

Investor 1-4

Mixed-Use

Commercial

Multi-Family



1Q22 Results Presentation
May 5, 2022



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.



1Q22 Highlights

Earnings

- Net Income of \$3.1 million and core net income⁽¹⁾ of \$12.4 million; diluted EPS of \$0.09 and core diluted EPS of \$0.36
 - Core EPS growth of 23.3% from 4Q21
- Portfolio net interest income was \$28.5 million, a 10.9% increase from 4Q21 resulting from robust portfolio growth driven by record levels of mortgage production
- 1Q22 Portfolio NIM was 4.25%, consistent with 4.27% in 4Q21

Production & Loan Portfolio

- Loan production volume in 1Q22 reached a new Velocity record at \$581.4 million in unpaid principal balance (UPB), a 16.8% Q/Q increase from \$497.8 million in 4Q21
 - Increased WAC⁽²⁾ to 8.10% on April new applications volume of \$338 million in UPB
- Loans Held for Investment (HFI) totaled \$2.8 billion in UPB as of March 31, 2022, a 12.0% Q/Q increase from \$2.5 billion as of December 31, 2021
- Nonperforming loans as a % of the HFI portfolio decreased to 9.8% as of March 31, 2022, down from 10.9% as of December 31, 2021; total 1Q22 nonperforming loan resolution rate of 104.8%, compared to 104.0% for 4Q21.

Financing & Capital

- Refinanced our corporate debt, issuing \$215.0 million in principal amount at a fixed rate of 7.125% per annum and paid-off higher-cost, floating-rate debt totaling \$170.8 million in principal amount
 - Completed the VCC 2022-1 securitization in February totaling \$273.6 million of UPB
- Subsequent to Quarter-End***
- Completed the VCC 2022-2 securitization in April totaling \$252.6 million of UPB

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

⁽²⁾ Weighted Average Coupon

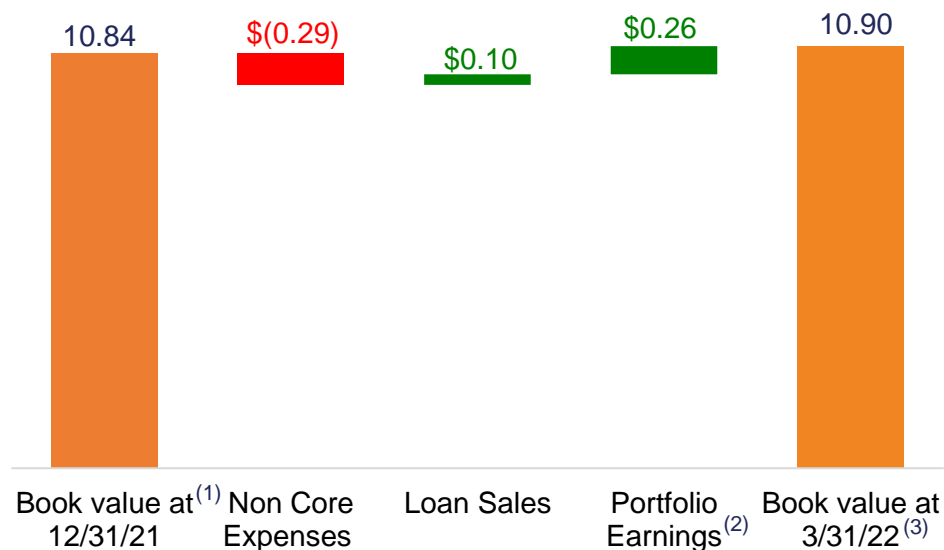


Core Income and Book Value Per Share

Core Income

GAAP Net Income	\$3,121
Deal cost write-off – corporate debt	\$5,567
Prepayment penalty on corporate debt refinancing	\$3,719
Core Net Income	\$12,407

Book Value Per Share



- Core Net Income totaled \$12.4 million in 1Q22, an increase of 23.1% from 4Q21
- 1Q22 after-tax core income adjustments for non-recurring costs:
 - Write-off of remaining unamortized deal costs and prepayment fees associated with the payoff of higher cost, floating rate corporate debt with a principal balance totaling \$170.8 million
- Book value per share as of March 31, 2022, was \$10.90⁽³⁾, compared to \$10.84⁽¹⁾ as of December 31, 2021

⁽¹⁾ Based on 31,786,531 common shares outstanding as of December 31, 2021 and excludes unvested shares of common stock authorized for incentive compensation.

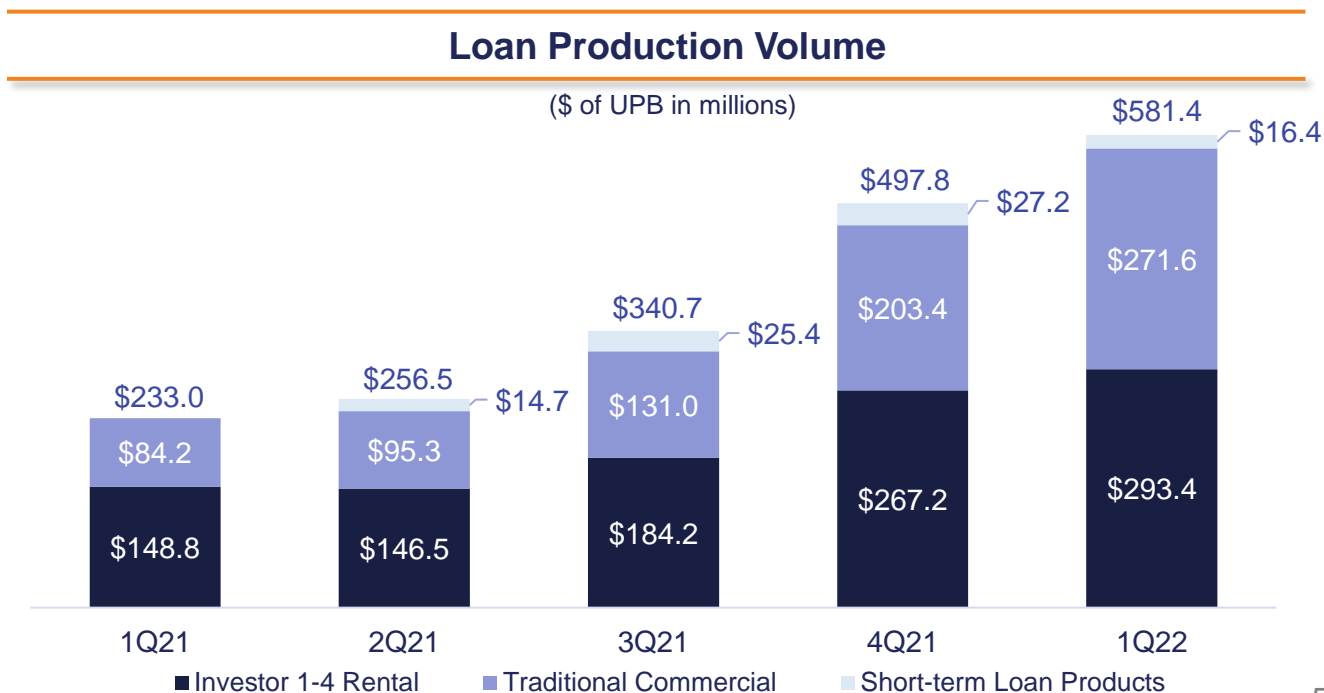
⁽²⁾ Includes increases to equity from stock-based compensation.

⁽³⁾ Based on 31,912,884 common shares outstanding as of March 31, 2022 and excludes unvested shares of common stock authorized for incentive compensation..

Loan Production

Robust Demand in 1Q22 Results in a New Quarterly Production Volume Record

- Loan production totaled \$581.4 million in UPB for 1Q22, a 16.8% Q/Q increase from \$497.8 million in UPB in 4Q21 and 149.5% from \$233.0 million in 1Q21
 - Traditional Commercial production was up \$68.2 million in UPB from 4Q21, a 33.5% Q/Q increase driven by strong demand for multifamily and mixed-use properties
 - Investor 1-4 Rental production was up \$26.2 million in UPB from 4Q21, a 9.8% Q/Q increase
- Demand for small business purpose loans remains strong despite higher mortgage rates
 - Consumer demand for rentals remained high, with rent prices up 13.1 % from the prior year level⁽¹⁾ and the rent growth outlook remains strong given recent trends
- Increased WAC to 8.10% on April new application volume of \$338 million in UPB



⁽¹⁾ CoreLogic

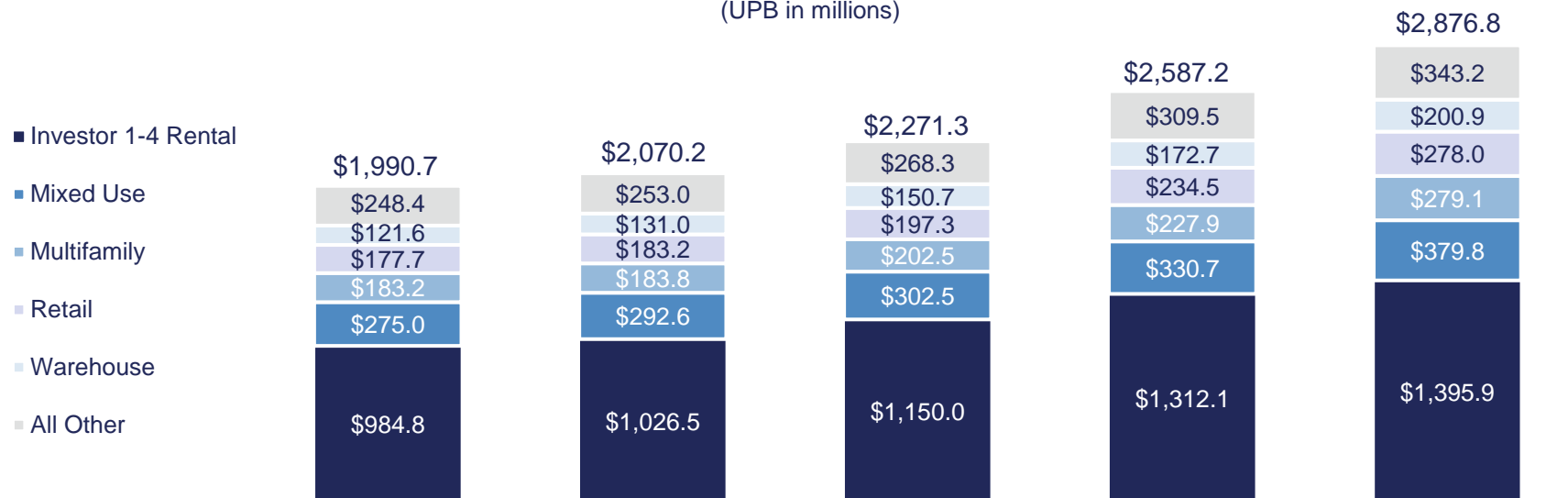
Loan Portfolio

Record Production Volumes Drives Portfolio Growth

- The total loan portfolio as of March 31, 2022 was \$2.9 billion in UPB, a 11.2% Q/Q increase from \$2.6 billion in UPB as of December 31, 2021, and 44.5% from \$2.0 billion as of March 31, 2021
 - Portfolio growth driven by record production volume and slower prepayments, partially offset by loan sales
- The weighted average coupon was 7.50% as of March 31, 2022, down from 7.76% as of December 31, 2021

Loan Portfolio by Property Type

(UPB in millions)



	1Q21	2Q21	3Q21	4Q21	1Q22
Loan to Value	66.28%	66.70%	67.22%	67.66%	67.88%
Loan Count	5,935	6,125	6,430	6,964	7,365
W.A. Coupon	8.42%	8.29%	8.10%	7.76%	7.50%
Average Loan Balance ⁽¹⁾	\$335.4	\$338.0	\$353.2	\$371.5	\$390.6

⁽¹⁾ \$ in thousands.

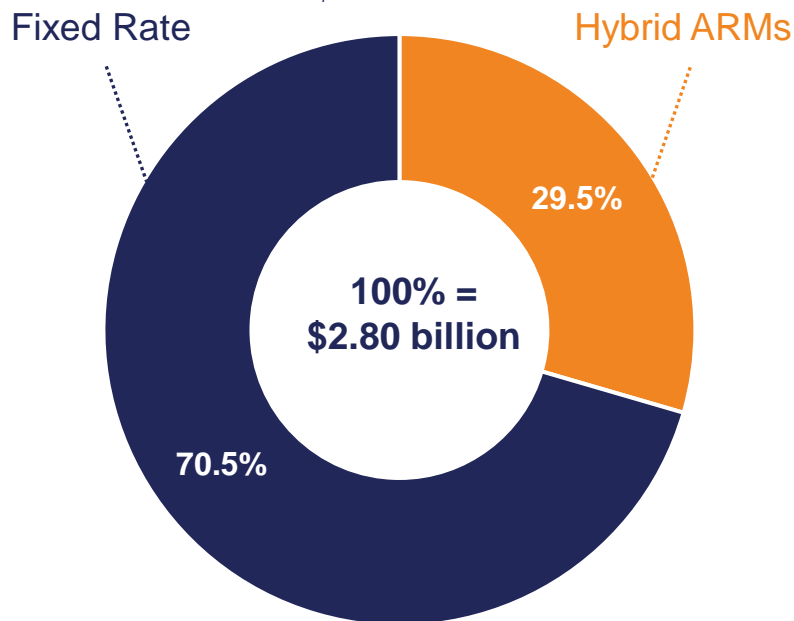
Held for Investment Portfolio and Financing

Minimal Interest-Rate Risk Results From Fixed-Rate Loans Funded by Fixed-Rate MBS

- Fixed-rate loans comprise 70.5% of our loan portfolio
- The hybrid adjustable-rate loans (ARMs) comprise 29.5% of our loan portfolio
 - Include a floor set at the initial fixed rate. Loans can only float above initial fixed rate and can never go below initial fixed rate
 - Over 70% of the ARMs in our portfolio are in their floating-rate period
- Velocity's loan investments are financed by our proprietary securitizations and warehouse lines totaling \$2.49 billion
 - Fixed-rate securitizations comprised 82.6% of our loan portfolio financing
 - Floating-rate securitizations comprise an immaterial amount of our portfolio financing
 - Warehouse lines are short-term, floating-rate financing where loans reside for 3 - 4 months awaiting securitization

HFI Portfolio⁽¹⁾

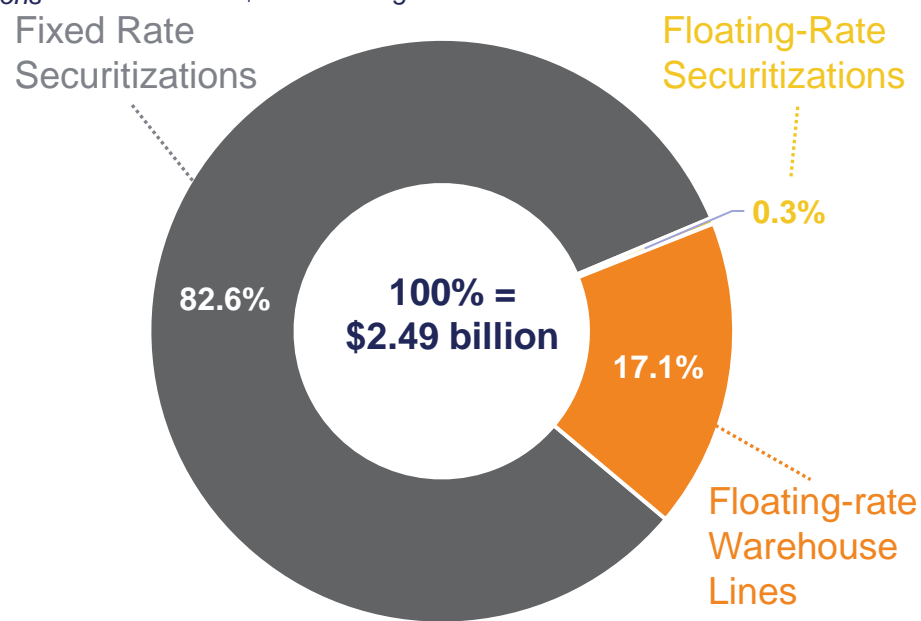
\$ UPB in Billions



Portfolio Financing⁽¹⁾

\$ in billions

\$ Outstanding Balance in Billions



⁽¹⁾ As of March 31, 2022.

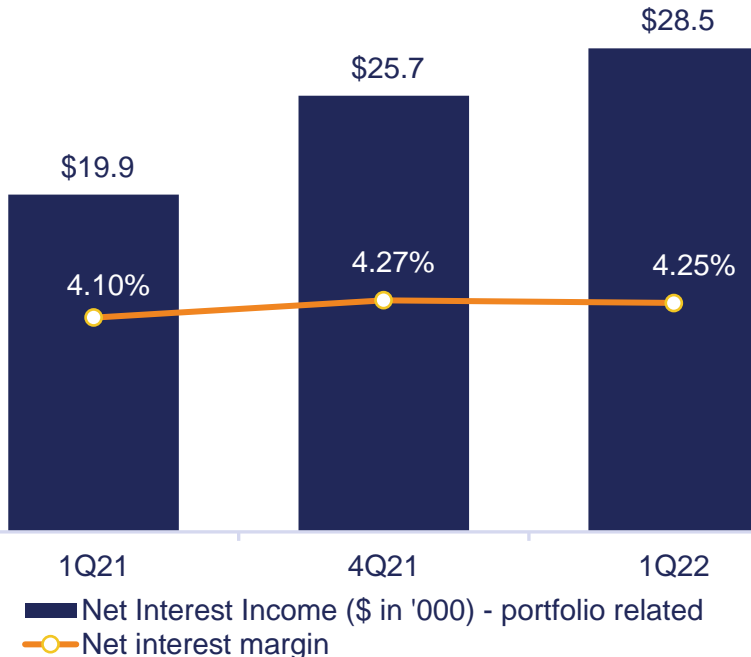
Net Interest Margin

Portfolio NIM Reflects Portfolio Growth; Lower Average Rates On Securitized Debt

- Portfolio NIM⁽¹⁾ in 1Q22 was 4.25%, consistent with 4Q21
 - The portfolio weighted loan yield as of March 31, 2022 was 7.76% compared to 8.21% as of December 31, 2021
 - Portfolio-related debt cost was 4.00% as of March 31, 2022, a decrease of 58 bps Q/Q, primarily driven by the collapse of higher-cost securitizations in 4Q21 and \$970 million of securitizations issued in 2021 at a fixed weighted average rate of 2.42%

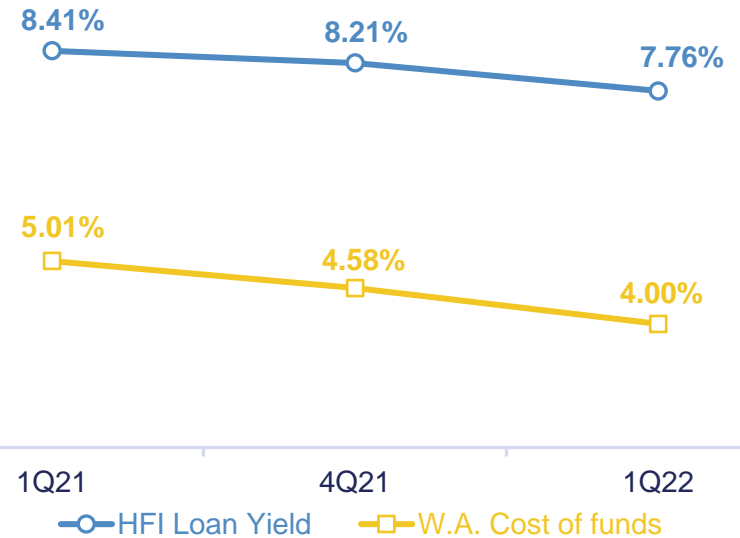
Portfolio Net Interest Income & NIM⁽¹⁾

Portfolio Related (\$ in millions)



Portfolio Yield and Cost of Funds

Portfolio Related



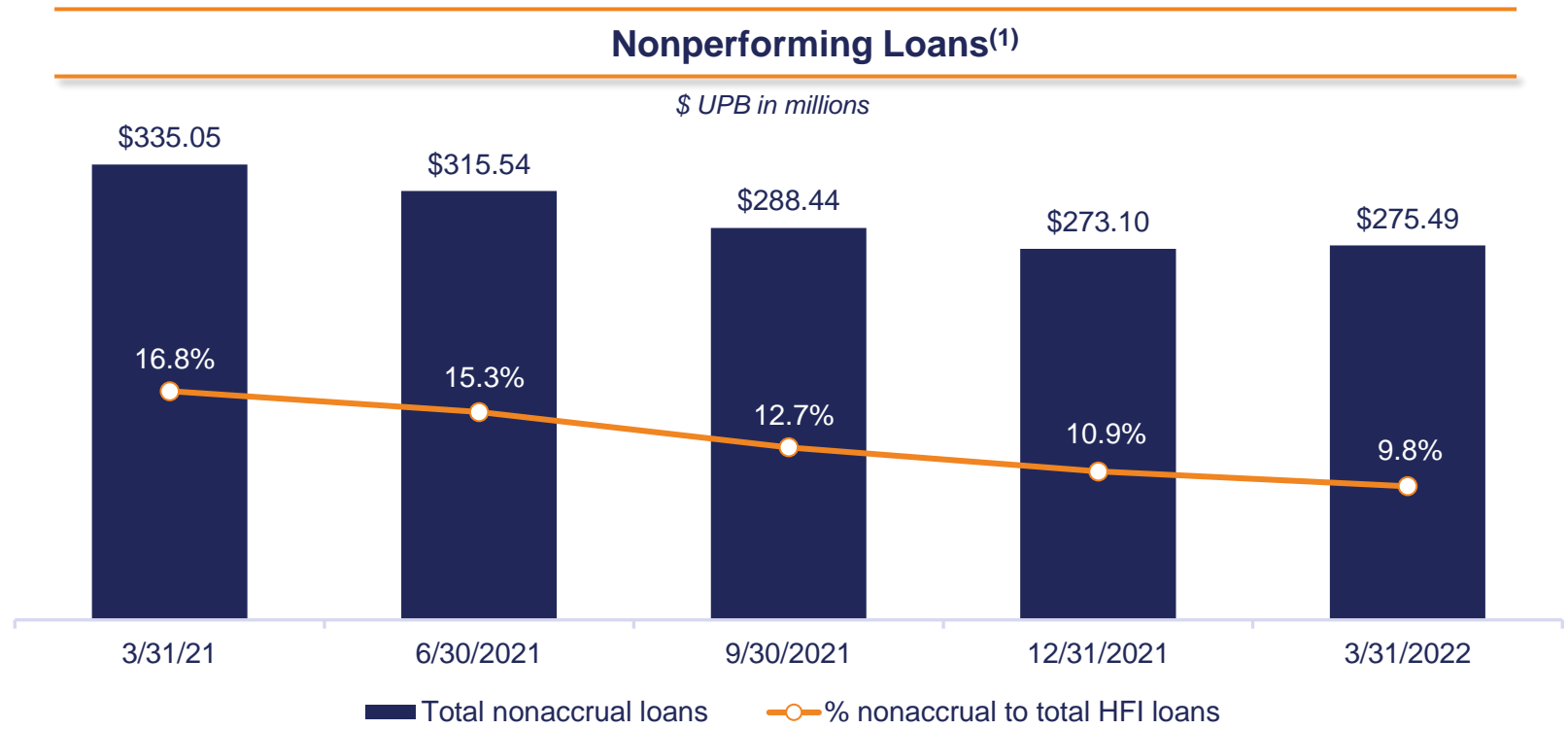
⁽¹⁾ Net Interest Income and Net Interest Margin related to the loan portfolio only; excludes corporate debt.



Loan Investment Portfolio Performance

Portfolio Performance Improvement Driven by Growth and Resolution Activities

- Nonperforming loans totaled \$275.5 million in UPB as of March 31, 2022, or 9.8% of total loans held for investment, compared to \$273.1 million, and 10.9%, respectively, as of December 31, 2021, and \$335.0 million and 16.8%, respectively, as of March 31, 2021
- 1Q22 resolution UPB represented 13.7% of nonperforming loan UPB as of December 31, 2021



⁽¹⁾ For additional detail, please see page 18 in the Appendix of this presentation.



1Q22 Asset Resolution Activity

NPL Loan Resolution Gains in 1Q22 Reflect Continued Strong Operational Execution

Resolution Activity

RESOLUTION ACTIVITIES

LONG-TERM LOANS

RESOLUTION ACTIVITY	FIRST QUARTER 2022		FOURTH QUARTER 2021	
	UPB \$	Gain / (Loss) \$	UPB \$	Gain / (Loss) \$
<i>(\$ in thousands)</i>				
Paid in full	\$ 9,144	\$ 474	\$ 11,464	\$ 614
Paid current	7,597	117	12,209	290
REO sold(a)	2,522	469	1,770	121
Total resolutions	\$ 19,263	\$ 1,060	\$ 25,443	\$ 1,025
Resolutions as a % of nonperforming UPB		105.5%		104.0%

- Total NPL resolutions in 1Q22 totaled \$37.4 million in UPB and realized net gains of \$1.8 million, or 104.8% of UPB resolved
 - Long-term loan resolutions in 1Q22 totaled \$19.3 million in UPB and realized gains of \$1.1 million
 - Short-term loan resolutions in 1Q22 totaled \$18.1 million in UPB and realized gains of \$0.7 million

SHORT-TERM AND FORBEARANCE LOANS

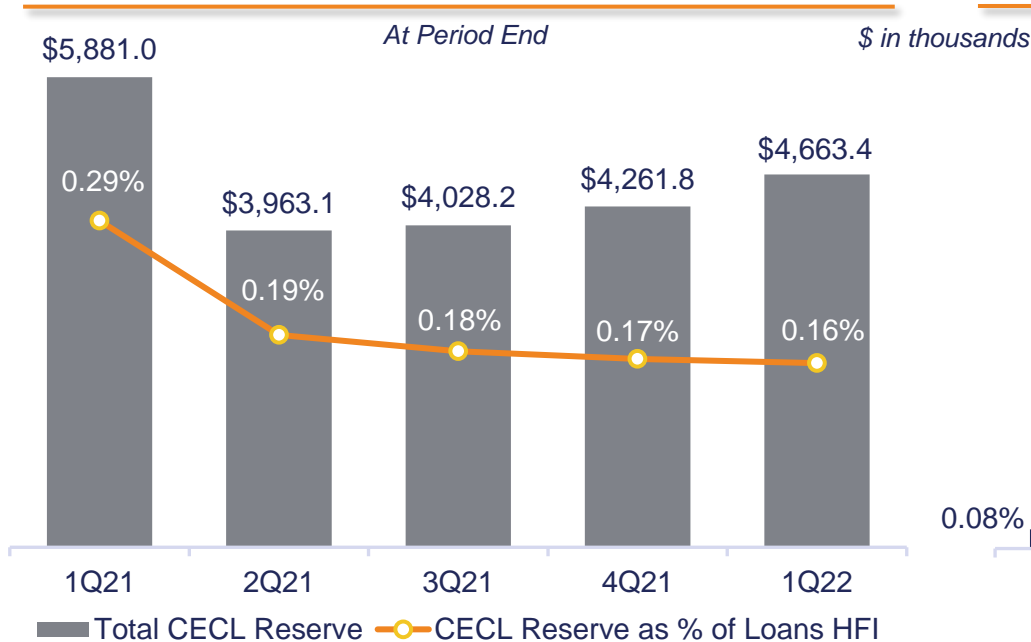
RESOLUTION ACTIVITY	FIRST QUARTER 2022		FOURTH QUARTER 2021	
	UPB \$	Gain / (Loss) \$	UPB \$	Gain / (Loss) \$
<i>(\$ in thousands)</i>				
Paid in full	\$ 13,820	\$ 646	\$ 12,567	\$ 623
Paid current	3,783	39	5,837	67
REO sold	503	35	266	48
Total resolutions	\$ 18,106	\$ 720	\$ 18,670	\$ 738
Resolutions as a % of nonperforming UPB		104.0%		104.0%
Grand total resolutions	\$ 37,369	\$ 1,780	\$ 44,113	\$ 1,763
Grand total resolutions as a % of nonperforming UPB		104.8%		104.0%

CECL Reserve and Charge-Offs

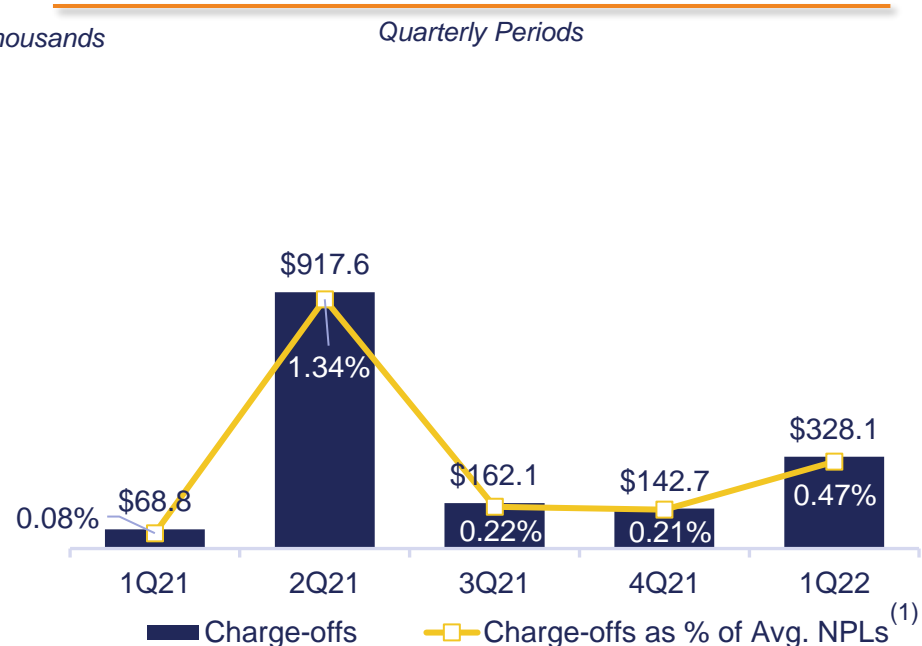
Loan Loss Reserve Increases With Portfolio Growth, Charge-offs Remain Low

- Velocity's CECL reserve totaled \$4.7 million as of March 31, 2022, a 9.4% increase from \$4.3 million as of December 31, 2021, and a 20.7% decrease from \$5.9 million as of March 31, 2021
- Charge-offs in 1Q22 totaled \$328.1 thousand compared to \$142.7 thousand in 4Q21, and \$68.8 thousand in 1Q21
 - Charge-offs in 1Q22 were consistent with the trailing five quarter charge-off average of \$323.9 thousand per quarter

Loan Loss Reserve



Charge-offs

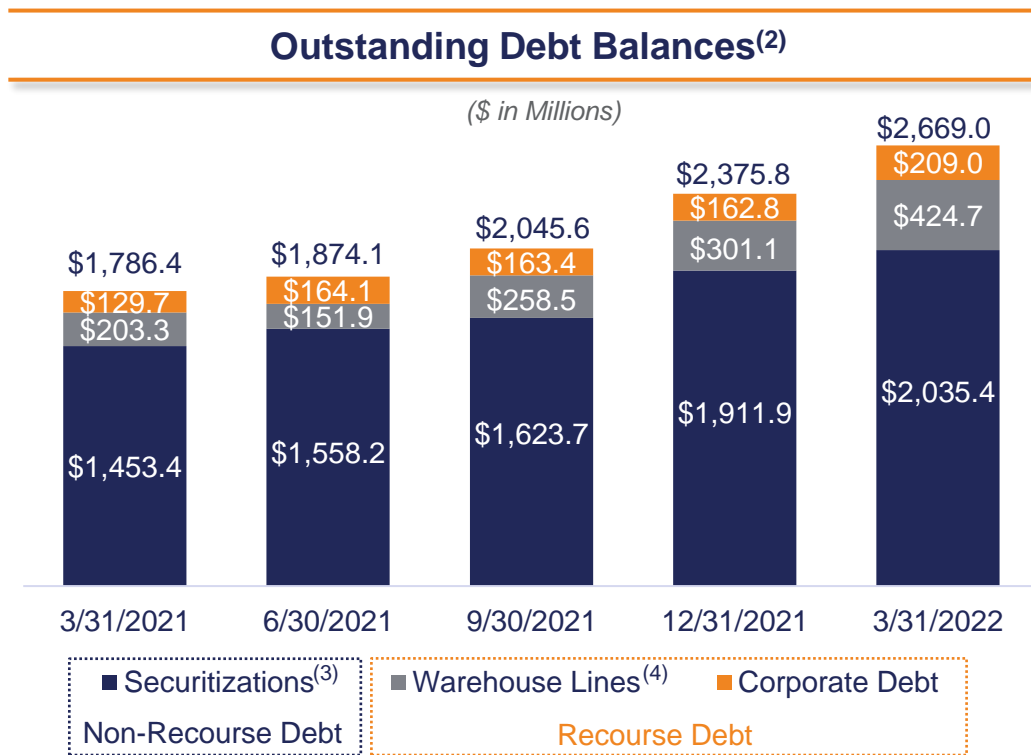


⁽¹⁾ Reflects the annualized quarter-to-date charge-offs to average nonperforming loans for the period.

Durable Funding and Liquidity Strategy

Two Securitizations Issued To Date in 2022⁽¹⁾; Substantial Available Warehouse Capacity

- Outstanding debt was \$2.7 billion as of March 31, 2022, an increase of \$293 million
 - The net increase in non-recourse securitization debt resulted from the issuance of VCC-2022-1 in February
 - Senior corporate debt was refinanced and upsized by \$46 million
- Available warehouse line capacity was \$225.3 million as of March 31, 2022,
- Recourse debt to equity was 1.8X as of March 31, 2022, compared to 1.3X as of December 31, 2021, resulting from the upsizing of our corporate debt
- Completed the VCC-2022-2 securitization in April totaling \$252.6 million of UPB



Debt / Equity	5.7X	5.8X	6.2X	6.9X	7.7X
Recourse Debt / Equity	1.1X	1.0X	1.3X	1.3X	1.8X
Securitizations Issued	-	1	1	2	1
Max. Warehouse Line Capacity	\$450	\$550	\$550	\$650	\$650

⁽¹⁾ Through April 30, 2022.

⁽²⁾ Debt balances are net of issuance costs and discounts as reported in the consolidated balance sheet.

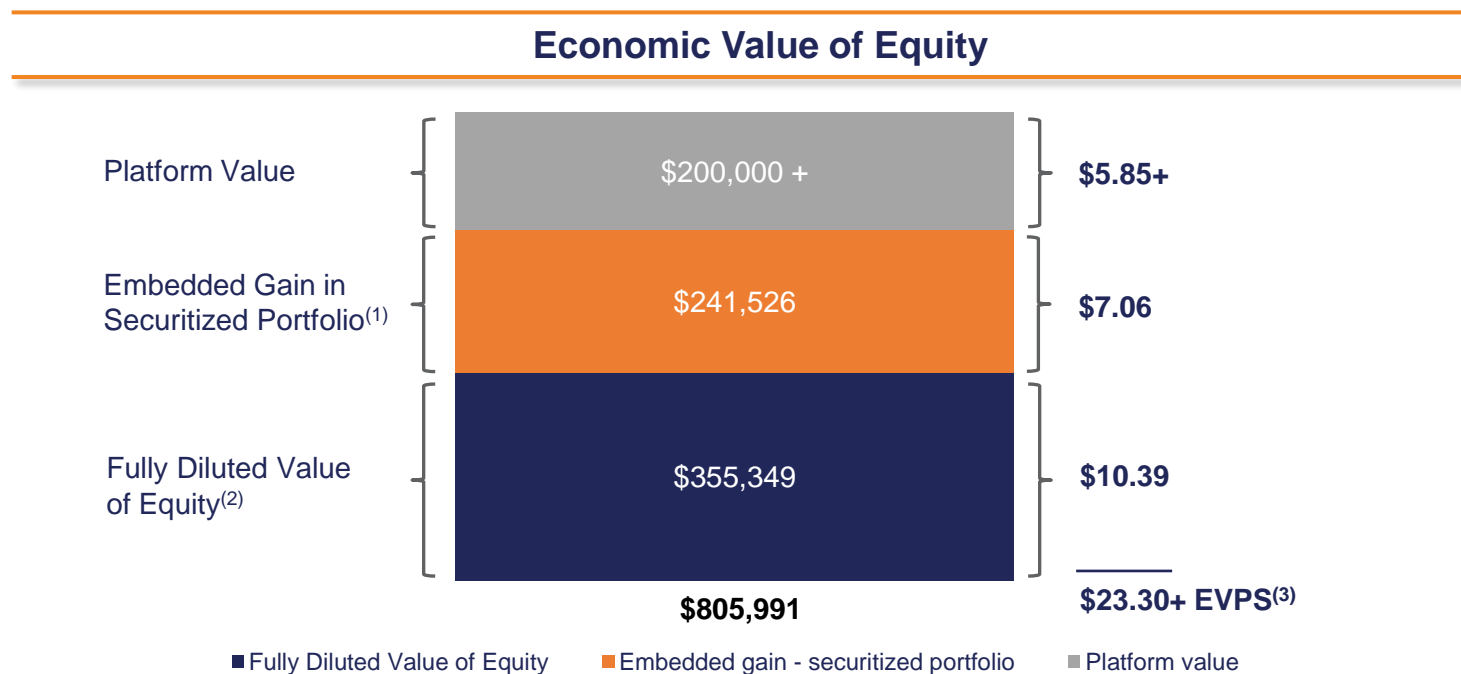
⁽³⁾ Represents the remaining balance of securitization issuances outstanding net of issuance costs and discounts as of period end.

⁽⁴⁾ As of 3/31/22, four of five warehouse lines have non-mark-to-market features and staggered maturities

Economic Value of Equity

Economic Value of Equity is significantly higher than GAAP Book Value of Equity

- We elect to carry our securitizations at amortized cost to minimize volatility
 - The graph below reflects our estimate of economic value of equity (a non-GAAP financial measure) by adding the net present value of expected future gains embedded in the securitized portfolio and the value of our unique origination platform – our estimate of economic value of equity does not represent a substitute for GAAP book value of equity
- Recent M&A precedents for business purpose lenders demonstrate significant platform/franchise values that investors are ascribing to businesses like Velocity Financial
 - These transactions have demonstrated platform values of \$200MM+ based on ~10%+ of annual origination run rate



⁽¹⁾ Embedded gain in securitized portfolio assumes a 10% discount rate of projected securitization earnings and is net of \$67,276,617 of deferred loan origination costs and securitization deal costs

⁽²⁾ Fully Diluted Value of Equity assumes 3/31/2022 GAAP Book Value of Stockholders' Equity of \$344.4MM + \$10.9MM from pro forma exercise of all warrants.

⁽³⁾ Economic Value of Equity per Share ("EVPS") calculated using 34,204,463 weighted average shares outstanding assuming dilution impact based on Velocity's average stock price for Q1 2022.



Outlook for Velocity's Key Business Drivers

Strong Demand for Commercial Investor Loan Expected to Continue

MARKET

- Robust investor loan demand expected
 - Rental price growth trends very strong
 - Consumer demand for rentals increasing
 - Tangible investment / inflation hedge
 - Transaction focus (less rate sensitive)
- Mortgage Broker interest in business purpose loans growing

CREDIT

- Macroeconomic and geopolitical uncertainties have increased; however, mortgage credit fundamentals remain healthy
- Pace of real estate price appreciation expected to normalize from record levels
- Credit spreads likely to remain volatile

CAPITAL

- Targeting four to five additional securitizations in 2022
 - Two transactions completed to date
- Targeting the collapse of higher-cost securitizations issued during the pandemic
 - Expected to reduce securitized debt cost and free up capital for growth

EARNINGS

- Operating leverage: Portfolio growth to drive higher net interest income, improved ROE
- Targeting an average net interest margin of ~ 4.0%
- Stable core earnings from locked in portfolio spread



Appendix



Velocity Financial, Inc. Balance Sheet

	Quarter Ended				
	3/31/2022	12/31/2021	9/30/2021	6/30/2021	3/31/2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
<i>(In thousands)</i>					
Assets					
Cash and cash equivalents	\$ 36,629	\$ 35,965	\$ 35,497	\$ 27,741	\$ 20,434
Restricted cash	10,837	11,639	9,586	7,921	6,808
Loans held for sale, net	77,503	87,908	0	7,916	0
Loans held for investment, at fair value	1,352	1,359	1,360	1,370	1,364
Loans held for investment	2,793,968	2,494,204	2,265,922	2,057,046	1,983,435
Net deferred loan costs	34,334	33,360	29,775	26,707	25,070
Total loans, net	2,907,157	2,616,831	2,297,057	2,093,039	2,009,869
Accrued interest receivables	14,169	13,159	11,974	11,094	11,169
Receivables due from servicers	78,278	74,330	57,058	73,517	77,731
Other receivables	4,527	1,812	870	10,169	3,879
Real estate owned, net	16,177	17,557	17,905	20,046	14,487
Property and equipment, net	3,690	3,830	3,348	3,625	3,891
Deferred tax asset	16,477	16,604	17,026	13,196	9,246
Mortgage Servicing Rights, at fair value	7,661	7,152	-	-	-
Goodwill	6,775	6,775	-	-	-
Other assets	7,345	6,824	6,843	7,257	7,325
Total Assets	\$ 3,109,722	\$ 2,812,478	\$ 2,457,164	\$ 2,267,605	\$ 2,164,839
Liabilities and members' equity					
Accounts payable and accrued expenses	\$ 92,768	\$ 92,195	\$ 79,360	\$ 70,049	\$ 65,003
Secured financing, net	208,956	162,845	163,449	164,053	129,666
Securitizations, net	2,035,374	1,911,879	1,623,674	1,558,163	1,453,386
Warehouse & repurchase facilities	424,692	301,069	258,491	151,872	203,314
Total Liabilities	2,761,790	2,467,988	2,124,974	1,944,137	1,851,369
Mezzanine Equity					
Series A Convertible preferred stock	-	-	90,000	90,000	90,000
Stockholders' Equity					
Stockholders' equity	344,441	341,109	242,190	233,468	223,470
Noncontrolling interest in subsidiary	3,491	3,381	-	-	-
Total equity	347,932	344,490	242,190	233,468	223,470
Total Liabilities and members' equity	\$ 3,109,722	\$ 2,812,478	\$ 2,457,164	\$ 2,267,605	\$ 2,164,839
Book value per share	\$ 10.90	\$ 10.84	\$ 12.05	\$ 11.62	\$ 11.12
Shares outstanding	31,913	31,787	20,098	20,087	20,087



Velocity Financial, Inc. Income Statement (Quarter)

(\$ in thousands)

	Quarter Ended				
	3/31/2022	12/31/2021	9/30/2021	6/30/2021	3/31/2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenues					
Interest income	\$ 52,049	\$ 49,360	\$ 46,923	\$ 44,978	\$ 40,707
Interest expense - portfolio related	23,556	23,666	20,321	20,566	20,832
Net interest income - portfolio related	28,493	25,694	26,602	24,412	19,875
Interest expense - corporate debt	17,140	4,462	4,488	4,309	7,350
Net interest income	11,353	21,232	22,114	20,103	12,525
Provision for loan losses	730	377	228	(1,000)	105
Net interest income after provision for loan losses	10,623	20,855	21,886	21,103	12,420
Other operating income					
Gain on disposition of loans	4,540	2,357	306	2,391	2,839
Unrealized gain/(loss) on fair value loans	11	11	0	20	(2)
Other income (expense)	1,097	249	33	21	(36)
Other operating income (expense)	5,648	2,617	339	2,432	2,801
Total net revenues	16,271	23,472	22,225	23,535	15,221
Operating expenses					
Compensation and employee benefits	5,323	4,720	4,738	4,546	5,186
Rent and occupancy	442	429	447	430	463
Loan servicing	2,450	2,480	2,014	1,922	1,867
Professional fees	1,362	1,716	736	795	533
Real estate owned, net	(175)	417	1,186	1,039	509
Other operating expenses	2,848	2,333	2,177	1,918	2,059
Total operating expenses	12,250	12,095	11,298	10,650	10,617
Income before income taxes	4,021	11,377	10,927	12,885	4,604
Income tax expense	790	3,024	2,905	3,432	1,208
Net income	3,231	8,353	8,022	9,453	3,396
Net income attributable to noncontrolling interest	110	-	-	-	-
Net income attributable to Velocity Financial, Inc.	3,121	8,353	8,022	9,453	3,396
Less undistributed earnings attributable to participating securities	48	362	3,030	3,571	1,281
Net earnings attributable to common stockholders	\$ 3,073	\$ 7,991	\$ 4,992	\$ 5,882	\$ 2,115
Basic earnings (loss) per share	\$ 0.10	\$ 0.26	\$ 0.25	\$ 0.29	\$ 0.11
Diluted earnings (loss) per common share	\$ 0.09	\$ 0.24	\$ 0.23	\$ 0.28	\$ 0.10
Basic weighted average common shares outstanding	31,892	30,897	20,090	20,087	20,087
Diluted weighted average common shares outstanding	34,204	34,257	34,212	33,960	33,407



HFI Portfolio Delinquency Trends

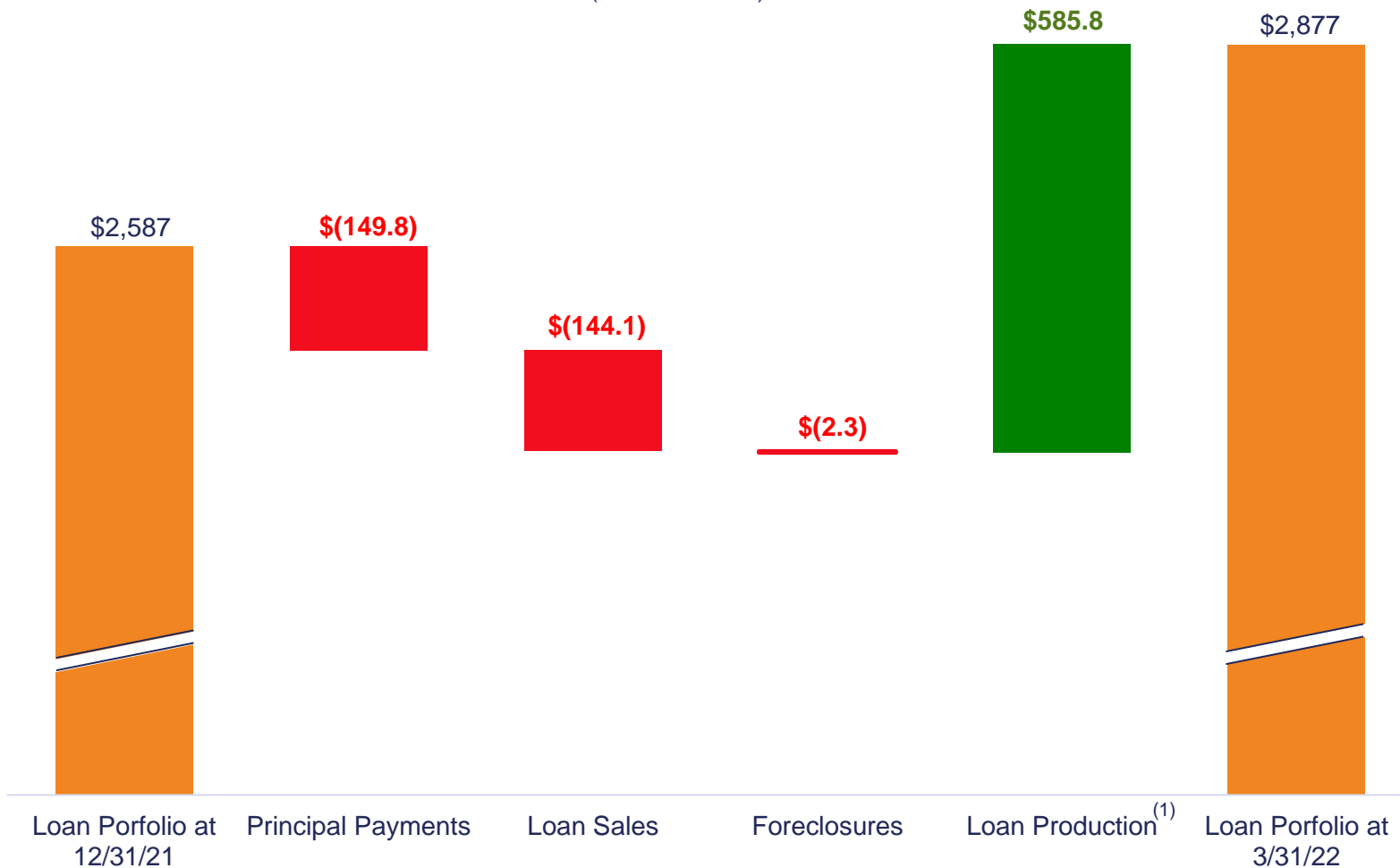
(\$ in thousands)	March 31, 2021		June 30, 2021		September 30, 2021		December 31, 2021		March 31, 2022	
	\$	%	\$	%	\$	%	\$	%	\$	%
Performing/Accruing:										
Current	\$ 1,528,684	76.8%	\$ 1,645,019	79.8%	\$ 1,878,555	82.7%	\$ 2,068,024	82.7%	\$ 2,388,442	85.3%
30-59 days past due	67,100	3.4%	69,165	3.4%	81,893	3.6%	127,046	5.1%	94,058	3.4%
60-89 days past due	59,700	3.0%	32,484	1.6%	22,410	1.0%	31,629	1.3%	41,960	1.5%
90+ days past due	152	0.0%	152	0.0%	-	0.0%	-	0.0%	-	0.0%
Total performing loans HFI	1,655,636	83.2%	1,746,820	84.7%	1,982,858	87.3%	2,226,699	89.1%	2,524,460	90.2%
Nonperforming/Nonaccrual:										
<90 days past due	18,076	0.9%	20,740	1.0%	23,195	1.0%	19,533	0.8%	26,044	0.9%
90+ days past due	72,303	3.6%	50,638	2.5%	48,364	2.1%	35,787	1.4%	27,472	1.0%
Bankruptcy	15,226	0.8%	17,659	0.9%	19,983	0.9%	20,038	0.8%	18,334	0.7%
In foreclosure	229,443	11.5%	226,506	11.0%	196,893	8.7%	197,741	7.9%	203,637	7.3%
Total nonperforming loans HFI	335,048	16.8%	315,542	15.3%	288,436	12.7%	273,099	10.9%	275,487	9.8%
Total loans held for investment	\$ 1,990,684	100%	\$ 2,062,363	100%	\$ 2,271,294	100%	\$ 2,499,799	100%	\$ 2,799,947	100%



Loan Portfolio Rollforward

Loan Portfolio Rollforward

(UPB in millions)



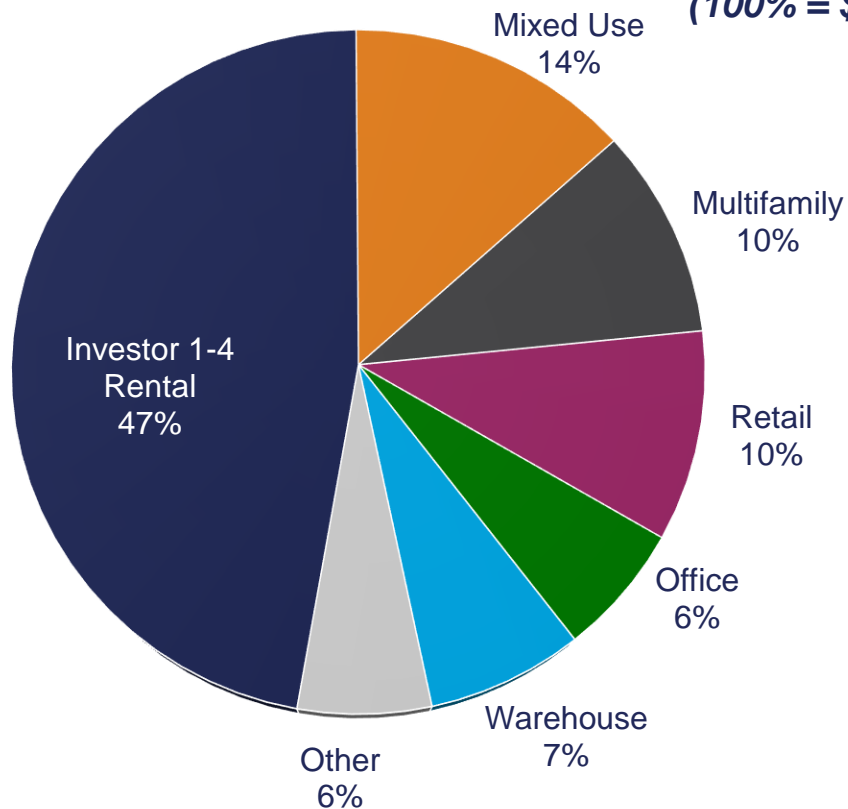
⁽¹⁾ Includes \$0.48 million in UPB of repurchased loans and \$4.0 million in UPB of loan acquisitions.



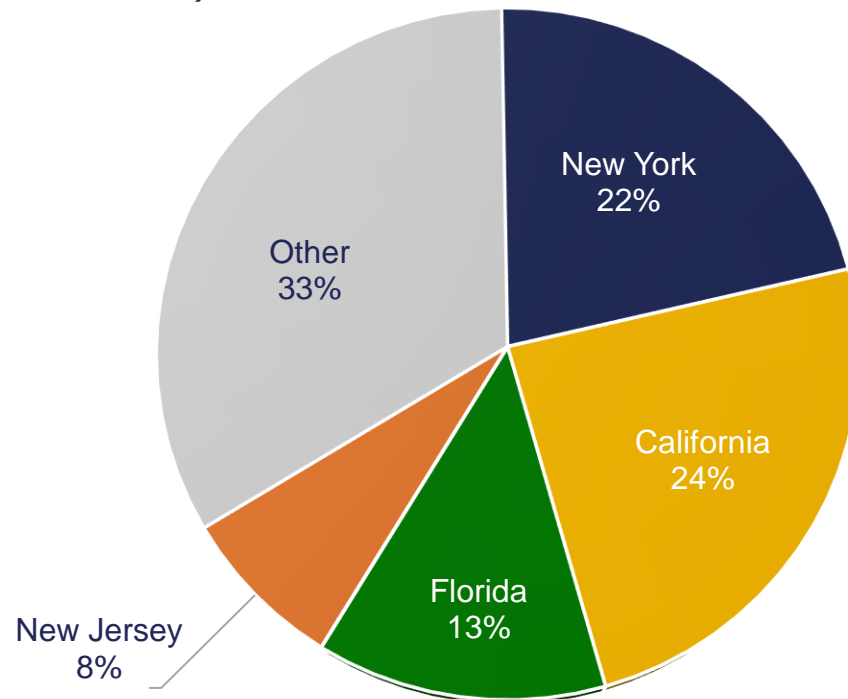
HFI Loan Portfolio

Portfolio by Property Type

(100% = \$2.80 billion UPB)⁽¹⁾



Portfolio by State



⁽¹⁾ As of March 31, 2022

Adjusted Financial Metric Reconciliation:

Adjusted Financial Metric Reconciliation to GAAP Net Income

Core Income	Quarter Ended				
	3/31/2022	12/31/2021	9/30/2021	6/30/2021	3/31/2021
<i>(\$ in thousands)</i>					
Net Income	\$ 3,121	\$ 8,353	\$ 8,022	\$ 9,453	\$ 3,396
Deal cost write-off - collapsed securitizations		\$ 1,104	-	-	-
One-time Century Health & Housing Capital deal costs		\$ 624	-	-	-
Recovery of Loan Loss Provision		-	-	\$ (1,000)	-
Corporate debt refinancing costs	\$ 9,286	-	-	-	3,326
Core Income	\$ 12,407	\$ 10,081	\$ 8,022	\$ 8,453	\$ 6,722
Diluted weighted average common shares outstanding	\$ 34,204	\$ 34,257	\$ 34,212	\$ 33,960	\$ 33,407
Core diluted earnings per share	\$ 0.36	\$ 0.29	\$ 0.23	\$ 0.25	\$ 0.20