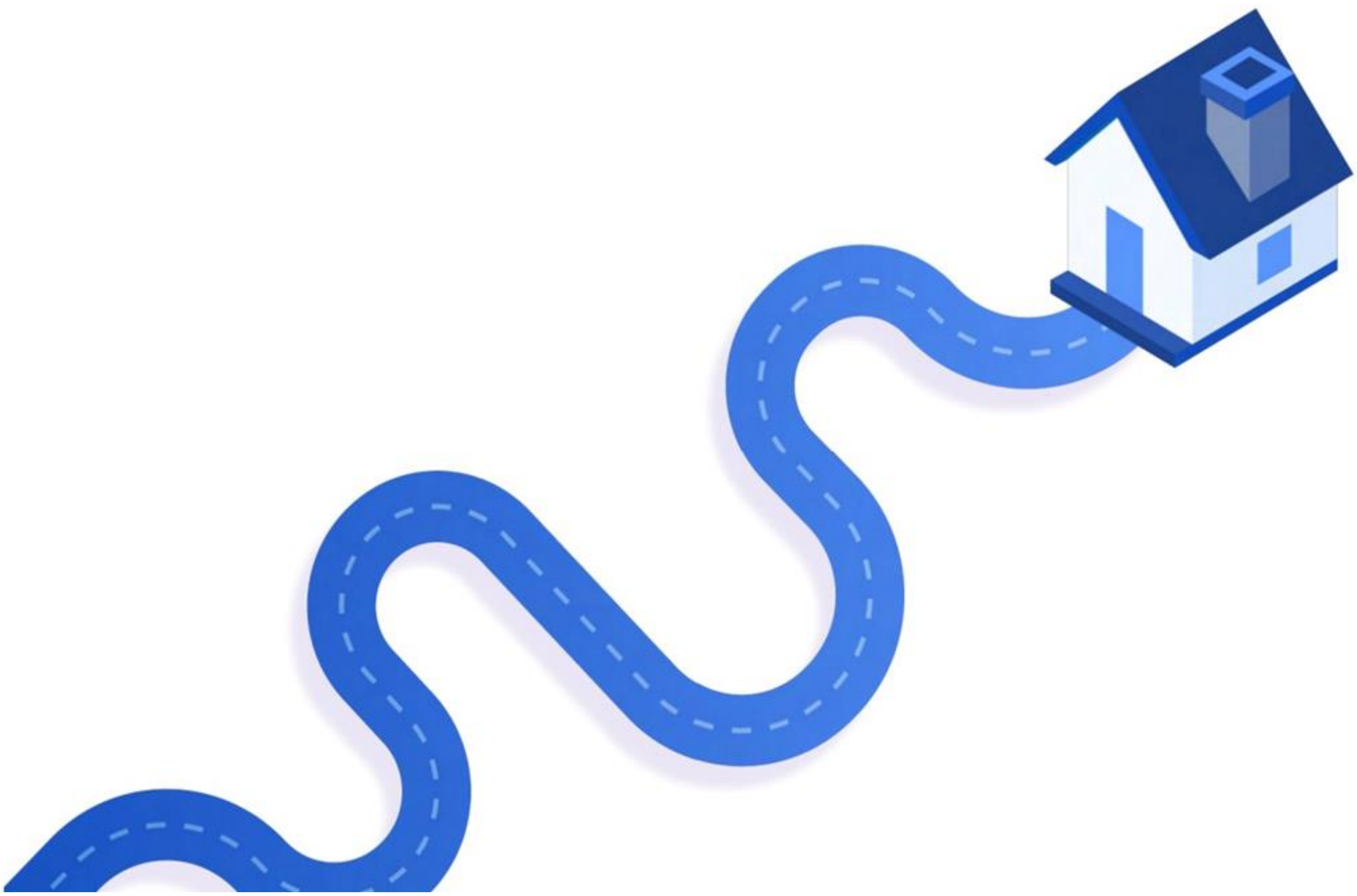
Thriving in a Competitive Purchase Market:

Empowering Homebuyers with a Roadmap to Mortgage Readiness

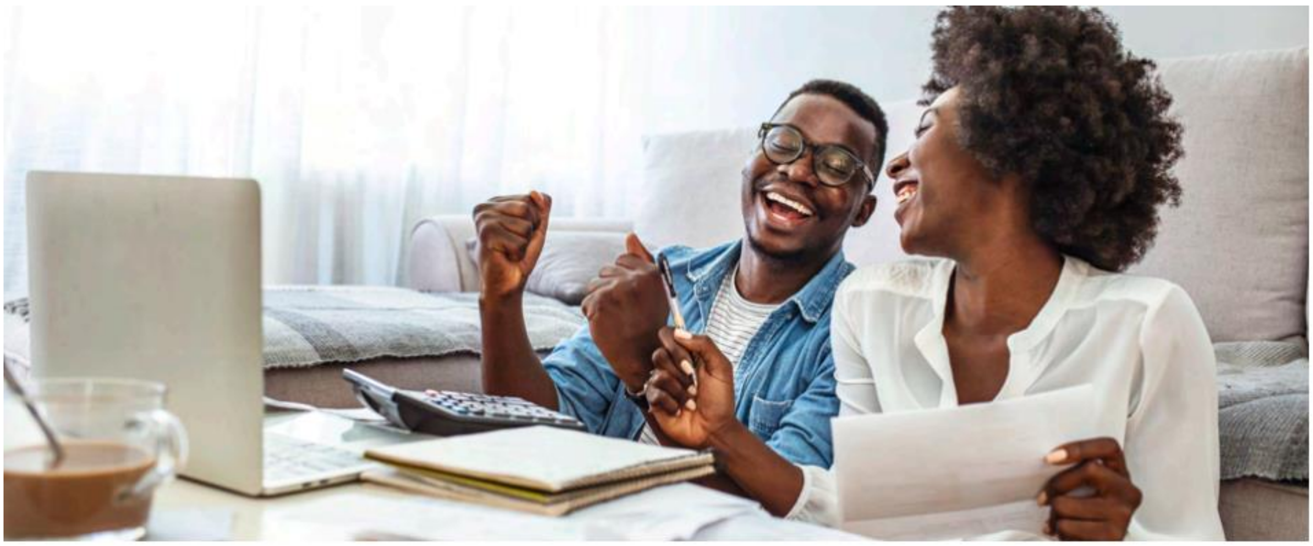
July 2023



FINLOCKER

Preparing for a mortgage transaction can be an emotional roller coaster, even for homeowners who've previously gone through the process, and time-consuming for mortgage originators and their operations team when homebuyers are ill-prepared. First-time homebuyers can enter an originator's sales pipeline at various stages of mortgage readiness and knowledge of the mortgage process. Homeowners may need to be introduced to a new purchase or refinance product and coached on processes that have changed since their last mortgage transactions.

The key to closing a mortgage loan is evaluating each homebuyer's unique financial situation and helping them overcome any barriers that may cause their application to be denied or withdrawn.



Identifying a "Mortgage Ready" buyer

Knowing the criteria for mortgage readiness can help lenders identify more qualified borrowers and equip almost mortgage-ready and individuals overcoming challenges to achieve their homeownership goals.

When Freddie Mac explored mortgage readiness in a 2021 Insight Report, *Who are the Future Homebuyers*, they identified these characteristics in "mortgage-ready" individuals based on basic underwriting standards:

- Do not have a current mortgage
- Aged 18-45 years old
- A credit score of 661 or higher
- A debt-to-income ratio of 25% or lower
- No foreclosures or bankruptcies in the past 84 months
- No delinquencies in the past 12 months

Homebuyers “near mortgage-ready” had the same attributes as “mortgage-ready homebuyers,” except for a credit score between 600 and 660. While those homebuyers “not currently mortgage-ready” had a credit score of 599 or less, a DTI ratio greater than 25%, and had a foreclosure, bankruptcy, or delinquencies listed in their financial history.

Many first-time homebuyers have misconceptions about mortgage readiness, particularly about credit, down payments, and debt-to-income ratio. FinLocker has built tools based on the following minimum criteria to get first-time homebuyers mortgage-ready for a conventional home loan. They can also view eligibility guidelines for FHA and VA loans.

	Mortgage Ready	Almost Mortgage Ready	Near Mortgage Ready
Credit score	640 or higher	580-639	579 or less
Foreclosures or bankruptcies in past 84 months	No	No	Yes
No late payments in the last 12 months	No	No	Yes
Debt-to-income ratio	45% or less	46% -55%	Greater than 55%
Minimum 3% down payment saved	Yes	Yes	No
Continuous employment for 2 years	Yes	Yes	No

Most mortgage lenders and originators have an established process to identify first-time homebuyers as they enter the proverbial marketing funnel, most commonly via online property search. However, this is the 'tip of the iceberg' for identifying a first-time homebuyer. Unfortunately, this signal is often too late for many originators, given the marketing sophistication of deep-pocketed lenders and extreme competition in many housing markets.

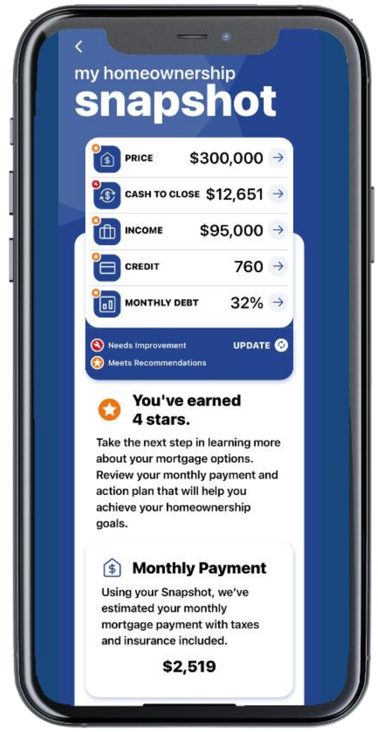
Mortgage originators need to use early indicators – things we know a consumer does or has to do to prepare for a mortgage - to connect with first-time homebuyers, such as:

1. Exploring how much home they can afford.
2. Researching loan products that can finance their home purchase.
3. Reviewing their credit profile to determine if their credit score meets the minimum requirements for their preferred loan product or to be eligible for good terms.
4. Decide if their finances and cash flow can support a mortgage payment.

By leveraging these indicators, originators can attract and engage with potential homebuyers and provide guidance throughout their journey.

FinLocker addresses the criteria for mortgage readiness

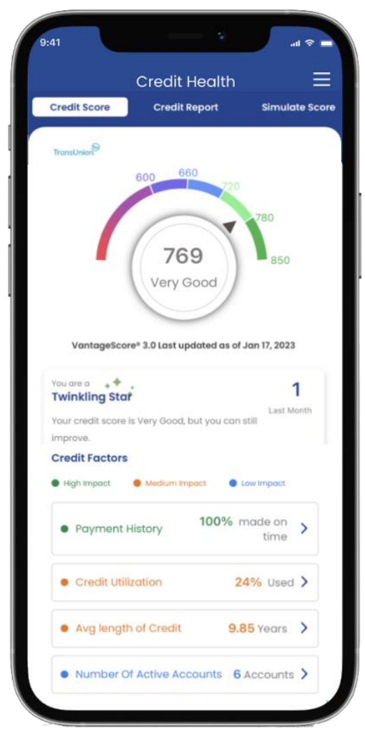
Consumers make the decision to start their homeownership journey at various stages of mortgage readiness. Having a solution that provides your mortgage originators with the mortgage readiness profile of each prospective homebuyer without the expense of running their credit report also makes it easier to nurture multiple consumers to overcome any barriers to reaching their goals.



FinLocker has developed a Homeownership Snapshot that aggregates and analyzes consumers' enrolled financial data to show prospective homebuyers their current stage of mortgage readiness, along with an action plan to overcome any barriers to improve their mortgage eligibility. Persona-based personalized journeys nurture each homebuyer with financial education and encourage them to use the tools in their FinLocker to achieve mortgage readiness and share the results with their mortgage originator so they can get pre-qualified to start their property search.

Assisting borrowers to improve their credit health

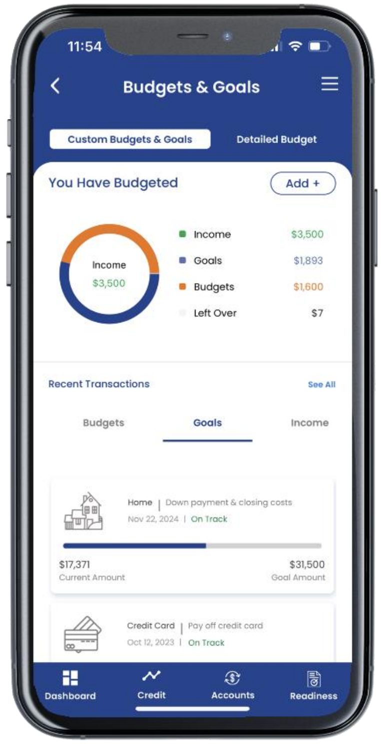
In preparation for a mortgage, it's important that all borrowers know their credit score. Whether they are purchasing their first or subsequent home, a consumer's financial history impacts their credit score and creditworthiness. Some homeowners may have suffered a foreclosure or bankruptcy, whereas a first-time homebuyer may not understand the negative impact that a few late payments or past delinquencies can have on their credit health.



FinLocker enables all consumers to access their TransUnion credit report for free through a soft pull. The service shows the standing of all active and closed accounts and the payment history on those accounts for up to seven years. Consumers are notified when their score increases or decreases, has a new credit inquiry or credit alert placed on their account.

Almost and Near Mortgage Ready consumers can use the credit score simulator to evaluate the potential impact of various credit-related scenarios, such as paying off a credit card or making a late payment, can have on their credit score in a safe and secure environment.

Managing debt-to-income ratio

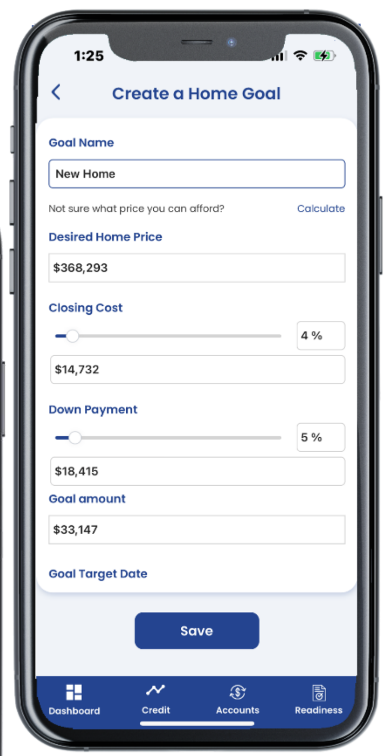


Many first-time homebuyers are burdened with student loans, credit card debt, car loans, child care expenses, and health care costs, which makes it challenging to pay down debt and contributes to a high debt-to-income ratio.

According to the *2023 NAR Home Buyer and Seller Generational Trends*, the top reason a mortgage lender rejected their mortgage application was their debt-to-income ratio (30%), followed by a low credit score (25%).

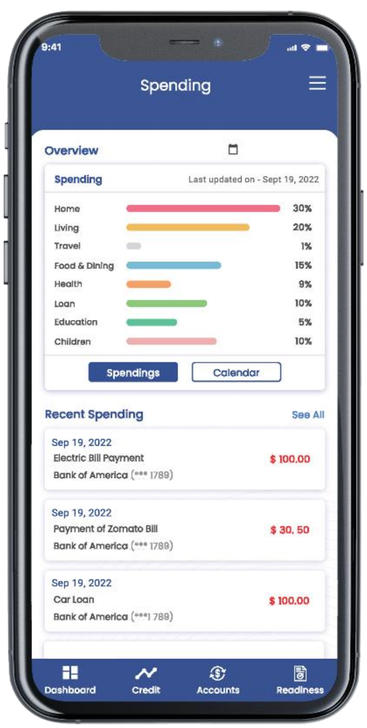
Almost Mortgage Ready and Near Mortgage Ready homebuyers can utilize FinLocker's goals and budget tools to help them reduce their debt-to-income ratio, which can also reduce their credit utilization rate, boosting their credit score. Users can create budgets to save money and trackable personal goals to pay off their credit cards and pay down their car loan or student loan debt.

Saving for down payment and closing costs



The majority of first-time homebuyers source their down payment from their savings. While many face challenges to save their down payment, committed first-time homebuyers are prepared to make a few sacrifices to purchase their first home.

The Spending tool in FinLocker categorizes every transaction in a consumer's enrolled financial accounts and provides a visual summary to show exactly how they are spending their income. This analysis also makes it easier for homebuyers to identify how to reduce their spending on non-essential items, so they can create a trackable goal to save for their down payment.



Monitoring customer progress towards mortgage readiness

FinLocker provides mortgage lenders and their originators with an Admin portal to monitor the progress of their users towards mortgage readiness using consumer-permissioned data.

Records can be filtered to easily view:

- ✓ Name, email address, date account was created, and date of last activity
- ✓ Homeownership journey status is Ready, Getting Ready, Overcoming Challenges and Not Looking
- ✓ Who has enrolled financial accounts and the number of accounts enrolled
- ✓ Who has enrolled in credit with the credit band of their current and previous score to see who is improving and eligible for a loan
- ✓ When readiness (the Homeowner Snapshot) was last run with pass/fail results
- ✓ Who has enrolled a property and its value

Improve certainty of readiness for homebuyers

With the rise of unemployment, resignations, the gig economy, and self-employment over the past few years, verifying a homebuyer's employment has become complex, costly, and can increase cycle times. FinLocker offers borrower verification services to mortgage lenders through the latest Encompass Partner Connect™ API Platform for seamless mortgage loan transaction processing.

Mortgage lenders can leverage the most up-to-date employer payroll data from Argyle, which provides employment and income data from 450 payroll and gig economy platforms to cover over 85% of US consumers. Our partnership with Fiserv also enables lenders to view mortgage applicants' assets from approximately 18,000 financial institutions.

By utilizing consumer-permissioned data, FinLocker can eliminate substantial friction for borrowers and underwriting teams, like manual document uploads or employment verification phone calls. That means shorter turn times and instant data refresh, dramatically reducing verification costs.

Let FinLocker guide your homebuyers towards mortgage readiness

Achieving mortgage readiness in a challenging purchase market is difficult for many first-time homebuyers. Mortgage lenders and originators who can offer financial tools and personalized guidance have a competitive advantage.

Giving a private-labeled FinLocker that reflects your company's brand to prospective homebuyers early in their homeownership journey will provide them with the necessary resources and guidance, and enable mortgage originators to manage a larger pipeline of short and long-term prospects.

Watch an online demo or schedule a 1:1 consultation to see a demo of the Admin portal and how FinLocker can help get more of your homebuyers mortgage ready.