

Investor 1-4

Mixed-Use

Commercial

Multi-Family



1Q21 Earnings Presentation
May 6, 2021



Forward-looking statements

Some of the statements contained in this presentation may constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, projections, plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" or the negative of these words and phrases. You can also identify forward-looking statements by discussions of strategy, plans, or intentions.

The forward-looking statements contained in this presentation reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause actual results to differ significantly from those expressed or contemplated in any forward-looking statement.

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For a further discussion of these and other factors that could cause future results to differ materially from those expressed or contemplated in any forward-looking statements, see the section titled "Risk Factors" previously disclosed in our Form 10-Q filed with the SEC on May 14, 2020, as well as other cautionary statements we make in our current and periodic filings with the SEC. Such filings are available publicly on our Investor Relations web page at www.velfinance.com.



1Q21 Highlights

Earnings

- Net Income of \$3.4 million and Core income⁽¹⁾ of \$6.7 million; diluted EPS of \$0.10 and Core diluted EPS of \$0.20
 - Results driven by improved loan portfolio performance partially offset by nonrecurring debt refinancing costs
- Portfolio net interest margin (NIM) of 4.10%, an increase of 3 basis points (bps) from 4Q20
- Book value per common share as of March 31, 2021, was \$11.12, compared to \$10.93 as of December 31, 2020

Production & Loan Portfolio

- Loan production volume in 1Q21 totaled \$233.0 million in UPB⁽²⁾, a 30% Q/Q increase driven by continued strong demand and increased economic activity as reopening begins
- Nonperforming loan (NPL) resolutions recovered 102.7% of assets resolved in 1Q21, continuing our consistent track record of net gains over and above contractual principal and interest due
- NPLs as a % of loans held for investment (HFI) decreased 40bps Q/Q
- Charge-offs levels remained low, totaling \$68 thousand, or 8 bps⁽³⁾ of UPB in 1Q21

Financing & Capital

- Refinanced and upsized corporate debt to \$175.0 million
 - \$140.0 million drawn from new term-loan facility as of March 31, 2021
- After Quarter End**
- Added a new non-mark-to-market warehouse financing facility with a maximum capacity of \$100.0 million, bringing total warehouse financing capacity to \$450.0 million
 - Exercised the remaining draw amount of \$35.0 million from the term-loan facility

(1) "Core" income is a non-GAAP measure which excludes non-recurring and/or unusual activities from GAAP net income.

(2) Unpaid Principal Balance.

(3) Annualized.

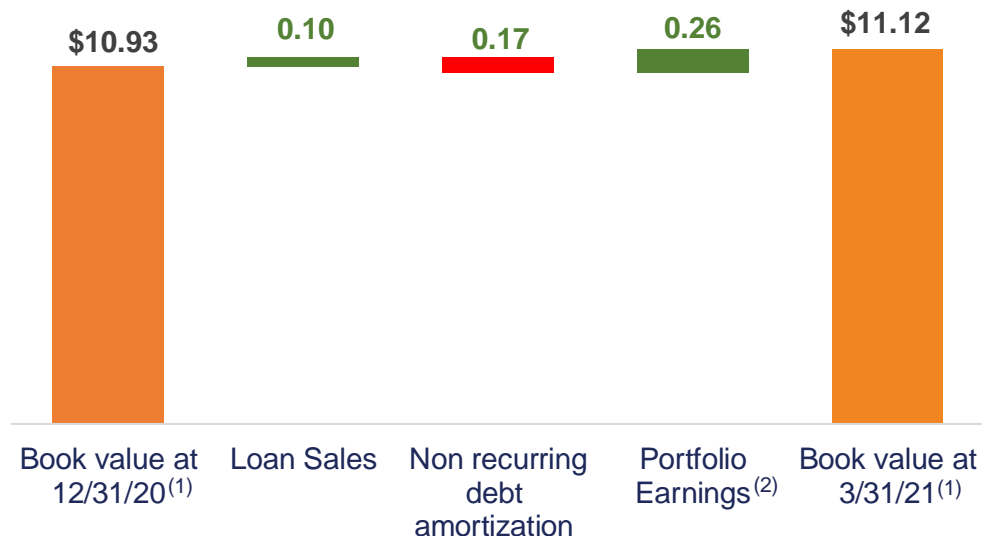


Core Income and Book Value Growth

Core Income

GAAP Net Income	\$3,396
Nonrecurring Debt Amortization	\$3,326
Core Income	\$6,722

Book Value Per Share



- Core income totaled \$6.7 million (\$0.20 per diluted share) excluding non-recurring deferred deal cost write-off and prepayment fees resulting from refinancing of the Company's corporate debt during 1Q21
 - Entered into a five-year \$175 million syndicated term loan agreement during 1Q21 with a portion of the proceeds used to pay-off \$78 million of existing corporate debt
- Pretax income includes gains of \$2.80 million from the sale of \$57 million in UPB of newly originated loans
 - Opportunistic loan sales demonstrate market demand for our products
- Book value per share as of March 31, 2021, of 11.12, compared to \$10.93 per share as of December 31, 2020⁽¹⁾

⁽¹⁾ Based on 20,087,494 common shares outstanding as of March 31, 2021, and December 31, 2020.

⁽²⁾ Includes an increase to APIC from stock-based compensation.



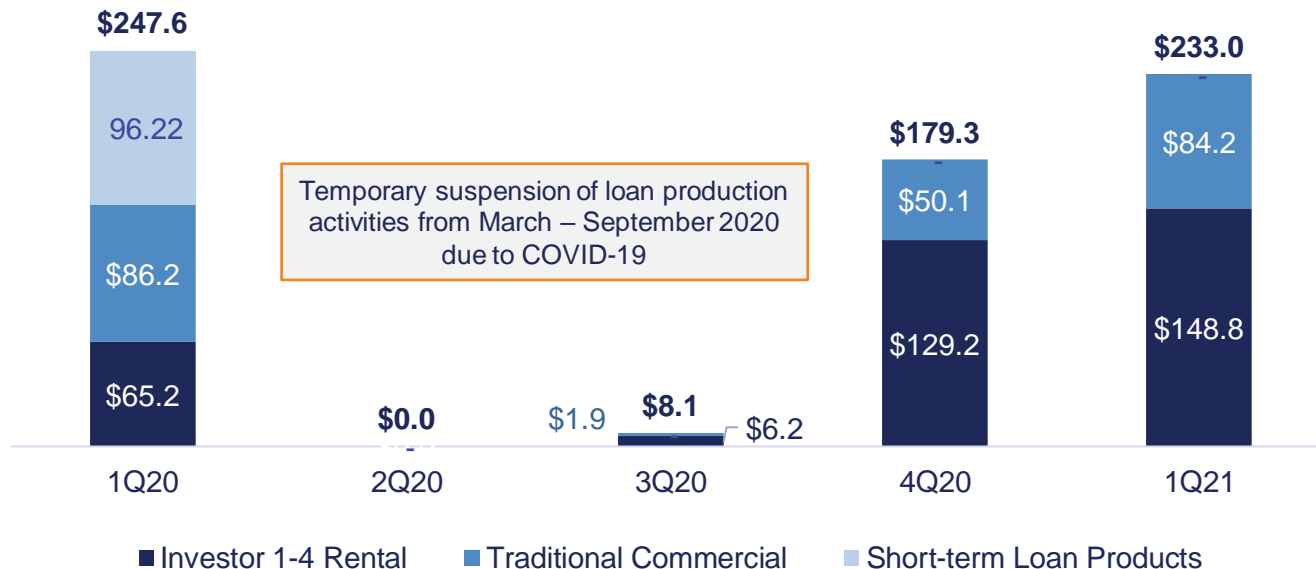
Production Momentum Continues to Build

Quarter-over-growth driven by strong demand for investor loans

- Loan production totaled \$233.0 million in UPB in 1Q21, a 30% Q/Q increase from \$179.3 million in UPB in 4Q20
- In April, Velocity launched a new Flex I/O short-term loan product and resumed production of the ARV Pro short-term loans
 - Reflects ongoing progress toward market normalization

Loan Production Volume

(\$ of UPB in millions)

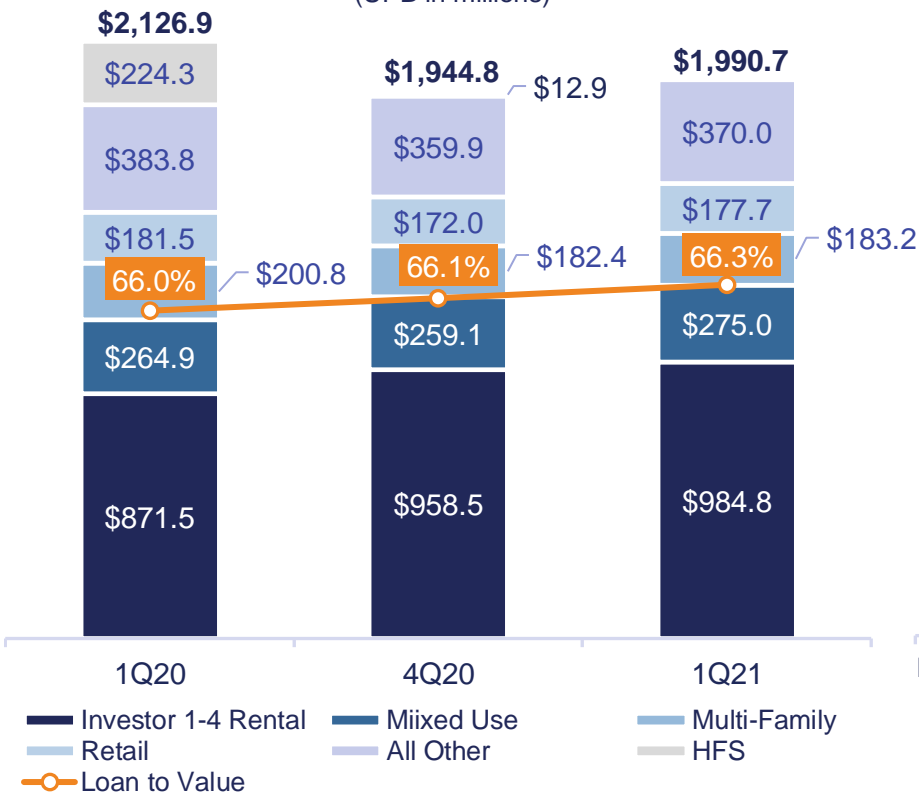


Loan Portfolio

- Total loan portfolio as of March 31, 2021, was \$1.99 billion in UPB, a 2% Q/Q increase from \$1.94 billion in UPB as of December 31, 2020
 - Net Portfolio growth of \$46 million driven by strong production activity, partially offset by increased payoff activity and opportunistic loan sales
- Investor 1-4 Rental loans have grown to \$984.8 million, or 49% of the total loan portfolio, up from \$871.5 million, or 40% as of March 31, 2020, reflecting strong demand for investor loans on residential properties

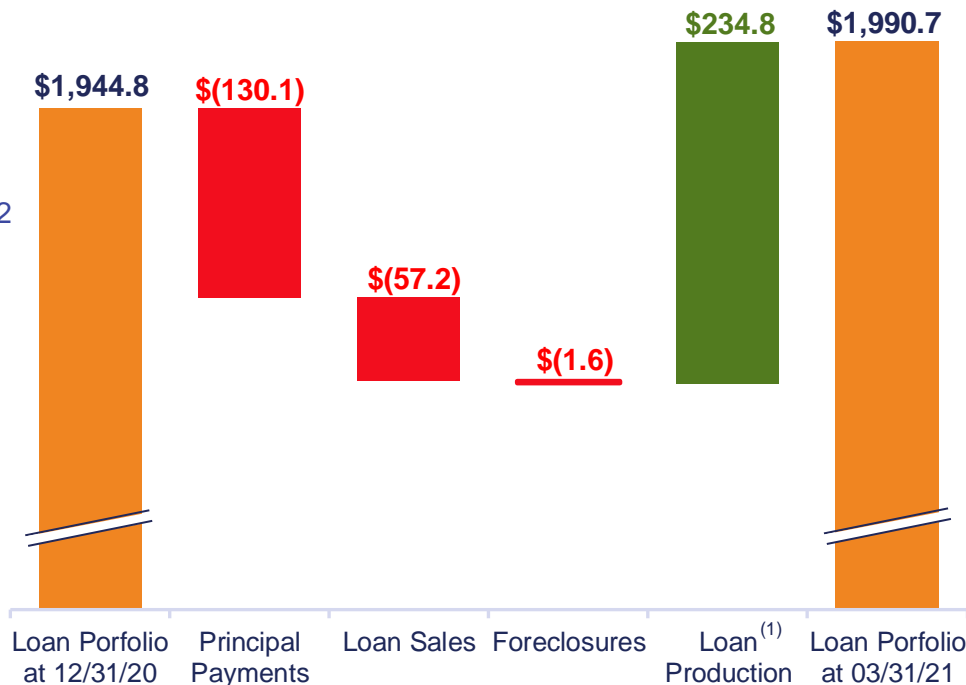
Loan Portfolio by Property Type

(UPB in millions)



Loan Portfolio Waterfall

(UPB in millions)



⁽¹⁾ Includes \$1.7 million in UPB of repurchased loans



1Q21 Asset Resolution Activity

Nonperforming asset and REO resolutions remained strong, realization of gains continued

Resolution Activity

LONG-TERM LOANS

RESOLUTION ACTIVITY (\$ in thousands)	FIRST QUARTER 2021		FOURTH QUARTER 2020	
	UPB \$	Gain / (Loss) \$	UPB \$	Gain / (Loss) \$
Paid in full	\$ 15,961	\$ 795	\$ 16,370	\$ 115
Paid current	10,774	62	13,414	880
REO sold	2,754	76	237	69
Total resolutions	\$ 29,489	\$ 932	\$ 30,022	\$ 1,064
Resolutions as a % of nonperforming UPB	103.2%		103.5%	

SHORT-TERM AND FORBEARANCE LOANS

RESOLUTION ACTIVITY (\$ in thousands)	FIRST QUARTER 2021		FOURTH QUARTER 2020	
	UPB \$	Gain / (Loss) \$	UPB \$	Gain / (Loss) \$
Paid in full	\$ 8,569	\$ 343	\$ -	\$ -
Paid current	11,170	40	-	-
REO sold	-	-	-	-
Total resolutions	\$ 19,739	\$ 384	\$ -	\$ -
Resolutions as a % of nonperforming UPB	101.9%		-	
Grand total resolutions	\$ 49,228	\$ 1,316	\$ 30,022	\$ 1,063
Grand total resolutions as a % of nonperforming UPB	102.7%		103.5%	

- Resolution activity in 1Q21 has been split between long-term loans and short-term/forbearance loans
 - Short-term loans do not require prepayment fees and result in a lower gain when paid in full, as compared to long-term loans
 - Forbearance loans are loans granted a COVID-19 forbearance that subsequently became nonperforming
- Transaction volumes reflect solid operational execution by Velocity's in-house special servicing team

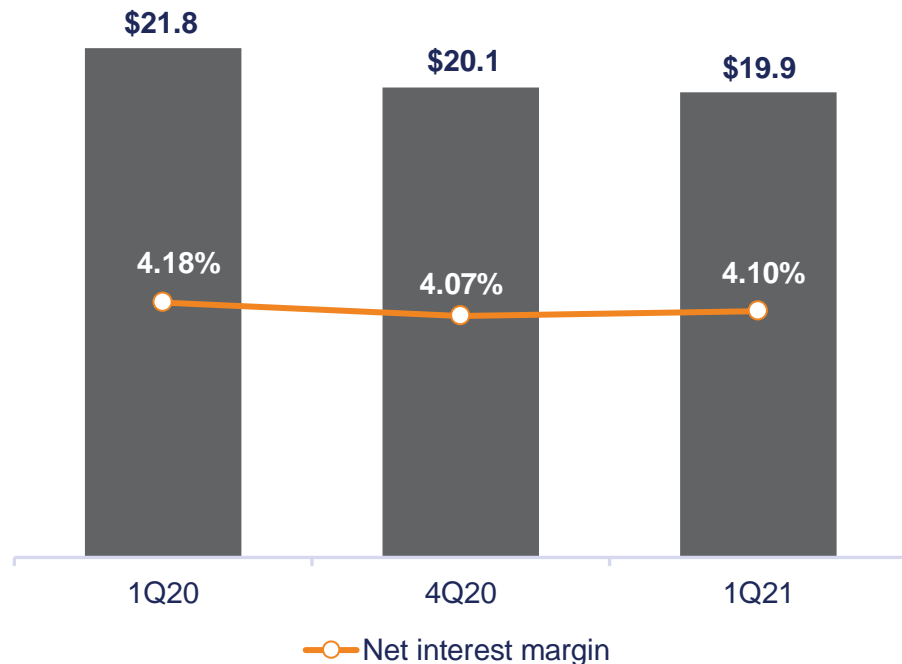
Net Interest Margin

Portfolio NIM increased with improved loan performance and strong resolution activity

- 1Q21 Portfolio NIM⁽¹⁾ was 4.10%, an increase of 3 bps from 4.07% in 4Q20
 - Primarily driven by strong nonperforming asset resolutions
- Weighted average portfolio yield increased 1 bps Q/Q while the portfolio cost of funds increased 4 bps
 - Increased cost of funds driven by costs to establish new warehouse financing facilities

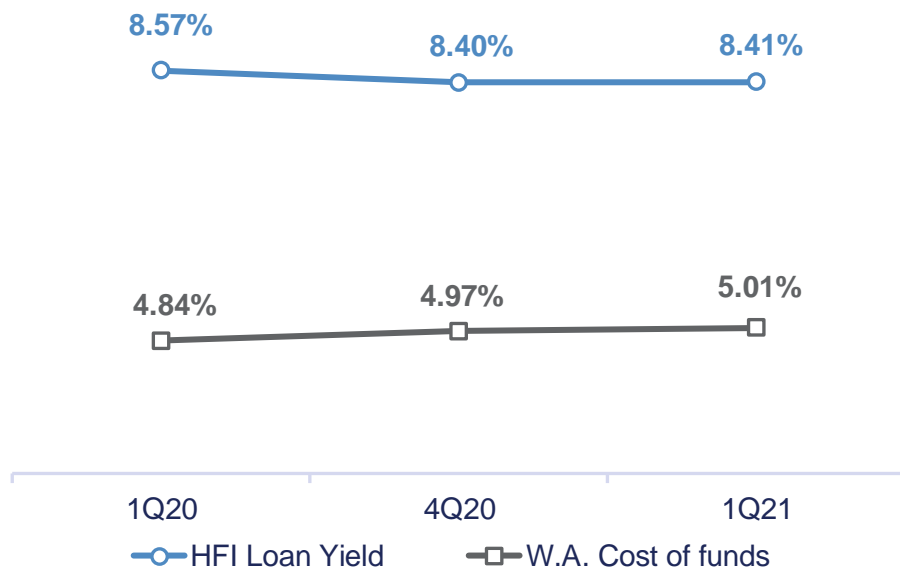
Portfolio Net Interest Income & NIM⁽¹⁾

Portfolio Related (\$ in millions)



Portfolio Yield and Cost of Funds

Portfolio Related



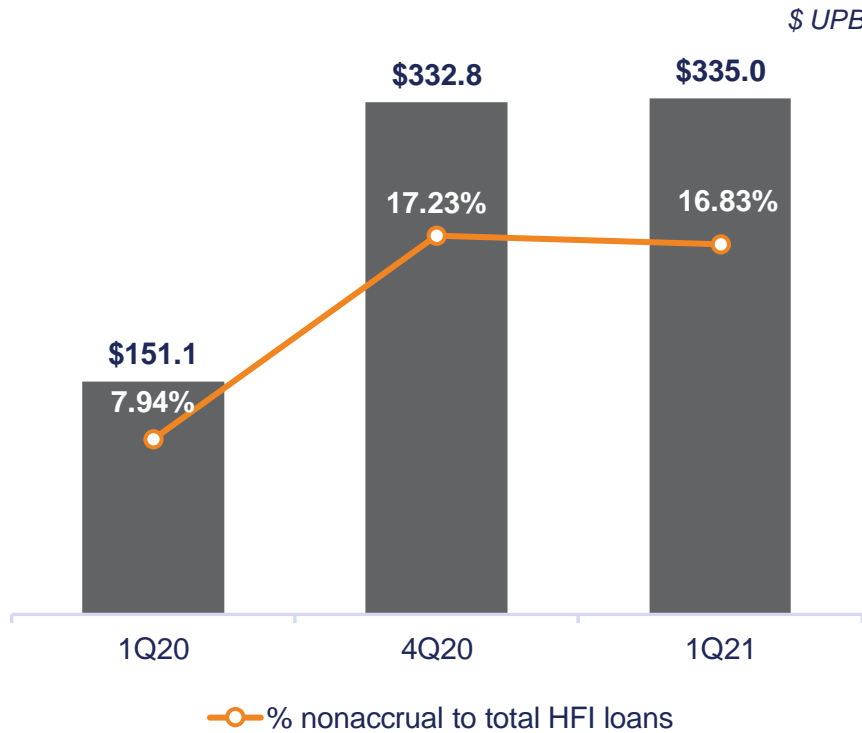
⁽¹⁾ Net Interest Income and Net Interest Margin related to the loan portfolio only; excludes corporate debt.



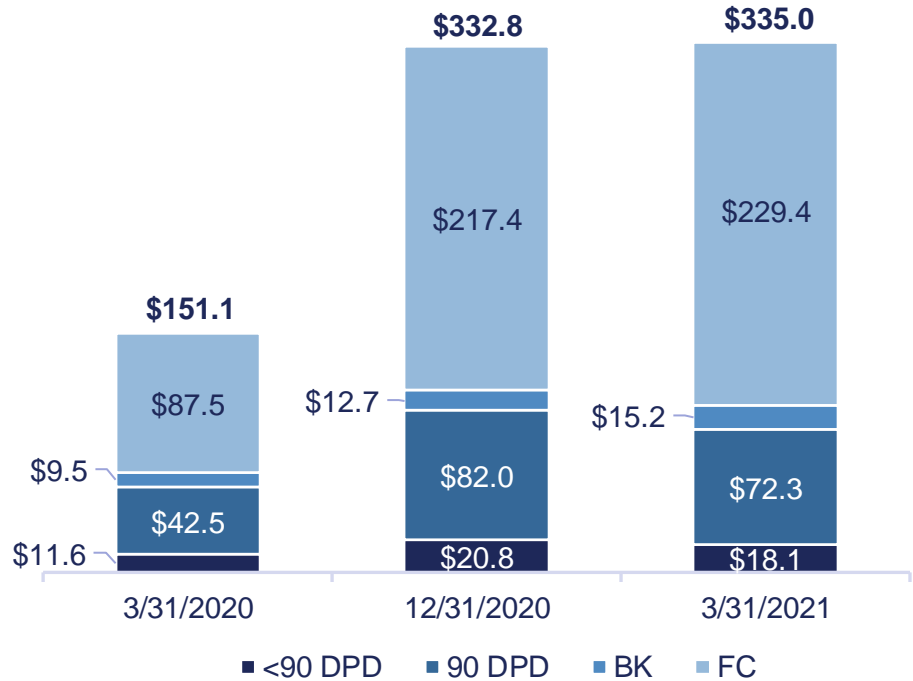
Loan Investment Portfolio Performance

- Total nonaccrual loans as of March 31, 2021, totaled \$335.0 million in UPB, or 16.83% of total loans held for investment, compared to \$332.8 million, or 17.23% as of December 31, 2020
 - Decrease in nonaccrual loan rate and strong NPL resolutions in 1Q21 provide optimism that improving economic conditions and recent government stimulus are key drivers

Nonaccrual Loans



Delinquency Status of Nonaccrual Loans

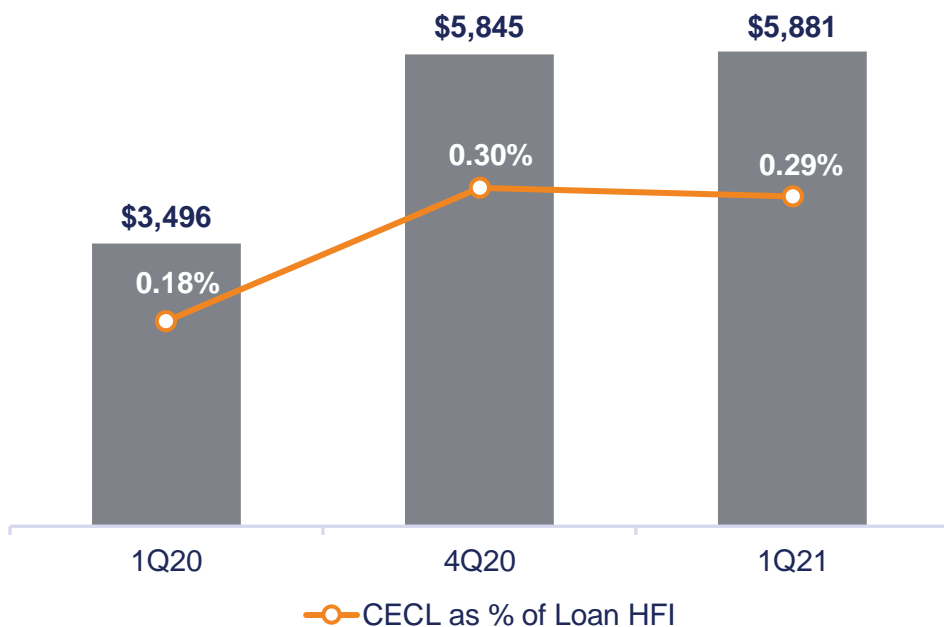


CECL Reserve and Charge-Offs

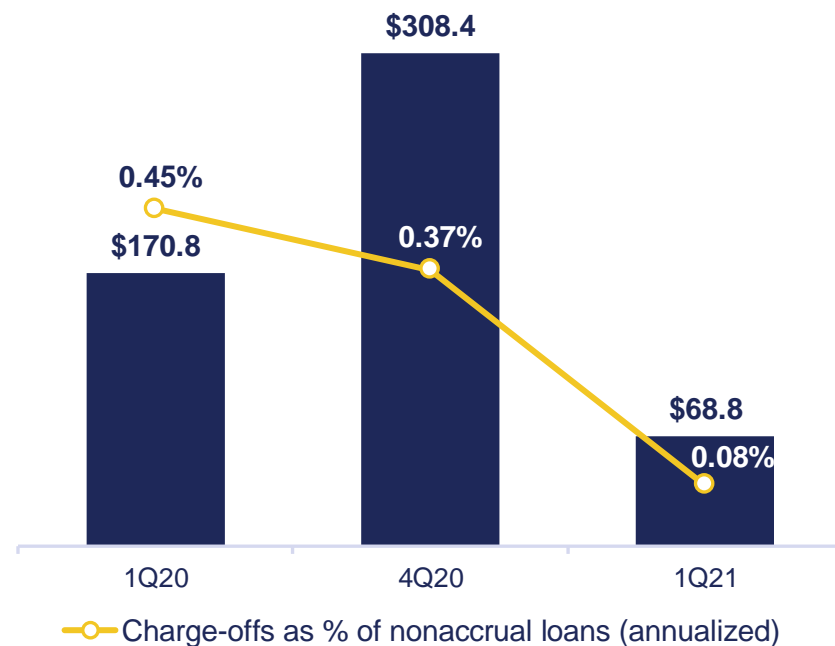
Loan Loss Reserve essentially unchanged as economy shows moderate improvement

- Velocity's CECL reserve as a percentage of the HFI portfolio as of March 31, 2021, was 29 bps compared to 30 bps as of December 31, 2020, and 18 bps as of March 31, 2021
 - While the vaccine rollout has been successful in reducing COVID-19 infection rates and deaths, insufficient time has elapsed to determine the long-term impacts
- Charge-offs were \$68.8 thousand in 1Q21, compared to \$ \$308.4 thousand in 4Q20
 - The Company's charge-offs remained low and in-line with historical trends

Loan Loss Reserve



Charge-offs





Outlook for Velocity's Business

Large Addressable Market With Strong Fundamentals

- Strong demand for investor properties expected to grow
 - Paradigm shifts in demographics to endure post-Pandemic, driving increased investor loan demand and growing the addressable market
- Rising rates are not expected to adversely impact demand for investor loans
 - Market is less interest rates sensitive than residential mortgages
 - Reduced residential refinance demand expected to drive increased broker focus on our product

Portfolio Performance to Benefit from Economic Recovery

- Nonperforming rates are expected to show continued improvement as economic activity grows, aided by recent government stimulus
 - Revival of economic sectors such as hospitality, entertainment and manufacturing is likely to be a catalyst for improvement
- Trends in real estate value appreciation will remain strong, helping to drive Velocity's continuation of low loan losses
- Opening of the economy to help increase the pace of nonperforming asset resolutions

Expanded Liquidity Strengthens Proven Operating Model

- Total warehouse line capacity totaled \$450.0 million as of April 30, 2021, and provides ample liquidity to fund projected 2021 loan volume
 - Further strengthen and diversify the Company's liquidity profile
- Completion of Velocity's next securitization on-track for issuance in 2Q21
- Well positioned to maximize all growth opportunities



Appendix



Velocity Financial, Inc. Balance Sheet

	Quarter Ended				
	3/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020
	Unaudited	Audited	Unaudited	Unaudited	Unaudited
<i>(In thousands)</i>					
Assets					
Cash and cash equivalents	\$ 20,434	\$ 13,273	\$ 19,210	\$ 9,803	\$ 7,649
Restricted cash	6,808	7,020	7,821	6,735	4,483
Loans held for sale, net	0	13,106	0	212,344	223,123
Loans held for investment, at fair value	1,364	1,539	3,327	2,956	2,987
Loans held for investment	1,983,435	1,924,489	1,977,236	1,836,065	1,895,684
Net deferred loan costs	25,070	23,600	23,850	25,754	26,801
Total loans, net	2,009,869	1,962,734	2,004,413	2,077,119	2,148,595
Accrued interest receivables	11,169	11,373	13,134	17,793	14,470
Receivables due from servicers	77,731	71,044	44,466	36,028	37,884
Other receivables	3,879	4,085	402	4,609	2,516
Real estate owned, net	14,487	15,767	14,653	15,648	16,164
Property and equipment, net	3,891	4,145	4,446	4,718	4,964
Deferred tax asset	9,246	6,654	1,832	5,556	10,111
Other assets	7,325	6,779	16,489	9,042	10,518
Total Assets	\$ 2,164,839	\$ 2,102,874	\$ 2,126,866	\$ 2,187,051	\$ 2,257,354
Liabilities and members' equity					
Accounts payable and accrued expenses	\$ 65,003	\$ 63,361	\$ 61,859	\$ 55,938	\$ 58,591
Secured financing, net	129,666	74,982	74,776	74,571	74,364
Securitizations, net	1,453,386	1,579,019	1,670,930	1,599,719	1,576,432
Warehouse & repurchase facilities	203,314	75,923	19,541	160,796	297,537
Total Liabilities	1,851,369	1,793,285	1,827,106	1,891,024	2,006,924
Mezzanine Equity					
Series A Convertible preferred stock	90,000	90,000	90,000	90,000	-
Stockholders' Equity					
Stockholders' equity	223,470	219,589	209,760	206,027	250,430
Total Liabilities and members' equity	\$ 2,164,839	\$ 2,102,874	\$ 2,126,866	\$ 2,187,051	\$ 2,257,354
Book value per share	\$ 11.12	\$ 10.93	\$ 10.44	\$ 10.26	\$ 12.47
Shares outstanding	20,087	20,087	20,087	20,087	20,087



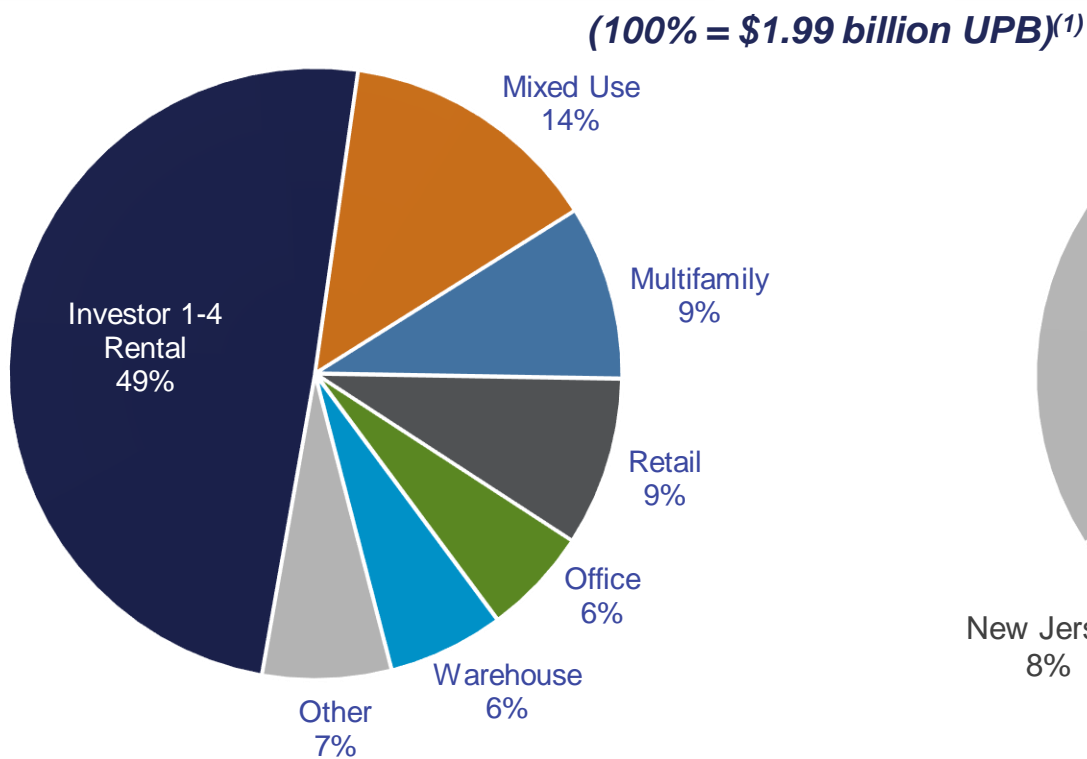
Velocity Financial, Inc. Income Statement

(\$ in thousands)

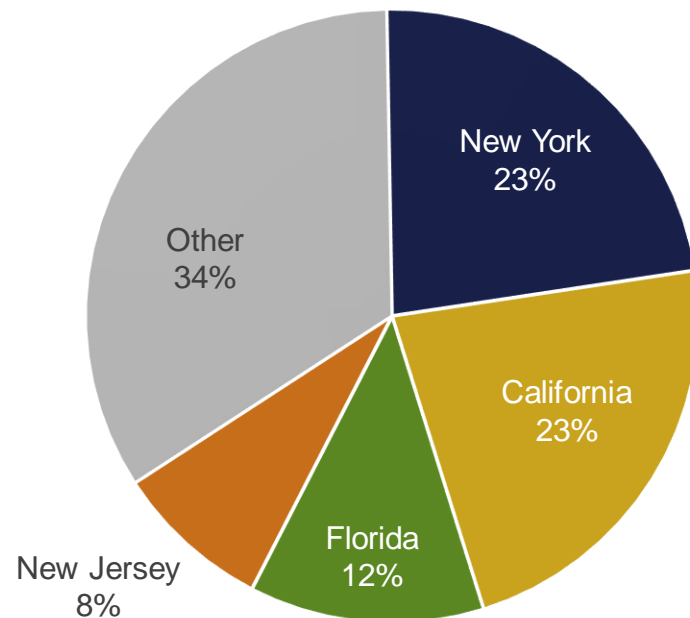
	Quarter Ended				
	3/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020
	Unaudited	Audited	Unaudited	Unaudited	Unaudited
Revenues					
Interest income	\$ 40,707	\$ 41,556	\$ 41,374	\$ 39,755	\$ 44,637
Interest expense - portfolio related	20,832	21,442	22,347	21,189	22,848
Net interest income - portfolio related	19,875	20,114	19,027	18,566	21,789
Interest expense - corporate debt	7,350	1,900	1,913	1,894	6,342
Net interest income	12,525	18,214	17,114	16,672	15,447
Provision for loan losses	105	406	1,573	1,800	1,290
Net interest income after provision for loan losses	12,420	17,808	15,541	14,872	14,157
Other operating income (expense)	2,801	4,691	1,349	(1,339)	1,620
Total net revenues	15,221	22,499	16,890	13,533	15,777
Operating expenses					
Compensation and employee benefits	5,186	4,135	5,692	5,863	5,041
Rent and occupancy	463	424	415	448	456
Loan servicing	1,867	1,977	2,168	1,754	2,238
Professional fees	533	1,415	1,051	588	1,184
Real estate owned, net	509	217	898	408	1,134
Other operating expenses	2,059	2,578	1,641	1,847	1,997
Total operating expenses	10,617	10,746	11,865	10,908	12,050
Income before income taxes	4,604	11,753	5,025	2,625	3,727
Income tax expense	1,208	2,177	1,544	484	1,148
Net income	\$ 3,396	\$ 9,576	\$ 3,481	\$ 2,141	\$ 2,579
Less Deemed dividends on preferred stock	-	-	-	\$ 48,955	n.a.
Less; Earnings allocated to participating securities	\$ 1,281	n.a.	n.a.	-	n.a.
Net income (loss) allocated to common shareholders	\$ 2,115	\$ 9,576	\$ 3,481	\$ (46,814)	\$ 2,579
Basic earnings (loss) per share	\$ 0.11	\$ 0.48	\$ 0.17	\$ (2.33)	\$ 0.13
Diluted earnings (loss) per common share	\$ 0.10	\$ 0.29	\$ 0.11	\$ (2.33)	\$ 0.13
Basic weighted average common shares outstanding	20,087	20,087	20,087	20,087	20,087
Diluted weighted average common shares outstanding	33,407	32,793	32,435	20,087	20,087

HFI Loan Portfolio

Portfolio by Property Type



Portfolio by State



⁽¹⁾ As of March 31, 2021



HFI Portfolio Delinquency Trends

(\$ in thousands)	March 31, 2020		December 31, 2020		March 31, 2021	
	\$	%	\$	%	\$	%
Performing/Accruing:						
Current	\$ 1,571,822	82.6%	\$ 1,445,131	74.8%	\$ 1,528,684	76.8%
30-59 days past due	126,740	6.7%	89,284	4.6%	67,100	3.4%
60-89 days past due	52,868	2.8%	62,694	3.2%	59,700	3.0%
90+ days past due	-	0.0%	1,953	0.1%	152	0.0%
Nonperforming/Nonaccrual:						
<90 days past due	11,600	0.6%	20,778	1.1%	18,076	0.9%
90+ days past due	42,529	2.2%	82,004	4.2%	72,303	3.6%
Bankruptcy	9,463	0.5%	12,655	6.6%	15,226	0.8%
In foreclosure	87,544	4.6%	217,376	11.3%	229,443	11.5%
Total nonperforming loans	<u>151,136</u>	<u>7.9%</u>	<u>332,813</u>	<u>17.2%</u>	<u>335,048</u>	<u>16.8%</u>
Total loans held for investment	<u>\$ 1,902,566</u>	<u>100%</u>	<u>\$ 1,931,875</u>	<u>100%</u>	<u>\$ 1,990,684</u>	<u>100%</u>