UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K/A
(Amendment No. 1)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number 001-34569

Ellington Financial Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**26-0489289**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

53 Forest Avenue
Old Greenwich, Connecticut, 06870
(Address of Principal Executive Offices) (Zip Code)
(203) 698-1200
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, $0.001 par value per share	EFC	The New York Stock Exchange
6.750% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	EFC PR A	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐	Accelerated Filer	☒
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

As of June 30, 2020, the last business day of the Registrant's most recently completed second fiscal quarter, the aggregate market value of the Registrant's common shares held by non-affiliates was $478,888,017 based on the closing price as reported by the New York Stock Exchange on that date.

Number of shares of the Registrant's common stock outstanding as of March 5, 2021: 43,781,684

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K (this “Amendment”) of Ellington Financial Inc. (the “Company”) amends the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, which the Company filed with the Securities and Exchange Commission (“SEC”) on March 16, 2021 (the “Original Form 10-K”).

On July 1, 2021, Longbridge Financial, LLC (“Longbridge”), an equity method investee of the Company, restated its consolidated financial statements and the notes thereto for the year ended December 31, 2020 (the “Longbridge Financial Statements”). As a result of such restatement, the Company has determined that its equity method investment in Longbridge, which is not consolidated in the Company’s consolidated financial statements, was nevertheless “significant” in relationship to the Company’s financial results for the year ended December 31, 2020, based on the significance tests set forth in SEC Regulation S-X. Under Rule 3-09 of SEC Regulation S-X, the Company is required to include in its Annual Report on Form 10-K for the year ended December 31, 2020, separate financial statements for unconsolidated subsidiaries and investees accounted for by the equity method when such entities are individually “significant;” therefore, the Company is filing this Amendment to amend Item 15 to include the Longbridge Financial Statements.

Longbridge’s decision to restate the Longbridge Financial Statements was based on its determination, subsequent to the filing of the Original Form 10-K, that certain transactions involving the transfer of loans undertaken in connection with issuances of debt securities (“the Securitizations”) that were originally recorded as sales of such loans do not qualify for sale accounting in accordance with generally accepted accounting principles. The restated Longbridge Financial Statements now account for these transfers and debt securities issuances as secured borrowings and include the offsetting assets and liabilities related to the Securitizations on the balance sheet, the offsetting income and expense related to the Securitizations in the statement of operations, and changes in the statement of cash flows reflecting the changes resulting from the restatement of the balance sheet and income statement. There was no impact to Longbridge’s net income or members’ equity, and as a result, there was no impact to the fair value of the Company’s investment in Longbridge or the income recognized from the Company’s investment in Longbridge, as reported in the Company’s consolidated financial statements included in Part III, Item 8 of the Original Form 10-K.

The Longbridge Financial Statements (as restated as described above) are filed as Exhibit 99.1 and are included as financial statement schedules in Item 15 of this Amendment. This Amendment also updates, amends, and supplements Part IV, Item 15 of the Original Form 10-K to include the filing of Exhibit 23.2, the consent of Richey May & Co., and the filing of new Exhibits 31.1, 31.2, 32.1, and 32.2, certifications of the Company’s Chief Executive Officer and Chief Financial Officer, pursuant to Rule 13a-14(a) and (b) of the Securities and Exchange Act of 1934.

Except as described herein, this Amendment is not intended to, nor does it, reflect events occurring after the filing of the Original Form 10-K and does not amend or otherwise update any other information in the Original Form 10-K. Accordingly, this Amendment should be read in conjunction with the Company’s Original Form 10-K and with the Company’s filings with the SEC subsequent to the Original Form 10-K filing.

Part II—Item 9B. Other Information

Since the Company elects the fair value option for its investment in Longbridge, there was no impact to the Company's financial position or results of operations as a result of the restatement of the Longbridge Financial Statements for the affected periods. However, as a result of the restatement of the Longbridge Financial Statements, certain tables in Note 6 of the Company's Notes to Consolidated Financial Statements in the Original Form 10-K, as required by Rule S-X 4-08(g) (summarizing the aggregate financial position and results of operations of the unconsolidated entities in which the Company has an investment and applies the equity method of accounting) as of December 31, 2020 and 2019, differ with the restated information from the restated Longbridge Financial Statements. The Company determined that the changes to the revised information in the tables below are immaterial to its consolidated financial statements and notes as a whole.

The following table provides a revised summary of the combined financial position of the unconsolidated entities as of December 31, 2020 and 2019, in which the Company has an investment:

	December 31, 2020	December 31, 2019
	(In thousands)	
Assets		
Investments in securities, loans, MSRs, and REO[1]	$ 5,377,551	$ 3,832,204
Other assets	92,987	65,580
Total assets	$ 5,470,538	$ 3,897,784
Liabilities		
Borrowings	$ 5,144,109	$ 3,659,165
Other liabilities	30,801	28,134
Total liabilities	5,174,910	3,687,299
Equity	295,628	210,485
Total liabilities and equity	$ 5,470,538	$ 3,897,784

(1) Includes investments carried as the lower of cost or fair value as well as investments where the unconsolidated entity has elected the fair value option.

The following table provides a revised summary of the combined results of operations of the unconsolidated entities as of December 31, 2020 and 2019, in which the Company has an investment:

	Year Ended December 31, 2020	Year Ended December 31, 2019
	(In thousands)	
Net Interest Income		
Interest income	$ 9,053	$ 22,881
Interest expense	(5,894)	(10,492)
Total net interest income	3,159	12,389
Other Income (Loss)		
Realized and unrealized gains (losses) on securities, loans, MSRs, and REO, net	(14,292)	14,970
Income from reverse mortgage loans, at fair value	290,846	177,705
Expenses related to HMBS obligations, at fair value	(223,855)	(156,797)
Other, net	34,227	37,059
Total other income (loss)	86,926	72,937
Total expenses	65,492	53,324
Net income (loss) before income tax expense	24,593	32,002
Income tax expense (benefit)	776	979
Net Income (Loss)	$ 23,817	$ 31,023

Part IV—Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report:

1. Financial Statements:

See Index to consolidated financial statements, included in Part II, Item 8 of the Original Form 10-K.

Pursuant to Rule 3-09 of Regulation S-X, the following financial statements are attached as an exhibit to this Amendment: Financial Statements of Longbridge Financial, LLC.

2. Schedules to Financial Statements:

Except as disclosed below, all other financial statement schedules have been omitted because they are either inapplicable or the information required is provided in our Financial Statements and Notes thereto, included in Part II, Item 8, of the Original Form 10-K or in the Longbridge Financial Statements. The Company's Schedule IV, included below, is unchanged from what was filed in the Original Form 10-K and has been included in this Amendment in accordance with SEC rules.

Ellington Financial Inc.
Schedule IV—Mortgage Loans on Real Estate
December 31, 2020

Asset Type	Description	Number of Loans	Interest Rate	Maturity Date	Periodic Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages[1][2]	Principal Amount of loans subject to delinquent principal or interest
Residential Mortgage Loans:								*(In thousands)*	
Adjustable Rate Residential Mortgage Loan	$0–$249,999	39	2.00%–8.38%	11/30–8/57	n/a	n/a	n/a	$ 4,464	$ 2,617
Adjustable Rate Residential Mortgage Loan	$250,000–$499,999	31	2.00%–9.25%	12/36–2/60	n/a	n/a	n/a	9,634	8,029
Adjustable Rate Residential Mortgage Loan	$500,000–$749,999	16	3.00%–7.37%	7/35–9/55	n/a	n/a	n/a	8,193	7,773
Adjustable Rate Residential Mortgage Loan	$750,000–$999,999	3	3.38%–6.75%	5/36–9/48	n/a	n/a	n/a	2,223	2,675
Adjustable Rate Residential Mortgage Loan	$1,000,000–$1,249,999	1	6.99%	7/48	n/a	n/a	n/a	902	1,003
Adjustable Rate Residential Mortgage Loan	$1,250,000–$1,499,999	1	5.37%	1/50	n/a	n/a	n/a	1,343	—
Adjustable Rate Residential Mortgage Loan Held in Securitization Trust	$0–$249,999	397	4.00%–9.99%	6/46–4/50	n/a	n/a	n/a	69,577	1,938
Adjustable Rate Residential Mortgage Loan Held in Securitization Trust	$250,000–$499,999	419	4.25%–8.88%	4/46–2/60	n/a	n/a	n/a	142,200	4,988
Adjustable Rate Residential Mortgage Loan Held in Securitization Trust	$500,000–$749,999	155	4.50%–8.75%	3/46–4/60	n/a	n/a	n/a	91,987	2,299
Adjustable Rate Residential Mortgage Loan Held in Securitization Trust	$750,000–$999,999	71	4.13%–8.38%	3/46–10/59	n/a	n/a	n/a	60,871	4,441
Adjustable Rate Residential Mortgage Loan Held in Securitization Trust	$1,000,000–$1,249,999	34	4.62%–7.63%	8/46–3/60	n/a	n/a	n/a	36,567	—
Adjustable Rate Residential Mortgage Loan Held in Securitization Trust	$1,250,000–$1,499,999	21	4.50%–7.49%	11/46–2/60	n/a	n/a	n/a	29,582	2,894
Adjustable Rate Residential Mortgage Loan Held in Securitization Trust	$1,500,000–$1,749,999	18	4.88%–7.00%	2/47–3/60	n/a	n/a	n/a	26,915	3,264
Adjustable Rate Residential Mortgage Loan Held in Securitization Trust	$1,750,000–$1,999,999	5	4.75%–8.50%	11/48–12/59	n/a	n/a	n/a	9,520	—
Adjustable Rate Residential Mortgage Loan Held in Securitization Trust	$2,250,000–$2,499,999	6	4.63%–5.99%	6/48–9/59	n/a	n/a	n/a	14,450	—
Adjustable Rate Residential Mortgage Loan Held in Securitization Trust	$2,500,000–$2,749,999	3	4.99%–5.25%	7/49–11/59	n/a	n/a	n/a	7,996	—
Fixed Rate Residential Mortgage Loan	$0–$249,999	389	2.00%–14.00%	1/21–1/61	n/a	n/a	n/a	57,568	5,184
Fixed Rate Residential Mortgage Loan	$250,000–$499,999	251	3.50%–13.00%	1/21–1/61	n/a	n/a	n/a	87,013	3,829

Asset Type	Description	Number of Loans	Interest Rate	Maturity Date	Periodic Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages[(1)(2)]	Principal Amount of loans subject to delinquent principal or interest
Residential Mortgage Loans (Continued):								*(In thousands)*	
Fixed Rate Residential Mortgage Loan	\$500,000–\$749,999	98	4.00%–20.00%	1/21–1/61	n/a	n/a	n/a	59,912	3,427
Fixed Rate Residential Mortgage Loan	\$750,000–\$999,999	49	4.50%–11.55%	1/21–11/60	n/a	n/a	n/a	42,823	3,553
Fixed Rate Residential Mortgage Loan	\$1,000,000–\$1,249,999	34	3.99%–9.50%	10/21–1/61	n/a	n/a	n/a	38,198	1,088
Fixed Rate Residential Mortgage Loan	\$1,250,000–\$1,499,999	19	4.24%–10.65%	9/21–12/60	n/a	n/a	n/a	26,481	—
Fixed Rate Residential Mortgage Loan	\$1,500,000–\$1,749,999	8	4.13%–8.99%	8/21–1/61	n/a	n/a	n/a	13,546	—
Fixed Rate Residential Mortgage Loan	\$1,750,000–\$1,999,999	4	3.88%–5.50%	11/50–1/61	n/a	n/a	n/a	7,874	—
Fixed Rate Residential Mortgage Loan	\$2,000,000–\$2,249,999	3	5.88%–6.50%	10/50–1/61	n/a	n/a	n/a	6,591	—
Fixed Rate Residential Mortgage Loan	\$2,250,000–\$2,499,999	3	5.99%–9.00%	9/21–12/50	n/a	n/a	n/a	7,308	—
Fixed Rate Residential Mortgage Loan	\$2,500,000–\$2,749,999	3	4.25%–5.25%	1/51–1/61	n/a	n/a	n/a	7,999	—
Fixed Rate Residential Mortgage Loan	\$3,250,000–\$3,499,000	1	6.13%	10/60	n/a	n/a	n/a	3,654	—
Fixed Rate Residential Mortgage Loan Held in Securitization Trust	\$0–\$249,999	260	4.63%–8.63%	1/47–9/60	n/a	n/a	n/a	44,822	176
Fixed Rate Residential Mortgage Loan Held in Securitization Trust	\$250,000–\$499,999	227	4.00%–8.38%	12/34–9/60	n/a	n/a	n/a	80,323	1,539
Fixed Rate Residential Mortgage Loan Held in Securitization Trust	\$500,000–\$749,999	107	4.50%–7.63%	11/47–9/60	n/a	n/a	n/a	65,494	3,792
Fixed Rate Residential Mortgage Loan Held in Securitization Trust	\$750,000–\$999,999	49	4.25%–8.13%	5/48–9/60	n/a	n/a	n/a	41,486	—
Fixed Rate Residential Mortgage Loan Held in Securitization Trust	\$1,000,000–\$1,249,999	18	4.50%–6.38%	5/48–9/60	n/a	n/a	n/a	19,603	—
Fixed Rate Residential Mortgage Loan Held in Securitization Trust	\$1,250,000–\$1,499,999	20	4.50%–6.38%	12/47–7/60	n/a	n/a	n/a	28,010	—
Fixed Rate Residential Mortgage Loan Held in Securitization Trust	\$1,500,000–\$1,749,999	3	4.50%–5.50%	11/47–8/60	n/a	n/a	n/a	4,882	—
Fixed Rate Residential Mortgage Loan Held in Securitization Trust	\$1,750,000–\$1,999,999	6	4.38%–6.38%	8/48–8/60	n/a	n/a	n/a	11,912	—
Fixed Rate Residential Mortgage Loan Held in Securitization Trust	\$2,000,000–\$2,249,999	3	5.12%–6.24%	4/50–4/59	n/a	n/a	n/a	6,829	—
Fixed Rate Residential Mortgage Loan Held in Securitization Trust	\$2,250,000–\$2,499,999	1	6.00%	1/59	n/a	n/a	n/a	2,508	—
Fixed Rate Residential Mortgage Loan Held in Securitization Trust	\$2,500,000–\$2,749,999	1	6.50%	12/60	n/a	n/a	n/a	2,782	—
Fixed Rate Residential Mortgage Loan Held in Securitization Trust	\$3,000,000–\$3,249,999	1	5.38%	5/49	n/a	n/a	n/a	3,027	—
Total Residential Mortgage Loans								1,187,069	64,509

Asset Type	Description	Number of Loans	Interest Rate	Maturity Date	Periodic Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages[(1)(2)]	Principal Amount of loans subject to delinquent principal or interest
Commercial Mortgage Loans:								*(In thousands)*	
Adjustable Rate Commercial Mortgage Loan	$0–$4,999,999	10	3.37%–9.00%	1/21–10/37	n/a	n/a	n/a	28,692	3,983
Adjustable Rate Commercial Mortgage Loan	$5,000,000–$9,999,999	9	7.00%–8.50%	3/21–4/22	n/a	n/a	n/a	65,776	16,500
Adjustable Rate Commercial Mortgage Loan	$10,000,000–$14,999,999	5	8.00%–11.00%	10/21–3/22	n/a	n/a	n/a	58,999	23,750
Adjustable Rate Commercial Mortgage Loan	$15,000,000–$19,999,999	3	8.25%–9.00%	8/21–9/21	n/a	n/a	n/a	46,633	—
Adjustable Rate Commercial Mortgage Loan	$25,000,000–$29,999,999	1	7.10%	2/21	n/a	n/a	n/a	12,558	—
Fixed Rate Commercial Mortgage Loan	$5,000,000–$9,999,999	1	8.00%	3/21	n/a	n/a	n/a	373	—
Total Commercial Mortgage Loans								213,031	44,233
Total Mortgage Loans								1,400,100	108,742

(1) Aggregate cost for federal income tax purposes is $598.8 million for commercial and non-securitized residential mortgage loans. Excluded from this amount is the cost basis for federal income tax purposes of $801.3 million of securitized residential loans; such loans have been deemed to be sold for tax purposes but do not meet the requirements for true sale under U.S. GAAP.
(2) As of December 31, 2020, all of the Company's mortgage loans were carried at fair value. See Note 2 and Note 3 in the notes to our consolidated financial statements for the year ended December 31, 2020 for additional details.

The following table presents a roll-forward of the fair value of the Company's mortgage loans on real estate for the year ended December 31, 2020.

	Year Ended	
	December 31, 2020	December 31, 2019
(In thousands)		
Beginning Balance	$ 1,206,962	$ 692,131
Additions:		
Purchases	716,241	837,502
Net unrealized gain	11,427	6,717
Net realized gain	—	3,878
Deductions:		
Cost of mortgages sold	(28,613)	(28,805)
Collections of principal	(496,186)	(275,520)
Amortization of premium and (discounts)	(6,317)	(6,363)
Foreclosures	(3,384)	(22,578)
Net realized loss	(30)	—
Ending Balance	$ 1,400,100	$ 1,206,962

3. Exhibits:

Exhibit	Description
3.1	Certificate of Incorporation of Ellington Financial Inc. (incorporated by reference to the current report on Form 8-K (No. 001-34569), filed on March 4, 2019)
3.2	Bylaws of Ellington Financial Inc. (incorporated by reference to the current report on Form 8-K (No. 001-34569), filed on March 4, 2019)
3.3	Certificate of Designations of 6.750% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock of Ellington Financial Inc. (incorporated by reference to the registration statement on Form 8-A filed on October 21, 2019)
4.1	Form of certificate representing the 6.750% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock of Ellington Financial Inc. (incorporated herein by reference to Exhibit 4.1 of Ellington Financial Inc.'s Form 8-A filed on October 21, 2019).
4.2	Indenture, dated as of February 13, 2019, among EF Holdco Inc., EF Cayman Holdings Ltd., Ellington Financial LLC and Wilmington Trust, National Association, as trustee (incorporated by reference to the current report on Form 8-K (No. 001-34569), filed on February 13, 2019)
4.3	Form of EF Holdco Inc.'s and EF Cayman Holdings Ltd.'s 5.50% Senior Notes due 2022 (included in Exhibit 4.2)
4.4	Description of Securities Registered under Section 12 of the Exchange Act (incorporated by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 2019)
10.1†	Seventh Amended and Restated Management Agreement, by and between the Company, Ellington Financial Operating Partnership LLC and Ellington Financial Management LLC, dated as of March 13, 2018 (incorporated by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 2017)
10.2	Operating Agreement of Ellington Financial Operating Partnership LLC, by and between the Company, Ellington Financial Operating Partnership LLC and EMG Holdings, L.P., dated as of January 1, 2013 (incorporated by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 2012)
10.3	First Amendment to Limited Liability Company Operating Agreement of Ellington Financial Operating Partnership LLC, by and between the Company, Ellington Financial Operating Partnership LLC and EMG Holdings, L.P., dated as of January 1, 2013. (incorporated by reference to the Current Report on Form 8-K filed on October 22, 2019)
10.4†	2007 Incentive Plan for Individuals (incorporated by reference to the registration statement on Form S-11 (No. 333-160562), filed July 14, 2009, as amended)
10.5†	2007 Incentive Plan for Entities (incorporated by reference to the registration statement on Form S-11 (No. 333-160562), filed July 14, 2009, as amended)
10.6†	Ellington Financial LLC 2017 Equity Incentive Plan (incorporated by reference to the Current Report on Form 8-K filed on May 18, 2017)
10.7†	Form of LTIP Unit Award Agreement for Directors (incorporated by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 2011)
10.8†	Form of LTIP Unit Award Agreement for Individuals (incorporated by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 2011)
10.9†	Form of Individual LTIP Unit Award Agreement under 2017 Equity Incentive Plan (incorporated by reference to the Current Report on Form 8-K filed on May 18, 2017)
10.10†	Form of Non-Employee Director LTIP Unit Award Agreement under 2017 Equity Incentive Plan (incorporated by reference to the Current Report on Form 8-K filed on May 18, 2017)
10.11†	Form of OP LTIP Unit Award for Directors (incorporated by reference to Form 10-Q for the Quarter Ended September 30, 2019).
10.12†	Form of OP LTIP Unit Award for Officers (incorporated by reference to Form 10-Q for the Quarter Ended September 30, 2019).
10.13†	Form of Indemnity Agreement (incorporated by reference to the registration statement on Form S-11 (No. 333-160562), filed on September 3, 2009, as amended)
21.1	List of Subsidiaries (incorporated by reference to Exhibit 21.1 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2020)
23.1	Consent of the Independent Registered Public Accounting Firm (incorporated by reference to Exhibit 23.1 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2020)
23.2	Consent of Richey May & Co., for Financial Statements of Longbridge Financial, LLC
24.1	Power of Attorney (incorporated by reference to Exhibit 24.1 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2020)

Exhibit	Description
(continued)	
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002
99.1	Financial Statements of Longbridge Financial, LLC
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Furnished herewith. These certifications are not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

† Management or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		ELLINGTON FINANCIAL INC.	
Date:	July 1, 2021	By:	/s/ LAURENCE PENN
			Laurence Penn Chief Executive Officer (Principal Executive Officer)

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-255515) of Ellington Financial Inc. of our report dated July 1, 2021 relating to the financial statements of Longbridge Financial, LLC, which appears in this Amendment No. 1 to Ellington Financial Inc.'s Form 10-K.

/s/ Richey May & Co.
Denver, Colorado
July 1, 2021

Exhibit 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Laurence Penn, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Ellington Financial Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 1, 2021

/s/ Laurence Penn

Laurence Penn
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, JR Herlihy, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of Ellington Financial Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 1, 2021

/s/ JR Herlihy
JR Herlihy
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Ellington Financial Inc. (the “Company”) on Form 10-K/A for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Laurence Penn, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	July 1, 2021	/s/ Laurence Penn
		Laurence Penn Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Ellington Financial Inc. (the "Company") on Form 10-K/A for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, JR Herlihy, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 1, 2021

/s/ JR Herlihy
JR Herlihy
Chief Financial Officer
(Principal Financial and Accounting Officer)

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS FOR
LONGBRIDGE FINANCIAL, LLC
FOR THE YEAR ENDED DECEMBER 31, 2020

RICHEY MAY & CO

Assurance | Tax | Advisory

LONGBRIDGE FINANCIAL, LLC

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RICHEY MAY & CO

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Englewood, CO 80112
303-721-6131
www.richeymay.com
Assurance | Tax | Advisory

INDEPENDENT AUDITORS' REPORT

To the Members
Longbridge Financial, LLC
Mahwah, New Jersey

Report on the Financial Statements
We have audited the accompanying financial statements of Longbridge Financial, LLC, which comprise the balance sheet as of December 31, 2020, and the related statements of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

Financial Statements Restatement

As discussed in Note B of the financial statements, Longbridge Financial, LLC's management restated certain balance sheet accounts, statements of operations accounts and the statement of cash flows and certain footnotes from the previously issued financial statements. There has been no cumulative effect on members' equity and as a result our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Longbridge Financial, LLC as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Richey, May & Co.

Englewood, Colorado
July 1, 2021

LONGBRIDGE FINANCIAL, LLC
BALANCE SHEET
DECEMBER 31, 2020

ASSETS		As Restated
Cash and cash equivalents	$	24,564,164
Certificate of deposit		210,876
Escrow cash		1,396,094
Restricted cash		1,250,000
Mortgage loans held for sale, at fair value		11,706,047
Accounts receivable and advances		2,406,046
Interest rate lock commitments		4,778,352
Prepaid expenses		695,765
Property and equipment, net		490,132
Mortgage servicing rights, at fair value		1,184,675
Reverse mortgage interests, at fair value		24,758,759
Reverse mortgage loans held for investment, subject to HMBS obligations, at fair value		5,109,221,590
Deposits		95,692
TOTAL ASSETS	$	5,182,758,192
LIABILITIES AND MEMBERS' EQUITY		
Accounts payable and accrued expenses	$	11,243,842
Customer deposits and loan escrows		4,482,070
Warehouse lines of credit		91,009,588
Tail financing facility		7,896,047
Operating line of credit		27,500,000
Reverse mortgage interest liabilities, at fair value		20,453,569
HMBS related obligations, at fair value		4,928,317,278
Total liabilities		5,090,902,394
COMMITMENTS AND CONTINGENCIES (Note Q)		
MEMBERS' EQUITY		91,855,798
TOTAL LIABILITIES AND MEMBERS' EQUITY	$	5,182,758,192

LONGBRIDGE FINANCIAL, LLC
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

		As Restated
REVENUE		
Income from reverse mortgage loans held for investment, at fair value	$	290,845,520
Interest income		587,064
Loan origination fees		1,449,952
Servicing and other fee income		1,361,798
Total revenue		294,244,334
EXPENSES		
Expenses related to HMBS obligations, at fair value		223,854,510
Interest expense		2,784,593
Salaries, commissions and benefits		19,793,961
Loan servicing expenses		6,039,694
Occupancy, equipment and communication		1,387,990
General and administrative		9,415,924
Depreciation and amortization		284,420
Total expenses		263,561,092
OTHER INCOME/(EXPENSE)		
Gain on sale of mortgage loans held for sale, at fair value		2,951,232
Valuation adjustment and deletions of mortgage servicing rights		(264,589)
		2,686,643
NET INCOME	$	33,369,885

LONGBRIDGE FINANCIAL, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

Balance, January 1, 2020	$	58,425,006
Stock-based compensation		60,907
Net income		33,369,885
Balance, December 31, 2020	$	91,855,798

The accompanying notes are an integral part of these financial statements.

LONGBRIDGE FINANCIAL, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

		As Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$	33,369,885
Non-cash items-		
Valuation adjustment and deletions of mortgage servicing rights		264,589
Fair value change of reverse mortgage loans held for investment, net		(167,541,691)
Fair value change of HMBS related obligations		106,919,368
Depreciation and amortization		284,420
Gain on sale of mortgage loans held for sale, at fair value		(2,951,232)
Stock-based compensation		60,907
Reverse mortgage interests, net		(977,967)
(Increase) decrease in-		
Certificate of deposit		(2,776)
Escrow cash		(614,114)
Proceeds from sale of mortgage loans held for sale		97,245,791
Originations and purchases of mortgage loans held for sale		(100,180,424)
Accounts receivable and advances		1,008,977
Interest rate lock commitments		(2,635,954)
Prepaid expenses		(170,214)
Deposits		(9,648)
Increase (decrease) in-		
Accounts payable and accrued expenses		590,153
Customer deposits and loan escrows		528,517
Net cash used in operating activities		(34,811,413)
CASH FLOWS FROM INVESTING ACTIVITIES		
Originations and purchases of mortgage loans held for investment		(1,929,623,192)
Net purchases of property and equipment		(216,328)
Principal payments on mortgage loans held for investment		399,377,375
Net cash used in investing activities		(1,530,462,145)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings under warehouse lines of credit		8,792,048
Net borrowings under tail financing facility		2,698,901
Net borrowings under operating line of credit		27,500,000
Net repayments under notes payable, member		(12,500,000)
Borrowings under HMBS related obligations, at fair value		1,948,821,619
Principal payments to HMBS related obligations, at fair value		(398,678,651)
Net cash provided by financing activities		1,576,633,917

LONGBRIDGE FINANCIAL, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

		As Restated
INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	$	11,360,359
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR		14,453,805
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$	25,814,164
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$	5,985,513
NON-CASH OPERATING AND INVESTING ACTIVITIES		
The Company increased retained mortgage servicing rights in connection with loan sales.	$	1,227,088
The Company recognized reverse mortgage interests at fair value, under the secured financing arrangement.	$	9,955,698
The Company recognized reverse mortgage interest liabilities at fair value, under the secured financing arrangement.	$	8,977,731

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Longbridge Financial, LLC (the Company) was organized in the State of Delaware and is primarily engaged in the business of originating, purchasing, selling and servicing home equity conversion mortgage (HECM) loans through its correspondent, broker, and retail origination channels. The Company maintains its corporate office in Mahwah, New Jersey, with branch offices in multiple states. The Company is approved as a Title II, non-supervised direct endorsement mortgagee with the United States Department of Housing and Urban Development (HUD). In addition, the Company is an approved issuer of Government National Mortgage Association (GNMA) HECM mortgage backed securities (HMBS). HMBS are guaranteed by GNMA and collateralized by participation interests in HECMs, which are insured by the Federal Housing Administration (FHA). The Company also originates and services non-FHA guaranteed reverse jumbo proprietary products, for borrowers in high property value areas that exceed FHA limits.

Basis of Accounting

The financial statements of the Company are prepared on the accrual basis of accounting.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as codified in the Financial Accounting Standards Board's (FASB) *Accounting Standards Codification* (ASC).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Variable Interest Entities

The Company issues GNMA HMBS securities by pooling eligible HECM loans through a custodian and assigning rights to the loans to GNMA. GNMA provides credit enhancements for the HECM loans through certain guarantee provisions. These securitizations involve variable interest entities (VIEs) as the trusts or similar vehicles, by design, that either (1) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) have equity investors that do not have the ability to make significant decisions relating to the entity's operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Variable Interest Entities (Continued)

The primary beneficiary of a VIE (i.e., the party that has a controlling financial interest) is required to consolidate the assets and liabilities of the VIE. The primary beneficiary is the party that has both (1) the power to direct the activities of an entity that most significantly impact the VIE's economic performance; and (2) through its interests in the VIE, the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company typically retains the right to service HECM loans sold or securitized by GNMA. Due to the significant influence of GNMA over the VIEs that hold the assets from HECM loan securitizations, principally through their rights and responsibilities as master servicer, the Company is not the primary beneficiary of the VIEs and therefore the VIEs are not consolidated.

The Company performs on-going reassessments of whether changes in the facts and circumstances regarding the Company's involvement with a VIE cause the Company's consolidation determination to change.

Cash and Cash Equivalents

For cash flow purposes, the Company considers cash and temporary investments with original maturities of three months or less, to be cash and cash equivalents. The Company has diversified its credit risk for cash by maintaining deposits in several financial institutions, which may at times exceed amounts covered by insurance from the Federal Deposit Insurance Corporation. The Company evaluates the creditworthiness of these financial institutions in determining the risk associated with these balances. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Restricted Cash

The Company maintains a cash balance that is restricted under a warehouse line of credit agreement.

Mortgage Loans Held for Sale, at Fair Value

Mortgage loans held for sale are carried at fair value under the fair value option with changes in fair value recorded in gain on sale of mortgage loans held for sale on the statement of operations. The fair value of mortgage loans held for sale committed to investors is calculated using observable market information such as the investor commitment, assignment of trade or other mandatory delivery commitment prices. The Company bases the fair value of loans committed to Agency investors based on the Agency's quoted mortgage backed security (MBS) prices. The fair value of mortgage loans held for sale not committed to investors is based on quoted best execution secondary market prices. If no such quoted price exists, the fair value is determined using quoted prices for a similar asset or assets, such as MBS prices, adjusted for the specific attributes of that loan, which would be used by other market participants.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans Held for Sale, at Fair Value (Continued)
Gains and losses from the sale of mortgage loans held for sale are recognized based upon the difference between the sales proceeds and carrying value of the related loans upon sale. Sales proceeds reflect the cash received from investors through the sale of the loan and servicing release premium. If the related mortgage servicing right (MSR) is sold servicing retained, the MSR addition is recorded in gain on sale of mortgage loans held for sale on the statement of operations. Gain on sale of mortgage loans held for sale also includes the unrealized gains and losses associated with the changes in the fair value of mortgage loans held for sale.

Mortgage loans held for sale are considered sold when the Company surrenders control over the financial assets. Control is considered to have been surrendered when the transferred assets have been isolated from the Company, beyond the reach of the Company and their creditors; the purchaser obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and the Company does not maintain effective control over the transferred assets through either an agreement that both entitles and obligates the Company to repurchase or redeem the transferred assets before their maturity or the ability to unilaterally cause the holder to return specific financial assets. The Company typically considers the above criteria to have been met upon acceptance and receipt of sales proceeds from the purchaser.

Reverse Mortgage Loans Held for Investment, Subject to HMBS Obligations, at Fair Value
HECM loans are either sold to investors or pooled and securitized into HMBS and sold into the secondary market with servicing rights retained. Reverse mortgage loans held for investment, subject to HMBS obligations, at fair value (LHFI) on the balance sheet includes reverse mortgage loans, servicing advances and subsequent tail draws that have not yet been transferred to GNMA securitization pools (HMBS) and reverse mortgage loans that have been repurchased from GNMA securitization pools. The changes in fair value of these loans are recorded in income from reverse mortgage loans held for investment, at fair value on the statement of operations.

HMBS Related Obligations, at Fair Value
Based on the structure of an HMBS, an approved HMBS issuer is required to repurchase HECM loans out of the GNMA securitization pools if the outstanding principal balance of the related HECM is equal to or greater than 98% of the maximum claim amount (MCA), which is defined as the lesser of a home's appraised value at the point in time that the conditional commitment is issued or the maximum loan limit that can be insured by the Federal Housing Administration (FHA).

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

HMBS Related Obligations, at Fair Value (Continued)

The MCA repurchase requirement of the HECM loans from the HMBS does not allow the Company to qualify for sale accounting. As a result of not qualifying for sale accounting, the Company accounts for transfers of HECM loans into HMBS as secured borrowings. The secured borrowings are recorded in HMBS related obligations, at fair value on the balance sheet, with no gain or loss on the transfer. The HMBS related obligations, at fair value are measured on a recurring basis. The changes in fair value and interest expense on the obligation are recorded in expenses related to HMBS obligations, at fair value on the statement of operations.

Revenue Recognition of Reverse Mortgage Loans Held for Investment, at Fair Value

The income from reverse mortgage loans held for investment, at fair value on the statement of operations includes activity from the following (1) the interest the Company expects to collect on the HECM loans; (2) gains or losses on hedging activities; (3) changes in the fair value of interest rate lock commitments related to future LHFI; (4) premiums on loans purchased via the correspondent channel, which are capitalized upon origination as part of the purchase price, and are subsequently measured at fair value on a recurring basis; and (5) the change in fair value of servicing advances and tail draws eligible for HMBS securitizations and the change in fair value of the previously securitized HECM loans.

Loan Origination Fees

Loan origination fees represent revenue earned from originating mortgage loans. Loan origination fees generally represent a flat per-loan fee amount based on a percentage of the original principal loan balance and are recognized as revenue at the time the mortgage loans are funded. Loan origination expenses are charged to operations as incurred.

Interest Income

Interest income on mortgage loans held for sale, at FV is recognized for the period from loan funding to sale based upon the principal balance outstanding and stated interest rate.

Servicing and Other Fee Income

Servicing and other fee income represents certain success and upfront fees pursuant to the Collaboration and Transfer Agreement and is recognized into revenue at the time the initial HMBS is securitized.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

FASB ASC 606, *Revenue from Contracts with Customers* (ASC 606), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. The majority of the Company's revenue generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as the Company's mortgage loans and derivatives, as well as revenue related to the Company's mortgage servicing activities, as these activities are subject to other GAAP discussed elsewhere within the Company's notes to financial statements.

Servicing Advances

Servicing advances represent mortgage insurance premiums advanced on behalf of HECM borrowers. Servicing advances are made in accordance with the servicing agreements and are recoverable through the collection of proceeds from subsequent securitizations of HMBS tail pools. Servicing advances are initially recorded at the original advance balance. Upon eligibility for HMBS securitization, servicing advances are carried at fair value under the fair value option and included in reverse mortgage loans held for investment, subject to HMBS obligations, at fair value on the balance sheet, with changes in fair value recorded in income from reverse mortgage loans held for investment, at fair value on the statement of operations. Servicing advances not eligible for HMBS securitizations are carried at the original advance balance and are included in LHFI on the balance sheet. The Company periodically reviews servicing advances for collectability and establishes a valuation allowance for estimated uncollectible amounts. No allowance has been recorded as of December 31, 2020, as management has determined that all amounts are fully collectible.

Capitalized Software Development Costs

FASB ASC 350-40, Goodwill and Other—*Internal-Use Software* (ASC 350-40), requires the Company to expense development costs as they are incurred in the preliminary project stage. Once the capitalization criteria of ASC 350-40 have been met, external direct costs of materials and services consumed in developing or obtaining internal-use computer software, payroll and payroll related costs for employees who are directly associated with and who devote time to the internal-use computer software; as well as related consulting fees are capitalized. The Company did not capitalize or placed into service any internally developed software during the year ended December 31, 2020.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment, Net

Property and equipment is recorded at cost and depreciated or amortized using the straight line method over the estimated useful lives of the assets. The following is a summary of property and equipment at December 31, 2020:

	Useful lives (years)	Amounts
Property and equipment, at cost		
Furniture and equipment	5	$ 210,838
Computer equipment and software	3-5	440,909
Internally developed software	3	584,806
Leasehold improvements	(a)	23,427
Total property and equipment, at cost		1,259,980
Accumulated depreciation and amortization		
Furniture and equipment		(133,494)
Computer equipment and software		(217,157)
Internally developed software		(396,369)
Leasehold improvements		(22,828)
Total accumulated depreciation and amortization		(769,848)
Total property and equipment, net		$ 490,132

(a) Amortized over the shorter of the related lease term or the estimated useful life of the assets.

The Company periodically assesses property and equipment for impairment whenever events or circumstances indicate the carrying amount of an asset may exceed its fair value. If property and equipment is considered impaired, the impairment losses will be recorded on the statement of operations. The Company did not recognize any impairment losses during the year ended December 31, 2020.

Interest Rate Lock Commitments

The Company holds and issues interest rate lock commitments (IRLCs) and futures contracts. IRLCs are subject to price risk primarily related to fluctuations in market interest rates. To hedge the interest rate risk on mandatory IRLCs, the Company enters into futures contracts. Management expects these futures contracts to experience changes in fair value opposite to the changes in fair value of the IRLCs thereby reducing earnings volatility. Futures contracts are also used to hedge the interest rate risk on mortgage loans held for sale and mortgage loans held for investment that are not committed to investors and still subject to price risk.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Rate Lock Commitments (Continued)

The Company considers various factors and strategies in determining what portion of the IRLCs and uncommitted mortgage loans held for investment to economically hedge. During March 2020, treasury yield fell to historically low levels, and the Company's treasury positions closed out. As a result, the Company does not have any outstanding treasury futures outstanding at December 31, 2020. The Company will actively reassess the interest rate hedges once the 10-year Treasury Yield exceeds 1.00%. Interest rate lock commitments are recognized as assets or liabilities on the balance sheet at their fair value. Changes in the fair value of the IRLCs and futures contracts are recognized in income from reverse mortgage loans held for investment, at fair value on the statement of operations in the period in which they occur.

Reverse Mortgage Interests, at Fair Value and Related Liabilities, at Fair Value

During the year ended December 31, 2019, the Company entered into a Collaboration and Transfer Agreement with an unrelated entity. Pursuant to the agreement, the Company purchases HECM loans and their associated MSR, securitizing the reconstituted loans under the GNMA program into HMBS pools. The Company is the legal owner and the servicer of the HMBS portfolio and provides all servicing functions. The Company sold to the same entity the right to receive a specified allocation of the cash flows generated from the HMBS portfolio. The Company retains a base participation fee, along with the right to premiums on subsequent HECM tail securitizations. Under the agreement, the Company is provided a put option repurchase guarantee from the unrelated entity, whereby if the Company is required to repurchase and transfer a new loan or a replacement loan of similar economic characteristics into the respective portfolio, then the Company can reassign the rights and obligations regarding that repurchase or transferred loan to the entity. The new or replacement loan will be governed by the same terms set forth in the Collaboration and Transfer Agreement.

Mortgage Servicing Rights and Revenue Recognition

FASB ASC 860-50, *Transfers and Servicing*, requires that MSRs be initially recorded at fair value at the time the underlying loans are sold. To determine the fair value of the MSR created, the Company uses a valuation model that calculates the net present value of future cash flows. The valuation model incorporates assumptions that market participants would use in estimating future cash flows, estimated discount rates, estimated prepayment speeds, estimated liquidation and foreclosure losses, estimated contractual participation fees, and estimated default rates. The credit quality and stated interest rates of the HECM loans underlying the MSRs affects the inputs used in the cash flow models. MSRs are not actively traded in open markets; accordingly, considerable judgment is required to estimate their fair value, and changes in these estimates could materially change the estimated fair value. The Company accretes a fixed servicing fee margin monthly based on the outstanding principal balances of the sold HECM loans.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Servicing Rights and Revenue Recognition (Continued)

After initially recording the MSRs at fair value, the Company has elected to subsequently report its MSRs at fair value, during which time the Company is exposed to fair value risk related to changes in the fair value of the Company's MSRs. Changes in fair value are recorded in valuation adjustment and deletions of mortgage servicing rights on the statement of operations in the period in which changes in fair value occur. Estimates of remaining loan lives, prepayment speeds, liquidation and foreclosure losses are incorporated into the model.

These inputs can, and generally do, change from period to period as market conditions change. Changes in these estimates could materially change the estimated fair value.

The key unobservable inputs used in determining the fair value of MSRs when they are initially recorded are as follows for the year ended December 31, 2020:

	Inputs
Average discount rate	12.00%
Average prepayment speed	12.40%

During the year ended December 31, 2020, the Company and an unrelated entity entered into a sale and servicing agreement. Under the agreement, the Company sells certain reverse mortgage loans to the entity based on a commitment price. The Company retains the benefits and obligations related to the MSRs. The MSRs related to the private proprietary reverse mortgages yield a servicing fee margin, which is agreed upon with the unrelated entity as stated in the sale and servicing agreement.

Issuer Loss Reserve

LHFI securitized by the Company, and which met investor and GNMA underwriting guidelines at the time of sale may be subject to repurchase in the event of a mandatory purchase event; default, bankruptcy, or death by borrower; or subsequent discovery that underwriting standards were not met. Management has established a reserve for potential losses related to these events. In assessing the adequacy of the reserve, management evaluates various factors including liquidation and foreclosure losses, known delinquent and other problem loans, and economic trends and conditions in the industry. Actual losses are charged to operations as incurred. The Company established an issuer loss reserve for estimated liquidation and foreclosure losses totaling $4,178,025 at December 31, 2020, which is included in reverse mortgage loans held for investment, subject to HMBS obligations, at fair value on the balance sheet. The issuer loss reserve is provided as part of the overall LHFI valuation.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Issuer Loss Reserve (Continued)
Because of the uncertainty in the various estimates underlying the issuer loss reserve, there is a range of losses in excess of the recorded issuer loss reserve that is reasonably possible. The estimate of the range of possible loss is based on current available information, significant judgment, and a number of assumptions that are subject to change.

Escrow and Fiduciary Funds
The Company maintains segregated bank accounts for escrow balances in trust for borrowers' draws. The balance of the account totaled $2,500,331 at December 31, 2020, which is excluded from the balance sheet.

Advertising and Marketing
Advertising and marketing is expensed as incurred and amounted to $3,633,212 for the year ended December 31, 2020, and is included in general and administrative on the statement of operations.

Income Taxes
The Company has elected to be taxed as a partnership under the Internal Revenue Code. Accordingly, no federal income tax provision and state income taxes, to the extent possible, have been recorded in the financial statements, as all items of income and expense generated by the Company are reported on the members' income tax returns. The Company has no federal or state tax examinations in process as of December 31, 2020.

Stock-Based Compensation
Company management may grant executive common unit options to certain employees and non-employee directors under the executive common unit option plan. Under the plan, 5,250 executive common unit options were available to be issued, with each unit option allowing for 1,000 membership units to be purchased.

Common unit option awards are generally granted with an exercise price equal to the market price of the Company's executive common units at the date of grant. Grant-date fair value is determined using the Black-Scholes pricing model adjusted for unique characteristics of the specific awards.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation (Continued)

FASB ASC 718-10, *Compensation- Stock Compensation*, requires compensation expense related to the award to be recognized for unit options issued to employees over the required requisite service period, generally defined as the vesting period, which is five years. For service period awards with graded vesting, compensation expense is recognized based on the graded vesting basis (based on each respective agreement) over the requisite service period for the entire award. Recognized compensation expense related to the service period option awards was recognized and is included in salaries, commissions, and employee benefits on the statement of operations. For performance-based awards, compensation expense is recognized over the requisite service period when the Company determines that it is probable the performance condition will be achieved. At December 31, 2020, management determined it is not estimable for the performance condition to be achieved and the Company did not recognize compensation expense related to the performance-based award. The Company periodically evaluates the probability of the performance condition being achieved and will recognize compensation expense when the performance condition is met.

Risks and Uncertainties

In the normal course of business, companies in the mortgage banking industry encounter certain economic and regulatory risks. Economic risks include interest rate risk and credit risk. The Company is subject to interest rate risk to the extent that in a rising interest rate environment, the Company may experience a decrease in loan production, as well as decreases in the value of mortgage loans held for investment and commitments to originate and purchase loans, which may negatively impact the Company's operations. Credit risk is the risk of default that may result from the borrowers' inability or unwillingness to make contractually required payments during the period in which loans are being held for investment prior to securitization or subsequent to securitization while serviced by the Company. Risks associated with HECMs and servicing HMBS are subject to the Company's ability to accurately estimate interest curtailment liabilities, fund HECM repurchase obligations and principal additions, and the ability to securitize the HECM loans and tails.

The Company's business requires substantial cash to support its operating activities. As a result, the Company is dependent on its warehouse lines of credit, tail financing facility and other financing facilities in order to finance its continued operations. If the Company's principal lenders decided to terminate or not to renew any of these financing facilities with the Company, the loss of borrowing capacity could have a material adverse impact on the Company's financial statements unless the Company found a suitable alternative source.

The recent global outlook of COVID-19 has disrupted economic markets, and the prolonged economic impact is uncertain. The operational and financial performance of the Company depends on future developments, including the duration and spread of the outbreak, and such uncertainty may have an adverse impact on the Company's financial performance.

B. FINANCIAL STATEMENTS RESTATEMENT

Subsequent to the issuance of financial statements for the year ended December 31, 2020, with a report date on February 10, 2021, management identified that certain transactions to transfer loans and issue GNMA HMBS securities that were previously recorded as sales do not qualify for sale accounting in accordance with GAAP and therefore restated certain accounts in the financial statements to correct these errors. The restated financial statements account for such transfers as secured borrowings of HECM loans on the balance sheet, include the related income and expenses on the statement of operations and the related changes on the statement of cash flows. There was no impact to previously issued net income or members' equity. The following are the accounts that were restated as of and for the year ended December 31, 2020:

	Originally Stated	As Adjusted
Mortgage loans held for sale, at fair value	$ 119,014,693	$ 11,706,047
Mortgage servicing rights, at fair value	$ 74,780,341	$ 1,184,675
Reverse mortgage loans held for investment, subject to HMBS obligations, at fair value	$ -	$ 5,109,221,590
HMBS related obligations, at fair value	$ -	$(4,928,317,278)
Income from reverse mortgage loans held for investment, at fair value	$ -	$ 290,845,520
Interest income	$ 2,469,393	$ 587,064
Servicing and other fee income	$ 2,184,569	$ 1,361,798
Expenses related to HMBS obligations, at fair value	$ -	$ (223,854,510)
Interest expense	$ (6,134,228)	$ (2,784,593)
Gain on sale of mortgage loans held for sale, net of direct costs	$ 72,095,243	$ 2,951,232
Participation fees	$ 8,981,215	$ -
Valuation adjustment and deletions of mortgage servicing rights	$ (10,754,269)	$ (264,589)
Net cash used in operating activities	$ (14,914,262)	$ (34,811,413)
Net cash used in investing activities	$ (216,327)	$(1,530,462,145)
Net cash provided by financing activities	$ 26,490,948	$ 1,576,633,917

C. MORTGAGE LOANS HELD FOR SALE, AT FAIR VALUE

Mortgage loans held for sale are as follows, as restated, at December 31, 2020:

	Amounts
Mortgage loans held for sale	$ 11,000,848
Fair value adjustment	705,199
	$ 11,706,047

D. ACCOUNTS RECEIVABLE AND ADVANCES

The following summarizes accounts receivable and advances at December 31, 2020:

	Amounts
Accounts receivable, trade	$ 34,284
Prepaid scheduled draws	1,863,449
Other fee income receivable	388,349
Other receivables	119,964
	$ 2,406,046

There were no servicing advances or accreted participation fees included in accounts receivable and advances on the balance sheet at December 31, 2020, as management determined that servicing advances and accreted participation fees were eligible to be securitized.

Prepaid scheduled draws represent funds related to HECM mortgage loans remitted to the Company's subservicer but not yet drawn by the borrowers, and therefore not eligible to be securitized. Other fee income receivable represents amounts due to the Company under the Collaboration and Transfer Agreement (Note G). Other receivables represent buyout funds related to loan repurchases.

The Company periodically evaluates the carrying value of accounts receivable and advance balances with delinquent balances written-off based on specific credit evaluations and circumstances of the debtor. No allowance for doubtful accounts has been established at December 31, 2020, as management has determined that all amounts are fully collectible.

E. INTEREST RATE LOCK COMMITMENTS

The Company enters into IRLCs to originate and purchase HECM mortgage loans held for sale and mortgage loans held for investment, at stated interest rate margins and within a specified period of time (generally between 30 and 180 days), with borrowers who have applied for a loan and have met certain credit and underwriting criteria. The IRLCs are adjusted for estimated costs to originate or purchase the loan as well as the probability that the mortgage loan will fund within the terms of the IRLC (the pullthrough rate). Estimated costs to originate include the acquisition price of the mortgage loans purchased through its correspondent channel, account executive and loan officer commissions and related employer payroll taxes, and lender credits. The pullthrough rate is based on estimated changes in market conditions, loan stage, and actual borrower behavior using a historical analysis of actual funding rates. The Company analyzes the pullthrough on a quarterly basis to ensure the pullthrough estimate is reasonable.

E. INTEREST RATE LOCK COMMITMENTS (Continued)

The key unobservable inputs used in determining the fair value of IRLCs are as follows for the year ended December 31, 2020:

	Inputs
Average pullthrough rate	86.35%
Average costs to originate	7.06%

The following summarizes IRLCs at December 31, 2020:

	Fair Value	Notional Amount
IRLCs	$ 4,778,352	$ 86,551,000

The notional amounts of mortgage loans held for sale and mortgage loans held for investment not committed to investors amounted to approximately $106,000,000 at December 31, 2020.

The Company has exposure to credit loss in the event of contractual non-performance by its trading counterparties in financial instruments that the Company uses in its rate risk management activities. The Company manages this credit risk by selecting only counterparties that the Company believes to be financially strong, spreading the risk among multiple counterparties, by placing contractual limits on the amount of unsecured credit extended to any single counterparty and by entering into netting agreements with counterparties, as appropriate.

F. MORTGAGE SERVICING RIGHTS, AT FAIR VALUE

The following summarizes the activity of MSRs for the year ended December 31, 2020:

	MSR
Balance, beginning of year	$ 222,176
Additions due to loans sold, servicing retained	1,227,088
Fair value adjustments	(264,589)
Balance, end of year	$ 1,184,675
Unpaid principal balance (approximate)	$ 119,990,000

The reverse mortgage loans serviced are private label securitizations and are not insured against losses by the FHA. The fair value of capitalized MSRs at December 31, 2020 was approximately $1,185,000.

F. MORTGAGE SERVICING RIGHTS, AT FAIR VALUE (Continued)

The unobservable inputs used in determining the fair value of the Company's MSRs are as follows at December 31, 2020:

	Inputs
Average discount rate	12.00%
Average prepayment speed	16.80%

The hypothetical effect of an adverse change in these key unobservable inputs would result in a decrease in fair value as follows at December 31, 2020:

		Inputs
Discount rates:		
Effect on value - 1% adverse change	$	(65,879)
Effect on value - 2% adverse change	$	(124,999)
Prepayment speeds:		
Effect on value - 5% adverse change	$	(44,042)
Effect on value - 10% adverse change	$	(85,632)

These sensitivities are hypothetical and should be used with caution. As the table demonstrates, the Company's methodology for estimating the fair value of MSRs is highly sensitive to changes in unobservable inputs. For example, actual prepayment experience may differ and any difference may have a material effect on MSR fair value. Changes in fair value resulting from changes in inputs generally cannot be extrapolated because the relationship of the change in inputs to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular input on the fair value of the MSRs is calculated without changing any other input; in reality, changes in one factor may be associated with changes in another (for example, decreases in market interest rates may indicate higher prepayments; however, this may be partially offset by lower prepayments due to other factors such as a borrower's diminished opportunity to refinance), which may magnify or counteract the sensitivities. Thus, any measurement of MSR fair value is limited by the conditions existing and inputs made as of a particular point in time. Those inputs may not be appropriate if they are applied to a different point in time.

G. REVERSE MORTGAGE INTERESTS AND RELATED LIABILITY

Pursuant to the Collaboration and Transfer Agreement, the Company sells to an unrelated entity the right to receive a portion of the cash flows generated from the Company's RMI portfolio. The retained portions include the contractual base servicing fee and the expected premiums on subsequent securitizations of HECM tail pools. The Company continues to be the named issuer and servicer, and, for accounting purposes, ownership of the RMI portfolio resides with the Company. Accordingly, the Company records the reverse mortgages interests and related liability, associated with this transaction, at fair value on its balance sheet. The Company evaluated these transactions to determine if they are sales or secured borrowings and has determined that they fall under secured borrowing.

The reverse mortgage interests and related liability is as follows at December 31, 2020:

	Amounts
Reverse mortgage interests, fair value	$ 24,758,759
Less: retained portions	(4,305,190)
Reverse mortgage interests liabilities, at fair value	$ 20,453,569

The Company obtains a valuation from a valuation company on an annual basis to support the reasonableness of the fair value of the reverse mortgage interests and the related liability. The unpaid principal balance securitized under the secured financing arrangement with the unrelated entity approximated $1,732,349,000 at December 31, 2020 and is included in HMBS obligations.

The following summarizes the activity of RMIs for the year ended December 31, 2020:

	RMI, Asset	RMI, Liability	Retained Portion
Balance, beginning of year	$ 14,803,055	$ 11,475,839	$ 3,327,216
Additions	8,872,130	7,487,471	1,384,659
Valuation adjustments and deletions	1,083,574	1,490,259	(406,685)
Balance, end of year	$ 24,758,759	$ 20,453,569	$ 4,305,190

The fair value of the capitalized retained portions related to the reverse mortgage interests totaled $4,305,190 and current year amounts are included in servicing and other fee income on the statement of operations.

G. REVERSE MORTGAGE INTERESTS AND RELATED LIABILITY (Continued)

The key unobservable inputs used in determining the fair value of the Company's valuation of reverse mortgage interests and related liability is as follows at December 31, 2020:

	Inputs
Average discount rate	12.00%
Lifetime prepayment speeds	14.41%
Average servicing fees	0.36
Average age of borrower	74
Weighted average life	4.51

The following table shows the hypothetical effect on the Company's reverse mortgage interests, at fair value when applying certain unfavorable variations of key unobservable inputs to these liabilities at December 31, 2020:

		Inputs
Discount rates:		
Effect on value - 1% adverse change	$	(750,029)
Effect on value - 2% adverse change	$	(1,457,634)
Prepayment speeds:		
Effect on value - 5% adverse change	$	(420,898)
Effect on value - 10% adverse change	$	(817,039)

As the cash flow inputs utilized in determining the fair value amounts in the reverse mortgage interests, at fair value are based on the related cash flow inputs utilized in the financed reverse mortgage interests, any fair value changes recognized in the financed reverse mortgage interests attributable to a related cash flow input would inherently have an inverse impact on the carrying amount of the related reverse mortgage interests. For example, while an increase in discount rates would negatively impact the value of the Company's financed reverse mortgage interests, it would reduce the carrying value of the associated reverse mortgage interests liability. These hypothetical sensitivities should be evaluated with care. The effect on fair value of a 10% variation in inputs generally cannot be determined because the relationship of the change in inputs to the fair value may not be linear. Additionally, the impact of a variation in a particular a input on the fair value is calculated while holding other inputs constant. In reality, changes in one input may lead to changes in other inputs, which could impact the above hypothetical effects. Also, a positive change in the above inputs would not necessarily correlate with the corresponding decrease in the net carrying amount of the financed reverse mortgage interests.

G. REVERSE MORTGAGE INTERESTS AND RELATED LIABILITY (Continued)

Pursuant to the Collaboration and Transfer Agreement (Agreement), the Company earns upfront and success fees related to the initial securitizations of HECM loans. During the year ended December 31, 2020, the Company recognized $383,830 related to those fees, which are not capitalized and is included in servicing and fee income on the statement of operations. The Company also earns a contractual servicing fee to service the HECM loans. During the year ended December 31, 2020, the Company recognized $977,974 related to the capitalized fair value of the retained portion related to the RMI portfolio, which is included in servicing and fee income on the statement of operations. Proceeds from the future securitizations are remitted to the entity, net of servicing and fee income. Amounts due under the Agreement from the unrelated entity amounted to $388,349 at December 31, 2020, which is included in accounts receivable and advances on the balance sheet. Future securitizations proceeds due to the unrelated entity amounted to $3,535,396 at December 31, 2020, and is included in accounts payable and accrued expenses on the balance sheet. Amounts due to the unrelated entity are remitted and paid when the respective loans are securitized or monetized.

H. REVERSE MORTGAGE LOANS HELD FOR INVESTMENT, SUBJECT TO HMBS OBLIGATIONS, AT FAIR VALUE

Reverse mortgage loans held for investment, subject to HMBS obligations, at fair value are as follows, as restated, at December 31, 2020:

	Loans Held For Investment	HMBS Related Obligations, at Fair Value
Beginning balance	$ 3,411,434,082	$ 3,271,254,942
Originations/purchases	1,929,623,192	-
Securitization of HECM loans accounted for as financing	-	1,948,821,619
Repayments (principal payments received)	(399,377,375)	(398,678,651)
Change in fair value	167,541,691	106,919,368
Ending balance	$ 5,109,221,590	$ 4,928,317,278
Securitized loans (pledged to HMBS related obligations)	$ 5,001,912,944	$ 4,928,317,278
Unsecuritized loans	107,308,646	
Total	$ 5,109,221,590	

H. REVERSE MORTGAGE LOANS HELD FOR INVESTMENT, SUBJECT TO HMBS OBLIGATIONS, AT FAIR VALUE (Continued)

The below are the amounts recognized in income from reverse mortgage loans held for investment, at fair value on the statements of operations, as restated, as of December 31, 2020:

Coupon income of mortgage loans held for investment	$	125,271,831
Change in fair value of reverse mortgage loans held for investment, net of direct costs of $104,825,634		167,541,691
Hedge gains/(losses)		(1,968,002)
Income on reverse mortgage loans held for investment, at fair value	$	290,845,520

HECM loans securitized into HMBS are not actively traded in open markets with readily observable market prices.

The Company determines the fair value HECM loans securitized into HMBS utilizing a present value methodology that discounts estimated projected cash flows over the life of the loan portfolio using prepayment, borrower mortality, borrower draw and discounts rate assumptions management believes a market participant would use in estimating fair value. The significant unobservable inputs used in the measurement include:

Lifetime prepayment speeds - the Company projects borrower prepayment rates which considers borrower age and gender and is based on historical termination rates. The outputs of borrower prepayment rates, which include both voluntary and involuntary prepayments, are utilized to anticipate future terminations.

Loss Frequency/Severity - termination proceeds are adjusted for expected loss frequencies and severities to arrive at net proceeds that will be provided upon final resolution. Historical experience is utilized to estimate the loss rates resulting from scenarios where FHA insurance proceeds are not expected to cover all principal and interest outstanding and, as servicer, the Company is exposed to losses upon resolution of the loan. Loss frequency and severities are based upon the historical experience with specific loan resolution waterfalls.

Due and Payable Triggers - the input for terminations not attributable to an FHA assignment is based on historical foreclosure and liquidation experience.

Discount Rate - derived based upon reference to yields required by market participants for recent transactions in the HECM loan bulk market adjusted based upon weighted average life of the loan portfolio. This rate reflects what the Company believes to be a market participant's required yield on HECM loans of similar weighted average lives. The yield spread is applied over interpolated benchmark curve or as a spread over collateral forward curve.

H. REVERSE MORTGAGE LOANS HELD FOR INVESTMENT, SUBJECT TO HMBS OBLIGATIONS, AT FAIR VALUE (Continued)

Borrower Draw Rates - the draw curve is estimated based upon the historical experience with the specific product type contemplating the borrower's age and loan age.

The following table presents the significant unobservable inputs used in the fair value measurement of reverse mortgage loans held for investment, subject to HMBS obligations. If items are not identified below they are not considered to be a meaningful input for the year ended December 31, 2020:

	Inputs
Average discount rate	.40% - 2.88%
Lifetime prepayment speeds	14.41%
Average servicing fees	0.36
Average age of borrower	74
Weighted average life	4.51

Significant increases or decreases in any of these assumptions in isolation could result in a significantly lower or higher fair value. The effects of changes in the assumptions used to value the LHFI, excluding future draw commitments, are partially offset by the effects of changes in the assumptions used to value the HMBS related obligations, at fair value that are associated with these loans.

I. HMBS RELATED OBLIGATIONS, AT FAIR VALUE

The Company determines the valuation of the HMBS obligation using Level 3 unobservable market inputs. The estimated fair value is based on the net present value of projected cash flows over the estimated life of the liability. The estimated fair value of the HMBS obligations also includes the consideration required by a market participant to transfer the HECM and HMBS servicing obligations including exposure resulting from shortfalls in FHA insurance proceeds.

The Company's valuation considers assumptions that it believes a market participant would consider in valuing the liability, including, but not limited to, assumptions for repayment, costs to transfer servicing obligations, shortfalls in FHA insurance proceeds, and discount rates. The significant unobservable inputs used in the measurement include:

Lifetime prepayment speeds - the conditional repayment rate curve considers borrower age and gender is based on historical termination rates.

Discount Rate - derived based on an assessment of current market yields and spreads that a market participant would consider for entering into an obligation to pass FHA insured cash flows through to holders of the HMBS beneficial interests. Yield spread applied over interpolated benchmark curve or as a spread over collateral forward curve.

I. HMBS RELATED OBLIGATIONS, AT FAIR VALUE (Continued)

Monthly cash flows generated from the HECM loans are used to service the outstanding HMBS.

HMBS related obligations, at fair value, consists of the following at December 31, 2020:

GNMA loan pools - UPB	$ 4,641,441,977
Fair value adjustments	286,875,301
Total HMBS related obligations, at fair value	$ 4,928,317,278
Weighted average life	4.51
Weighted average interest rate	2.53%
Lifetime prepayment speeds	14.41%
Discount rate	.17% - 2.70%

The Company was servicing 489 GNMA loan pools at December 31, 2020.

J. NOTES PAYABLE, MEMBER

The Company had $12,500,000 in notes payable to a member at December 31, 2019. Interest was at 15% to 18% per annum and was due February 2020. Interest and principal were due at maturity. The Company had all accounts including, but not limited to, cash and cash equivalents, property and equipment, MSRs, and mortgage loans held for sale and investment pledged as collateral under the above notes payable. During the year ended December 31, 2020, the Company incurred interest expense related to the notes payable totaling $168,573, which is included in interest expense on the statement of operations. During the year ended December 31, 2020, the Company paid off all notes payable, including any outstanding accrued interest expense.

K. WAREHOUSE LINE OF CREDIT AGREEMENTS

The Company has the following warehouse line of credit agreements at December 31, 2020:

Facility Type	Maturity	Line Amount	Interest Rate	Restricted Cash	Outstanding Balance
WHLOC	April 2021	$125,000,000	LIBOR plus 2.50%, with a floor rate of 3.25%	$ 1,250,000	$71,465,077
WHLOC	April 2021	$ 20,000,000	LIBOR plus 2.75% to 3.75%	-	19,544,511
WHLOC	May 2020	$ 50,000,000	LIBOR plus 2.75%	-	-
				$ 1,250,000	$91,009,588

As of December 31, 2020, the Company had mortgage loans held for sale and held for investment pledged as collateral under the above warehouse line of credit agreements. The above agreements also contain covenants which include certain financial requirements, including maintenance of minimum tangible net worth, minimum liquid assets, maximum funding capacity ratio and positive net income, as defined in the agreements. The Company renewed the warehouse line of credit agreements when they matured with the exception of the warehouse line of credit that expired in May 2020.

L. TAIL FINANCING FACILITY

The Company has the following tail financing facility at December 31:

Facility Type	Maturity	Line Amount	Interest Rate	Collateral	Outstanding Balance
Tail Facility	April 2021	$ 25,000,000	Prime rate plus 0.50%, with a floor rate of 5.00%	HECM Tails	$ 7,896,047

The above facility also contains covenants which include certain financial requirements, including maintenance of minimum tangible net worth, minimum liquid assets, minimum current ratio, maximum debt to net worth ratio, and positive net income, as defined in the agreement. The Company renewed the tail financing facility when it matured.

M. OPERATING LINE OF CREDIT

During the year ended December 31, 2020, the Company entered into an operating line of credit agreement. A summary of the operating line of credit agreement is as follows at December 31, 2020:

Facility Type	Maturity	Line Amount	Interest Rate	Collateral	Outstanding Balance
Operating LOC	January 2025	$ 45,000,000	LIBOR plus 5.00%, with a LIBOR floor rate of 2.20%	HECM MSRs	$27,500,000

The above agreement contains covenants which include certain financial requirements, including maintenance of minimum tangible net worth, minimum liquid assets, and maximum debt to net worth ratio, as defined in the agreement.

N. STOCK-BASED COMPENSATION

A summary of the activity in the stock option plan is as follows for the year ended December 31, 2020:

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Term (Years)
Outstanding, beginning of year	4,175	$ 208.13	7.60
Forfeited or expired	(130)	(156.12)	-
Outstanding, end of year	4,045	$ 179.44	6.63

There were no stock options exercised or granted during the year ended December 31, 2020.

The Company recognized total stock-based compensation expense related to stock options of $60,907 for the year ended December 31, 2020. Total unrecognized stock-based compensation costs related to non-vested service stock options totaled $234,295 at December 31, 2020. Total unrecognized stock-based compensation costs related to non-vested performance stock options totaled $434,462 at December 31, 2020. There are 942 vested options that are exercisable at December 31, 2020.

O. MEMBERS' EQUITY

Executive Common Units

The Company has authorized 10,000 executive common units, of which 361 units were issued and outstanding at December 31, 2020.

O. MEMBERS' EQUITY (Continued)

Sponsored Preferred Units
The Company has authorized 50,000 sponsored preferred units, of which 45,000 units were issued and outstanding at December 31, 2020.

P. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) plan covering substantially all employees. Employees may contribute amounts subject to certain Internal Revenue Service and plan limitations. The Company may make discretionary matching and non-elective contributions. The Company made $411,157 in contributions to the plan for the year ended December 31, 2020.

Q. COMMITMENTS AND CONTINGENCIES

Commitments to Extend Credit
The Company enters into IRLCs with borrowers who have applied for residential mortgage loans and commitments to purchase loans with third party originators who have met certain credit and underwriting criteria. These commitments expose the Company to market risk if interest rates change and the underlying loan is not economically hedged or committed to an investor. The Company is also exposed to credit loss if the loan is originated and not sold to an investor and the mortgagor does not perform. The collateral upon extension of credit typically consists of a first deed of trust in the mortgagor's residential property. Commitments to originate or purchase loans do not necessarily reflect future cash requirements as some commitments are expected to expire without being drawn upon. Total commitments to originate or purchase loans approximated $100,230,000 at December 31, 2020.

The Company is required to fund further borrower advances (where the borrower has not fully drawn down the HECM loan proceeds available to them), and to additionally fund the payment of the borrower's obligation to pay the FHA their monthly insurance premium. The outstanding unfunded commitments available to borrowers related to HECM loans was approximately $1,076,000,000 as of December 31, 2020. This additional borrowing capacity is primarily in the form of undrawn lines of credit.

Q. COMMITMENTS AND CONTINGENCIES (Continued)

HMBS Issuer Obligations

As an HMBS issuer, the Company assumes certain obligations related to each security issued. The most significant obligation is the requirement to purchase loans out of the Ginnie Mae securitization pools if the outstanding principal balance of the related HECM is equal to or greater than 98% of the maximum claim amount (MCA repurchases). Active repurchased loans are assigned to HUD and payment is received from HUD, typically within 60 days of repurchase. HUD reimburses the Company for the outstanding principal balance on the loan up to the maximum claim amount. The Company bears the risk of exposure if the amount of the outstanding principal balance on a loan exceeds the maximum claim amount. Inactive repurchased loans (the borrower is deceased, no longer occupies the property or is delinquent on tax and insurance payments) are generally liquidated through foreclosure and subsequent sale of REO, with a claim filed with HUD for recoverable remaining principal and advance balances. The recovery timeline for inactive repurchased loans depends on various factors, including foreclosure status at the time of repurchase, state-level foreclosure timelines, and the post-foreclosure REO liquidation timeline. The timing and amount of the Company obligation with respect to MCA repurchases is uncertain as repurchase is dependent largely on circumstances outside of the Company's control including the amount and timing of future draws and the status of the loan. MCA repurchases are expected to continue to increase due to the increased flow of HECMs and REO that are reaching 98% of their maximum claim amount. In addition to having to fund these repurchases, the Company also typically earns a lower interest rate and incurs certain non-reimbursable costs during the process of liquidating nonperforming loans.

Activity with regard to HMBS repurchases, including MCA repurchases, as restated, at December 31, 2020:

	Active		Inactive		Total	
	Number	Amount	Number	Amount	Number	Amount
Beginning balance	-	$ -	-	$ -	-	$ -
Additions (1)	125	27,348,340	64	11,292,806	189	38,641,146
Changes to UPB (2)	-	82	-	14,771	-	14,853
Transfers (1)	(124)	(27,286,676)	(63)	(11,249,360)	(187)	(38,536,036)
Ending Balance	1	$ 61,746	1	$ 58,217	2	$ 119,963

(1) The Company repurchased $38,641,146 of GNMA HECM loans subject to the 98% MCA requirement from GNMA HMBS pools during the year ended December 31, 2020, of which (2) $38,536,036 was subsequently transferred to a third party in accordance with a put option guaranty under the Collaboration and Transfer Agreement.

(2) Unpaid principal balance adjustment.

Q. COMMITMENTS AND CONTINGENCIES (Continued)

Regulatory Contingencies

The Company is subject to periodic audits and examinations, both formal and informal in nature, from various federal and state agencies, including those made as part of regulatory oversight of mortgage origination, servicing and financing activities. Such audits and examinations could result in additional actions, penalties or fines by state or federal governmental bodies, regulators or the courts.

Operating Leases

The Company leases office space under various operating lease arrangements, which expire through May 2022. Total rent expense under all operating leases amounted to $310,847 for the year ended December 31, 2020, and are included in occupancy, equipment and communication on the statement of operations.

Future minimum rental payments under long-term operating leases are as follows at December 31, 2020:

Year Ending December 31,		Amounts
2021	$	211,953
2022		133,544
	$	345,497

Legal

The Company operates in a highly regulated industry and may be involved in various legal and regulatory proceedings, lawsuits and other claims arising in the ordinary course of its business. The amount, if any, of ultimate liability with respect to such matters cannot be determined, but despite the inherent uncertainties of litigation, management currently believes that the ultimate disposition of any such proceedings and exposure will not have, individually or taken together, a material adverse effect on the financial condition, results of operations, or cash flows of the Company. However, actual outcomes may differ from those expected and could have a material effect on the Company's financial position, results of its operations or cash flows in a future period. The Company accrues for losses when they are probable to occur, and such losses are reasonably estimable. Legal costs are expensed as incurred and are included in general and administrative on the statement of operations.

R. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, (ASC 820) defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not assumptions specific to the entity.

ASC 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon the market data obtained from independent sources (observable inputs). In accordance with ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Inputs – Inputs other than the quoted market prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

R. FAIR VALUE MEASUREMENTS (Continued)

While the Company believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methods or assumptions to estimate the fair value of certain financial statement items could result in a different estimate of fair value at the reporting date. The significant unobservable inputs used in the fair value measurement may result in significantly different fair value measurements if any of those inputs were to change in isolation. Generally, a change in the assumptions used in the fair value measurement would be accompanied by a directionally opposite change in other assumptions. Those estimated values may differ significantly from the values that would have been used had a readily available market for such items existed, or had such items been liquidated, and those differences could be material to the financial statement.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

Mortgage loans held for sale (MLHFS) – The fair value of mortgage loans held for sale is based on, when possible, quoted HMBS prices and estimates of the fair value of the related MSRs. If no such quoted price exists, the fair value of a loan is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of that loan, which would be used by other market participants.

Interest Rate Lock Commitments – The fair value of IRLCs is based on valuation models incorporating market pricing for instruments with similar characteristics, commonly referred to as best execution pricing. The valuation models used to value the IRLCs have unobservable inputs, such as an estimate of the fair value of the servicing rights expected to be recorded upon sale of the loans, estimated costs to originate the loans, and the pullthrough rate, and are therefore classified as Level 3 within the fair value hierarchy.

The fair value of treasury futures contracts is based on the quoted sales price on the exchange where they are principally traded and are therefore classified as Level 2 within the fair value hierarchy.

Mortgage servicing rights – The fair value of MSRs is difficult to determine because MSRs are not actively traded in observable stand-alone markets. The Company uses a discounted cash flow approach to estimate the fair value of MSRs. This approach consists of projecting net servicing cash flows discounted at a rate that management believes market participants would use in their determinations of fair value. The key unobservable inputs used in the estimation of the fair value of MSRs include prepayment speeds, discount rates, default rates, cost to service, contractual servicing fees, escrow earnings and ancillary income.

R. FAIR VALUE MEASUREMENTS (Continued)

Mortgage Loans held for investment (LHFI) – The fair value of LHFI is based on the expected future cash flows discounted over the expected life of the loans at a rate commensurate with the risk of the estimated cash flows, including future draw commitments for HECM loans. Inputs of the discounted cash flows of these assets may include future draws and tail spread gains, voluntary prepayments, defaults, and discount rate. LHFI is classified as Level 3 within the fair value hierarchy.

HMBS related obligations, at fair value – The fair value of HMBS related obligations, at fair value is based on a discounted cash flow approach, by discounting the projected recovery of principal and interest over the estimated life of the borrowing at a market rate commensurate with the risk of the estimated cash flows. HMBS related obligations, at fair value are classified as Level 3 within the fair value hierarchy.

Reverse mortgage interests and related liability – The Company estimates fair value on a recurring basis based on the net present value of future expected discounted cash flows with the discount rate approximating current market value for similar financial instruments. The cash flow assumptions and prepayment assumptions used in the model are based on various factors, with the key assumptions being mortgage prepayment speeds, average life, recapture rates, liquidity and foreclosure losses, projected securitization premiums, and discount rate. As these prices are derived from valuation models, the Company classifies these valuations as Level 3 within the fair value hierarchy.

The Company engages valuation experts to support the valuation and provide observations and assumptions related to market activities. The Company evaluates the reasonableness of the fair value estimate and assumptions using historical experience, or cash flow back-testing, adjusted for prevailing market conditions and benchmarks with valuations. Significant unobservable assumptions include voluntary prepayment speeds, defaults and discount rate. The conditional prepayment speed assumption displayed in the table below is inclusive of voluntary (repayment or payoff) and involuntary (inactive/delinquent status and default) prepayments. The discount rate assumption is primarily based on an assessment of current market yields on reverse mortgage loan and tail securitizations, expected duration of the asset and current market interest rates.

R. FAIR VALUE MEASUREMENTS (Continued)

Assets and Liabilities Measured at Fair Value

The following are the major categories of assets and liabilities measured at fair value on a recurring basis, as restated, as of December 31, 2020:

Description	Level 1	Level 2	Level 3	Total
Mortgage loans held for sale	$ -	$ 11,706,047	$ -	$ 11,706,047
IRLCs			4,778,352	4,778,352
LHFI	-	-	5,109,221,590	5,109,221,590
MSRs	-	-	1,184,675	1,184,675
HMBS related obligations	-	-	(4,928,317,278)	(4,928,317,278)
Reverse mortgage interests	-	-	24,758,759	24,758,759
Reverse mortgage interests related liabilty	-	-	(20,453,569)	(20,453,569)
Total	$ -	$ 11,706,047	$ 191,172,529	$ 202,878,576

The following are the changes in fair value of Level 2 assets and liabilities measured at fair value on a recurring basis, as restated, for the year ended December 31, 2020:

Description	Amounts
MLHFS	$ 321,572
Treasury futures	28,984
Total	$ 350,556

The Company does not have any impaired assets or liabilities that are recorded at fair value on a non-recurring basis as of December 31, 2020.

R. FAIR VALUE MEASUREMENTS (Continued)

Level 3 Purchases, Issuances and Transfers

The following is a summary of the Company's purchases, issuances, and transfers of assets which are measured at fair value on a recurring and non-recurring basis using Level 3 inputs during the year ended December 31, 2020:

	MSRs	LHFI	HMBS related obligations, at fair value	IRLCs	RMI
Purchases	$ -	$ -	$ -	$ -	$ -
Issuances (c)	$ 1,227,088	$ 1,929,623,192	$ 1,948,821,619	$ 40,784,490	$ 1,384,659
Transfers into Level 3	$ -	$ -	$ -	$ -	$ -
Transfers out of Level 3 (d)	$ -	$ -	$ -	$ 6,244,029	$ -

(c) Issuances of Level 3 MSRs represent additions due to loans sold, servicing retained. Issuance of Level 3 LHFI and HMBS related obligations, at fair value represent HECM loans pooled into GNMA guaranteed securities, that do not qualify for sale accounting. Issuances of Level 3 IRLCs represent the lock-date market value of IRLCs issued to borrowers during the year, net of estimated pullthrough and costs to originate. Issuances of Level 3 reverse mortgage interests represent retained portions of reverse mortgage loans pursuant to the secured financing arrangement, net of related liability, at fair value.

(d) IRLCs transferred out of Level 3 represent IRLCs that were funded and moved to mortgage loans held for sale, at fair value.

Fair Value of Other Financial Instruments

Due to their short-term nature, the carrying value of cash and cash equivalents, restricted cash, certificate of deposit, short-term receivables, short-term payables, warehouse line of credit agreements, tail financing facility, and operating line of credit agreement approximate their fair value at December 31, 2020.

S. OTHER SUPPLEMENTAL INFORMATION

As of December 31, 2020, reverse mortgage loans held for investment, subject to HMBS obligations, at fair value of $5.1 billion, do not have a cost basis for federal income tax purposes since these loans have been deemed to be sold for tax purposes but do not meet the requirements for true sale under U.S. GAAP. Fair value of mortgage loans held for sale approximates the cost basis for federal income tax purposes. As of December 31, 2020, the aggregate cost basis for federal income tax purposes was $11.7 million.

S. OTHER SUPPLEMENTAL INFORMATION (Continued)

The below table provides details on the range of interest rates and number of loans for all mortgage loans held as of December 31, 2020:

Asset Type	Descritpion	Number of Loans	Interest Rate	Fair Value of Mortgages
Reverse mortgage loans held for investment, subject to HMBS obligations	\$0- \$100,000	6,569	0.81% - 6.38%	\$ 474,680,552
Reverse mortgage loans held for investment, subject to HMBS obligations	\$100,001-\$200,000	10,403	0.81% - 5.63%	1,662,694,404
Reverse mortgage loans held for investment, subject to HMBS obligations	\$200,001-\$300,000	6,183	0.81% - 6.50%	1,611,912,315
Reverse mortgage loans held for investment, subject to HMBS obligations	\$300,001-\$400,000	2,735	0.81% - 5.50%	983,438,217
Reverse mortgage loans held for investment, subject to HMBS obligations	\$400,001-\$500,000	697	1.13% - 5.58%	330,914,618
Reverse mortgage loans held for investment, subject to HMBS obligations	\$500,001+	81	1.63% - 5.58%	45,581,484
Total Reverse mortgage loans held for investment, subject to HMBS obligations				5,109,221,590
Mortgage loans held for sale	\$0- \$100,000	-	- -	-
Mortgage loans held for sale	\$100,001-\$200,000	-	- -	-
Mortgage loans held for sale	\$200,001-\$300,000	1	5.50% - 5.50%	215,140
Mortgage loans held for sale	\$300,001-\$400,000	1	5.50% - 5.50%	359,773
Mortgage loans held for sale	\$400,001-\$500,000	1	7.13% - 7.13%	489,586
Mortgage loans held for sale	\$500,001+	12	5.50% - 6.99%	10,641,548
Total Mortgage loans held for sale				11,706,047
Total Mortgage Loans				\$ 5,120,927,637

T. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 1, 2021, the date on which the financial statement were available to be issued.

UNAUDITED FINANCIAL STATEMENTS FOR
LONGBRIDGE FINANCIAL, LLC
AS OF DECEMBER 31, 2019 AND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

RICHEY MAY & CO

Assurance | Tax | Advisory

LONGBRIDGE FINANCIAL, LLC
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LONGBRIDGE FINANCIAL, LLC
UNAUDITED BALANCE SHEET

		Unaudited And As Restated, December 31, 2019
ASSETS		
Cash and cash equivalents	$	13,203,805
Certificate of deposit		208,100
Escrow cash		781,980
Restricted cash		1,250,000
Mortgage loans held for sale, at fair value		7,047,270
Accounts receivable and advances		3,415,023
Interest rate lock commitments		2,142,398
Prepaid expenses		525,551
Property and equipment, net		558,224
Mortgage servicing rights, at fair value		222,176
Reverse mortgage interests, at fair value		14,803,061
Reverse mortgage loans held for investment, subject to HMBS obligations, at fair value		3,411,434,082
Deposits		86,044
TOTAL ASSETS	$	3,455,677,714
LIABILITIES AND MEMBERS' EQUITY		
Accounts payable and accrued expenses	$	10,653,689
Customer deposits and loan escrows		3,953,553
Warehouse lines of credit		82,217,540
Tail financing facility		5,197,146
Notes payable, member		12,500,000
Reverse mortgage interest liabilities, at fair value		11,475,838
HMBS related obligations, at fair value		3,271,254,942
Total liabilities		3,397,252,708
COMMITMENTS AND CONTINGENCIES (Note P)		
MEMBERS' EQUITY		58,425,006
TOTAL LIABILITIES AND MEMBERS' EQUITY	$	3,455,677,714

LONGBRIDGE FINANCIAL, LLC
UNAUDITED STATEMENTS OF OPERATIONS

	Unaudited And As Restated, Years Ended December 31, 2019	Unaudited And As Restated, Years Ended December 31, 2018
REVENUE		
Income from reverse mortgage loans held for investment, at fair value	$ 177,705,459	$ 104,079,778
Interest income	255,675	46,878
Loan origination fees	1,522,472	1,046,186
Servicing and other fee income	5,211,578	-
Total revenue	184,695,184	105,172,842
EXPENSES		
Expenses related to HMBS obligations, at fair value	156,797,549	85,460,811
Interest expense	1,332,325	168,498
Salaries, commissions and benefits	10,584,132	8,665,868
Loan servicing expenses	4,077,869	2,756,478
Occupancy, equipment and communication	1,047,639	679,909
General and administrative	6,761,418	6,405,277
Depreciation and amortization	240,799	114,731
Total expenses	180,841,731	104,251,572
OTHER INCOME/(EXPENSE)		
Gain on sale of mortgage loans held for sale, at fair value	1,861,461	179,567
	1,861,461	179,567
NET INCOME	$ 5,714,914	$ 1,100,837

AS OF DECEMBER 31, 2019 AND
UNAUDITED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

		Unaudited
Balance, January 1, 2018	$	46,524,119
Issuance of membership interests		5,000,000
Stock-based compensation		85,136
Net income		1,100,837
Balance, December 31, 2018		52,710,092
Net income		5,714,914
Balance, December 31, 2019	$	58,425,006

The accompanying notes are an integral part of these financial statements.

LONGBRIDGE FINANCIAL, LLC
UNAUDITED STATEMENTS OF CASH FLOWS

	Unaudited And As Restated, Years Ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 5,714,914	$ 1,100,837
Non-cash items-		
Fair value change of reverse mortgage loans held for investment, net	(81,126,696)	(56,816,434)
Fair value change of HMBS related obligations	62,368,435	41,200,570
Depreciation and amortization	240,799	114,731
Gain on sale of mortgage loans held for sale, at fair value	(1,861,461)	(179,567)
Stock-based compensation	-	85,136
Reverse mortgage interests, net	(3,327,223)	-
(Increase) decrease in-		
Certificate of deposit	(4,147)	(1,977)
Escrow cash	(636,819)	(110,871)
Proceeds from sale of mortgage loans held for sale	57,333,762	11,794,127
Originations and purchases of mortgage loans held for sale	(59,954,440)	(14,401,867)
Accounts receivable and advances	(2,644,975)	(183,952)
Interest rate lock commitments	(915,863)	1,427,913
Prepaid expenses	(64,506)	(129,382)
Deposits	-	(2,640)
Increase (decrease) in-		
Accounts payable and accrued expenses	7,906,489	(812,326)
Customer deposits and loan escrows	3,758,427	528,069
Derivative liabilities	(322,266)	167,891
Net cash used in operating activities	(13,535,570)	(16,219,742)
CASH FLOWS FROM INVESTING ACTIVITIES		
Originations and purchases of mortgage loans held for investment	(2,072,459,978)	(600,519,607)
Net purchases of property and equipment	(251,315)	(363,206)
Principal payments on mortgage loans held for investment	149,997,835	36,002,068
Net cash used in investing activities	(1,922,713,458)	(564,880,745)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) under warehouse lines of credit	41,257,866	(22,964,892)
Net borrowings under tail financing facility	1,647,146	1,198,994
Net borrowings under notes payable, member	12,500,000	-
Issuance of membership interests	-	5,000,000
Borrowings under HMBS related obligations, at fair value	2,036,624,362	632,810,530
Principal payments to HMBS related obligations, at fair value	(149,709,109)	(35,881,424)
Net cash provided by financing activities	1,942,320,265	580,163,208

LONGBRIDGE FINANCIAL, LLC
UNAUDITED STATEMENTS OF CASH FLOWS

	Unaudited And As Restated, Years Ended December 31,	
	2019	2018
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	$ 6,071,237	$ (937,279)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	8,382,568	9,319,847
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$ 14,453,805	$ 8,382,568
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 4,031,403	$ 2,600,697
NON-CASH OPERATING AND INVESTING ACTIVITIES		
The Company increased retained mortgage servicing rights in connection with loan sales.	$ 222,176	$ -
The Company recognized reverse mortgage interests at fair value, net of related liability of $11,475,838, under the secured financing arrangement.	$ 3,327,223	$ -

The accompanying notes are an integral part of these financial statements.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Longbridge Financial, LLC (the Company) was organized in the State of Delaware and is primarily engaged in the business of originating, purchasing, selling and servicing home equity conversion mortgage (HECM) loans through its correspondent, broker, and retail origination channels. The Company maintains its corporate office in Mahwah, New Jersey, with branch offices in multiple states. The Company is approved as a Title II, non-supervised direct endorsement mortgagee with the United States Department of Housing and Urban Development (HUD). In addition, the Company is an approved issuer of Government National Mortgage Association (GNMA) HECM mortgage backed securities (HMBS). HMBS are guaranteed by GNMA and collateralized by participation interests in HECMs, which are insured by the Federal Housing Administration (FHA). The Company also originates and services non-FHA guaranteed reverse jumbo proprietary products, for borrowers in high property value areas that exceed FHA limits.

Basis of Accounting

The financial statements of the Company are prepared on the accrual basis of accounting.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as codified in the Financial Accounting Standards Board's (FASB) *Accounting Standards Codification* (ASC).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Variable Interest Entities

The Company issues GNMA HMBS securities by pooling eligible HECM loans through a custodian and assigning rights to the loans to GNMA. GNMA provides credit enhancements for the HECM loans through certain guarantee provisions. These securitizations involve variable interest entities (VIEs) as the trusts or similar vehicles, by design, that either (1) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) have equity investors that do not have the ability to make significant decisions relating to the entity's operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Variable Interest Entities (Continued)

The primary beneficiary of a VIE (i.e., the party that has a controlling financial interest) is required to consolidate the assets and liabilities of the VIE. The primary beneficiary is the party that has both (1) the power to direct the activities of an entity that most significantly impact the VIE's economic performance; and (2) through its interests in the VIE, the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company typically retains the right to service HECM loans sold or securitized by GNMA. Due to the significant influence of GNMA over the VIEs that hold the assets from HECM loan securitizations, principally through their rights and responsibilities as master servicer, the Company is not the primary beneficiary of the VIEs and therefore the VIEs are not consolidated.

The Company performs on-going reassessments of whether changes in the facts and circumstances regarding the Company's involvement with a VIE cause the Company's consolidation determination to change.

Cash and Cash Equivalents

For cash flow purposes, the Company considers cash and temporary investments with original maturities of three months or less, to be cash and cash equivalents. The Company has diversified its credit risk for cash by maintaining deposits in several financial institutions, which may at times exceed amounts covered by insurance from the Federal Deposit Insurance Corporation. The Company evaluates the creditworthiness of these financial institutions in determining the risk associated with these balances. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Restricted Cash

The Company maintains a cash balance that is restricted under a warehouse line of credit agreement.

Mortgage Loans Held for Sale, at Fair Value

Mortgage loans held for sale are carried at fair value under the fair value option with changes in fair value recorded in gain on sale of mortgage loans held for sale on the statements of operations. The fair value of mortgage loans held for sale committed to investors is calculated using observable market information such as the investor commitment, assignment of trade or other mandatory delivery commitment prices. The Company bases the fair value of loans committed to Agency investors based on the Agency's quoted mortgage backed security (MBS) prices. The fair value of mortgage loans held for sale not committed to investors is based on quoted best execution secondary market prices. If no such quoted price exists, the fair value is determined using quoted prices for a similar asset or assets, such as MBS prices, adjusted for the specific attributes of that loan, which would be used by other market participants.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans Held for Sale, at Fair Value (Continued)

Gains and losses from the sale of mortgage loans held for sale are recognized based upon the difference between the sales proceeds and carrying value of the related loans upon sale. Sales proceeds reflect the cash received from investors through the sale of the loan and servicing release premium. If the related mortgage servicing right (MSR) is sold servicing retained, the MSR addition is recorded in gain on sale of mortgage loans held for sale on the statements of operations. Gain on sale of mortgage loans held for sale also includes the unrealized gains and losses associated with the changes in the fair value of mortgage loans held for sale.

Mortgage loans held for sale are considered sold when the Company surrenders control over the financial assets. Control is considered to have been surrendered when the transferred assets have been isolated from the Company, beyond the reach of the Company and their creditors; the purchaser obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and the Company does not maintain effective control over the transferred assets through either an agreement that both entitles and obligates the Company to repurchase or redeem the transferred assets before their maturity or the ability to unilaterally cause the holder to return specific financial assets. The Company typically considers the above criteria to have been met upon acceptance and receipt of sales proceeds from the purchaser.

Reverse Mortgage Loans Held for Investment, Subject to HMBS Obligations, at Fair Value

HECM loans are either sold to investors or pooled and securitized into HMBS and sold into the secondary market with servicing rights retained. Reverse mortgage loans held for investment, subject to HMBS obligations, at fair value (LHFI) on the balance sheet includes reverse mortgage loans, servicing advances and subsequent tail draws that have not yet been transferred to GNMA securitization pools (HMBS) and reverse mortgage loans that have been repurchased from GNMA securitization pools. The changes in fair value of these loans are recorded in income from reverse mortgage loans held for investment, at fair value on the statements of operations.

HMBS Related Obligations, at Fair Value

Based on the structure of an HMBS, an approved HMBS issuer is required to repurchase HECM loans out of the GNMA securitization pools if the outstanding principal balance of the related HECM is equal to or greater than 98% of the maximum claim amount (MCA), which is defined as the lesser of a home's appraised value at the point in time that the conditional commitment is issued or the maximum loan limit that can be insured by the Federal Housing Administration (FHA).

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

HMBS Related Obligations, at Fair Value (Continued)

The MCA repurchase requirement of the HECM loans from the HMBS does not allow the Company to qualify for sale accounting. As a result of not qualifying for sale accounting, the Company accounts for transfers of HECM loans into HMBS as secured borrowings. The secured borrowings are recorded in HMBS related obligations, at fair value on the balance sheet, with no gain or loss on the transfer. The HMBS related obligations, at fair value are measured on a recurring basis. The changes in fair value and interest expense on the obligation are recorded in expenses related to HMBS obligations, at fair value on the statements of operations.

Revenue Recognition of Reverse Mortgage Loans Held for Investment, at Fair Value

The income from reverse mortgage loans held for investment, at fair value on the statements of operations includes activity from the following (1) the interest the Company expects to collect on the HECM loans; (2) gains or losses on hedging activities; (3) changes in the fair value of interest rate lock commitments related to future LHFI; (4) premiums on loans purchased via the correspondent channel, which are capitalized upon origination as part of the purchase price, and are subsequently measured at fair value on a recurring basis; and (5) the change in fair value of servicing advances and tail draws eligible for HMBS securitizations and the change in fair value of the previously securitized HECM loans.

Loan Origination Fees

Loan origination fees represent revenue earned from originating mortgage loans. Loan origination fees generally represent a flat per-loan fee amount based on a percentage of the original principal loan balance and are recognized as revenue at the time the mortgage loans are funded. Loan origination expenses are charged to operations as incurred.

Interest Income

Interest income from mortgage loans held for sale, at FV is recognized for the period from loan funding to sale based upon the principal balance outstanding, and stated interest rate.

Servicing and Other Fee Income

Servicing and other fee income represents certain success and upfront fees pursuant to the Collaboration and Transfer Agreement and is recognized into revenue at the time the initial HMBS is securitized.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

FASB ASC 606, *Revenue from Contracts with Customers* (ASC 606), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. The majority of the Company's revenue generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as the Company's mortgage loans and futures, as well as revenue related to the Company's mortgage servicing activities, as these activities are subject to other GAAP discussed elsewhere within the Company's notes to financial statements.

Servicing Advances

Servicing advances represent mortgage insurance premiums advanced on behalf of HECM borrowers. Servicing advances are made in accordance with the servicing agreements and are recoverable through the collection of proceeds from subsequent securitizations of HMBS tail pools. Servicing advances are initially recorded at the original advance balance. Upon eligibility for HMBS securitization, servicing advances are carried at fair value under the fair value option and included in reverse mortgage loans held for investment, subject to HMBS obligations, at fair value on the balance sheet, with changes in fair value recorded in income from reverse mortgage loans held for investment, at fair value on the statements of operations. Servicing advances not eligible for HMBS securitizations are carried at the original advance balance and are included in LHFI on the balance sheet. The Company periodically reviews servicing advances for collectability and establishes a valuation allowance for estimated uncollectible amounts. No allowance has been recorded as of December 31, 2019 and 2018, as management has determined that all amounts are fully collectible.

Capitalized Software Development Costs

FASB ASC 350-40, *Goodwill and Other—Internal-Use Software* (ASC 350-40), requires the Company to expense development costs as they are incurred in the preliminary project stage. Once the capitalization criteria of ASC 350-40 have been met, external direct costs of materials and services consumed in developing or obtaining internal-use computer software, payroll and payroll related costs for employees who are directly associated with and who devote time to the internal-use computer software; as well as related consulting fees are capitalized. The Company capitalized and placed into service $236,150 of internally developed software during the year ended December 31, 2019.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment, Net

Property and equipment is recorded at cost and depreciated or amortized using the straight line method over the estimated useful lives of the assets. The following is a summary of property and equipment at December 31, 2019:

	Useful lives (years)		Amounts
Property and equipment, at cost			
Furniture and equipment	5	$	210,838
Computer equipment	7		224,582
Internally developed software	3		584,806
Leasehold improvements	(a)		23,427
Total property and equipment, at cost			1,043,653
Accumulated depreciation and amortization			
Furniture and equipment			(107,736)
Computer equipment			(158,413)
Internally developed software			(199,667)
Leasehold improvements			(19,613)
Total accumulated depreciation and amortization			(485,429)
Total property and equipment, net		$	558,224

(a) Amortized over the shorter of the related lease term or the estimated useful life of the assets.

The Company periodically assesses property and equipment for impairment whenever events or circumstances indicate the carrying amount of an asset may exceed its fair value. If property and equipment is considered impaired, the impairment losses will be recorded on the statements of operations. The Company did not recognize any impairment losses during the years ended December 31, 2019 and 2018.

Interest Rate Lock Commitments

The Company holds and issues interest rate lock commitments (IRLCs) and futures contracts. IRLCs are subject to price risk primarily related to fluctuations in market interest rates. To hedge the interest rate risk on mandatory IRLCs, the Company enters into futures contracts. Management expects these futures contracts to experience changes in fair value opposite to the changes in fair value of the IRLCs thereby reducing earnings volatility. Futures contracts are also used to hedge the interest rate risk on mortgage loans held for sale and mortgage loans held for investment that are not committed to investors and still subject to price risk.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Rate Lock Commitments (Continued)

The Company considers various factors and strategies in determining what portion of the IRLCs and uncommitted mortgage loans held for investment to economically hedge. Interest rate lock commitments are recognized as assets or liabilities on the balance sheet at their fair value. Changes in the fair value of the IRLCs and futures contracts are recognized in income from reverse mortgage loans held for investment, at fair value on the statements of operations in the period in which they occur.

Reverse Mortgage Interests, at Fair Value and Related Liabilities, at Fair Value

During the year ended December 31, 2019, the Company entered into a Collaboration and Transfer Agreement with an unrelated entity. Pursuant to the agreement, the Company purchases HECM loans and their associated MSR, securitizing the reconstituted loans under the GNMA program into HMBS pools. The Company is the legal owner and the servicer of the HMBS portfolio and provides all servicing functions. The Company sold to the same entity the right to receive a specified allocation of the cash flows generated from the HMBS portfolio. The Company retains a base participation fee, along with the right to premiums on subsequent HECM tail securitizations. Under the agreement, the Company is provided a put option repurchase guarantee from the unrelated entity, whereby if the Company is required to repurchase and transfer a new loan or a replacement loan of similar economic characteristics into the respective portfolio, then the Company can reassign the rights and obligations regarding that repurchase or transferred loan to the entity. The new or replacement loan will be governed by the same terms set forth in the Collaboration and Transfer Agreement.

Mortgage Servicing Rights and Revenue Recognition

FASB ASC 860-50, *Transfers and Servicing*, requires that MSRs be initially recorded at fair value at the time the underlying loans are sold. To determine the fair value of the MSR created, the Company uses a valuation model that calculates the net present value of future cash flows. The valuation model incorporates assumptions that market participants would use in estimating future cash flows, estimated discount rates, estimated prepayment speeds, estimated liquidation and foreclosure losses, estimated contractual participation fees, and estimated default rates. The credit quality and stated interest rates of the HECM loans underlying the MSRs affects the inputs used in the cash flow models. MSRs are not actively traded in open markets; accordingly, considerable judgment is required to estimate their fair value, and changes in these estimates could materially change the estimated fair value. The Company accretes a fixed servicing fee margin monthly based on the outstanding principal balances of the sold HECM loans.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Servicing Rights and Revenue Recognition (Continued)

After initially recording the MSRs at fair value, the Company has elected to subsequently report its MSRs at fair value, during which time the Company is exposed to fair value risk related to changes in the fair value of the Company's MSRs. Changes in fair value are recorded in valuation adjustment and deletions of mortgage servicing rights on the statements of operations in the period in which changes in fair value occur. Estimates of remaining loan lives, prepayment speeds, liquidation and foreclosure losses are incorporated into the model.

These inputs can, and generally do, change from period to period as market conditions change. Changes in these estimates could materially change the estimated fair value.

The key unobservable inputs used in determining the fair value of MSRs when they are initially recorded are as follows for the year ended December 31, 2019:

	Inputs
Average discount rate	12.00%
Average prepayment speed	9.20%

Issuer Loss Reserve

LHFI securitized by the Company, and which met investor and GNMA underwriting guidelines at the time of sale may be subject to repurchase in the event of a mandatory purchase event; default, bankruptcy, or death by borrower; or subsequent discovery that underwriting standards were not met. Management has established a reserve for potential losses related to these events. In assessing the adequacy of the reserve, management evaluates various factors including liquidation and foreclosure losses, known delinquent and other problem loans, and economic trends and conditions in the industry. Actual losses are charged to operations as incurred. The Company established an issuer loss reserve for estimated liquidation and foreclosure losses totaling $3,092,278 at December 31, 2019, which is included in mortgage loans held for investment, at fair value on the balance sheet. The issuer loss reserve is provided as part of the overall LHFI valuation.

Because of the uncertainty in the various estimates underlying the issuer loss reserve, there is a range of losses in excess of the recorded issuer loss reserve that is reasonably possible. The estimate of the range of possible loss is based on current available information, significant judgment, and a number of assumptions that are subject to change.

Escrow and Fiduciary Funds

The Company maintains segregated bank accounts for escrow balances in trust for borrowers' draws. The balances of the accounts totaled $1,300,301 at December 31, 2019, which are excluded from the balance sheet.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising and Marketing

Advertising and marketing is expensed as incurred and amounted to $3,451,819 and $3,781,591 for the years ended December 31, 2019 and 2018, respectively, and are included in general and administrative on the statements of operations.

Income Taxes

The Company has elected to be taxed as a partnership under the Internal Revenue Code. Accordingly, no federal income tax provision and state income taxes, to the extent possible, have been recorded in the financial statements, as all items of income and expense generated by the Company are reported on the members' income tax returns. The Company has no federal or state tax examinations in process as of December 31, 2019.

Stock-Based Compensation

Company management may grant executive common unit options to certain employees and non-employee directors under the executive common unit option plan. Under the plan, 5,250 executive common unit options were available to be issued, with each unit option allowing for 1,000 membership units to be purchased.

Common unit option awards are generally granted with an exercise price equal to the market price of the Company's executive common units at the date of grant. Grant-date fair value is determined using the Black-Scholes pricing model adjusted for unique characteristics of the specific awards.

FASB ASC 718-10, *Compensation- Stock Compensation*, requires compensation expense related to the award to be recognized for unit options issued to employees over the required requisite service period, generally defined as the vesting period, which is five years. For service period awards with graded vesting, compensation expense is recognized based on the graded vesting basis (based on each respective agreement) over the requisite service period for the entire award. Recognized compensation expense related to the service period option awards was recognized and is included in salaries, commissions, and employee benefits on the statements of operations. For performance-based awards, compensation expense is recognized over the requisite service period when the Company determines that it is probable the performance condition will be achieved. At December 31, 2019 and 2018, management determined it is not estimable for the performance condition to be achieved and the Company did not recognize compensation expense related to the performance-based award. The Company periodically evaluates the probability of the performance condition being achieved and will recognize compensation expense when the performance condition is met.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties

In the normal course of business, companies in the mortgage banking industry encounter certain economic and regulatory risks. Economic risks include interest rate risk and credit risk. The Company is subject to interest rate risk to the extent that in a rising interest rate environment, the Company may experience a decrease in loan production, as well as decreases in the value of mortgage loans held for investment and commitments to originate and purchase loans, which may negatively impact the Company's operations. Credit risk is the risk of default that may result from the borrowers' inability or unwillingness to make contractually required payments during the period in which loans are being held for investment prior to securitization or subsequent to securitization while serviced by the Company. Risks associated with HECMs and servicing HMBS are subject to the Company's ability to accurately estimate interest curtailment liabilities, fund HECM repurchase obligations and principal additions, and the ability to securitize the HECM loans and tails.

The Company's business requires substantial cash to support its operating activities. As a result, the Company is dependent on its warehouse lines of credit, tail financing facility and other financing facilities in order to finance its continued operations. If the Company's principal lenders decided to terminate or not to renew any of these financing facilities with the Company, the loss of borrowing capacity could have a material adverse impact on the Company's financial statements unless the Company found a suitable alternative source.

Application of New Accounting Standards

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13), which removes the requirement to disclose (i) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; (ii) policy for the timing of transfers between levels; (iii) valuation processes for Level 3 fair value measurements; and (iv) for nonpublic entities, the changes in unrealized gains and losses for the period in earnings for recurring Level 3 fair value measurements at the end of the reporting period. The amendment also removes the requirement for a reconciliation of assets measured at Level 3. In lieu of a reconciliation of assets measured at Level 3, a nonpublic entity is required to disclose the transfers into and out of Level 3 of the fair value hierarchy and purchases and issuances of Level 3 assets and liabilities. Under ASU 2018-13, nonpublic entities are not required to disclose changes in gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements or the range and weighted average of significant unobservable inputs used to develop the Level 3 measurements.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of New Accounting Standards (Continued)

ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company elected to early adopt the guidance issued in ASU 2018-13 for the year ended December 31, 2018. The amendments on changes in unrealized gains and losses should be applied prospectively for the most recent annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The adoption of this accounting guidance did not have a material impact on the Company's financial statements.

During the year ended December 31, 2018, the Company adopted ASU No. 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash* (ASU 2016-18). ASU 2016-18 requires that the statements of cash flows explain the change during the reporting period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. Accordingly, the Company retrospectively changed the presentation of its statements of cash flows to conform to the requirements of ASU 2016-18. As the result of adoption of ASU 2016-18, the Company's statements of cash flows for the year ended December 31, 2018, as restated, changed as follows:

	Cash flow from operating activities	Cash and cash equivalents and restricted cash at year end
As originally reported	$ 16,691,825	$ 6,382,568
Effect of adoption of ASU 2016-18	(500,000)	2,000,000
Effects of reissue	(32,411,567)	-
As reported	$ (16,219,742)	$ 8,382,568

B. FINANCIAL STATEMENTS RESTATEMENT

Subsequent to the issuance of financial statements for the years ended December 31, 2019 and 2018 with a report date on February 29, 2020, management identified that certain transactions to transfer loans and issue GNMA HMBS securities that were previously recorded as sales do not qualify for sale accounting in accordance with GAAP and therefore restated certain accounts in the financial statements to correct these errors. The restated financial statements account for such transfers as secured borrowings of HECM loans on the balance sheet, include the related income and expenses on the statements of operations and the related changes on the statements of cash flows. There was no impact to previously issued net income or members' equity. Accordingly, the Company restated the accounts below as of December 31, 2019:

	Originally Stated		As Adjusted	
Mortgage loans held for sale, at fair value	$	99,408,957	$	7,047,270
Mortgage servicing rights, at fair value	$	48,039,629	$	222,176
Reverse mortgage loans held for investment, subject to HMBS obligations, at fair value	$	-	$	3,411,434,082
HMBS related obligations, at fair value	$	-	$	(3,271,254,942)
Accounts payable and accrued expenses	$	(4,402,791)	$	(10,653,689)
Customer deposits and loan escrows	$	(5,216,956)	$	(3,953,553)
Due to investor	$	(4,987,496)	$	-
Income from reverse mortgage loans held for investment, at fair value	$	-	$	177,705,459
Participation fees	$	5,604,424	$	-
Interest income	$	2,357,094	$	255,675
Servicing and other fee income	$	1,844,355	$	5,211,578
Expenses related to HMBS obligations, at fair value	$	-	$	(156,797,549)
Interest expense	$	(4,155,919)	$	(1,332,325)
Gain on sale of mortgage loans held for sale, net of direct costs	$	25,908,756	$	1,861,461
Valuation adjustment and deletions of mortgage servicing rights	$	4,694,408	$	-
Net cash used in operating activities	$	(49,082,460)	$	(13,535,570)
Net cash used in investing activities	$	(251,316)	$	(1,922,713,458)
Net cash provided by financing activities	$	55,405,013	$	1,942,320,265

B. FINANCIAL STATEMENTS RESTATEMENT (Continued)

The Company restated the accounts below as of December 31, 2018:

	Originally Stated	As Adjusted
Income from reverse mortgage loans held for investment, at fair value	$ -	$ 104,079,778
Participation fees	$ 2,870,666	$ -
Interest income	$ 2,514,050	$ 46,878
Expenses related to HMBS obligations, at fair value	$ -	$ (85,460,811)
Interest expense	$ (2,463,141)	$ (168,498)
Gain on sale of mortgage loans held for sale, net of direct costs	$ 23,454,859	$ 179,567
Net cash provided by (used in) operating activities	$ 16,191,825	$ (16,219,742)
Net cash (used in) investing activities	$ (363,206)	$ (564,880,745)
Net cash provided by (used in) financing activities	$ (16,765,898)	$ 580,163,208

C. MORTGAGE LOANS HELD FOR SALE, AT FAIR VALUE

Mortgage loans held for sale are as follows at December 31, 2019:

	Amounts
Mortgage loans held for sale	$ 6,663,643
Fair value adjustment	383,627
	$ 7,047,270

D. INTEREST RATE LOCK COMMITMENTS

The Company enters into IRLCs to originate and purchase HECM mortgage loans held for sale and mortgage loans held for investment, at stated interest rate margins and within a specified period of time (generally between 30 and 180 days), with borrowers who have applied for a loan and have met certain credit and underwriting criteria. The IRLCs are adjusted for estimated costs to originate or purchase the loan as well as the probability that the mortgage loan will fund within the terms of the IRLC (the pullthrough rate). Estimated costs to originate include the acquisition price of the mortgage loans purchased through its correspondent channel, account executive and loan officer commissions and related employer payroll taxes, and lender credits. The pullthrough rate is based on estimated changes in market conditions, loan stage, and actual borrower behavior using a historical analysis of actual funding rates. The Company analyzes the pullthrough on a quarterly basis to ensure the pullthrough estimate is reasonable.

D. INTEREST RATE LOCK COMMITMENTS (Continued)

The key unobservable inputs used in determining the fair value of IRLCs are as follows for the year ended December 31, 2019:

	Amounts
Average pullthrough rate	77.08%
Average costs to originate	5.86%

The following summarizes IRLCs and future contracts at December 31, 2019:

	Amounts		
	Fair Value	Notional Amount	
IRLCs	$ 2,113,414	$ 78,521,000	(b)
Futures contracts	28,984	$ 26,500,000	
Total	$ 2,142,398		

(b) Pullthrough rate adjusted

The notional amounts of mortgage loans held for sale and mortgage loans held for investment not committed to investors amounted to approximately $84,591,000 at December 31, 2019.

The Company has exposure to credit loss in the event of contractual non-performance by its trading counterparties in financial instruments that the Company uses in its rate risk management activities. The Company manages this credit risk by selecting only counterparties that the Company believes to be financially strong, spreading the risk among multiple counterparties, by placing contractual limits on the amount of unsecured credit extended to any single counterparty and by entering into netting agreements with counterparties, as appropriate.

E. ACCOUNTS RECEIVABLE AND ADVANCES

The following summarizes accounts receivable and advances at December 31, 2019:

	Amounts
Accounts receivable, trade	$ 195,246
Prepaid scheduled draws	1,470,744
Other fee income receivable	1,749,033
	$ 3,415,023

There were no servicing advances or accreted participation fees included in accounts receivable and advances on the balance sheet at December 31, 2019, as management determined that servicing advances and accreted participation fees were eligible to be securitized.

E. ACCOUNTS RECEIVABLE AND ADVANCES (Continued)

Prepaid scheduled draws represent funds related to HECM mortgage loans remitted to the Company's subservicer but not yet drawn by the borrowers, and therefore not eligible to be securitized. Other fee income receivable represents amounts due to the Company under the Collaboration and Transfer Agreement (Note G).

The Company periodically evaluates the carrying value of accounts receivable and advance balances with delinquent balances written-off based on specific credit evaluations and circumstances of the debtor. No allowance for doubtful accounts has been established at December 31, 2019, as management has determined that all amounts are fully collectible.

F. MORTGAGE SERVICING RIGHTS, AT FAIR VALUE

The following summarizes the activity of MSRs for the year ended December 31, 2019:

	Amounts
Balance, beginning of year	$ -
Additions due to loans sold, servicing retained	222,176
Balance, end of year	$ 222,176

The reverse mortgage loans serviced are private label securitizations and are not insured against losses by the FHA. The fair value of capitalized MSRs at December 31, 2019 was approximately $222,000.

The unobservable inputs used in determining the fair value of the Company's MSRs are as follows at December 31, 2019:

	Inputs
Average discount rate	12.00%
Average prepayment speed	9.20%

The hypothetical effect of an adverse change in these key unobservable inputs would result in a decrease in fair value as follows at December 31, 2019:

	Inputs
Discount rates:	
Effect on value - 1% adverse change	$ (14,725)
Effect on value - 2% adverse change	$ (27,695)
Prepayment speeds:	
Effect on value - 5% adverse change	$ (7,121)
Effect on value - 10% adverse change	$ (13,866)

F. MORTGAGE SERVICING RIGHTS, AT FAIR VALUE (Continued)

These sensitivities are hypothetical and should be used with caution. As the table demonstrates, the Company's methodology for estimating the fair value of MSRs is highly sensitive to changes in unobservable inputs. For example, actual prepayment experience may differ and any difference may have a material effect on MSR fair value. Changes in fair value resulting from changes in inputs generally cannot be extrapolated because the relationship of the change in inputs to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular input on the fair value of the MSRs is calculated without changing any other input; in reality, changes in one factor may be associated with changes in another (for example, decreases in market interest rates may indicate higher prepayments; however, this may be partially offset by lower prepayments due to other factors such as a borrower's diminished opportunity to refinance), which may magnify or counteract the sensitivities. Thus, any measurement of MSR fair value is limited by the conditions existing and inputs made as of a particular point in time. Those inputs may not be appropriate if they are applied to a different point in time.

G. REVERSE MORTGAGE INTERESTS AND RELATED LIABILITY

Pursuant to the Collaboration and Transfer Agreement, the Company sells to an unrelated entity the right to receive a portion of the cash flows generated from the Company's RMI portfolio. The retained portions include the contractual base servicing fee and the expected premiums on subsequent securitizations of HECM tail pools. The Company continues to be the named issuer and servicer, and, for accounting purposes, ownership of the RMI portfolio resides with the Company. Accordingly, the Company records the reverse mortgages interests and related liability, associated with this transaction, at fair value on its balance sheet. The Company evaluated these transactions to determine if they are sales or secured borrowings and has determined that they fall under secured borrowing.

The reverse mortgage interests and related liability is as follows at December 31, 2019:

		Amounts
Reverse mortgage interests, fair value	$	14,803,061
Less: retained portions		(3,327,223)
Reverse mortgage interests liabilities, at fair value	$	11,475,838

The Company obtains a valuation from a valuation company on an annual basis to support the reasonableness of the fair value of the reverse mortgage interests and the related liability. The unpaid principal balance securitized under the secured financing arrangement with the unrelated entity approximated $1,237,205,000 at December 31, 2019 and is included in HMBS obligations.

G. REVERSE MORTGAGE INTERESTS AND RELATED LIABILITY (Continued)

The following summarizes the activity of RMIs for the year ended December 31, 2019:

	RMI, Asset	RMI, Liability	Retained Portion
Balance, beginning of year	$ -	$ -	$ -
Additions	16,821,213	13,016,350	3,804,863
Valuation adjustments and deletions	(2,018,152)	(1,540,512)	(477,640)
Balance, end of year	$14,803,061	$ 11,475,838	$ 3,327,223

The fair value of the capitalized retained portions related to the reverse mortgage interests totaled $3,327,223 and current year amounts are included in servicing and other fee income on the statements of operations.

The key unobservable inputs used in determining the fair value of the Company's valuation of reverse mortgage interests and related liability is as follows at December 31, 2019:

	Inputs
Average discount rate	12.00%
Prepayment speeds	0.0% - 39.5%

The following table shows the hypothetical effect on the Company's reverse mortgage interests, fair value when applying certain unfavorable variations of key unobservable inputs to these liabilities at December 31, 2019:

	Inputs
Discount rates:	
Effect on value - 1% adverse change	$ (315,215)
Effect on value - 2% adverse change	$ (630,430)
Prepayment speeds:	
Effect on value - 5% adverse change	$ (427,764)
Effect on value - 10% adverse change	$ (831,719)

G. REVERSE MORTGAGE INTERESTS AND RELATED LIABILITY (Continued)

As the cash flow inputs utilized in determining the fair value amounts in the reverse mortgage interests, at fair value are based on the related cash flow inputs utilized in the financed reverse mortgage interests, any fair value changes recognized in the financed reverse mortgage interests attributable to a related cash flow input would inherently have an inverse impact on the carrying amount of the related reverse mortgage interests. For example, while an increase in discount rates would negatively impact the value of the Company's financed reverse mortgage interests, it would reduce the carrying value of the associated reverse mortgage interests liability. These hypothetical sensitivities should be evaluated with care. The effect on fair value of a 10% variation in inputs generally cannot be determined because the relationship of the change in inputs to the fair value may not be linear. Additionally, the impact of a variation in a particular a input on the fair value is calculated while holding other inputs constant. In reality, changes in one input may lead to changes in other inputs, which could impact the above hypothetical effects. Also, a positive change in the above inputs would not necessarily correlate with the corresponding decrease in the net carrying amount of the financed reverse mortgage interests.

Pursuant to the Collaboration and Transfer Agreement (Agreement), the Company earns upfront and success fees related to the initial securitizations of HECM loans. During the year ended December 31 2019, the Company recognized $1,884,374 related to those fees, which are not capitalized and is included in servicing and fee income on the statements of operations. The Company also earns a contractual servicing fee to service the HECM loans. During the year ended December 31 2019, the Company recognized $3,327,223 related to the capitalized fair value of the retained portion related to the RMI portfolio, which is included in servicing and fee income on the statements of operations. Proceeds from the future securitizations are remitted to the entity, net of servicing and fee income. Future securitizations proceeds due to the unrelated entity amounted to $4,987,496 at December 31 2019, and are included in accounts payable and accrued expenses on the balance sheet. Amounts due to the unrelated entity are remitted and paid when the respective loans are securitized or monetized.

H. REVERSE MORTGAGE LOANS HELD FOR INVESTMENT, SUBJECT TO HMBS OBLIGATIONS, AT FAIR VALUE

Reverse mortgage loans held for investment, subject to HMBS obligations, at fair value are as follows, as restated, at December 31:

	2019		2018	
	Loans Held For Investment	HMBS Related Obligations	Loans Held For Investment	HMBS Related Obligations
Beginning balance	$ 1,407,845,243	$ 1,321,971,254	$ 786,511,270	$ 683,841,578
Originations/purchases	2,072,459,978	-	600,519,607	-
Securitization of HECM loans accounted for as financing	-	2,036,624,362	-	632,810,530
Repayments (principal payments received)	(149,997,835)	(149,709,109)	(36,002,068)	(35,881,424)
Change in fair value	81,126,696	62,368,435	56,816,434	41,200,570
Ending balance	$ 3,411,434,082	$ 3,271,254,942	$ 1,407,845,243	$ 1,321,971,254
Securitized loans (pledged to HMBS related obligations)	$ 3,319,073,808	$ 3,271,254,942	$ 1,358,681,232	1,321,971,254
Unsecuritized loans	92,360,274		49,164,011	
Total	$ 3,411,434,082		$ 1,407,845,243	

The below are the amounts recognized in income from reverse mortgage loans held for investment, at fair value on the statements of operations, as restated, as of December 31:

	2019	2018
Coupon income of mortgage loans held for investment	$ 99,625,606	$ 47,303,436
Change in fair value of reverse mortgage loans held for investment, net of direct costs of $47,029,068 and $45,672,834, respectively	81,126,696	56,816,434
Hedge gains/(losses)	(3,046,843)	(40,092)
Income on reverse mortgage loans held for investment, at fair value	$ 177,705,459	$ 104,079,778

HECM loans securitized into HMBS are not actively traded in open markets with readily observable market prices.

H. REVERSE MORTGAGE LOANS HELD FOR INVESTMENT, SUBJECT TO HMBS OBLIGATIONS, AT FAIR VALUE (Continued)

The Company determines the fair value of HECM loans securitized into HMBS utilizing a present value methodology that discounts estimated projected cash flows over the life of the loan portfolio using prepayment, borrower mortality, borrower draw and discounts rate assumptions management believes a market participant would use in estimating fair value. The significant unobservable inputs used in the measurement include:

Lifetime prepayment speeds - the Company projects borrower prepayment rates which considers borrower age and gender and is based on historical termination rates. The outputs of borrower prepayment rates, which include both voluntary and involuntary prepayments, are utilized to anticipate future terminations.

Loss Frequency/Severity - termination proceeds are adjusted for expected loss frequencies and severities to arrive at net proceeds that will be provided upon final resolution. Historical experience is utilized to estimate the loss rates resulting from scenarios where FHA insurance proceeds are not expected to cover all principal and interest outstanding and, as servicer, the Company is exposed to losses upon resolution of the loan. Loss frequency and severities are based upon the historical experience with specific loan resolution waterfalls.

Due and Payable Triggers - the input for terminations not attributable to an FHA assignment is based on historical foreclosure and liquidation experience.

Discount Rate - derived based upon reference to yields required by market participants for recent transactions in the HECM loan bulk market adjusted based upon weighted average life of the loan portfolio. This rate reflects what the Company believes to be a market participant's required yield on HECM loans of similar weighted average lives. The yield spread is applied over interpolated benchmark curve or as a spread over collateral forward curve.

Borrower Draw Rates - the draw curve is estimated based upon the historical experience with the specific product type contemplating the borrower's age and loan age.

The following table presents the significant unobservable inputs used in the fair value measurement of reverse mortgage loans held for investment, subject to HMBS obligations, if items are not identified below they are not considered to be a meaningful input for the year ended December 31, 2019:

	Amounts
Discount rate	1.94% - 3.20%
Lifetime prepayment speeds	10.29%
Average servicing fees	0.36
Average age of borrower	75
Weighted average life	4.44

H. REVERSE MORTGAGE LOANS HELD FOR INVESTMENT, SUBJECT TO HMBS OBLIGATIONS, AT FAIR VALUE (Continued)

Significant increases or decreases in any of these assumptions in isolation could result in a significantly lower or higher fair value, respectively. The effects of changes in the assumptions used to value the LHFI, excluding future draw commitments, are partially offset by the effects of changes in the assumptions used to value the HMBS related obligations, at fair value that are associated with these loans.

I. HMBS RELATED OBLIGATIONS, AT FAIR VALUE

The Company determines the valuation of the HMBS obligation using Level 3 unobservable market inputs. The estimated fair value is based on the net present value of projected cash flows over the estimated life of the liability. The estimated fair value of the HMBS obligations also includes the consideration required by a market participant to transfer the HECM and HMBS servicing obligations including exposure resulting from shortfalls in FHA insurance proceeds.

The Company's valuation considers assumptions that it believes a market participant would consider in valuing the liability, including, but not limited to, assumptions for repayment, costs to transfer servicing obligations, shortfalls in FHA insurance proceeds, and discount rates. The significant unobservable inputs used in the measurement include:

Lifetime prepayment speeds - the conditional repayment rate curve considers borrower age and gender is based on historical termination rates.

Discount Rate - derived based on an assessment of current market yields and spreads that a market participant would consider for entering into an obligation to pass FHA insured cash flows through to holders of the HMBS beneficial interests. Yield spread applied over interpolated benchmark curve or as a spread over collateral forward curve.

Monthly cash flows generated from the HECM loans are used to service the outstanding HMBS.

HMBS related obligations, at fair value, consists of the following at December 31, 2019:

		Amounts
GNMA loan pools - UPB	$	3,091,299,009
Fair value adjustments		179,955,933
Total HMBS obligations, at fair value	$	3,271,254,942
Weighted average life		4.44
Weighted average interest rate		4.00%
Lifetime prepayment speeds		10.29%
Discount rate		1.75% - 3.03%

The Company was servicing 464 GNMA loan pools at December 31, 2019.

J. NOTES PAYABLE, MEMBER

The Company has notes payable to a member at December 31, 2019:

	Amounts
$5 million note payable due February 2020. Interest is at 15% per annum. Interest and principal is due at maturity.	$ 5,000,000
$5 million note payable due February 2020. Interest is at 18% per annum. Interest and principal is due at maturity.	5,000,000
$2.5 million note payable due February 2020. Interest is at 18% per annum. Interest and principal is due at maturity.	2,500,000
	$ 12,500,000

As of December 31, 2019, the Company had all accounts including, but not limited to, cash and cash equivalents, property and equipment, MSRs, and mortgage loans held for sale pledged as collateral under the above notes payable. During the year ended December 31, 2019, the Company incurred interest expense related to the notes payable totaling $856,667, which is included in interest expense on the statements of operations. The outstanding accrued interest expense balance of $856,667 is included in accounts payable and accrued expenses on the balance sheet. Subsequent to December 31, 2019, the notes payable and related accrued interest was paid in full.

K. TAIL FINANCING FACILITY

The Company has the following tail financing facility at December 31, 2019:

	Amounts
$15 million tail financing facility expiring in April 2020. Interest is at the Prime rate plus 0.50%, with a floor rate of 5.00%.	$ 5,197,146

The above facility also contains covenants which include certain financial requirements, including maintenance of minimum tangible net worth, minimum liquid assets, minimum current ratio, maximum debt to net worth ratio, maximum funding capacity to tangible net worth ratio, and positive net income, as defined in the agreement. The Company renewed the tail financing facility when it matured.

L. WAREHOUSE LINE OF CREDIT AGREEMENTS

The Company has the following warehouse line of credit agreements at December 31, 2019:

		Amounts
$125 million warehouse line of credit agreement expiring in April 2020. Interest is at LIBOR plus 2.5%, with a floor rate of 3.25%. A cash pledge deposit of $1,250,000 is required by the lender.	$	82,217,540
$50 million warehouse line of credit agreement expiring in May 2020. Interest is at LIBOR plus 2.75%.		-
$10 million warehouse line of credit agreement which expired in April 2019. Interest was at LIBOR plus 2.75%.		-
	$	82,217,540

As of December 31, 2019, the Company had mortgage loans held for sale pledged as collateral under the above warehouse line of credit agreements. The above agreements also contain covenants which include certain financial requirements, including maintenance of minimum tangible net worth, minimum liquid assets, maximum debt to net worth ratio, and positive net income, as defined in the agreements. The Company renewed the warehouse line of credit agreements when they matured.

M. STOCK-BASED COMPENSATION

The following assumptions related to stock-based compensation were used for the year ended December 31, 2019.

	Inputs
Risk-free interest rates	1.42% - 2.67%
Expected life	7.5 years
Expected volatility	20.00%

The risk-free interest rate is the U.S. Treasury yield curve in effect at the time of grant and is based on the expected life of the unit grants. The expected life of the units granted represents the period of time the unit grants are expected to be outstanding. The expected volatility is based on the historical volatility of the stock prices of a public peer group.

M. STOCK-BASED COMPENSATION (Continued)

A summary of the activity in the stock option plan is as follows for the year ended December 31, 2019:

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Term (Years)
Outstanding, beginning of year	2,577	$ 82.59	7.5
Exercised	-	-	-
Granted	1,703	379.92	10
Forfeited or expired	(105)	(150.42)	-
Outstanding, end of year	4,175	$ 208.13	7.6

The Company recognized total stock-based compensation expense related to stock options of $0 and $85,136 for the years ended December 31, 2019 and 2018, respectively. Total unrecognized stock-based compensation costs related to non-vested service stock options totaled $330,124 and $238,658 at December 31, 2019 and 2018, respectively. Total unrecognized stock-based compensation costs related to non-vested performance stock options totaled $434,462 and $324,065 at December 31, 2019 and 2018, respectively. There are 835 and 293 vested options that are exercisable at December 31, 2019 and 2018, respectively.

N. MEMBERS' EQUITY

Executive Common Units
The Company has authorized 10,000 executive common units, of which 361 units were issued and outstanding at December 31, 2019.

Sponsored Preferred Units
The Company has authorized 50,000 sponsored preferred units, of which 45,000 units were issued and outstanding at December 31, 2019.

O. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) plan covering substantially all employees. Employees may contribute amounts subject to certain Internal Revenue Service and plan limitations. The Company may make discretionary matching and non-elective contributions. The Company made $267,444 and $247,776 in contributions to the plan for the years ended December 31, 2019 and 2018, respectively.

P. COMMITMENTS AND CONTINGENCIES

Commitments to Extend Credit

The Company enters into IRLCs with borrowers who have applied for residential mortgage loans and commitments to purchase loans with third party originators who have met certain credit and underwriting criteria. These commitments expose the Company to market risk if interest rates change and the underlying loan is not economically hedged or committed to an investor. The Company is also exposed to credit loss if the loan is originated and not sold to an investor and the mortgagor does not perform. The collateral upon extension of credit typically consists of a first deed of trust in the mortgagor's residential property. Commitments to originate or purchase loans do not necessarily reflect future cash requirements as some commitments are expected to expire without being drawn upon. Total commitments to originate or purchase loans approximated $101,867,000 at December 31, 2019.

The Company is required to fund further borrower advances (where the borrower has not fully drawn down the HECM loan proceeds available to them), and to fund the payment of the borrower's obligation to pay monthly insurance premium. The outstanding unfunded commitments available to borrowers related to HECM loans was approximately $720,000,000 as of December 31, 2019. This additional borrowing capacity is primarily in the form of undrawn lines of credit.

HMBS Issuer Obligations

As an HMBS issuer, the Company assumes certain obligations related to each security issued. The most significant obligation is the requirement to purchase loans out of the Ginnie Mae securitization pools if the outstanding principal balance of the related HECM is equal to or greater than 98% of the maximum claim amount (MCA repurchases). Active repurchased loans are assigned to HUD and payment is received from HUD, typically within 60 days of repurchase. HUD reimburses the Company for the outstanding principal balance on the loan up to the maximum claim amount. The Company bears the risk of exposure if the amount of the outstanding principal balance on a loan exceeds the maximum claim amount. Inactive repurchased loans (the borrower is deceased, no longer occupies the property or is delinquent on tax and insurance payments) are generally liquidated through foreclosure and subsequent sale of REO, with a claim filed with HUD for recoverable remaining principal and advance balances. The recovery timeline for inactive repurchased loans depends on various factors, including foreclosure status at the time of repurchase, state-level foreclosure timelines, and the post-foreclosure REO liquidation timeline. The timing and amount of the Company obligation with respect to MCA repurchases is uncertain as repurchase is dependent largely on circumstances outside of the Company's control including the amount and timing of future draws and the status of the loan. MCA repurchases are expected to continue to increase due to the increased flow of HECMs and REO that are reaching 98% of their maximum claim amount. In addition to having to fund these repurchases, the Company also typically earns a lower interest rate and incurs certain non-reimbursable costs during the process of liquidating nonperforming loans.

P. COMMITMENTS AND CONTINGENCIES (Continued)

Activity with regard to HMBS repurchases, including MCA repurchases, as restated, at December 31, 2019:

	Active		Inactive		Total	
	Number	Amount	Number	Amount	Number	Amount
Beginning balance	-	$ -	-	$ -	-	$ -
Additions (1)	136	32,700,612	27	5,263,280	163	37,963,892
Transfers (1)	(136)	(32,700,612)	(27)	(5,263,280)	(163)	(37,963,892)
Ending Balance	-	$ -	-	$ -	-	$ -

(1) The Company repurchased $37,963,892 of GNMA HECM loans subject to the 98% MCA requirement from GNMA HMBS pools during the year ended December 31, 2019, of which $37,963,892 was subsequently transferred to a third party in accordance with a put option guaranty under the Collaboration and Transfer Agreement.

The Company did not have any activity with regard to HMBS repurchases, including MCA repurchases, as restated, at December 31, 2018.

Regulatory Contingencies

The Company is subject to periodic audits and examinations, both formal and informal in nature, from various federal and state agencies, including those made as part of regulatory oversight of mortgage origination, servicing and financing activities. Such audits and examinations could result in additional actions, penalties or fines by state or federal governmental bodies, regulators or the courts.

Operating Leases

The Company leases office space under various operating lease arrangements, which expire through May 2022. Total rent expense under all operating leases amounted to $390,243 and $339,868 for the years ended December 31, 2019 and 2018, respectively, and are included in occupancy, equipment and communication on the statements of operations.

Future minimum rental payments under long-term operating leases are as follows at December 31, 2019:

Year Ending December 31,	Amounts
2020	$ 314,836
2021	185,799
2022	68,520
	$ 569,155

P. COMMITMENTS AND CONTINGENCIES (Continued)

Legal

The Company operates in a highly regulated industry and may be involved in various legal and regulatory proceedings, lawsuits and other claims arising in the ordinary course of its business. The amount, if any, of ultimate liability with respect to such matters cannot be determined, but despite the inherent uncertainties of litigation, management currently believes that the ultimate disposition of any such proceedings and exposure will not have, individually or taken together, a material adverse effect on the financial condition, results of operations, or cash flows of the Company. However, actual outcomes may differ from those expected and could have a material effect on the Company's financial position, results of its operations or cash flows in a future period. The Company accrues for losses when they are probable to occur, and such losses are reasonably estimable. Legal costs are expensed as incurred and are included in general and administrative on the statements of operations.

Q. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, (ASC 820) defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not assumptions specific to the entity.

ASC 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon the market data obtained from independent sources (observable inputs). In accordance with ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Inputs – Inputs other than the quoted market prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Q. FAIR VALUE MEASUREMENTS (Continued)

While the Company believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methods or assumptions to estimate the fair value of certain financial statement items could result in a different estimate of fair value at the reporting date. The significant unobservable inputs used in the fair value measurement may result in significantly different fair value measurements if any of those inputs were to change in isolation. Generally, a change in the assumptions used in the fair value measurement would be accompanied by a directionally opposite change in other assumptions. Those estimated values may differ significantly from the values that would have been used had a readily available market for such items existed, or had such items been liquidated, and those differences could be material to the financial statement.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

Mortgage loans held for sale (MLHFS) – The fair value of mortgage loans held for sale is based on, when possible, quoted HMBS prices and estimates of the fair value of the related MSRs. If no such quoted price exists, the fair value of a loan is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of that loan, which would be used by other market participants.

Interest Rate Lock Commitments – The fair value of IRLCs is based on valuation models incorporating market pricing for instruments with similar characteristics, commonly referred to as best execution pricing. The valuation models used to value the IRLCs have unobservable inputs, such as an estimate of the fair value of the servicing rights expected to be recorded upon sale of the loans, estimated costs to originate the loans, and the pullthrough rate, and are therefore classified as Level 3 within the fair value hierarchy.

The fair value of treasury futures contracts is based on the quoted sales price on the exchange where they are principally traded and are therefore classified as Level 2 within the fair value hierarchy.

Mortgage Loans held for investment (LHFI) – The fair value of LHFI is based on the expected future cash flows discounted over the expected life of the loans at a rate commensurate with the risk of the estimated cash flows, including future draw commitments for HECM loans. Inputs of the discounted cash flows of these assets may include future draws and tail spread gains, voluntary prepayments, defaults, and discount rate. LHFI is classified as Level 3 within the fair value hierarchy.

Q. FAIR VALUE MEASUREMENTS (Continued)

Mortgage servicing rights – The fair value of MSRs is difficult to determine because MSRs are not actively traded in observable stand-alone markets. The Company uses a discounted cash flow approach to estimate the fair value of MSRs. This approach consists of projecting net servicing cash flows discounted at a rate that management believes market participants would use in their determinations of fair value. The key unobservable inputs used in the estimation of the fair value of MSRs include prepayment speeds, discount rates, default rates, cost to service, contractual servicing fees, escrow earnings and ancillary income.

HMBS related obligations, at fair value – The fair value of HMBS related obligations, at fair value is based on a discounted cash flow approach, by discounting the projected recovery of principal and interest over the estimated life of the borrowing at a market rate commensurate with the risk of the estimated cash flows. HMBS related obligations, at fair value are classified as Level 3 within the fair value hierarchy.

Reverse mortgage interests and related liability – The Company estimates fair value on a recurring basis based on the net present value of future expected discounted cash flows with the discount rate approximating current market value for similar financial instruments. The cash flow assumptions and prepayment assumptions used in the model are based on various factors, with the key assumptions being mortgage prepayment speeds, average life, recapture rates, liquidity and foreclosure losses, projected securitization premiums, and discount rate. As these prices are derived from valuation models, the Company classifies these valuations as Level 3 within the fair value hierarchy.

The Company engages valuation experts to support the valuation and provide observations and assumptions related to market activities. The Company evaluates the reasonableness of the fair value estimate and assumptions using historical experience, or cash flow back-testing, adjusted for prevailing market conditions and benchmarks with valuations. Significant unobservable assumptions include voluntary prepayment speeds, defaults and discount rate.

Q. FAIR VALUE MEASUREMENTS (Continued)

Assets and Liabilities Measured at Fair Value

The following are the major categories of assets and liabilities measured at fair value on a recurring basis, as restated, as of December 31, 2019:

Description	Level 1	Level 2	Level 3	Total
Mortgage loans held for sale	$ -	$ 7,047,270	$ -	$ 7,047,270
IRLCs/Treasury futures	-	28,984	2,113,414	2,142,398
LHFI	-	-	3,411,434,082	3,411,434,082
MSRs	-	-	222,176	222,176
HMBS related obligations	-	-	(3,271,254,942)	(3,271,254,942)
Reverse mortgage interests	-	-	14,803,061	14,803,061
Reverse mortgage interests related liabilities	-	-	(11,475,838)	(11,475,838)
Total	$ -	$ 7,076,254	$ 145,841,953	$ 152,918,207

The following are the changes in fair value of Level 2 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2019:

Description	Amounts
Mortgage loans held for sale	$ 270,031
Treasury futures	351,250
Total	$ 621,281

The Company does not have any impaired assets or liabilities that are recorded at fair value on a non-recurring basis as of December 31, 2019.

Q. FAIR VALUE MEASUREMENTS (Continued)

Level 3 Purchases, Issuances and Transfers

The following is a summary of the Company's purchases, issuances, and transfers of assets which are measured at fair value on a recurring and non-recurring basis using Level 3 inputs during the year ended December 31, 2019:

	MSRs	LHFI	HMBS related obligations, at fair value	IRLCs	RMI
Purchases	$ -	$ -	$ -	$ -	$ -
Issuances (c)	$ 222,176	$ 2,072,459,978	$ 2,036,624,362	$ 9,880,259	$ 3,327,223
Transfers into Level 3	$ -	$ -	$ -	$ -	$ -
Transfers out of Level 3 (d)	$ -	$ -	$ -	$ 3,297,495	$ -

(c) Issuances of Level 3 MSRs represent additions due to loans sold, servicing retained. Issuance of Level 3 LHFI and HMBS related obligations, at fair value represent HECM loans pooled into GNMA guaranteed securities, that do not qualify for sale accounting. Issuances of Level 3 IRLCs represent the lock-date market value of IRLCs issued to borrowers during the year, net of estimated pullthrough and costs to originate. Issuances of Level 3 reverse mortgage interests represent retained portions of reverse mortgage loans pursuant to the secured financing arrangement, net of related liability, at fair value.

(d) IRLCs transferred out of Level 3 represent IRLCs that were funded and moved to mortgage loans held for sale, at fair value.

Fair Value of Other Financial Instruments

Due to their short-term nature, the carrying value of cash and cash equivalents, restricted cash, certificate of deposit, short-term receivables, short-term payables, warehouse line of credit agreements, tail financing facility, and notes payable approximate their fair value at December 31, 2019.

R. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 1, 2021.