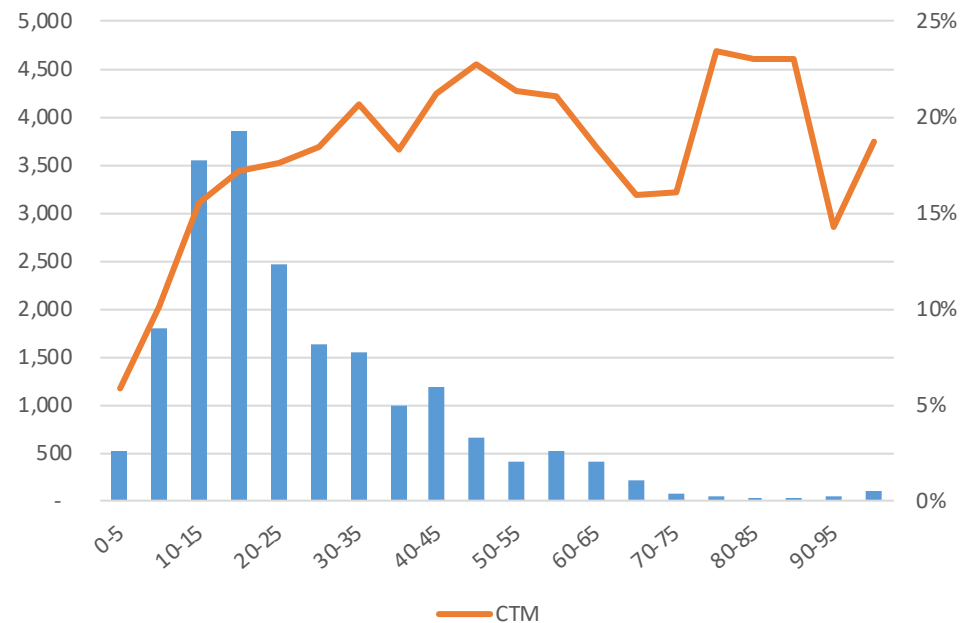
Cost to Maintain by Home Age

Avg CTM by Market



- Older homes have higher average CTM but appear to flatten out at 30-35 years
- Annualized average CTM shows material differences by market; in particular, regions that experience more weather events have higher average CTM

Avg CTM by Age



Choice Lease: Introduction

Home Partners is launching a Lease Purchase program designed to serve households whose income is $\leq 80\%$ AMI*. Choice Lease Purchase will provide qualified households access to quality affordable housing located in opportunity communities by utilizing socially motivated capital and leveraging Home Partners' existing platform and partner relationships.

➤ Why Create a LMI Lease Purchase Program

- ✓ By developing a model that utilizes Social Impact Investment Funding with lower return expectations, Home Partners is able to create a lease purchase product specifically for LMI* households:
 - ✓ Levels the playing field for LMI households competing against cash buyers in a tight inventory market
 - ✓ Allows Home Partners to decrease the rents to below market levels
 - ✓ Reduces the purchase right by 60% over Home Partners' core program
 - ✓ Leverages Home Partners best in class data analytics to select high-potential micro-markets (neighborhoods) and behalf of LMI households

➤ Scalable Lease-Purchase Solution

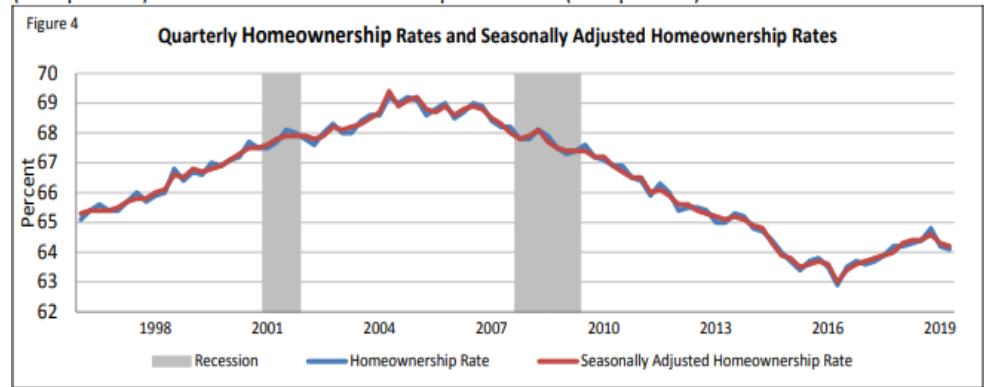
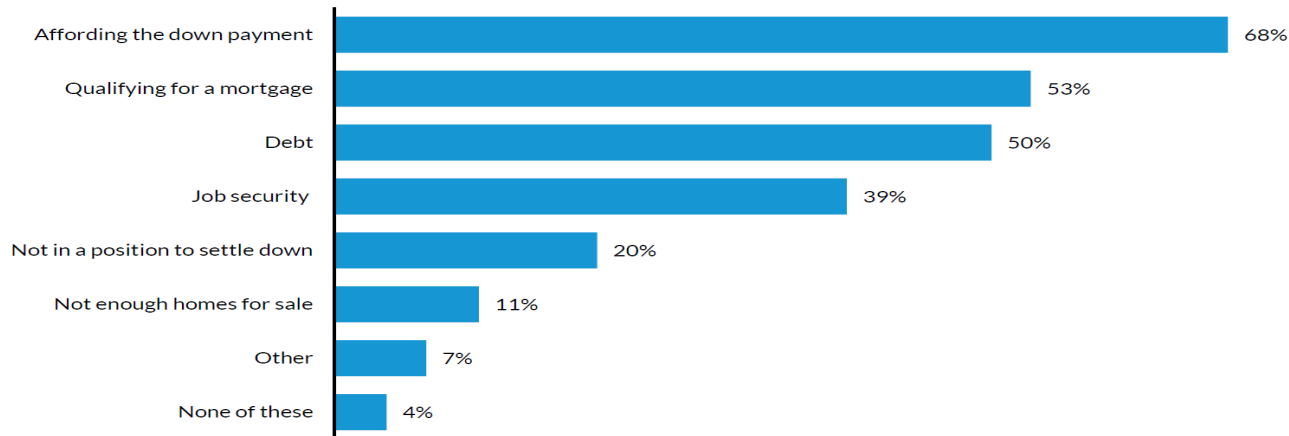
- ✓ Choice Lease is a scalable national private capital solution that will provide mobility and access to quality homes affordable to households $\leq 80\%$ * AMI.

Choice Lease: Affordability Crisis Among LMI Households

As house prices continue to climb, incomes remain relatively flat, low cost housing inventory remains constrained, and new construction remains in the \$300K+ area, the affordability crisis is heightened for households of color and young millennials who face significant barriers to homeownership..

National Homeownership Rate*: 64.1%
Rate Among Non-Hispanic White Alone: 73.1%
Rate Among Black Americans: 40.6%
Rate Among Hispanic (any race): 46.6%
Rate Among Young Millennials (< 35): 36.4%

Primary Barriers to Homeownership**:



* U.S. Census Bureau, Quarterly Residential Vacancies and Homeownership, Second Quarter 2019

** Urban Institute, Barriers to Accessing Homeownership: Down Payment, Credit, and Affordability

Choice Lease: Lease Purchase Removes Barriers to Building

Home Partners Choice Lease removes barriers to wealth creation for LMI households:

- Strong markets with historic positive house price appreciation
- Shared Equity: Households capture 100% of all appreciation above a 2% annual rate with no downside risk in case of market downturn prior to exercising their purchase right
- Household underwriting standards align with QM ability to repay requirements to maximize likelihood that household will be able to exercise their Purchase Right
- Higher credit score requirements and required mortgage-readiness counseling better position residents to exercise their purchase-right

In a recent [article in the Journal of Economic Perspectives](#), we show that homeownership remains highly beneficial for most families, offering both financial gains and a way to build wealth.

Urban Institute

Table demonstrates importance of housing equity for wealth building for households of color:

Year	All Homeowners				Non-Hispanic Whites				African-Americans				Hispanics			
	Total Net Wealth	Housing Equity	Non-Housing Net Wealth	Housing Share of Net Wealth	Total Net Wealth	Housing Equity	Non-Housing Net Wealth	Housing Share of Net Wealth	Total Net Wealth	Housing Equity	Non-Housing Net Wealth	Housing Share of Net Wealth	Total Net Wealth	Housing Equity	Non-Housing Net Wealth	Housing Share of Net Wealth
1989	\$459,788	\$131,850	\$327,938	29%	\$512,432	\$140,096	\$372,337	27%	\$149,265	\$77,237	\$72,029	52%	\$173,494	\$81,517	\$91,977	47%
1992	\$410,516	\$112,547	\$297,969	27%	\$448,152	\$119,932	\$328,220	27%	\$145,380	\$64,737	\$80,644	45%	\$184,549	\$69,051	\$115,498	37%
1995	\$432,596	\$105,046	\$327,550	24%	\$471,862	\$110,368	\$361,494	23%	\$127,391	\$59,475	\$67,916	47%	\$166,661	\$70,912	\$95,749	43%
1998	\$541,652	\$117,553	\$424,098	22%	\$595,768	\$123,797	\$471,971	21%	\$158,169	\$59,785	\$98,384	38%	\$239,917	\$86,986	\$152,931	36%
2001	\$687,462	\$147,806	\$539,656	22%	\$768,843	\$158,872	\$609,971	21%	\$170,272	\$59,551	\$110,721	35%	\$227,382	\$79,134	\$148,248	35%
2004	\$720,484	\$185,149	\$535,336	26%	\$814,139	\$199,688	\$614,450	25%	\$231,315	\$91,559	\$139,756	40%	\$290,075	\$114,590	\$175,484	40%
2007	\$815,808	\$206,374	\$609,435	25%	\$910,089	\$219,648	\$690,441	24%	\$268,352	\$111,945	\$156,407	42%	\$372,005	\$157,781	\$214,224	42%
2010	\$707,952	\$153,300	\$554,652	22%	\$814,455	\$166,809	\$647,646	20%	\$186,780	\$82,732	\$104,048	44%	\$214,353	\$83,912	\$130,441	39%

* Harvard Joint Center for Housing Studies, Survey for Consumer Finances

Concessionary Capital Creates Consumer Pricing Benefits

	CHOICE LEASE	HOME PARTNERS LEASE PURCHASE PROGRAM	TRADITIONAL LEASE
SELECTION OF HOMES TO RENT	EXISTING FOR-SALE MLS LISTINGS	EXISTING FOR-SALE MLS LISTINGS	AVAILABLE RENTALS
LEASE TERM	UP TO 5 YEARS	UP TO FIVE YEARS	1 YEAR
RENTAL AMOUNT	AVG ~5% BELOW MARKET	MARKET	MARKET
ANNUAL RENT INCREASE	2%	3.75%	UNKNOWN
PURCHASE RIGHT INCREASE	2%	3.5 TO 5%	NO
HOUSEHOLD INCOME	\$45,000 to \$63,000	\$45,000 – NO MAX	VARIES
RTI / DTI RATIOS	35 / 45	35 / 45	VARIES
MINIMUM FICO	620	550 / 575 (FL, IL)	VARIES
REQUIRED HOME BUYER EDUCATION & COUNSELING	YES	AVAILABLE NOT REQUIRED	N/A
ACCESS TO TAILORED MORTGAGE FINANCING OPTIONS	YES	YES	N/A

Concessionary Capital Benefits are Passed to Consumers

100% of the concessionary pricing benefit is passed to the consumer in the form of lower rents and reduced purchase right:



Est. Rent
\$1,470

List Price
\$165,000

2724 Fairstone Avenue, Charlotte,
NC 28269

3 beds | 2 baths | 1200 sq ft

 MLS # 3539525

Listing Courtesy Of EXP REALTY LLC

Core Program 1 Yr. Pricing: \$1,470



Est. Rent
\$1,260

List Price
\$165,000

2724 Fairstone Avenue, Charlotte,
NC 28269

3 beds | 2 baths | 1200 sq ft

 MLS # 3539525

Listing Courtesy Of EXP REALTY LLC

Choice Lease 1 Yr. Pricing: \$1,260

Rental Savings	Year 1	Year 2	Year 3	Year 4	Year 5	Total Rent
Core Program	17,640	18,302	18,988	19,700	20,439	95,068
Choice Lease	15,120	15,687	16,275	16,886	17,519	81,487
Savings \$	2,520	2,615	2,713	2,814	2,920	13,581
Savings %	14%	14%	14%	14%	14%	14%
Cumulative \$	2,520	5,135	7,847	10,661	13,581	

Concessionary Capital Accelerates LMI Household's Equity

Reduced Purchase Right: The lower Purchase Right price escalator of 2% per annum in the Choice Lease program should improve the equity position of our Choice Lease residents.

Assumptions						
Original Basis	170,000					
Assumed Annual HPA	6.00%					
Purchase Right Core	5.00%					
Purchase Right Choice Lease	2.00%					
Purchase Right Year	Projected House Value	Core Program Purchase Right	Core Postive Equity	Choice Lease Purchase Right	Choice Lease Positive Equity	Choice Lease Benefit
Year 1	180,200	178,500	1,700	173,400	6,800	5,100
Year 2	189,210	187,425	1,785	176,868	12,342	10,557
Year 3	198,671	196,796	1,874	180,405	18,265	16,391
Year 4	208,604	206,636	1,968	184,013	24,591	22,623
Year 5	219,034	216,968	2,066	187,694	31,340	29,274

Choice Lease households have an accelerated equity position because of reduced purchase right.

Maximizing the Percentage of Purchase Right Households

Choice Lease has taken a number of aggressive steps to optimize the percentage of households who will exercise their Purchase Right

- 1) Minimum 620 FICO:** Analysis of Home Partners core program suggests the households with a starting FICO of >620 are more likely to exercise their Purchase Right.
- 2) Lower Purchase Right Escalator:** Analysis of Home Partners core program suggests that households with >620 FICO and greater implied equity are more likely to exercise their Purchase Right. Lowering the Purchase Right escalator to 2% from 5% should translate into more household equity (see slide 13).
- 3) Resident Success Initiatives:** Because of its potential scale, Choice Lease can provide a unique opportunity to measure the impact of various initiatives designed to support Choice Lease households on both the percentage Purchase Right executions and other operational metrics.

Resident Success Initiatives	Optimizing Returns
<ul style="list-style-type: none">➤ Budget and Mortgage Readiness Counseling➤ Downpayment Assistance➤ Access to Flexible Mortgages➤ Rent Reporting to Credit Bureaus➤ Future: Affordable Credit Cards, Loans and Insurance	<ul style="list-style-type: none">✓ On-time rent payments✓ More households exercising their RTP:<ul style="list-style-type: none">• Higher retention rate• Fewer high cost turns• Less transition vacancy• Fewer mark to market rent changes✓ Reduced evictions✓ Higher loyalty and engagement between residents & HPA

Choice Lease: Financial Education &

Building a Culture of Financial Wellness

- Choice Lease has a mission to support and nurture a Home Partners culture of long-term Financial Wellness for Choice Lease residents.
- Choice Lease is a starting point for long-term financial wellness. Choice Lease will provide a series of wrap-around support services and educational material on mortgage-readiness, budgeting, college & retirement savings and lots of fun home stuff (recipes, gardening tips, money saving ideas).
- Choice Lease will provide access to best in class financial wellness education & counseling opportunities. In addition to the NWA affiliates, Home Partners also has an agreement with GreenPath Financial Wellness to provide financial education and counseling services.
- Funding from the Ivory Award and a match from Bill & Carla Young will provide discounted access to the GreenPath education and counseling services and academic scholarships.



Resident Success Initiatives: Current

Recorded Webinar Campaign: Is a 30-minute webinar that provides Home Partners existing residents to learn more about the Purchase Right process, financial wellness services and special mortgage products.

Calling Campaign: Home Partners through our call center, Cartus, conducts a series of calling campaigns to create awareness among our residents about their Right to Purchase, GreenPath, our lending partners and our new Education Assistance Award.

Social Media Development: We have launched a new “Resident Resources” Facebook page The FB page hosts the recorded webinar, great financial literacy content and other resources relevant to our residents (*i.e. spring cleaning ideas/resources, recipes, etc.*)

Monthly Newsletters: Resident, Agent, Staff

- The three monthly newsletters include information about the Resident Resources page and links to other resources

