

New Residential Investment Corp.
Form 10-Q
August 03, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2017

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: 001-35777

New Residential Investment Corp.

(Exact name of registrant as specified in its charter)

Delaware

45-3449660

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

1345 Avenue of the Americas, New York, NY 10105

(Address of principal executive offices)

(Zip Code)

(212) 798-3150

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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. (Check one): Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company)

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

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Exchange Act. "

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

Common stock, \$0.01 par value per share: 307,361,309 shares outstanding as of July 27, 2017.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, which statements involve substantial risks and uncertainties. Such forward-looking statements relate to, among other things, the operating performance of our investments, the stability of our earnings, our financing needs and the size and attractiveness of market opportunities. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may,” “will,” “should,” “potential,” “intend,” “expect,” “endeavor,” “seek,” “anticipate,” “estimate,” “overestimate,” “underestimate,” “believe,” “could,” “project,” “predict,” “continue” or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations, cash flows or financial condition or state other forward-looking information. Our ability to predict results or the actual outcome of future plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecasted results. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to:

- reductions in cash flows received from our investments;
- the quality and size of the investment pipeline and our ability to take advantage of investment opportunities at attractive risk-adjusted prices;
- Servicer Advances may not be recoverable or may take longer to recover than we expect, which could cause us to fail to achieve our targeted return on our investment in Servicer Advances;
- our ability to deploy capital accretively and the timing of such deployment;
- our counterparty concentration and default risks in Nationstar, Ocwen, OneMain, Ditech, PHH and other third parties;
- events, conditions or actions that might occur at Nationstar, Ocwen, OneMain, Ditech, PHH and other third parties;
- a lack of liquidity surrounding our investments, which could impede our ability to vary our portfolio in an appropriate manner;
- the impact that risks associated with subprime mortgage loans and consumer loans, as well as deficiencies in servicing and foreclosure practices, may have on the value of our MSR, Excess MSR, Servicer Advances, RMBS and loan portfolios;
- the risks that default and recovery rates on our MSR, Excess MSR, Servicer Advances, real estate securities, residential mortgage loans and consumer loans deteriorate compared to our underwriting estimates;
- changes in prepayment rates on the loans underlying certain of our assets, including, but not limited to, our MSR or Excess MSR;
- the risk that projected recapture rates on the loan pools underlying our MSR or Excess MSR are not achieved;
- the relationship between yields on assets which are paid off and yields on assets in which such monies can be reinvested;
- the relative spreads between the yield on the assets in which we invest and the cost of financing;
- changes in economic conditions generally and the real estate and bond markets specifically;
- adverse changes in the financing markets we access affecting our ability to finance our investments on attractive terms, or at all;
- changing risk assessments by lenders that potentially lead to increased margin calls, not extending our repurchase agreements or other financings in accordance with their current terms or not entering into new financings with us;
- changes in interest rates and/or credit spreads, as well as the success of any hedging strategy we may undertake in relation to such changes;
- impairments in the value of the collateral underlying our investments and the relation of any such impairments to our judgments as to whether changes in the market value of our securities or loans are temporary or not and whether circumstances bearing on the value of such assets warrant changes in carrying values;
- the availability and terms of capital for future investments;

•competition within the finance and real estate industries;

the legislative/regulatory environment, including, but not limited to, the impact of the Dodd-Frank Act, U.S. government programs intended to stabilize the economy, the federal conservatorship of Fannie Mae and Freddie Mac and legislation that permits modification of the terms of residential mortgage loans;

- our ability to maintain our qualification as a real estate investment trust (“REIT”) for U.S. federal income tax purposes and the potentially onerous consequences that any failure to maintain such qualification would have on our business;
- our ability to maintain our exclusion from registration under the Investment Company Act of 1940 (the “1940 Act”) and the fact that maintaining such exclusion imposes limits on our operations;
- the risks related to HLSS liabilities that we have assumed;
- the impact of current or future legal proceedings and regulatory investigations and inquiries;
- the impact of any material transactions with FIG LLC (the “Manager”) or one of its affiliates, including the impact of any actual, potential or perceived conflicts of interest;
- effects of the pending merger of Fortress Investment Group LLC with affiliates of SoftBank Group Corp.; and
- the risk that GSE or other regulatory initiatives or actions may adversely affect returns from investments in MSR and Excess MSRs.

We also direct readers to other risks and uncertainties referenced in this report, including those set forth under “Risk Factors.” We caution that you should not place undue reliance on any of our forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. Except as required by law, we are under no obligation (and expressly disclaim any obligation) to update or alter any forward-looking statement, whether written or oral, that we may make from time to time, whether as a result of new information, future events or otherwise.

SPECIAL NOTE REGARDING EXHIBITS

In reviewing the agreements included as exhibits to this Quarterly Report on Form 10-Q, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about New Residential Investment Corp. (the “Company,” “New Residential” or “we,” “our” and “us”) the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements proved to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this Quarterly Report on Form 10-Q and the Company’s other public filings, which are available without charge through the SEC’s website at <http://www.sec.gov>.

The Company acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this report not misleading.

NEW RESIDENTIAL INVESTMENT CORP.
FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	June 30, 2017 (Unaudited)	December 31, 2016
Assets		
Investments in:		
Excess mortgage servicing rights, at fair value	\$ 1,304,666	\$ 1,399,455
Excess mortgage servicing rights, equity method investees, at fair value	181,610	194,788
Mortgage servicing rights, at fair value	1,749,343	659,483
Mortgage servicing rights financing receivable, at fair value	118,483	—
Servicer advances, at fair value ^(A)	4,836,754	5,706,593
Real estate securities, available-for-sale	7,423,273	5,073,858
Residential mortgage loans, held-for-investment	757,421	190,761
Residential mortgage loans, held-for-sale ^(A)	1,001,472	696,665
Real estate owned	95,492	59,591
Consumer loans, held-for-investment ^(A)	1,569,388	1,799,486
Consumer loans, equity method investees	45,036	—
Cash and cash equivalents ^(A)	560,016	290,602
Restricted cash	157,344	163,095
Trades receivable	2,677,542	1,687,788
Deferred tax asset, net	65,678	151,284
Other assets	456,497	326,080
	\$ 23,000,015	\$ 18,399,529
Liabilities and Equity		
Liabilities		
Repurchase agreements	\$ 8,261,398	\$ 5,190,631
Notes and bonds payable ^(A)	7,787,782	7,990,605
Trades payable	1,814,344	1,381,968
Due to affiliates	64,813	47,348
Dividends payable	153,678	115,356
Accrued expenses and other liabilities	299,042	205,444
	18,381,057	14,931,352
Commitments and Contingencies		
Equity		
Common Stock, \$0.01 par value, 2,000,000,000 shares authorized, 307,361,309 and 250,773,117 issued and outstanding at June 30, 2017 and December 31, 2016, respectively	3,074	2,507
Additional paid-in capital	3,756,016	2,920,730
Retained earnings	352,414	210,500
Accumulated other comprehensive income (loss)	313,300	126,363

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Total New Residential stockholders' equity	4,424,804	3,260,100
Noncontrolling interests in equity of consolidated subsidiaries	194,154	208,077
Total Equity	4,618,958	3,468,177
	\$23,000,015	\$ 18,399,529

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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS, CONTINUED
(dollars in thousands)

New Residential's Condensed Consolidated Balance Sheets include the assets and liabilities of certain consolidated VIEs, the Buyer (Note 6), the RPL Borrowers (Note 8), and the Consumer Loan SPVs (Note 9), which primarily hold investments in Servicer Advances, residential mortgage loans, and consumer loans, respectively, financed (A) with notes and bonds payable. The balance sheets of the Buyer, the RPL Borrowers and the Consumer Loan SPVs are included in Notes 6, 8 and 9, respectively. The creditors of the Buyer, the RPL Borrowers, and the Consumer Loan SPVs do not have recourse to the general credit of New Residential and the assets of the Buyer, the RPL Borrowers, and the Consumer Loan SPVs are not directly available to satisfy New Residential's obligations.

See notes to condensed consolidated financial statements.

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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Interest income	\$471,952	\$ 277,477	\$764,490	\$ 467,513
Interest expense	115,157	100,685	213,386	181,913
Net Interest Income	356,795	176,792	551,104	285,600
Impairment				
Other-than-temporary impairment (OTTI) on securities	5,115	2,819	7,227	6,073
Valuation and loss provision on loans and real estate owned	20,771	16,825	38,681	23,570
	25,886	19,644	45,908	29,643
Net interest income after impairment	330,909	157,148	505,196	255,957
Servicing revenue, net	170,851	—	211,453	—
Other Income				
Change in fair value of investments in excess mortgage servicing rights	(19,180)	(15,263)	(18,359)	(7,337)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	4,246	(675)	4,002	2,347
Change in fair value of investments in mortgage servicing rights financing receivable	5,596	—	5,596	—
Change in fair value of investments in servicer advances	56,969	13,946	59,528	(17,278)
Gain on consumer loans investment	—	—	—	9,943
Gain on remeasurement of consumer loans investment	—	—	—	71,250
Gain (loss) on settlement of investments, net	13,371	(14,271)	(303)	(26,517)
Earnings from investments in consumer loans, equity method investees	5,880	—	5,880	—
Other income (loss), net	(9,035)	(3,460)	(2,191)	(20,209)
	57,847	(19,723)	54,153	12,199
Operating Expenses				
General and administrative expenses	16,042	7,224	27,869	19,305
Management fee to affiliate	14,186	10,008	27,260	20,016
Incentive compensation to affiliate	40,172	4,929	52,632	6,125
Loan servicing expense	13,002	14,119	26,378	15,850
Subservicing expense	55,958	—	73,662	—
	139,360	36,280	207,801	61,296
Income Before Income Taxes	420,247	101,145	563,001	206,860
Income tax expense (benefit)	82,844	7,518	88,440	(2,705)
Net Income	\$337,403	\$ 93,627	\$474,561	\$ 209,565
Noncontrolling Interests in Income of Consolidated Subsidiaries	\$15,671	\$ 24,975	\$31,451	\$ 29,177
Net Income Attributable to Common Stockholders	\$321,732	\$ 68,652	\$443,110	\$ 180,388
Net Income Per Share of Common Stock				

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Basic	\$1.05	\$0.30	\$1.49	\$0.78
Diluted	\$1.04	\$0.30	\$1.48	\$0.78
Weighted Average Number of Shares of Common Stock				
Outstanding				
Basic	307,344,874	30,478,390	297,029,904	230,474,796
Diluted	309,392,512	30,839,753	298,875,279	230,689,233
Dividends Declared per Share of Common Stock	\$0.50	\$0.46	\$0.98	\$0.92

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
 (dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Comprehensive income (loss), net of tax				
Net income	\$337,403	\$93,627	\$474,561	\$209,565
Other comprehensive income (loss)				
Net unrealized gain (loss) on securities	170,322	60,510	201,960	56,541
Reclassification of net realized (gain) loss on securities into earnings	(16,142)	3,201	(15,023)	(9,678)
	154,180	63,711	186,937	46,863
Total comprehensive income	\$491,583	\$157,338	\$661,498	\$256,428
Comprehensive income attributable to noncontrolling interests	\$15,671	\$24,975	\$31,451	\$29,177
Comprehensive income attributable to common stockholders	\$475,912	\$132,363	\$630,047	\$227,251

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(dollars in thousands)

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Income	Total New Residential Stockholders' Equity	Noncontrolling Interests in Equity of Consolidated Subsidiaries	Total Equity
	Shares	Amount	Additional Paid-in Capital					
Equity - December 31, 2016	250,773,117	\$ 2,507	\$ 2,920,730	\$ 210,500	\$ 126,363	\$ 3,260,100	\$ 208,077	\$ 3,468,177
Dividends declared	—	—	—	(301,196)	—	(301,196)	—	(301,196)
Capital contributions	—	—	—	—	—	—	—	—
Capital distributions	—	—	—	—	—	—	(45,374)	(45,374)
Issuance of common stock	56,545,787	566	833,963	—	—	834,529	—	834,529
Other dilution	—	—	625	—	—	625	—	625
Director share grants	42,405	1	698	—	—	699	—	699
Comprehensive income (loss)								
Net income (loss)	—	—	—	443,110	—	443,110	31,451	474,561
Net unrealized gain (loss) on securities	—	—	—	—	201,960	201,960	—	201,960
Reclassification of net realized (gain) loss on securities into earnings	—	—	—	—	(15,023)	(15,023)	—	(15,023)
Total comprehensive income (loss)						630,047	31,451	661,498
Equity - June 30, 2017	307,361,309	\$ 3,074	\$ 3,756,016	\$ 352,414	\$ 313,300	\$ 4,424,804	\$ 194,154	\$ 4,618,958

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(dollars in thousands)

	Six Months Ended June 30,	
	2017	2016
Cash Flows From Operating Activities		
Net income	\$474,561	\$209,565
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Change in fair value of investments in excess mortgage servicing rights	18,359	7,337
Change in fair value of investments in excess mortgage servicing rights, equity method investees	(4,002)	(2,347)
Change in fair value of investments in mortgage servicing rights financing receivable	(5,596)	—
Change in fair value of investments in servicer advances	(59,528)	17,278
(Gain) / loss on remeasurement of consumer loans investment	—	(71,250)
(Gain) / loss on settlement of investments (net)	303	26,517
Earnings from investments in consumer loans, equity method investees	(5,880)	—
Unrealized (gain) / loss on derivative instruments	3,684	36,160
Unrealized (gain) / loss on other ABS	(151)	950
(Gain) / loss on transfer of loans to REO	(11,612)	(10,287)
(Gain) / loss on transfer of loans to other assets	(293)	(861)
(Gain) / loss on Excess MSR recapture agreements	(1,342)	(1,420)
Accretion and other amortization	(545,386)	(331,915)
Other-than-temporary impairment	7,227	6,073
Valuation and loss provision on loans and real estate owned	38,681	23,570
Non-cash portions of servicing revenue, net	1,618	—
Non-cash directors' compensation	698	300
Deferred tax provision	85,606	(4,131)
Changes in:		
Other assets	(25,621)	39,664
Servicer advances receivable	(7,780)	—
Due to affiliates	17,465	(11,802)
Accrued expenses and other liabilities	12,985	29,271
Other operating cash flows:		
Interest received from excess mortgage servicing rights	32,174	82,163
Interest received from servicer advance investments	96,639	94,870
Interest received from Non-Agency RMBS	118,339	50,074
Interest received from residential mortgage loans, held-for-investment	3,097	2,815
Interest received from PCD consumer loans, held-for-investment	28,262	18,567
Distributions of earnings from investments in excess mortgage servicing rights, equity method investees	7,433	15,532
Distributions of earnings from investments in consumer loans, equity method investees	1,229	—
Purchases of residential mortgage loans, held-for-sale	(3,193,841)	(469,665)
Proceeds from sales of purchased residential mortgage loans, held-for-sale	2,523,335	519,615
Principal repayments from purchased residential mortgage loans, held-for-sale	45,867	64,963
Net cash provided by (used in) operating activities	(343,470)	341,606

Continued on next page.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED), CONTINUED
 (dollars in thousands)

	Six Months Ended June 30,	
	2017	2016
Cash Flows From Investing Activities		
Acquisition of investments in excess mortgage servicing rights	—	(2,022)
SpringCastle Transaction, net of cash acquired	—	(49,943)
Restricted cash acquired from SpringCastle transaction	—	74,604
Purchase of servicer advance investments	(6,341,861)	(7,814,541)
Purchase of MSR and Servicer Advances	(1,177,658)	—
Purchase of Agency RMBS	(4,561,503)	(3,227,130)
Purchase of Non-Agency RMBS	(1,826,031)	(1,273,231)
Purchase of residential mortgage loans	(586,154)	(319)
Purchase of derivatives	—	(4,457)
Purchase of real estate owned and other assets	(19,168)	(9,602)
Purchase of investment in consumer loans, equity method investees	(192,467)	—
Draws on revolving consumer loans	(27,240)	(16,483)
Payments for settlement of derivatives	(98,399)	(52,612)
Return of investments in excess mortgage servicing rights	95,144	94,250
Return of investments in excess mortgage servicing rights, equity method investees	9,747	4,891
Return of investments in consumer loans, equity method investees	136,021	—
Principal repayments from servicer advance investments	7,491,101	8,772,662
Principal repayments from Agency RMBS	50,412	42,442
Principal repayments from Non-Agency RMBS	265,767	143,837
Principal repayments from residential mortgage loans	21,277	17,825
Principal repayments from consumer loans	212,883	100,751
Proceeds from sale of Agency RMBS	3,534,480	3,236,165
Proceeds from sale of Non-Agency RMBS	154,498	95,683
Proceeds from settlement of derivatives	44,764	5,445
Proceeds from sale of real estate owned	38,528	30,484
Net cash provided by (used in) investing activities	(2,775,859)	168,699

Continued on next page.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED), CONTINUED
(dollars in thousands)

	Six Months Ended June 30,	
	2017	2016
Cash Flows From Financing Activities		
Repayments of repurchase agreements	(20,745,543)	(12,026,068)
Margin deposits under repurchase agreements and derivatives	(550,012)	(182,666)
Repayments of notes and bonds payable	(4,947,215)	(4,474,167)
Payment of deferred financing fees	(5,325)	(37,144)
Common stock dividends paid	(262,874)	(212,034)
Borrowings under repurchase agreements	23,815,777	12,605,745
Return of margin deposits under repurchase agreements and derivatives	547,290	160,055
Borrowings under notes and bonds payable	4,741,739	3,741,665
Issuance of common stock	835,465	—
Costs related to issuance of common stock	(936)	—
Noncontrolling interest in equity of consolidated subsidiaries - contributions	—	—
Noncontrolling interest in equity of consolidated subsidiaries - distributions	(45,374)	(28,441)
Purchase of Noncontrolling Interest in the Buyer	—	—
Net cash provided by (used in) financing activities	3,382,992	(453,055)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	263,663	57,250
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	453,697	344,638
Cash, Cash Equivalents, and Restricted Cash, End of Period	\$717,360	\$401,888
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	\$198,553	\$75,690
Cash paid during the period for income taxes	4,765	265
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Dividends declared but not paid	\$153,678	\$106,017
Purchase of Agency and Non-Agency RMBS, settled after quarter end	1,814,344	1,431,003
Sale of investments, primarily Agency RMBS, settled after quarter end	2,677,542	1,509,016
Transfer from residential mortgage loans to real estate owned and other assets	71,747	36,485
Non-cash distributions from Consumer Loan Companies	—	25
Non-cash distributions from LoanCo	16,062	—
Non-cash contingent consideration	—	5,581
MSR purchase price holdback	71,265	—
Real estate securities retained from loan securitizations	284,874	36,902
Remeasurement of Consumer Loan Companies noncontrolling interest	—	110,438

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
June 30, 2017
(dollars in tables in thousands, except share data)

1. ORGANIZATION AND BASIS OF PRESENTATION

New Residential Investment Corp. (together with its subsidiaries, “New Residential”) is a Delaware corporation that was formed as a limited liability company in September 2011 for the purpose of making real estate related investments and commenced operations on December 8, 2011. On December 20, 2012, New Residential was converted to a corporation. Drive Shack Inc. (“Drive Shack”), formerly Newcastle Investment Corp., was the sole stockholder of New Residential until the spin-off, which was completed on May 15, 2013. Following the spin-off, New Residential is an independent publicly traded real estate investment trust (“REIT”) primarily focused on investing in residential mortgage related assets. New Residential is listed on the New York Stock Exchange (“NYSE”) under the symbol “NRZ.”

New Residential has elected and intends to qualify to be taxed as a REIT for U.S. federal income tax purposes. As such, New Residential will generally not be subject to U.S. federal corporate income tax on that portion of its net income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by prescribed dates and complies with various other requirements. See Note 17 regarding New Residential’s taxable REIT subsidiaries.

New Residential has entered into a management agreement (the “Management Agreement”) with FIG LLC (the “Manager”), an affiliate of Fortress Investment Group LLC (“Fortress”), pursuant to which the Manager provides a management team and other professionals who are responsible for implementing New Residential’s business strategy, subject to the supervision of New Residential’s board of directors. For its services, the Manager is entitled to management fees and incentive compensation, both defined in, and in accordance with the terms of, the Management Agreement. The Manager also manages Drive Shack, investment funds that indirectly own a majority of the outstanding interests in Nationstar Mortgage LLC (“Nationstar”), a leading residential mortgage servicer, and investment funds that own a majority of the outstanding common stock of OneMain Holdings, Inc. (formerly Springleaf Holdings, Inc.) (together with its subsidiaries, “OneMain”), former managing member of the Consumer Loan Companies (Note 9).

As of June 30, 2017, New Residential conducted its business through the following segments: (i) investments in excess mortgage servicing rights (“Excess MSR’s”), (ii) investments in mortgage servicing rights (“MSR’s”), (iii) investments in Servicer Advances (including the basic fee component of the related MSR’s), (iv) investments in real estate securities, (v) investments in residential mortgage loans, (vi) investments in consumer loans and (vii) corporate.

Approximately 2.4 million shares of New Residential’s common stock were held by Fortress, through its affiliates, and its principals as of June 30, 2017. In addition, Fortress, through its affiliates, held options relating to approximately 16.1 million shares of New Residential’s common stock as of June 30, 2017.

Interim Financial Statements

The accompanying condensed consolidated financial statements and related notes of New Residential have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and note disclosures normally included in financial statements prepared under U.S. generally accepted accounting principles have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a

fair presentation of New Residential's financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with New Residential's consolidated financial statements for the year ended December 31, 2016 and notes thereto included in New Residential's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC"). Capitalized terms used herein, and not otherwise defined, are defined in New Residential's consolidated financial statements for the year ended December 31, 2016.

Certain prior period amounts have been reclassified to conform to the current period's presentation.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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(dollars in tables in thousands, except share data)

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenues from Contracts with Customers (Topic 606). The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In effect, companies will be required to exercise further judgment and make more estimates prospectively. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU No. 2014-09 is effective for New Residential in the first quarter of 2018. Early adoption is only permitted after December 31, 2016. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance in ASU No. 2014-09. New Residential has evaluated the new guidance and determined that interest income, gains and losses on financial instruments and income from servicing residential mortgage loans are outside the scope of ASC No. 606. For income from servicing residential mortgage loans, New Residential considered that the FASB Transition Resource Group members generally agreed that an entity should look to ASC No. 860, Transfers and Servicing, to determine the appropriate accounting for these fees and ASC No. 606 contains a scope exception for contracts that fall under ASC No. 860. As a result, New Residential does not expect the adoption of ASU No. 2014-09 to have a material impact on its condensed consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities. The standard: (i) requires that certain equity investments be measured at fair value, and modifies the assessment of impairment for certain other equity investments, (ii) changes certain disclosure requirements related to the fair value of financial instruments measured at amortized cost, (iii) changes certain disclosure requirements related to liabilities measured at fair value, (iv) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and (v) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity’s other deferred tax assets. ASU No. 2016-01 is effective for New Residential in the first quarter of 2018. Early adoption is generally not permitted. An entity should apply ASU No. 2016-01 by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. New Residential does not expect the adoption of ASU No. 2016-01 to have a material impact on its condensed consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments. The standard requires that a financial asset measured at amortized cost basis be presented at the net amount expected to be collected, net of an allowance for all expected (rather than incurred) credit losses. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. The standard also changes the accounting for purchased credit deteriorated assets and available-for-sale securities, which will require the recognition of credit losses through a valuation allowance when fair value is less than amortized cost, regardless of whether the impairment is considered to be other-than-temporary. ASU No. 2016-13 is effective for New Residential in the first quarter of 2020. Early adoption is permitted beginning in 2019. An entity should apply ASU No. 2016-13 by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. New Residential is currently evaluating the new guidance to determine the impact it may have on its condensed consolidated financial statements, which at the date of adoption is expected to increase the allowance for credit losses with a resulting negative adjustment to retained

earnings.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments. The standard provides guidance on the treatment of certain transactions within the statement of cash flows. ASU No. 2016-15 is effective for New Residential in the first quarter of 2018. Early adoption is permitted. New Residential adopted ASU No. 2016-15 in the third quarter of 2016 and it did not have an impact on its condensed consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740) - Intra-Entity Transfers of Assets Other Than Inventory. The standard requires recognition of the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU No. 2016-16 is effective for New Residential in the first quarter of 2018. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements have not been issued. New Residential does not expect the adoption of ASU No. 2016-16 to have a material impact on its condensed consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230) - Restricted Cash. The standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash. ASU No. 2016-18 is effective for New Residential in the first quarter of 2018. Early adoption

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
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is permitted. New Residential adopted ASU No. 2016-18 in the fourth quarter of 2016 and has included changes in restricted cash in its statements of cash flows for all periods presented.

2. OTHER INCOME, ASSETS AND LIABILITIES

Gain (loss) on settlement of investments, net is comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Gain (loss) on sale of real estate securities, net	\$21,257	\$(382)	\$22,250	\$15,751
Gain (loss) on sale of residential mortgage loans, net	26,373	(1,672)	28,938	605
Gain (loss) on settlement of derivatives	(27,734)	(14,395)	(39,570)	(44,774)
Gain (loss) on liquidated residential mortgage loans	(3,628)	3	(5,844)	(272)
Gain (loss) on sale of REO	(2,702)	2,835	(5,312)	2,986
Other gains (losses)	(195)	(660)	(765)	(813)
	\$13,371	\$(14,271)	\$(303)	\$(26,517)

Other income (loss), net, is comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Unrealized gain (loss) on derivative instruments	\$(8,010)	\$(11,603)	\$(3,684)	\$(36,160)
Unrealized gain (loss) on other ABS	(607)	(1,218)	151	(950)
Gain (loss) on transfer of loans to REO	4,978	7,804	11,612	10,287
Gain (loss) on transfer of loans to other assets	81	344	293	861
Gain on Excess MSR recapture agreements	715	688	1,342	1,420
Other income (loss)	(6,192)	525	(11,905)	4,333
	\$(9,035)	\$(3,460)	\$(2,191)	\$(20,209)

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
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Other assets and liabilities are comprised of the following:

	Other Assets			Accrued Expenses and Other Liabilities	
	June 30, 2017	December 31, 2016		June 30, 2017	December 31, 2016
Margin receivable, net	\$58,203	\$55,481	Interest payable	\$30,230	\$23,108
Other receivables	10,837	16,350	Accounts payable	63,160	31,299
Principal and interest receivable	66,159	52,738	Derivative liabilities (Note 10)	55	3,021
Receivable from government agency	45,667	54,706	Current taxes payable	2,688	2,314
Call rights	337	337	Due to servicers	72,445	77,148
Derivative assets (Note 10)	14,177	6,762	MSR purchase price holdback	118,519	60,436
Servicing fee receivables	43,364	7,405	Other liabilities	11,945	8,118
Ginnie Mae EBO servicer advance receivable, net	12,025	14,829		\$299,042	\$205,444
Due from servicers	35,790	22,134			
Servicer advances receivable, net ^(A)	147,721	81,582			
Prepaid expenses	10,646	9,487			
Other assets	11,571	4,269			
	\$456,497	\$326,080			

(A) Represents Servicer Advances due to New Residential's licensed servicer subsidiary, New Residential Mortgage LLC (Note 5).

As reflected on the Condensed Consolidated Statements of Cash Flows, accretion and other amortization is comprised of the following:

	Six Months Ended	
	June 30, 2017	2016
Accretion of servicer advance interest income	\$316,512	\$156,749
Accretion of excess mortgage servicing rights income	49,546	76,231
Accretion of net discount on securities and loans ^(A)	187,039	109,228
Amortization of deferred financing costs	(6,800)	(9,320)
Amortization of discount on notes and bonds payable	(911)	(973)
	\$545,386	\$331,915

(A) Includes accretion of the accretable yield on PCD loans.

3. SEGMENT REPORTING

New Residential conducts its business through the following segments: (i) investments in Excess MSR, (ii) investments in MSR, (iii) investments in Servicer Advances, (iv) investments in real estate securities, (v) investments in residential mortgage loans, (vi) investments in consumer loans, and (vii) corporate. The corporate segment consists primarily of (i) general and administrative expenses, (ii) the management fees and incentive compensation related to

the Management Agreement and (iii) corporate cash and related interest income. Securities owned by New Residential (Note 7) that are collateralized by Servicer Advances are included in the Servicer Advances segment. Secured corporate loans effectively collateralized by Excess MSR are included in the Excess MSR segment.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
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Summary financial data on New Residential's segments is given below, together with a reconciliation to the same data for New Residential as a whole:

	Servicing Related Assets			Residential Securities and Loans			Corporate	Total
	Excess MSR	MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans		
Three Months Ended June 30, 2017								
Interest income	\$18,128	\$2,535	\$244,308	\$113,475	\$25,638	\$67,698	\$170	\$471,952
Interest expense	9,005	10,600	40,720	29,571	11,628	13,633	—	115,157
Net interest income (expense)	9,123	(8,065)	203,588	83,904	14,010	54,065	170	356,795
Impairment	—	—	—	5,115	5,261	15,510	—	25,886
Servicing revenue, net	—	170,851	—	—	—	—	—	170,851
Other income (loss)	(14,219)	5,596	54,774	(15,374)	21,174	5,896	—	57,847
Operating expenses	112	59,318	605	297	8,406	11,544	59,078	139,360
Income (Loss) Before Income Taxes	(5,208)	109,064	257,757	63,118	21,517	32,907	(58,908)	420,247
Income tax expense (benefit)	—	(10,666)	88,547	—	4,793	170	—	82,844
Net Income (Loss)	\$(5,208)	\$119,730	\$169,210	\$63,118	\$16,724	\$32,737	\$(58,908)	\$337,403
Noncontrolling interests in income (loss) of consolidated subsidiaries	\$—	\$—	\$3,328	\$—	\$—	\$12,343	\$—	\$15,671
Net income (loss) attributable to common stockholders	\$(5,208)	\$119,730	\$165,882	\$63,118	\$16,724	\$20,394	\$(58,908)	\$321,732

	Servicing Related Assets			Residential Securities and Loans			Corporate	Total
	Excess MSR	MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans		
Six Months Ended June 30, 2017								
Interest income	\$49,546	\$2,560	\$321,012	\$207,283	\$43,631	\$140,104	\$354	\$764,490
Interest expense	19,077	11,587	84,596	50,452	19,168	28,506	—	213,386
Net interest income (expense)	30,469	(9,027)	236,416	156,831	24,463	111,598	354	551,104
Impairment	—	—	—	7,227	3,243	35,438	—	45,908
Servicing revenue, net	—	211,453	—	—	—	—	—	211,453
Other income (loss)	(13,015)	5,809	56,575	(20,970)	19,838	5,916	—	54,153
Operating expenses	198	79,041	1,429	628	14,259	22,982	89,264	207,801
Income (Loss) Before Income Taxes	17,256	129,194	291,562	128,006	26,799	59,094	(88,910)	563,001
Income tax expense (benefit)	—	(11,945)	97,739	—	2,476	170	—	88,440
Net Income (Loss)	\$17,256	\$141,139	\$193,823	\$128,006	\$24,323	\$58,924	\$(88,910)	\$474,561

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Noncontrolling interests in income (loss) of consolidated subsidiaries	\$—	\$—	\$9,148	\$—	\$—	\$22,303	\$—	\$31,451
Net income (loss) attributable to common stockholders	\$17,256	\$141,139	\$184,675	\$128,006	\$24,323	\$36,621	\$(88,910)	\$443,110

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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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(dollars in tables in thousands, except share data)

	Servicing Related Assets			Residential Securities and Loans				Total
	Excess MSR	MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	
June 30, 2017								
Investments	\$ 1,486,276	\$ 1,867,826	\$ 4,936,226	\$ 7,323,801	\$ 1,854,385	\$ 1,614,424	\$—	\$ 19,082,938
Cash and cash equivalents	888	443,792	76,969	6,016	2,521	25,902	3,928	560,016
Restricted cash	24,719	10,476	67,254	—	—	54,895	—	157,344
Other assets	2,424	192,065	83,715	2,759,043	108,829	40,313	13,328	3,199,717
Total assets	\$ 1,514,307	\$ 2,514,159	\$ 5,164,164	\$ 10,088,860	\$ 1,965,735	\$ 1,735,534	\$ 17,256	\$ 23,000,015
Debt	\$ 764,601	\$ 1,008,104	\$ 4,594,409	\$ 6,697,202	\$ 1,461,034	\$ 1,523,830	\$—	\$ 16,049,180
Other liabilities	2,177	208,230	20,706	1,830,355	40,252	6,943	223,214	2,331,877
Total liabilities	766,778	1,216,334	4,615,115	8,527,557	1,501,286	1,530,773	223,214	18,381,057
Total equity	747,529	1,297,825	549,049	1,561,303	464,449	204,761	(205,958)	4,618,958
Noncontrolling interests in equity of consolidated subsidiaries	—	—	159,167	—	—	34,987	—	194,154
Total New Residential stockholders' equity	\$ 747,529	\$ 1,297,825	\$ 389,882	\$ 1,561,303	\$ 464,449	\$ 169,774	\$ (205,958)	\$ 4,424,804
Investments in equity method investees	\$ 181,610	\$—	\$—	\$—	\$—	\$ 45,036	\$—	\$ 226,646

	Servicing Related Assets		Residential Securities and Loans				Corporate	Total
	Excess MSR	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans			
Three Months Ended June 30, 2016								
Interest income		\$ 33,263	\$ 82,793	\$ 68,214	\$ 14,272	\$ 78,309	\$ 626	\$ 277,477
Interest expense		5,181	58,795	10,933	6,904	18,872	—	100,685
Net interest income (expense)		28,082	23,998	57,281	7,368	59,437	626	176,792
Impairment		—	—	2,819	855	15,970	—	19,644
Servicing revenue, net		—	—	—	—	—	—	—
Other income (loss)		(15,875)	15,064	(24,403)	5,491	—	—	(19,723)
Operating expenses		298	944	477	2,718	12,614	19,229	36,280
Income (Loss) Before Income Taxes		11,909	38,118	29,582	9,286	30,853	(18,603)	101,145
Income tax expense (benefit)		—	7,397	—	42	75	4	7,518
Net Income (Loss)		\$ 11,909	\$ 30,721	\$ 29,582	\$ 9,244	\$ 30,778	\$ (18,607)	\$ 93,627

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Noncontrolling interests in income (loss) of consolidated subsidiaries	\$—	\$ 10,345	\$—	\$ —	\$ 14,630	\$—	\$24,975
Net income (loss) attributable to common stockholders	\$11,909	\$ 20,376	\$29,582	\$ 9,244	\$ 16,148	\$(18,607)	\$68,652

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
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	Servicing Related Assets		Residential Securities and Loans		Consumer Loans	Corporate	Total
	Excess MSR	Servicer Advances	Real Estate Securities	Residential Mortgage Loans			
Six Months Ended June 30, 2016							
Interest income	\$76,231	\$163,760	\$114,127	\$33,765	\$78,310	\$1,320	\$467,513
Interest expense	8,115	121,870	18,417	14,294	19,217	—	181,913
Net interest income (expense)	68,116	41,890	95,710	19,471	59,093	1,320	285,600
Impairment	—	—	6,073	7,600	15,970	—	29,643
Servicing revenue, net	—	—	—	—	—	—	—
Other income (loss)	(4,182)	(12,327)	(60,864)	8,364	81,193	15	12,199
Operating expenses	530	2,047	938	6,943	14,218	36,620	61,296
Income (Loss) Before Income Taxes	63,404	27,516	27,835	13,292	110,098	(35,285)	206,860
Income tax expense (benefit)	—	(2,605)	—	(179)	75	4	(2,705)
Net Income (Loss)	\$63,404	\$30,121	\$27,835	\$13,471	\$110,023	\$(35,289)	\$209,565
Noncontrolling interests in income (loss) of consolidated subsidiaries	\$—	\$14,547	\$—	\$—	\$14,630	\$—	\$29,177
Net income (loss) attributable to common stockholders	\$63,404	\$15,574	\$27,835	\$13,471	\$95,393	\$(35,289)	\$180,388

4. INVESTMENTS IN EXCESS MORTGAGE SERVICING RIGHTS

The following table presents activity related to the carrying value of New Residential's direct investments in Excess MSR:

	Servicer			Total
	Nationstar	SLS ^(A)	Ocwen ^(B)	
Balance as of December 31, 2016	\$611,293	\$3,935	\$784,227	\$1,399,455
Purchases	—	—	—	—
Interest income	21,263	(495)	28,778	49,546
Other income	1,342	—	—	1,342
Proceeds from repayments	(62,691)	(1,023)	(63,604)	(127,318)
Change in fair value	215	339	(18,913)	(18,359)
Balance as of June 30, 2017	\$571,422	\$2,756	\$730,488	\$1,304,666

(A)Specialized Loan Servicing LLC (“SLS”).

Ocwen Loan Servicing LLC, a subsidiary of Ocwen Financial Corporation (together with its subsidiaries,

(B)including Ocwen Loan Servicing LLC, “Ocwen”), services the loans underlying the Excess MSR and Servicer Advances acquired from HLSS.

Nationstar, SLS or Ocwen, as applicable, as servicer, performs all of the servicing and advancing functions, and retains the ancillary income, servicing obligations and liabilities as the servicer of the underlying loans in the portfolio.

New Residential has entered into a “recapture agreement” with respect to each of the Excess MSR investments serviced by Nationstar and SLS. Under such arrangements, New Residential is generally entitled to a pro rata interest in the Excess MSRs on any initial or subsequent refinancing by Nationstar of a loan in the original portfolio. New Residential has a similar recapture agreement with Ocwen; however, this agreement allows for Ocwen to retain the Excess MSR on recaptured loans up to a threshold and no payments have been made to New Residential under such arrangement to date. These recapture agreements do not apply to New Residential’s investments in Servicer Advances (Note 6).

New Residential elected to record its investments in Excess MSRs at fair value pursuant to the fair value option for financial instruments in order to provide users of the financial statements with better information regarding the effects of prepayment risk and other market factors on the Excess MSRs.

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(dollars in tables in thousands, except share data)

The following is a summary of New Residential's direct investments in Excess MSR:

	June 30, 2017				Weighted Average Life Years ^(A)	Amortized Cost Basis ^(B)	December 31, 2016	
	UPB of Underlying Mortgages	Interest in Excess MSR		Carrying Value ^(C)			Carrying Value ^(C)	
		New Residential ^(D)	Fortress-managed funds	Nationstar				
Agency Original and Recaptured Pools	\$72,609,125	32.5% - 66.7% (53.2%)	0.0% - 40.0%	20.0% - 35.0%	5.9	\$277,034	\$304,980	\$330,323
Recapture Agreements	—	32.5% - 66.7% (53.2%)	0.0% - 40.0%	- 35.0%	12.6	21,630	48,995	51,434
	72,609,125				6.4	298,664	353,975	381,757
Non-Agency ^(E) Nationstar and SLS Serviced: Original and Recaptured Pools	\$70,867,185	33.3% - 100.0% (59.4%)	0.0% - 50.0%	0.0% - 33.3%	5.3	\$167,751	\$199,753	\$219,980
Recapture Agreements	—	33.3% - 100.0% (59.4%)	0.0% - 50.0%	0.0% - 33.3%	12.5	9,157	20,450	13,491
Ocwen Serviced Pools	111,983,880	100.0%	—	% —	6.4	706,586	730,488	784,227
	182,851,065				6.3	883,494	950,691	1,017,698
Total	\$255,460,190				6.3	\$1,182,158	\$1,304,666	\$1,399,455

(A) Weighted Average Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.

(B) The amortized cost basis of the recapture agreements is determined based on the relative fair values of the recapture agreements and related Excess MSR at the time they were acquired.

(C) Carrying Value represents the fair value of the pools or recapture agreements, as applicable.

(D) Amounts in parentheses represent weighted averages.

(E) New Residential also invested in related Servicer Advances, including the basic fee component of the related MSR as of June 30, 2017 (Note 6) on \$169.6 billion UPB underlying these Excess MSR.

Changes in fair value recorded in other income is comprised of the following:

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	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Original and Recaptured Pools	\$(21,736)	\$(18,694)	\$(28,984)	\$(12,997)
Recapture Agreements	2,556	3,431	10,625	5,660
	\$(19,180)	\$(15,263)	\$(18,359)	\$(7,337)

As of June 30, 2017, a weighted average discount rate of 9.7% was used to value New Residential's investments in Excess MSR's (directly and through equity method investees).

New Residential entered into investments in joint ventures ("Excess MSR joint ventures") jointly controlled by New Residential and Fortress-managed funds investing in Excess MSR's. New Residential elected to record these investments at fair value pursuant to the fair value option for financial instruments to provide users of the financial statements with better information regarding the effects of prepayment risk and other market factors.

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The following tables summarize the financial results of the Excess MSR joint ventures, accounted for as equity method investees, held by New Residential:

	June 30, 2017	December 31, 2016
Excess MSR assets	\$344,521	\$372,391
Other assets	18,698	17,184
Other liabilities	—	—
Equity	\$363,219	\$389,575
New Residential's investment	\$181,610	\$194,788

New Residential's ownership 50.0 % 50.0 %

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Interest income	\$8,931	\$4,240	\$13,114	\$12,321
Other income (loss)	(420)	(5,569)	(5,065)	(7,583)
Expenses	(19)	(21)	(45)	(44)
Net income	\$8,492	\$(1,350)	\$8,004	\$4,694

New Residential's investments in equity method investees changed during the six months ended June 30, 2017 as follows:

Balance at December 31, 2016	\$194,788
Contributions to equity method investees	—
Transfers to direct ownership	—
Distributions of earnings from equity method investees	(7,433)
Distributions of capital from equity method investees	(9,747)
Change in fair value of investments in equity method investees	4,002
Balance at June 30, 2017	\$181,610

The following is a summary of New Residential's Excess MSR investments made through equity method investees:
 June 30, 2017

Agency	Unpaid Principal Balance	Investee Interest in Excess MSR ^(A)	New Residential Interest in Investees	Amortized Cost Basis ^(B)	Carrying Value ^(C)	Weighted Average Life (Years) ^(D)
Original and Recaptured Pools	\$56,215,426	66.7 %	50.0 %	\$230,946	\$291,907	5.8
Recapture Agreements	—	66.7 %	50.0 %	26,102	52,614	12.8
Total	\$56,215,426			\$257,048	\$344,521	6.5

(A) The remaining interests are held by Nationstar.

Represents the amortized cost basis of the equity method investees in which New Residential holds a 50% interest.

(B) The amortized cost basis of the recapture agreements is determined based on the relative fair values of the recapture agreements and related Excess MSR's at the time they were acquired.

(C) Represents the carrying value of the Excess MSR's held in equity method investees, in which New Residential holds a 50% interest. Carrying value represents the fair value of the pools or recapture agreements, as applicable.

(D) The weighted average life represents the weighted average expected timing of the receipt of cash flows of each investment.

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The table below summarizes the geographic distribution of the underlying residential mortgage loans of the Excess MSR investments:

State Concentration	Aggregate Direct and Equity Method Investees Percentage of Total Outstanding Unpaid Principal Amount			
	June 30, 2017		December 31, 2016	
California	24.0	%	24.1	%
Florida	8.7	%	8.6	%
New York	8.1	%	7.9	%
Texas	4.6	%	4.6	%
New Jersey	4.2	%	4.2	%
Maryland	3.8	%	3.7	%
Illinois	3.5	%	3.5	%
Virginia	3.1	%	3.1	%
Georgia	3.1	%	3.1	%
Massachusetts	2.7	%	2.7	%
Arizona	2.5	%	2.5	%
Washington	2.5	%	2.6	%
Other U.S.	29.2	%	29.4	%
	100.0	%	100.0	%

Geographic concentrations of investments expose New Residential to the risk of economic downturns within the relevant states. Any such downturn in a state where New Residential holds significant investments could affect the underlying borrower's ability to make mortgage payments and therefore could have a meaningful, negative impact on the Excess MSRs.

See Note 11 regarding the financing of Excess MSRs.

5. INVESTMENTS IN MORTGAGE SERVICING RIGHTS AND MORTGAGE SERVICING RIGHTS FINANCING RECEIVABLE

Mortgage Servicing Rights

In 2016, a subsidiary of New Residential, New Residential Mortgage LLC ("NRM"), became a licensed mortgage servicer. NRM is presently licensed or otherwise eligible to hold MSRs in all states within the United States and the District of Columbia. Additionally, NRM has received approval from the Federal Housing Administration ("FHA") to hold MSRs associated with FHA-insured mortgage loans, from the Federal National Mortgage Association ("Fannie Mae") to hold MSRs associated with loans owned by Fannie Mae, and from the Federal Home Loan Mortgage

Corporation (“Freddie Mac”) to hold MSR’s associated with loans owned by Freddie Mac. Fannie Mae and Freddie Mac are collectively referred to as the Government Sponsored Enterprises (“GSEs”). As an approved Fannie Mae Servicer, Freddie Mac Servicer and FHA-approved mortgagee, NRM is required to conduct aspects of its operations in accordance with applicable policies and guidelines published by FHA, Fannie Mae and Freddie Mac in order to maintain those approvals. As of June 30, 2017, NRM is in compliance with such policies and guidelines, as well as with other ongoing requirements applicable to mortgage loan servicers under applicable state and federal laws. NRM engages third party licensed mortgage servicers as subservicers to perform the operational servicing duties in connection with the MSR’s it acquires, in exchange for a subservicing fee which is recorded as “Subservicing expense” on New Residential’s Condensed Consolidated Statements of Income. As of June 30, 2017, these subservicers include Ditech, Nationstar, Citi, Flagstar, and PHH, which subservice 37.2%, 21.4%, 33.2%, 1.5%, and 6.7% of the underlying UPB of the related mortgages, respectively (includes both Mortgage Servicing Rights and Mortgage Servicing Rights Financing Receivable).

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New Residential has entered into recapture agreements with respect to each of its MSR investments subserviced by Ditech (defined below) and Nationstar. Under the recapture agreements, New Residential is generally entitled to the MSRs on any initial or subsequent refinancing by Ditech or Nationstar of a loan in the original portfolios.

Walter Flows MSRs

On August 8, 2016, NRM entered into a flow and bulk agreement for the purchase and sale of mortgage servicing rights (the “Walter Purchase Agreement”) with Ditech Financial LLC (“Ditech”), a subsidiary of Walter Investment Management Corp. During the six months ended June 30, 2017, pursuant to the Walter Purchase Agreement, NRM purchased Walter Flow MSRs with respect to certain Fannie Mae residential mortgage loans with a total UPB of \$5.0 billion for a purchase price of approximately \$40.4 million. Ditech will subservice the related residential mortgage loans.

Citi Transaction

On January 27, 2017, NRM entered into an agreement with CitiMortgage, Inc. (“Citi”) to purchase the MSRs and related Servicer Advances (the “Citi Purchase Agreement”) with respect to a pool of seasoned Fannie Mae and Freddie Mac residential mortgage loans with approximately \$92.5 billion in total UPB for a purchase price of approximately \$906.0 million, with a purchase price holdback of approximately \$45.3 million. The purchase of the MSRs settled in March 2017, with the purchase of the related advances to follow at the time of the operational servicing transfers from Citi to Nationstar.

United Shore Transaction

On January 31, 2017, NRM entered into an agreement with United Shore Financial Services, LLC (“United Shore”) to purchase the MSRs and related Servicer Advances with respect to a pool of existing Fannie Mae and Freddie Mac residential mortgage loans with approximately \$9.8 billion in total UPB for a purchase price of approximately \$94.8 million, with a purchase price holdback of approximately \$9.5 million. The purchase settled in February 2017, and subservicing transferred to Nationstar during March and April 2017.

RCS Transaction

On February 17, 2017, NRM entered into an agreement with Residential Credit Solutions, Inc. (“RCS”) to purchase the MSRs and related Servicer Advances with respect to a pool of existing Fannie Mae and Freddie Mac residential mortgage loans with approximately \$5.2 billion in total UPB for a purchase price of approximately \$48.6 million and \$1.3 million, respectively, with a purchase price holdback of approximately \$4.9 million. The purchase included multiple settlement dates in February and March 2017. Ditech subservices the related residential mortgage loans.

Subservicing Agreements

On January 27, 2017, NRM entered into agreements pursuant to which Nationstar will subservice certain MSR portfolios on behalf of NRM, subject to GSE and other regulatory approvals. In March 2017 and April 2017, subservicing duties for a portion of the residential mortgage loans related to the FirstKey Transaction and Citi Transaction, respectively, were transferred to Nationstar from FirstKey and Citi, respectively. On May 16, 2017, NRM entered into a subservicing agreement with Flagstar Bank, FSB (“Flagstar”). Flagstar was the predecessor

subservicer of the remaining portion of the residential mortgage loans related to the FirstKey Transaction. The subservicing duties transferred to Flagstar in May 2017. As of June 30, 2017, subservicing for \$24.1 billion UPB related to the Citi Transaction has transferred to Nationstar.

New Residential records its investments in MSRs at fair value at acquisition and has elected to subsequently measure at fair value pursuant to the fair value measurement method.

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Servicing revenue, net recognized by New Residential related to its investments in MSR's was comprised of the following:

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Servicing fee revenue	\$ 120,432	\$ 185,901
Ancillary and other fees	24,982	27,170
Servicing fee revenue and fees	145,414	213,071
Amortization of servicing rights	(64,305)	(90,601)
Change in valuation inputs and assumptions	89,742	88,983
Servicing revenue, net	\$ 170,851	\$ 211,453

The following table presents activity related to the carrying value of New Residential's investments in MSR's:

Balance as of December 31, 2016	\$ 659,483
Purchases	1,091,478
Amortization of servicing rights ^(A)	(90,601)
Change in valuation inputs and assumptions	88,983
Balance as of June 30, 2017	\$ 1,749,343

(A) Based on the ratio of the current UPB of the underlying residential mortgage loans relative to the original UPB of the underlying residential mortgage loans.

The following is a summary of New Residential's investments in MSR's as of June 30, 2017:

	UPB of Underlying Mortgages	Weighted Average Life (Years) ^(A)	Amortized Cost Basis	Carrying Value ^(B)
Agency	\$ 180,887,054	6.9	\$ 1,556,681	\$ 1,749,343
Non-Agency	67,944	7.0	—	—
Total	\$ 180,954,998	6.9	\$ 1,556,681	\$ 1,749,343

(A) Weighted Average Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.

(B) Carrying Value represents fair value. As of June 30, 2017, a weighted average discount rate of 10.5% was used to value New Residential's investments in MSR's.

Mortgage Servicing Rights Financing Receivable

PHH Transaction

On December 28, 2016, NRM entered into an agreement with PHH Mortgage Corporation and its subsidiaries ("PHH") to purchase the MSR's and related Servicer Advances with respect to approximately \$61.1 billion in total UPB of seasoned Agency and private-label residential mortgage loans for a purchase price of approximately \$509.9 million and \$221.9 million, respectively. \$13.2 billion of UPB closed in the second quarter of 2017, and the remainder is

expected to close beginning in the third quarter of 2017, subject to GSE and other regulatory approvals, various consents and approvals from third-parties, and other customary closing conditions. Concurrently with the purchase agreement, NRM entered into a subservicing agreement with PHH, pursuant to which PHH Mortgage, a wholly owned subsidiary of PHH, subservices the residential mortgage loans underlying the MSR's acquired by NRM for an initial term of three years, subject to certain conditions. New Residential has entered into a recapture agreement with respect to each of its MSR investments subserviced by PHH. Under the recapture agreement, New Residential is generally entitled to the MSR's on any initial or subsequent refinancing by PHH of a loan in the original portfolio.

As a result of the length of the initial term of the related subservicing agreement between NRM and PHH, although the MSR's were legally sold, solely for accounting purposes New Residential determined that substantially all of the risks and rewards inherent

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in owning the MSR's had not been transferred to NRM, and that the purchase agreement would not be treated as a sale under GAAP. Therefore, rather than recording an investment in MSR's, New Residential has recorded an investment in mortgage servicing rights financing receivable. Income from this investment is recorded as interest income, and New Residential has elected to measure the investment at fair value, with changes in fair value flowing through Change in fair value of investments in mortgage servicing rights financing receivable in the Condensed Consolidated Statements of Income.

Interest income from investments in mortgage servicing rights financing receivable was comprised of the following:

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Servicing fee revenue	\$2,675	\$2,675
Ancillary and other fees	75	75
Less: subservicing expense	(294)	(294)
Interest income, investments in mortgage servicing rights financing receivable	\$2,456	\$2,456

Change in fair value of investments in mortgage servicing rights financing receivable was comprised of the following:

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Amortization of servicing rights	\$(1,127)	\$(1,127)
Change in valuation inputs and assumptions	6,723	6,723
Change in fair value of investments in mortgage servicing rights financing receivable	\$5,596	\$5,596

The following table presents activity related to the carrying value of New Residential's investments in mortgage servicing rights financing receivable:

Balance as of December 31, 2016	\$	—
Investments made	112,887	
Amortization of servicing rights ^(A)	(1,127)
Change in valuation inputs and assumptions	6,723	
Balance as of June 30, 2017	\$	118,483

(A) Based on the ratio of the current UPB of the underlying residential mortgage loans relative to the original UPB of the underlying residential mortgage loans.

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The following is a summary of New Residential's investments in mortgage servicing rights financing receivable as of June 30, 2017:

UPB of Underlying Mortgages	Weighted Average Life (Years) ^(A)	Amortized Cost Basis	Carrying Value ^(B)
Agency \$13,070,096	6.3	\$ 111,760	\$ 118,483

(A) Weighted Average Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.

(B) Carrying Value represents fair value. As of June 30, 2017, a weighted average discount rate of 11.0% was used to value New Residential's investments in mortgage servicing rights financing receivable.

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The table below summarizes the geographic distribution of the underlying residential mortgage loans of the investments in MSR and mortgage servicing rights financing receivable:

State Concentration	Percentage of Total Outstanding Unpaid Principal Amount			
	June 30, 2017		December 31, 2016	
		%		%
California	20.7	%	20.5	%
Texas	6.0	%	6.3	%
New York	5.9	%	2.8	%
Florida	5.8	%	7.3	%
New Jersey	4.7	%	4.5	%
Illinois	4.3	%	4.1	%
Massachusetts	4.0	%	4.1	%
Michigan	3.9	%	3.1	%
Pennsylvania	3.1	%	2.9	%
Georgia	3.0	%	2.7	%
Other U.S.	38.6	%	41.7	%
	100.0	%	100.0	%

Geographic concentrations of investments expose New Residential to the risk of economic downturns within the relevant states. Any such downturn in a state where New Residential holds significant investments could affect the underlying borrower's ability to make mortgage payments and therefore could have a meaningful, negative impact on the MSRs.

In addition to receiving cash flows from the MSRs, NRM as servicer has the obligation to fund future Servicer Advances on the underlying pool of mortgages (Note 14). These Servicer Advances are recorded when advanced and are included in Other Assets.

See Note 11 regarding the financing of MSRs.

6. INVESTMENTS IN SERVICER ADVANCES

In December 2013, New Residential and third-party co-investors, through a joint venture entity (Advance Purchaser LLC, the "Buyer") consolidated by New Residential, purchased the outstanding Servicer Advances related to a portfolio of residential mortgage loans that is serviced by Nationstar and is a subset of the same portfolio of loans in which New Residential has invested in a portion of the Excess MSRs (Note 4), including the basic fee component of the related MSRs. A taxable wholly-owned subsidiary of New Residential is the managing member of the Buyer and owned an approximately 45.8% interest in the Buyer as of June 30, 2017. As of June 30, 2017, third-party co-investors, owning the remaining interest in the Buyer, have funded capital commitments to the Buyer of \$389.6 million and New Residential has funded capital commitments to the Buyer of \$312.7 million. The Buyer may call capital up to the commitment amount on unfunded commitments and recall capital to the extent the Buyer makes a distribution to the co-investors, including New Residential. As of June 30, 2017, the third-party co-investors and New Residential had previously funded their commitments, however the Buyer may recall \$298.4 million and \$240.1 million of capital distributed to the third-party co-investors and New Residential, respectively. Neither the third-party co-investors nor

New Residential is obligated to fund amounts in excess of their respective capital commitments, regardless of the capital requirements of the Buyer.

The Buyer has purchased Servicer Advances from Nationstar, is required to purchase all future Servicer Advances made with respect to this portfolio of loans from Nationstar, and receives cash flows from advance recoveries and the basic fee component of the related MSRs, net of compensation paid back to Nationstar in consideration of Nationstar's servicing activities. The compensation paid to Nationstar as of June 30, 2017 was approximately 9.3% of the basic fee component of the related MSRs plus a performance fee that represents a portion (up to 100%) of the cash flows in excess of those required for the Buyer to obtain a specified return on its equity.

New Residential also acquired a portion of the call rights related to this portfolio of loans.

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In December 2014, New Residential agreed to acquire (the “SLS Transaction”) 50% of the Excess MSR and all of the Servicer Advances and related basic fee portion of the MSR, and a portion of the call rights related to a portfolio of residential mortgage loans which is serviced by SLS. Fortress-managed funds acquired the other 50% of the Excess MSR. SLS services the loans in exchange for a servicing fee of 10.75 bps and an incentive fee (the “SLS Incentive Fee”) which is based on the ratio of the outstanding Servicer Advances to the UPB of the underlying loans.

In April 2015, New Residential acquired Servicer Advances, including the related basic fee portion of the MSR, and Excess MSR in connection with the HLSS Acquisition. Ocwen services the underlying loans in exchange for a servicing fee of 12% times the servicing fee collections of the underlying loans, which as of June 30, 2017 is equal to 6.1 basis points times the UPB of the underlying loans, and an incentive fee which is reduced by LIBOR plus 2.75% per annum of the amount, if any, of Servicer Advances outstanding in excess of a defined target.

In connection with the HLSS Acquisition, New Residential acquired from Ocwen the call rights related to the residential mortgage loans underlying the Excess MSR and Servicer Advances acquired from HLSS. New Residential continues to evaluate the call rights it acquired from Nationstar, SLS and Ocwen, and its ability to exercise such rights and realize the benefits therefrom are subject to a number of risks. The actual UPB of the residential mortgage loans on which New Residential can successfully exercise call rights and realize the benefits therefrom may differ materially from its initial assumptions.

New Residential elected to record its investments in Servicer Advances, including the right to the basic fee component of the related MSR, at fair value pursuant to the fair value option for financial instruments to provide users of the financial statements with better information regarding the effects of market factors.

The following is a summary of the investments made by New Residential in Servicer Advances, including the right to the basic fee component of the related MSR:

	Amortized Cost Basis	Carrying Value ^(A)	Weighted Average Discount Rate	Weighted Average Yield	Weighted Average Life (Years) ^(B)
June 30, 2017					
Servicer Advances ^(C)	\$4,758,268	\$4,836,754	6.5 %	6.8 %	5.1
As of December 31, 2016					
Servicer Advances ^(C)	\$5,687,635	\$5,706,593	5.6 %	5.5 %	4.6

(A) Carrying value represents the fair value of the investments in Servicer Advances, including the basic fee component of the related MSR.

(B) Weighted Average Life represents the weighted average expected timing of the receipt of expected net cash flows for this investment.

Excludes asset-backed securities collateralized by Servicer Advances, which have aggregate face amounts of (C) \$100.0 million and \$100.0 million and aggregate carrying values of \$100.0 million and \$100.1 million as of June 30, 2017 and December 31, 2016, respectively. See Note 7 for details related to these securities.

Three Months Ended June 30,	Six Months Ended June 30,
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	2017	2016	2017	2016
Changes in Fair Value Recorded in Other Income	\$56,969	\$13,946	\$59,528	\$(17,278)

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The following is additional information regarding the Servicer Advances and related financing:

	UPB of		Servicer		Loan-to-Value		Cost of	
	Underlying	Outstanding	Advances	Face	("LTV" ^(A))		Funds ^(C)	
	Residential	Servicer	to UPB of	Amount of	Gross	Net ^(B)	Gross	Net
	Mortgage	Advances	Underlying	Notes and				
	Loans		Residential	Bonds				
			Mortgage	Payable				
			Loans					
June 30, 2017								
Servicer Advances ^(D)	\$ 169,570,376	\$ 4,470,640	2.6 %	\$ 4,443,368	93.5 %	92.3 %	3.3 %	2.9 %
December 31, 2016								
Servicer Advances ^(D)	\$ 186,362,657	\$ 5,617,759	3.0 %	\$ 5,560,412	94.5 %	93.4 %	3.2 %	2.8 %

Based on outstanding Servicer Advances, excluding purchased but unsettled Servicer Advances and certain deferred servicing fees ("DSF") on which New Residential receives financing. If New Residential were to include these DSF in the Servicer Advance balance, gross and net LTV as of June 30, 2017 would be 88.3% and 87.2%, respectively. Also excludes retained Non-Agency bonds with a current face amount of \$93.5 million from the outstanding Servicer Advances debt. If New Residential were to sell these bonds, gross and net LTV as of June 30, 2017 would be 95.5% and 94.3%, respectively.

(A) Ratio of face amount of borrowings to par amount of Servicer Advance collateral, net of any general reserve.

(B) Annualized measure of the cost associated with borrowings. Gross Cost of Funds primarily includes interest expense and facility fees. Net Cost of Funds excludes facility fees.

(C) The following types of advances comprise the investments in Servicer Advances:

	June 30, 2017	December 31, 2016
Principal and interest advances	\$ 1,157,755	\$ 1,489,929
Escrow advances (taxes and insurance advances)	2,016,672	2,613,050
Foreclosure advances	1,296,213	1,514,780
Total	\$ 4,470,640	\$ 5,617,759

Interest income recognized by New Residential related to its investments in Servicer Advances was comprised of the following:

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Interest income, gross of amounts attributable to servicer compensation	\$ 133,098	\$ 192,342	\$ 206,954	\$ 419,630
Amounts attributable to base servicer compensation ^(A)	(102,359)	(23,399)	(106,506)	(52,908)
Amounts attributable to incentive servicer compensation ^(A)	209,730	(90,831)	216,064	(209,973)
Interest income from investments in Servicer Advances ^(A)	\$ 240,469	\$ 78,112	\$ 316,512	\$ 156,749

(A) Total interest income of \$240.5 million for the three months ended June 30, 2017 includes a retrospective adjustment of \$157.6 million which was mainly due to a change in the cost of subservicing assumption to 13

bps relating to the HLSS portfolio.

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New Residential has determined that the Buyer is a VIE. The following table presents information on the assets and liabilities related to this consolidated VIE.

	As of	
	June 30, 2017	December 31, 2016
Assets		
Servicer Advance investments, at fair value	\$1,350,327	\$1,731,633
Cash and cash equivalents	35,063	37,854
All other assets	16,237	19,799
Total assets ^(A)	\$1,401,627	\$1,789,286
Liabilities		
Notes and bonds payable	\$1,103,521	\$1,464,851
All other liabilities	4,482	5,187
Total liabilities ^(A)	\$1,108,003	\$1,470,038

(A) The creditors of the Buyer do not have recourse to the general credit of New Residential and the assets of the Buyer are not directly available to satisfy New Residential's obligations.

Others' interests in the equity of the Buyer is computed as follows:

	June 30, 2017	December 31, 2016
Total Advance Purchaser LLC equity	\$293,624	\$319,248
Others' ownership interest	54.2 %	54.2 %
Others' interest in equity of consolidated subsidiary	\$159,167	\$173,057

Others' interests in the Buyer's net income is computed as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net Advance Purchaser LLC income	\$6,140	\$18,647	\$16,876	\$26,222
Others' ownership interest as a percent of total ^(A)	54.2 %	55.5 %	54.2 %	55.5 %
Others' interest in net income of consolidated subsidiaries	\$3,328	\$10,345	\$9,148	\$14,547

As a result, New Residential owned 45.8% and 44.5% of the Buyer, on average during the three months ended (A) June 30, 2017 and 2016, respectively and 45.8% and 44.5% of the Buyer, on average during the six months ended June 30, 2017 and 2016, respectively.

See Note 11 regarding the financing of Servicer Advances.

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7. INVESTMENTS IN REAL ESTATE SECURITIES

Agency residential mortgage backed securities (“RMBS”) are RMBS issued by a government sponsored enterprise, such as the Federal National Mortgage Association (“Fannie Mae”) or the Federal Home Loan Mortgage Corporation (“Freddie Mac”). Non-Agency RMBS are issued by either public trusts or private label securitization entities.

Activities related to New Residential’s investments in real estate securities were as follows:

	Six Months Ended June 30, 2017 (in millions)	
	Agency	Non-Agency
Purchases		
Face	\$4,853.1	\$ 5,529.5
Purchase Price	\$4,982.5	\$ 2,138.3
Sales		
Face	\$4,409.0	\$ 201.5
Amortized Cost	\$4,519.8	\$ 135.9
Sale Price	\$4,523.5	\$ 154.4
Gain (Loss) on Sale	\$3.7	\$ 18.5

On June 30, 2017, New Residential sold and purchased \$2.6 billion and \$1.7 billion face amount of Agency RMBS for \$2.7 billion and \$1.8 billion, respectively, and purchased \$23.7 million face amount of Non-Agency RMBS for \$13.8 million, which had not yet been settled. These unsettled sales and purchases were recorded on the balance sheet on trade date as Trades Receivable and Trades Payable.

New Residential has exercised its call rights with respect to Non-Agency RMBS trusts and purchased performing and non-performing residential mortgage loans and REO contained in such trusts prior to their termination. In certain cases, New Residential sold portions of the purchased loans through securitizations, and retained bonds issued by such securitizations. In addition, New Residential received par on the securities issued by the called trusts which it owned prior to such trusts’ termination. Refer to Note 8 for further details on these transactions.

The following is a summary of New Residential’s real estate securities, all of which are classified as available-for-sale and are, therefore, reported at fair value with changes in fair value recorded in other comprehensive income, except for securities that are other-than-temporarily impaired and except for securities which New Residential elected to carry at fair value and record changes to valuation through the income statement.

June 30, 2017											
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value ^(A)	Weighted Average			Life (Years) ^(D)	Principal Subordi	
			Gains	Losses		Number of Securities	Rating ^(B)	Coupon Yield			
Agency RMBS ^(F)	\$1,880,434	\$1,941,558	\$552	\$(5,917)	\$1,936,193	88	AAA	3.50%	2.98%	9.5	N/A
(G)											\$

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Non-Agency RMBS ^(H)	11,907,355	5,169,234	339,748	(21,902)	5,487,080	731	CCC	2.00%	5.83%	8.0	9.0 %	3,
^(I) Total/ Weighted Average	\$13,787,789	\$7,110,792	\$340,300	\$(27,819)	\$7,423,273	819	BB-	2.39%	5.05%	8.4		\$,

- (A) Fair value, which is equal to carrying value for all securities. See Note 12 regarding the estimation of fair value.
 Represents the weighted average of the ratings of all securities in each asset type, expressed as an S&P equivalent rating. This excludes the ratings of the collateral underlying 207 bonds with a carrying value of \$325.3 million
- (B) which either have never been rated or for which rating information is no longer provided. For each security rated by multiple rating agencies, the lowest rating is used. New Residential used an implied AAA rating for the Agency RMBS. Ratings provided were

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determined by third party rating agencies, and represent the most recent credit ratings available as of the reporting date and may not be current.

(C) Excludes residual bonds, and certain other Non-Agency bonds, with a carrying value of \$161.9 million and \$0.0 million, respectively, for which no coupon payment is expected.

(D) The weighted average life is based on the timing of expected principal reduction on the assets.

(E) Percentage of the amortized cost basis of securities that is subordinate to New Residential's investments, excluding fair value option securities and servicer advance bonds.

(F) Includes securities issued or guaranteed by U.S. Government agencies such as Fannie Mae or Freddie Mac.

(G) The total outstanding face amount was \$1.8 billion for fixed rate securities and \$123.2 million for floating rate securities as of June 30, 2017.

The total outstanding face amount was \$1.3 billion (including \$0.7 billion of residual and fair value option notional amount) for fixed rate securities and \$10.6 billion (including \$4.2 billion of residual and fair value option notional amount) for floating rate securities as of June 30, 2017.

Includes other asset backed securities ("ABS") consisting primarily of (i) interest-only securities and servicing strips (I) (fair value option securities) which New Residential elected to carry at fair value and record changes to valuation through the income statement, (ii) bonds backed by Servicer Advances and (iii) bonds backed by Consumer Loans.

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value	Number of Securities	Weighted Average			Life (Years)	Principal Subordination
			Gains	Losses			Rating	Coupon	Yield		
Servicer Advance Bonds	\$ 100,000	\$ 99,758	\$ 242	\$ —	\$ 100,000	1	AAA	3.21 %	3.09 %	0.2	N/A
Consumer Loan Bonds	137,500	16,253	109	—	16,362	1	N/A	N/A	15.22 %	1.6	N/A
Fair Value Option Securities											
Interest-only Securities	4,163,429	208,350	8,711	(10,620)	4,161,519	42	AA+	1.62 %	6.56 %	3.4	N/A
Servicing Strips	441,478	5,261	1,089	—	6,350	15	N/A	0.27 %	22.24 %	6.5	N/A

Unrealized losses that are considered other-than-temporary are recognized currently in earnings. During the six months ended June 30, 2017, New Residential recorded OTTI charges of \$7.2 million with respect to real estate securities. Any remaining unrealized losses on New Residential's securities were primarily the result of changes in market factors, rather than issue-specific credit impairment. New Residential performed analyses in relation to such securities, using its best estimate of their cash flows, which support its belief that the carrying values of such securities were fully recoverable over their expected holding period. New Residential has no intent to sell, and is not more likely than not to be required to sell, these securities.

The following table summarizes New Residential's securities in an unrealized loss position as of June 30, 2017.

Amortized Cost Basis Weighted Average

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Securities in an Unrealized Loss Position	Outstanding Face Amount	Before Impairment	Other-Than-Temporary Impairment	After Impairment ^(A)	Gross Unrealized Losses	Carrying Value	Number of Securities	Rating ^(B)	Coupon	Yield	Life (Years)
Less than 12 Months	\$4,849,502	\$2,470,372	\$(2,768)	\$2,467,604	\$(15,659)	\$2,451,945	186	CCC+	2.90%	3.94%	9.3
12 or More Months	807,047	237,654	(2,347)	235,307	(12,160)	223,147	48	BBB	2.50%	3.43%	5.3
Total/Weighted Average	\$5,656,549	\$2,708,026	\$(5,115)	\$2,702,911	\$(27,819)	\$2,675,092	234	B	2.86%	3.89%	9.0

(A) This amount represents OTTI recorded on securities that are in an unrealized loss position as of June 30, 2017.

The weighted average rating of securities in an unrealized loss position for less than 12 months excludes the rating of 59 bonds which either have never been rated or for which rating information is no longer provided.

(B) The weighted average rating of securities in an unrealized loss position for 12 or more months excludes the rating of 7 bonds which either have never been rated or for which rating information is no longer provided.

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New Residential performed an assessment of all of its debt securities that are in an unrealized loss position (an unrealized loss position exists when a security's amortized cost basis, excluding the effect of OTTI, exceeds its fair value) and determined the following:

	June 30, 2017		Gross Unrealized Losses	
	Fair Value	Amortized Cost Basis After Impairment	Credit ^(A)	Non-Credit ^(B)
Securities New Residential intends to sell ^(C)	\$—	\$—	\$—	\$—
Securities New Residential is more likely than not to be required to sell ^(D)	—	—	—	N/A
Securities New Residential has no intent to sell and is not more likely than not to be required to sell:				
Credit impaired securities	326,150	329,730	(5,115)	(3,580)
Non-credit impaired securities	2,348,942	2,373,181	—	(24,239)
Total debt securities in an unrealized loss position	\$2,675,092	\$2,702,911	\$(5,115)	\$(27,819)

This amount is required to be recorded as OTTI through earnings. In measuring the portion of credit losses, New Residential estimates the expected cash flow for each of the securities. This evaluation includes a review of the credit status and the performance of the collateral supporting those securities, including the credit of the issuer, (A) key terms of the securities and the effect of local, industry and broader economic trends. Significant inputs in estimating the cash flows include New Residential's expectations of prepayment rates, default rates and loss severities. Credit losses are measured as the decline in the present value of the expected future cash flows discounted at the investment's effective interest rate.

(B) This amount represents unrealized losses on securities that are due to non-credit factors and recorded through other comprehensive income.

(C) A portion of securities New Residential intends to sell have a fair value equal to their amortized cost basis after impairment, and, therefore do not have unrealized losses reflected in other comprehensive income as of June 30, 2017.

(D) New Residential may, at times, be more likely than not to be required to sell certain securities for liquidity purposes. While the amount of the securities to be sold may be an estimate, and the securities to be sold have not yet been identified, New Residential must make its best estimate, which is subject to significant judgment regarding future events, and may differ materially from actual future sales.

The following table summarizes the activity related to credit losses on debt securities:

	Six Months Ended June 30, 2017
Beginning balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	\$15,495
Increases to credit losses on securities for which an OTTI was previously recognized and a portion	3,178

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of an OTTI was recognized in other comprehensive income	
Additions for credit losses on securities for which an OTTI was not previously recognized	4,049
Reductions for securities for which the amount previously recognized in other comprehensive income was recognized in earnings because the entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis	—
Reduction for credit losses on securities for which no OTTI was recognized in other comprehensive income at the current measurement date	—
Reduction for securities sold during the period	(857)
Ending balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	\$21,865

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The table below summarizes the geographic distribution of the collateral securing New Residential's Non-Agency RMBS:

Geographic Location ^(A)	June 30, 2017			December 31, 2016		
	Face Amount	Outstanding Percentage		Face Amount	Outstanding Percentage	
		of Total Outstanding			of Total Outstanding	
	Western U.S.	\$4,496,161	38.5	%	\$2,757,424	38.3
Southeastern U.S.	2,760,624	23.7	%	1,635,596	22.7	%
Northeastern U.S.	2,295,432	19.7	%	1,426,519	19.8	%
Midwestern U.S.	1,247,366	10.7	%	778,372	10.8	%
Southwestern U.S.	845,200	7.2	%	557,033	7.7	%
Other ^(B)	25,072	0.2	%	47,274	0.7	%
	\$11,669,855	100.0	%	\$7,202,218	100.0	%

Excludes \$100.0 million and \$137.5 million face amount of bonds backed by Servicer Advances and Consumer (A) Loans, respectively, as of June 30, 2017 and \$100.0 million face amount of bonds backed by Servicer Advance Bonds as of December 31, 2016.

(B) Represents collateral for which New Residential was unable to obtain geographic information.

New Residential evaluates the credit quality of its real estate securities, as of the acquisition date, for evidence of credit quality deterioration. As a result, New Residential identified a population of real estate securities for which it was determined that it was probable that New Residential would be unable to collect all contractually required payments. For securities acquired during the six months ended June 30, 2017, excluding residual and fair value option securities, the face amount of these real estate securities was \$2,057.1 million, with total expected cash flows of \$1,855.0 million and a fair value of \$1,188.8 million on the dates that New Residential purchased the respective securities.

The following is the outstanding face amount and carrying value for securities, for which, as of the acquisition date, it was probable that New Residential would be unable to collect all contractually required payments, excluding residual and fair value option securities:

	Outstanding Face Amount	Carrying Value
June 30, 2017	\$4,697,717	\$3,024,966
December 31, 2016	2,951,498	1,871,466

The following is a summary of the changes in accretable yield for these securities:

	Six Months Ended June 30, 2017
Balance at December 31, 2016	\$1,200,125
Additions	666,284
Accretion	(83,109)
Reclassifications from (to) non-accretable difference	303,927
Disposals	(63,635)

Balance at June 30, 2017	\$2,023,592
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See Note 11 regarding the financing of real estate securities.

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8. INVESTMENTS IN RESIDENTIAL MORTGAGE LOANS

Loans are accounted for based on New Residential's strategy for the loan, and on whether the loan was credit-impaired at the date of acquisition. New Residential accounts for loans based on the following categories:

• Loans Held-for-Investment (which may include PCD Loans)

• Loans Held-for-Sale

• Real Estate Owned ("REO")

The following table presents certain information regarding New Residential's residential mortgage loans outstanding by loan type, excluding REO:

Loan Type	June 30, 2017						December 31, 2016				
	Outstanding Face Amount	Carrying Value	Loan Count	Weighted Average Yield	Weighted Average Life (Years) ^(A)	Floating Rate Loans as a % of Face Amount	Loan to Value Ratio ("LTV") ^(B)	Weighted Avg. Delinquency ^(C)	Weighted Average FICO ^(D)	Carrying Value	
Reverse Mortgage Loans ^{(E) (F)}	\$—	\$—	—	— %	—	— %	— %	— %	N/A	\$—	
Performing Loans ^(G)	589,962	527,098	8,294	8.0 %	5.5	18.8 %	84.3 %	8.4 %	652	—	
Purchased Credit Deteriorated Loans ^(H)	319,239	230,323	2,572	5.5 %	3.3	14.7 %	87.2 %	86.9 %	597	190,761	
Total Residential Mortgage Loans, held-for-investment	\$909,201	\$757,421	10,866	7.1 %	4.7	17.4 %	85.3 %	35.9 %	632	\$190,761	
Reverse Mortgage Loans ^{(E) (F)}	\$20,481	\$10,709	59	6.8 %	4.6	15.7 %	137.0 %	76.1 %	N/A	\$11,468	
Performing Loans ^{(G) (I)}	285,063	287,087	7,475	4.6 %	4.4	8.3 %	72.8 %	9.3 %	617	175,194	
Non-Performing Loans ^{(H) (I)}	928,908	703,676	5,677	5.5 %	4.0	18.5 %	97.5 %	66.0 %	583	510,003	
Total Residential Mortgage Loans, held-for-sale	\$1,234,452	\$1,001,472	13,211	5.3 %	4.1	16.1 %	92.5 %	53.1 %	591	\$696,665	

(A) The weighted average life is based on the expected timing of the receipt of cash flows.

(B) LTV refers to the ratio comparing the loan's unpaid principal balance to the value of the collateral property.

(C) Represents the percentage of the total principal balance that is 60+ days delinquent.

(D)

The weighted average FICO score is based on the weighted average of information updated and provided by the loan servicer on a monthly basis.

- Represents a 70% participation interest that New Residential holds in a portfolio of reverse mortgage loans. The average loan balance outstanding based on total UPB was \$0.5 million. Approximately 61% of these loans have reached a termination event. As a result of the termination event, each such loan has matured and the borrower can no longer make draws on these loans.
- (E)
- (F) FICO scores are not used in determining how much a borrower can access via a reverse mortgage loan.
- (G) Performing loans are generally placed on nonaccrual status when principal or interest is 120 days or more past due.
- Includes loans with evidence of credit deterioration since origination where it is probable that New Residential (H) will not collect all contractually required principal and interest payments. As of June 30, 2017, New Residential has placed Non-Performing Loans, held-for-sale on nonaccrual status, except as described in (I) below.
- (I) Includes \$37.9 million and \$76.5 million UPB of Ginnie Mae EBO performing and non-performing loans, respectively, on accrual status as contractual cash flows are guaranteed by the FHA.

New Residential generally considers the delinquency status, loan-to-value ratios, and geographic area of residential mortgage loans as its credit quality indicators. Delinquency status is a primary credit quality indicator as loans that are more than 60 days past due provide an early warning of borrowers who may be experiencing financial difficulties. Current LTV ratio is an indicator of the potential loss severity in the event of default. Finally, the geographic distribution of the loan collateral also provides insight as to the credit quality of the portfolio, as factors such as the regional economy, home price changes and specific events will affect credit quality.

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The table below summarizes the geographic distribution of the underlying residential mortgage loans:

State Concentration	Percentage of Total Outstanding Unpaid Principal Amount			
	June 30, 2017		December 31, 2016	
New York	15.8	%	16.7	%
New Jersey	7.0	%	9.6	%
Florida	7.9	%	11.4	%
California	7.8	%	10.3	%
Texas	5.4	%	3.9	%
Maryland	3.1	%	4.7	%
Illinois	4.0	%	4.0	%
Massachusetts	3.3	%	3.5	%
Pennsylvania	3.8	%	2.9	%
Washington	2.1	%	2.8	%
Other U.S.	39.8	%	30.2	%
	100.0	%	100.0	%

See Note 11 regarding the financing of residential mortgage loans and related assets.

Call Rights

New Residential has executed calls with respect to the following Non-Agency RMBS trusts and purchased performing and non-performing residential mortgage loans and REO assets contained in such trusts prior to their termination. In certain cases, New Residential sold portions of the purchased loans through securitizations, and retained bonds issued by such securitizations. In addition, New Residential received par on the securities issued by the called trusts which it owned prior to such trusts' termination. The following table summarizes these transactions (dollars in millions).

Date of Call ^(A)	Securities Owned Prior		Assets Acquired				Date of Securitization	Loans Sold ^(C)		Retained Bonds		Retained Assets ^(C)	
	Number of Trusts Called	Face Amount	Amortized Cost Basis	Loan UPB	Loan Price ^(B)	REO & Other Price ^(B)		UPB	Gain (Loss)	Basis	Loan UPB	Loan Price	REO & Other Price
January 2017	2	\$49.3	\$43.6	\$98.8	\$96.7	\$7.5	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)
February 2017	31	60.9	40.1	882.0	895.5	10.1	March 2017	\$773.8	\$2.1	\$81.9	\$105.9	\$90.1	\$10.8
March 2017	12	—	—	222.4	228.8	0.4	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)	27.7	25.7	0.4
April 2017	—	—	—	—	—	—	April 2017	668.0	10.3	76.1	—	—	—
April 2017	14	9.8	6.3	376.9	378.8	5.9	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)	62.5	55.7	5.9

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May 2017	15	26.4	16.9	420.5	424.4	3.7	June 2017#1	716.0	5.7	68.4	47.6	40.5	3.7
June 2017	20	1.0	0.5	534.8	549.8	0.8	June 2017#2	497.6	10.3	58.4	34.9	40.4	0.8
June 2017	3	28.2	17.3	101.7	106.6	1.9	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)

(A) Any related securitization may occur on the same or a subsequent date, depending on market conditions and other factors.

Price includes par amount paid for all underlying residential mortgage loans of the trusts, plus the basis of the (B) exercised call rights, plus advances and costs incurred (including MSR Fund Payments, as defined in Note 15) in exercising such call rights.

Loans were sold through a securitization which was treated as a sale for accounting purposes. Retained assets are reflected as of the date of the relevant securitization. The securitization that occurred in April 2017 primarily included loans from the March 2017 calls and other acquired loans. The June 2017#1 securitization primarily included loans from the April 2017 and May 2017 calls, but also included \$31.1 million of previously acquired (C) loans. No loans from the January 2017 calls and no loans from the last three June 2017 calls had been securitized by June 30, 2017. In May 2017, certain reperforming residential mortgage loans were financed with a securitization which was not treated as a sale for accounting purpose (see Variable Interest Entities below and Note 11).

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Performing Loans

The following table provides past due information regarding New Residential's Performing Loans, which is an important indicator of credit quality and the establishment of the allowance for loan losses:

June 30, 2017

Days Past Due	Delinquency Status ^(A)	
Current	47.4	%
30-59	44.2	%
60-89	8.4	%
90-119 ^(B)	—	%
120+ ^(C)	—	%
	100.0	%

(A) Represents the percentage of the total principal balance that corresponds to loans that are in each delinquency status.

(B) Includes loans 90-119 days past due and still accruing interest because they are generally placed on nonaccrual status at 120 days or more past due.

(C) Represents nonaccrual loans.

Activities related to the carrying value of residential mortgage loans held-for-investment were as follows:

	Performing Loans
Balance at December 31, 2016	\$ —
Purchases/additional fundings	527,098
Proceeds from repayments	—
Accretion of loan discount (premium) and other amortization ^(A)	—
Provision for loan losses	—
Transfer of loans to other assets	—
Transfer of loans to real estate owned	—
Balance at June 30, 2017	\$ 527,098

(A) Includes accelerated accretion of discount on loans paid in full and on loans transferred to other assets.

Activities related to the valuation and loss provision on reverse mortgage loans and allowance for loan losses on performing loans held-for-investment were as follows:

	Performing Loans
Balance at December 31, 2016	\$ —
Provision for loan losses ^(A)	—
Charge-offs ^(B)	—
Balance at June 30, 2017	\$ —

(A) Based on an analysis of collective borrower performance, credit ratings of borrowers, loan-to-value ratios, estimated value of the underlying collateral, key terms of the loans and historical and anticipated trends in defaults

and loss severities at a pool level.

Loans, other than PCD loans, are generally charged off or charged down to the net realizable value of the collateral (B)(i.e., fair value less costs to sell), with an offset to the allowance for loan losses, when available information confirms that loans are uncollectible.

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Purchased Credit Deteriorated Loans

New Residential determined at acquisition that the PCD loans acquired would be aggregated into pools based on common risk characteristics (FICO score, delinquency status, collateral type, loan-to-value ratio). Loans aggregated into pools are accounted for as if each pool were a single loan with a single composite interest rate and an aggregate expectation of cash flows, including consideration of involuntary prepayments.

Activities related to the carrying value of PCD loans held-for-investment were as follows:

Balance at December 31, 2016	\$ 190,761
Purchases/additional fundings	58,884
Sales	—
Proceeds from repayments	(15,277)
Accretion of loan discount and other amortization	10,085
Transfer of loans to real estate owned	(14,130)
Transfer of loans to held-for-sale	—
Balance at June 30, 2017	\$ 230,323

The following is the unpaid principal balance and carrying value for loans, for which, as of the acquisition date, it was probable that New Residential would be unable to collect all contractually required payments:

	Unpaid Principal Balance	Carrying Value
June 30, 2017	\$ 319,239	\$ 230,323
December 31, 2016	203,673	190,761

The following is a summary of the changes in accretable yield for these loans:

Balance at December 31, 2016	\$ 23,688
Additions	21,454
Accretion	(10,085)
Reclassifications from non-accretable difference ^(A)	3,750
Disposals ^(B)	(545)
Transfer of loans to held-for-sale ^(C)	—
Balance at June 30, 2017	\$ 38,262

(A) Represents a probable and significant increase in cash flows previously expected to be uncollectible.

(B) Includes sales of loans or foreclosures, which result in removal of the loan from the PCD loan pool at its carrying amount.

(C) Represents loans not initially acquired with the intent to sell for which New Residential determined that it no longer has the intent to hold for the foreseeable future, or until maturity or payoff.

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Loans Held-for-Sale

Activities related to the carrying value of loans held-for-sale were as follows:

	For the Six Months Ended June 30, 2017 Loans Held-for-Sale
Balance at December 31, 2016	\$ 696,665
Purchases ^(A)	3,193,841
Transfer of loans from held-for-investment ^(B)	—
Sales	(2,782,877)
Transfer of loans to other assets ^(C)	(10,135)
Transfer of loans to real estate owned	(35,577)
Proceeds from repayments	(57,167)
Valuation (provision) reversal on loans ^(D)	(3,278)
Balance at June 30, 2017	\$ 1,001,472

(A) Represents loans acquired with the intent to sell.

(B) Represents loans not initially acquired with the intent to sell for which New Residential determined that it no longer has the intent to hold for the foreseeable future, or until maturity or payoff.

(C) Represents loans for which foreclosure has been completed and for which New Residential has made, or intends to make, a claim with the governmental agency that has guaranteed the loans that are now recognized as claims receivable in Other Assets (Note 2).

(D) Represents the fair value adjustments to loans upon transfer to held-for-sale and provision recorded on certain purchased held-for-sale loans, including an aggregate of \$8.1 million of provision related to the call transactions executed during the six months ended June 30, 2017.

Real estate owned (REO)

New Residential recognizes REO assets at the completion of the foreclosure process or upon execution of a deed in lieu of foreclosure with the borrower. REO assets are managed for prompt sale and disposition at the best possible economic value.

	Real Estate Owned
Balance at December 31, 2016	\$59,591
Purchases	19,168
Transfer of loans to real estate owned	61,319
Sales	(43,840)
Valuation provision on REO	(746)
Balance at June 30, 2017	\$95,492

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As of June 30, 2017, New Residential had residential mortgage loans that were in the process of foreclosure with an unpaid principal balance of \$491.3 million.

In addition, New Residential has recognized \$45.7 million in unpaid claims receivable from FHA on Ginnie Mae early buy-out (“EBO”) loans and reverse mortgage loans for which foreclosure has been completed and for which New Residential has made, or intends to make, a claim.

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Variable Interest Entities

New Residential formed entities (the “RPL Borrowers”) that issued securitized debt collateralized by reperforming residential mortgage loans. The RPL Borrowers are VIEs of which subsidiaries of New Residential are the primary beneficiaries, as a result of controlling the related optional redemption feature and owning certain notes issued by the RPL Borrowers. The following table presents information on the combined assets and liabilities related to these consolidated VIEs.

	As of June 30, 2017
Assets	
Residential mortgage loans	\$ 194,840
Other assets	—
Total assets ^(A)	\$ 194,840
Liabilities	
Notes and bonds payable ^(B)	\$ 192,524
Accounts payable and accrued expenses	16
Total liabilities ^(A)	\$ 192,540

(A) The creditors of the RPL Borrowers do not have recourse to the general credit of New Residential, and the assets of the RPL Borrowers are not directly available to satisfy New Residential’s obligations.

(B) Includes \$78.0 million of bonds retained by New Residential issued by these VIEs.

As described in “Call Rights” above, New Residential has issued securitizations which were treated as sales under GAAP. New Residential has no obligation to repurchase any loans from these securitizations and its exposure to loss is limited to the carrying amount of its retained interests in the securitization entities. These securitizations are conducted through variable interest entities, of which New Residential is not the primary beneficiary. The following table summarizes certain characteristics of the underlying residential mortgage loans, and related financing, in these securitizations as of June 30, 2017:

Residential mortgage loan UPB	\$4,631,527
Weighted average delinquency ^(A)	1.27 %
Net credit losses for the six months ended June 30, 2017	\$3,371
Face amount of debt held by third parties ^(B)	\$4,373,109
Carrying value of bonds retained by New Residential	\$409,391
Cash flows received by New Residential on these bonds for the six months ended June 30, 2017	\$34,510

(A) Represents the percentage of the UPB that is 60+ days delinquent.

(B) Excludes bonds retained by New Residential.

9. INVESTMENTS IN CONSUMER LOANS

In April 2013, New Residential completed, through newly formed limited liability companies (together, the “Consumer Loan Companies”), a co-investment in a portfolio of consumer loans. The portfolio included personal unsecured loans and personal homeowner loans originated through subsidiaries of HSBC Finance Corporation. New Residential

acquired 30% membership interests in each of the Consumer Loan Companies. Of the remaining 70% of the membership interests, OneMain acquired 47% and funds managed by Blackstone Tactical Opportunities Advisors L.L.C. acquired 23%. OneMain acted as the managing member of the Consumer Loan Companies. OneMain is the servicer of the loans and provides all servicing and advancing functions for the portfolio.

In 2014, the Consumer Loan Companies refinanced the portfolio, resulting in proceeds in excess of the refinanced debt which were distributed to the respective co-investors. This reduced New Residential's basis in the consumer loans investment to \$0.0

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million and resulted in a gain. Subsequent to this refinancing, New Residential discontinued recording its share of the underlying earnings of the Consumer Loan Companies.

Prior to March 31, 2016, New Residential accounted for its investment in the Consumer Loan Companies pursuant to the equity method of accounting because it could exercise significant influence over the Consumer Loan Companies, but the requirements for consolidation were not met. New Residential's share of earnings and losses in these equity method investees was included in "Earnings from investments in consumer loans, equity method investees" on the Condensed Consolidated Statements of Income. Equity method investments were included in "Investments in consumer loans, equity method investees" on the Condensed Consolidated Balance Sheets.

On March 31, 2016, certain of New Residential's indirect wholly owned subsidiaries (collectively, the "NRZ SpringCastle Buyers") entered into a Purchase Agreement (the "SpringCastle Purchase Agreement") primarily with (i) certain direct or indirect wholly owned subsidiaries of OneMain (the "SpringCastle Sellers"), (ii) BTO Willow Holdings II, L.P. and Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P. (together, the "Blackstone SpringCastle Buyers," and the Blackstone SpringCastle Buyers together with the NRZ SpringCastle Buyers, collectively, the "SpringCastle Buyers"). Pursuant to the SpringCastle Purchase Agreement, the SpringCastle Sellers sold their collective 47% limited liability company interests in the Consumer Loan Companies to the SpringCastle Buyers (the "SpringCastle Transaction").

Pursuant to the SpringCastle Purchase Agreement, the NRZ SpringCastle Buyers collectively acquired an additional 23.5% limited liability company interest in the Consumer Loan Companies (representing 50% of the limited liability company interests being sold by the SpringCastle Sellers in the SpringCastle Transaction) and the Blackstone SpringCastle Buyers acquired the other 50% of the limited liability company interests being sold in the SpringCastle Transaction.

Following the SpringCastle Transaction, New Residential, through the NRZ SpringCastle Buyers, owns 53.5% of the limited liability company interests in the Consumer Loan Companies and the Blackstone SpringCastle Buyers, collectively with their affiliates, own the remaining 46.5% interests in the Consumer Loan Companies. As a result of the SpringCastle Transaction, New Residential obtained a controlling financial interest in, and consolidates, the Consumer Loan Companies.

In 2016, New Residential agreed to purchase newly originated consumer loans from a third party ("Consumer Loan Seller"). In the aggregate, as of December 31, 2016, New Residential had purchased \$177.4 million UPB of loans for an aggregate purchase price of \$176.2 million from Consumer Loan Seller. These loans are not held in the Consumer Loan Companies and have been designated as performing consumer loans, held-for-investment.

Upon acquisition, consumer loans are accounted for based on New Residential's strategy for the loan, and on whether the loan was credit impaired at the date of acquisition. New Residential determined that it has the intent and ability to hold the consumer loans for the foreseeable future and accounts for consumer loans based on the following categories:

Loans Held-for-Investment:

Performing Loans

PCD Loans

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The following table summarizes the investment in consumer loans, held-for-investment held by New Residential:

	Unpaid Principal Balance	Interest in Consumer Loans	Carrying Value	Weighted Average Coupon	Weighted Average Expected Life (Years) ^(A)	Weighted Average Delinquency ^(B)
June 30, 2017						
Consumer Loan Companies						
Performing Loans	\$1,127,296	53.5 %	\$1,174,324	18.7 %	3.9	5.4 %
Purchased Credit Deteriorated Loans ^(C)	322,685	53.5 %	272,684	16.4 %	3.4	12.2 %
Other - Performing Loans	126,353	100.0 %	122,380	14.2 %	1.2	2.4 %
Total Consumer Loans, held-for-investment	\$1,576,334		\$1,569,388	17.9 %	3.6	6.6 %
December 31, 2016						
Consumer Loan Companies						
Performing Loans	\$1,275,121	53.5 %	\$1,321,825	18.7 %	4.2	6.3 %
Purchased Credit Deteriorated Loans ^(C)	371,261	53.5 %	316,532	16.6 %	3.6	14.0 %
Other - Performing Loans	163,570	100.0 %	161,129	14.2 %	1.5	0.3 %
Total Consumer Loans, held-for-investment	\$1,809,952		\$1,799,486	17.9 %	3.8	7.3 %

(A) Represents the weighted average expected timing of the receipt of expected cash flows for this investment.

Represents the percentage of the total unpaid principal balance that is 30+ days delinquent. Delinquency status is (B) the primary credit quality indicator as it provides early warning of borrowers who may be experiencing financial difficulties.

(C) Includes loans with evidence of credit deterioration since origination where it is probable that New Residential will not collect all contractually required principal and interest payments, which are accounted for as PCD loans.

See Note 11 regarding the financing of consumer loans.

Performing Loans

The following table provides past due information regarding New Residential's performing consumer loans, held-for-investment, which is an important indicator of credit quality and the establishment of the allowance for loan losses:

June 30, 2017

Days Past Due	Delinquency Status ^(A)
Current	94.7 %
30-59	2.3 %
60-89	1.2 %
90-119 ^(B)	0.7 %
120+ ^{(B) (C)}	1.1 %
	100.0 %

- (A) Represents the percentage of the total unpaid principal balance that corresponds to loans that are in each delinquency status.
- (B) Includes loans more than 90 days past due and still accruing interest.
- (C) Interest is accrued up to the date of charge-off at 180 days past due.

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Activities related to the carrying value of performing consumer loans, held-for-investment were as follows:

	Performing Loans
Balance at December 31, 2016	\$1,482,954
Purchases	—
Additional fundings ^(A)	27,240
Proceeds from repayments	(174,319)
Accretion of loan discount and premium amortization, net	2,774
Gross charge-offs	(40,139)
Additions to the allowance for loan losses, net	(1,806)
Balance at June 30, 2017	\$1,296,704

(A) Represents draws on consumer loans with revolving privileges.

Activities related to the allowance for loan losses on performing consumer loans, held-for-investment were as follows:

	Collectively Evaluated ^(A)	Individually Impaired ^(B)	Total
Balance at December 31, 2016	\$ 2,441	\$ 997	\$3,438
Provision (reversal) for loan losses	36,845	275	37,120
Net charge-offs ^(C)	(35,314)	—	(35,314)
Balance at June 30, 2017	\$ 3,972	\$ 1,272	\$5,244

(A) Represents smaller-balance homogeneous loans that are not individually considered impaired and are evaluated based on an analysis of collective borrower performance, key terms of the loans and historical and anticipated trends in defaults and loss severities, and consideration of the unamortized acquisition discount.

(B) Represents consumer loan modifications considered to be troubled debt restructurings (“TDRs”) as they provide concessions to borrowers, primarily in the form of interest rate reductions, who are experiencing financial difficulty. As of June 30, 2017, there are \$8.1 million in UPB and \$8.2 million in carrying value of consumer loans classified as TDRs.

(C) Consumer loans, other than PCD loans, are charged off when available information confirms that loans are uncollectible, which is generally when they become 180 days past due. Charge-offs are presented net of \$4.8 million in recoveries of previously charged-off UPB.

Purchased Credit Deteriorated Loans

A portion of the consumer loans are considered PCD loans. Activities related to the carrying value of PCD consumer loans, held-for-investment were as follows:

Balance at December 31, 2016	\$316,532
(Allowance) reversal for loan losses ^(A)	1,682
Proceeds from repayments	(66,826)
Accretion of loan discount and other amortization	21,296
Balance at June 30, 2017	\$272,684

(A) Represents the present value of cash flows expected at acquisition that are no longer expected to be collected.

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The following is the unpaid principal balance and carrying value for consumer loans, for which, as of the acquisition date, it was probable that New Residential would be unable to collect all contractually required payments:

	Unpaid Principal Balance	Carrying Value
June 30, 2017	\$322,685	\$272,684
December 31, 2016	371,261	316,532

The following is a summary of the changes in accretable yield for these loans:

Balance at December 31, 2016	\$167,928
Accretion	(21,296)
Reclassifications to non-accretable difference ^(A)	(7,245)
Balance at June 30, 2017	\$139,387

(A) Represents a probable and significant decrease in cash flows previously expected to be collectible.

Noncontrolling Interests

Others' interests in the equity of the Consumer Loan Companies is computed as follows:

	June 30, 2017	December 31, 2016
Total Consumer Loan Companies equity	\$75,132	\$75,311
Others' ownership interest	46.5 %	46.5 %
Others' interests in equity of consolidated subsidiary	\$34,987	\$35,020

Others' interests in the Consumer Loan Companies' net income (loss) is computed as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net Consumer Loan Companies income (loss)	\$26,545	\$31,464	\$47,965	\$31,464
Others' ownership interest as a percent of total	46.5 %	46.5 %	46.5 %	46.5 %
Others' interest in net income (loss) of consolidated subsidiaries	\$12,343	\$14,630	\$22,303	\$14,630

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Variable Interest Entities

The Consumer Loan Companies consolidate certain entities that issued securitized debt collateralized by the consumer loans (the “Consumer Loan SPVs”). The Consumer Loan SPVs are VIEs of which the Consumer Loan Companies are the primary beneficiaries. The following table presents information on the combined assets and liabilities related to these consolidated VIEs.

	As of June 30, 2017
Assets	
Consumer loans, held-for-investment	\$1,447,008
Restricted cash	12,400
Accrued interest receivable	21,229
Total assets ^(A)	\$1,480,637
Liabilities	
Notes and bonds payable ^(B)	\$1,450,605
Accounts payable and accrued expenses	850
Total liabilities ^(A)	\$1,451,455

(A) The creditors of the Consumer Loan SPVs do not have recourse to the general credit of New Residential, and the assets of the Consumer Loan SPVs are not directly available to satisfy New Residential’s obligations.

(B) Includes \$121.0 million of bonds retained by New Residential issued by these VIEs.

Equity Method Investees

In February 2017, New Residential completed a co-investment, through a newly formed entity, PF LoanCo Funding LLC (“LoanCo”), to purchase up to \$5.0 billion worth of newly originated consumer loans from Consumer Loan Seller over a two year term. New Residential, along with three co-investors, each acquired 25% membership interests in LoanCo. New Residential will account for its investment in LoanCo pursuant to the equity method of accounting because it can exercise significant influence over LoanCo but the requirements for consolidation are not met. New Residential’s investment in LoanCo is recorded as Investment in Consumer Loans, Equity Method Investees. LoanCo has elected to account for its investments in consumer loans at fair value. New Residential has elected to record LoanCo’s activity on a one month lag.

In addition, New Residential and the LoanCo co-investors agreed to purchase warrants to purchase up to 177.7 million shares of Series F convertible preferred stock in the Consumer Loan Seller’s parent company (ParentCo), which were valued at approximately \$75.0 million in the aggregate as of February 2017, through a newly formed entity, PF WarrantCo Holdings, LP (“WarrantCo”). New Residential acquired a 23.57% interest in WarrantCo, the remaining interest being acquired by three co-investors. WarrantCo has agreed to purchase a pro rata portion of the warrants each time LoanCo closes on a portion of its consumer loan purchase agreement from Consumer Loan Seller. The holder of the warrants has the option to purchase an equivalent number of shares of Series F convertible preferred stock in ParentCo at a price of \$0.01 per share. WarrantCo is vested in the warrants to purchase an aggregate of 27.1 million Series F convertible preferred stock in ParentCo as of May 31, 2017. The Series F convertible preferred stock holders have the right to convert such preferred stock to common stock at any time, are entitled to the number of votes equal to the number of shares of common stock into which such shares of convertible preferred stock could be converted,

and will have liquidation rights in the event of liquidation. New Residential will account for its investment in WarrantCo pursuant to the equity method of accounting because it can exercise significant influence over WarrantCo but the requirements for consolidation are not met. New Residential's investment in WarrantCo is recorded as Investment in Consumer Loans, Equity Method Investees. WarrantCo has elected to account for its investments in warrants at fair value. New Residential has elected to record WarrantCo's activity on a one month lag.

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The following tables summarize the investment in LoanCo and WarrantCo held by New Residential:

	June 30, 2017 ^(A)
Consumer loans, at fair value	\$133,951
Warrants	13,700
Other assets	62,746
Warehouse financing	(55,105)
Other liabilities	(10,673)
Equity	\$144,619
New Residential's investment	\$35,959
New Residential's ownership	24.9 %

	Three Months Ended June 30, 2017 ^(A)	Six Months Ended June 30, 2017 ^(A)
Interest income	\$12,829	\$12,829
Interest expense	(3,133)	(3,133)
Change in fair value of consumer loans and warrants	3,555	3,555
Gain on sale of consumer loans ^(B)	11,850	11,850
Other expenses	(1,580)	(1,580)
Net income	\$23,521	\$23,521
New Residential's equity in net income	\$5,880	\$5,880
New Residential's ownership	24.9 %	24.9 %

(A) Data as of, and for the periods ended, May 31, 2017, as a result of the one month reporting lag.

During the six months ended June 30, 2017, LoanCo sold, through a securitization which was treated as a sale for accounting purposes, \$550.0 million in UPB of consumer loans. LoanCo retained \$64.2 million of

(B) the residual interest of the securitization and distributed it to the LoanCo co-investors, including New Residential.

The following is a summary of LoanCo's consumer loan investments:

	Unpaid Principal Balance	Interest in Consumer Loans	Carrying Value	Weighted Average Coupon	Weighted Average (Years) ^(A)	Expected Life	Weighted Average Delinquency ^(B)
June 30, 2017 ^(C)	\$133,951	25.0 %	\$133,951	17.4 %	1.4		1.3 %

(A) Represents the weighted average expected timing of the receipt of expected cash flows for this investment.

Represents the percentage of the total unpaid principal balance that is 30+ days delinquent. Delinquency status is

(B) the primary credit quality indicator as it provides early warning of borrowers who may be experiencing financial difficulties.

(C) Data as of May 31, 2017 as a result of the one month reporting lag.

New Residential's investment in LoanCo and WarrantCo changed as follows:

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	Six Months Ended June 30, 2017
Balance at beginning of period	\$—
Contributions to equity method investees	192,468
Distributions of earnings from equity method investees	(1,229)
Distributions of capital from equity method investees	(152,083)
Earnings from investments in consumer loans, equity method investees	5,880
Balance at end of period	\$45,036

10. DERIVATIVES

As of June 30, 2017, New Residential's derivative instruments included economic hedges that were not designated as hedges for accounting purposes. New Residential uses economic hedges to hedge a portion of its interest rate risk exposure. Interest rate risk is sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, as well as other factors. New Residential's credit risk with respect to economic hedges is the risk of default on New Residential's investments that results from a borrower's or counterparty's inability or unwillingness to make contractually required payments.

As of June 30, 2017, New Residential held to-be-announced forward contract positions ("TBAs") of \$4.3 billion in a short notional amount of Agency RMBS and any amounts or obligations owed by or to New Residential are subject to the right of set-off with the TBA counterparty. New Residential's net short position in TBAs was entered into as an economic hedge in order to mitigate New Residential's interest rate risk on certain specified mortgage backed securities. As of June 30, 2017, New Residential separately held TBAs of \$2.6 billion in a long notional amount of Agency RMBS and any amounts or obligations owed by or to New Residential are subject to the right of set-off with the TBA counterparty. As part of executing these trades, New Residential has entered into agreements with its TBA counterparties that govern the transactions for the TBA purchases or sales made, including margin maintenance, payment and transfer, events of default, settlements, and various other provisions. New Residential has fulfilled all obligations and requirements entered into under these agreements.

New Residential's derivatives are recorded at fair value on the Condensed Consolidated Balance Sheets as follows:

Balance Sheet Location		June 30, December	
		2017	31, 2016
Derivative assets			
Interest Rate Caps	Other assets	\$3,316	\$ 4,251
TBAs	Other assets	10,861	2,511
		\$14,177	\$ 6,762
Derivative liabilities			
Interest Rate Swaps ^(A)	Accrued expenses and other liabilities	\$55	\$ 3,021
		\$55	\$ 3,021

(A) Net of \$16.9 million of related variation margin accounts.

The following table summarizes notional amounts related to derivatives:

	June 30, 2017	December 31, 2016
TBAs, short position ^(A)	\$4,345,000	\$ 3,465,500
TBAs, long position ^(A)	2,597,000	2,125,552
Interest Rate Caps ^(B)	897,500	1,185,000
Interest Rate Swaps ^(C)	5,025,500	3,640,000

(A) Represents the notional amount of Agency RMBS, classified as derivatives.

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Caps LIBOR at 0.50% for \$550.0 million of notional, at 0.75% for \$12.5 million of notional, at 2.00% for \$185.0 million of notional, and at 4.00% for \$150.0 million of notional. The weighted average maturity of the interest rate caps as of June 30, 2017 was 14 months.

(C) Receive LIBOR and pay a fixed rate. The weighted average maturity of the interest rate swaps as of June 30, 2017 was 24 months and the weighted average fixed pay rate was 1.57%.

The following table summarizes all income (losses) recorded in relation to derivatives:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Other income (loss), net ^(A)				
TBAs	\$1,414	\$(4,993)	\$1,537	\$(10,524)
Interest Rate Caps	(843)	(3,195)	(270)	(4,146)
Interest Rate Swaps	(8,581)	(3,415)	(4,951)	(21,490)
	(8,010)	(11,603)	(3,684)	(36,160)
Gain (loss) on settlement of investments, net				
TBAs	(22,609)	(11,066)	(29,410)	(39,237)
Interest Rate Caps	—	—	(562)	(1,124)
Interest Rate Swaps	(5,125)	(3,329)	(9,598)	(4,413)
	(27,734)	(14,395)	(39,570)	(44,774)
Total income (losses)	\$(35,744)	\$(25,998)	\$(43,254)	\$(80,934)

(A) Represents unrealized gains (losses).

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11. DEBT OBLIGATIONS

The following table presents certain information regarding New Residential's debt obligations:

June 30, 2017

Debt Obligations/Collateral	Outstanding Face Amount	Carrying Value ^(A)	Final Stated Maturity ^(B)	Weighted		Collateral		Carrying Value	Weighted Average Life (Years)
				Average Funding Cost	Average Life (Years)	Outstanding Face	Amortized Cost Basis		
Repurchase Agreements ^(C)									
Agency RMBS ^(D)	\$2,720,413	\$2,720,413	Jul-17 to Aug-17	1.14%	0.1	\$2,727,477	\$2,805,774	\$2,808,860	0.3
Non-Agency RMBS ^(E)	4,226,691	4,226,691	Jul-17 to Sep-17	2.68%	0.1	10,947,964	5,069,675	5,382,793	8.0
Residential Mortgage Loans ^(F)	1,213,786	1,211,460	Jul-17 to Feb-19	3.88%	0.5	1,811,738	1,581,267	1,563,004	3.8
Real Estate Owned ^{(G)(H)}	103,031	102,834	Jul-17 to Feb-19	3.88%	0.4	N/A	N/A	137,402	N/A
Total Repurchase Agreements	8,263,921	8,261,398		2.36%	0.2				
Notes and Bonds Payable									
Secured Corporate Notes ^(I)	768,443	764,601	Apr-18 to Sep-19	5.69%	1.8	275,957,786	1,195,335	1,339,563	6.1
MSRs ^(J)	924,214	923,336	Feb-18 to Apr-22	5.23%	2.9	191,111,797	1,647,679	1,836,451	6.8
Servicer Advances ^(K)	4,528,323	4,519,048	Nov-17 to Dec-21	3.28%	2.3	4,562,746	4,905,989	4,984,475	5.0
Residential Mortgage Loans ^(L)	144,562	144,562	Oct-17 to Apr-20	3.60%	2.7	237,605	186,261	186,261	7.5
Consumer Loans ^(M)	1,437,834	1,434,057	Sep-19 to Mar-24	3.37%	3.0	1,576,163	1,574,459	1,569,217	3.6
Receivable from government agency ^(L)	2,178	2,178	Oct-17	3.74%	0.3	N/A	N/A	2,815	N/A
Total Notes and Bonds Payable	7,805,554	7,787,782		3.77%	2.5				
Total/ Weighted Average	\$16,069,475	\$16,049,180		3.05%	1.3				

(A) Net of deferred financing costs.

(B) All debt obligations with a stated maturity of July 2017 were refinanced, extended or repaid.

(C) These repurchase agreements had approximately \$17.6 million of associated accrued interest payable as of June 30, 2017.

- (D) All of the Agency RMBS repurchase agreements have a fixed rate. Collateral amounts include approximately \$2.7 billion of related trade and other receivables.
- (E) All of the Non-Agency RMBS repurchase agreements have LIBOR-based floating interest rates. This includes repurchase agreements of \$159.9 million on retained servicer advance and consumer loan bonds.
- (F) All of these repurchase agreements have LIBOR-based floating interest rates.
- (G) All of these repurchase agreements have LIBOR-based floating interest rates.
Includes financing collateralized by receivables including claims from FHA on Ginnie Mae EBO loans for which foreclosure has been completed and for which New Residential has made or intends to make a claim on the FHA guarantee.
- (I) Includes \$213.3 million of corporate loans which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 4.75%, \$270.0 million of corporate loans which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 4.25%, and a \$285.1 million corporate loan which bears interest equal to 5.68%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying the Excess MSRs that secure these notes, and the \$285.1 million corporate loan is also collateralized by the rights to the related basic fee portion of the MSRs.
- (J) Includes \$290.0 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 4.25%, \$60.0 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 3.75%, \$74.0 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 3.65%, and \$500.2 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 4.00%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying the MSRs and mortgage servicing rights financing receivable that secure these notes.

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- (K) \$4.1 billion face amount of the notes have a fixed rate while the remaining notes bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR or a cost of funds rate, as applicable, and (ii) a margin ranging from 1.9% to 2.4%. Collateral includes Servicer Advances receivable related to the mortgage servicing rights owned by NRM.
- (L) Represents: (i) a \$8.7 million note payable to Nationstar that bears interest equal to one-month LIBOR plus 2.875% and (ii) \$138.1 million of asset-backed notes held by third parties which bear interest equal to 3.60%. Includes the SpringCastle debt, which is comprised of the following classes of asset-backed notes held by third parties: \$1.1 billion UPB of Class A notes with a coupon of 3.05% and a stated maturity date in November 2023; \$210.8 million UPB of Class B notes with a coupon of 4.10% and a stated maturity date in March 2024; \$18.3 million UPB of Class C-1 notes with a coupon of 5.63% and a stated maturity date in March 2024; \$18.3 million UPB of Class C-2 notes with a coupon of 5.63% and a stated maturity date in March 2024. Also includes a \$96.4 million face amount note collateralized by newly originated consumer loans which bears interest equal to one-month LIBOR plus 3.25%.

As of June 30, 2017, New Residential had no outstanding repurchase agreements where the amount at risk with any individual counterparty or group of related counterparties exceeded 10% of New Residential's stockholders' equity. The amount at risk under repurchase agreements is defined as the excess of carrying amount (or market value, if higher than the carrying amount) of the securities or other assets sold under agreement to repurchase, including accrued interest plus any cash or other assets on deposit to secure the repurchase obligation, over the amount of the repurchase liability (adjusted for accrued interest).

General

Certain of the debt obligations included above are obligations of New Residential's consolidated subsidiaries, which own the related collateral. In some cases, including the Servicer Advances and Consumer Loans Notes and Bonds Payable, such collateral is not available to other creditors of New Residential.

New Residential has margin exposure on \$8.3 billion of repurchase agreements as of June 30, 2017. To the extent that the value of the collateral underlying these repurchase agreements declines, New Residential may be required to post margin, which could significantly impact its liquidity.

Activities related to the carrying value of New Residential's debt obligations were as follows:

	Excess MSRs	MSRs	Servicer Advances ^(A)	Real Estate Securities	Residential Mortgage Loans and REO	Consumer Loans	Total
Balance at December 31, 2016	\$729,145	\$—	\$5,549,872	\$4,419,002	\$783,006	\$1,700,211	\$13,181,236
Repurchase Agreements:							
Borrowings	—	—	—	22,878,951	936,826	—	23,815,777
Repayments	—	—	—	(20,350,849)	(394,694)	—	(20,745,543)
Capitalized deferred financing costs, net of amortization	—	—	—	—	534	—	534

Notes and Bonds

Payable:

Borrowings	1,150,000	925,187	2,528,353	—	138,199	—	4,741,739
Repayments	(1,115,811)	(973)	(3,560,473)	—	(2,837)	(267,122)	(4,947,216)
Discount on borrowings, net of amortization	—	—	(166)	—	—	890	724
Capitalized deferred financing costs, net of amortization	1,267	(878)	1,462	—	—	78	1,929
Balance at June 30, 2017	\$764,601	\$923,336	\$4,519,048	\$6,947,104	\$1,461,034	\$1,434,057	\$16,049,180

(A) New Residential net settles daily borrowings and repayments of the Notes and Bonds Payable on its Servicer Advances.

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Maturities

New Residential's debt obligations as of June 30, 2017 had contractual maturities as follows:

Year	Nonrecourse	Recourse	Total
July 1 through December 31, 2017	\$ 363,064	\$ 8,121,690	\$ 8,484,754
2018	942,742	782,556	1,725,298
2019	1,805,186	560,828	2,366,014
2020	514,303	—	514,303
2021	1,137,454	—	1,137,454
2022 and thereafter	1,341,465	500,187	1,841,652
	\$ 6,104,214	\$ 9,965,261	\$ 16,069,475

Borrowing Capacity

The following table represents New Residential's borrowing capacity as of June 30, 2017:

Debt Obligations / Collateral	Collateral Type	Borrowing Capacity	Balance Outstanding	Available Financing
Repurchase Agreements				
Residential Mortgage Loans	Residential Mortgage Loans and REO	\$ 2,340,000	\$ 1,316,817	\$ 1,023,183
Notes and Bonds Payable				
Secured Corporate Loan	Excess MSR	525,000	483,332	41,668
MSRs	MSRs	700,000	424,027	275,973
Servicer Advances ^(A)	Servicer Advances	2,867,161	1,921,827	945,334
Consumer Loans	Consumer Loans	150,000	96,368	53,632
		\$ 6,582,161	\$ 4,242,371	\$ 2,339,790

New Residential's unused borrowing capacity is available if New Residential has additional eligible collateral to (A) pledge and meets other borrowing conditions as set forth in the applicable agreements, including any applicable advance rate. New Residential pays a 0.1% fee on the unused borrowing capacity. Excludes borrowing capacity and outstanding debt for retained Non-Agency bonds with a current face amount of \$93.5 million.

Certain of the debt obligations are subject to customary loan covenants and event of default provisions, including event of default provisions triggered by certain specified declines in our equity or failure to maintain a specified tangible net worth, liquidity, or indebtedness to tangible net worth ratio. New Residential was in compliance with all of its debt covenants as of June 30, 2017.

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12. FAIR VALUE MEASUREMENT

The carrying values and fair values of New Residential's assets and liabilities recorded at fair value on a recurring basis, as well as other financial instruments for which fair value is disclosed, as of June 30, 2017 were as follows:

	Principal Balance or Notional Amount	Carrying Value	Fair Value			Total
			Level 1	Level 2	Level 3	
Assets						
Investments in:						
Excess mortgage servicing rights, at fair value ^(A)	\$255,460,190	\$1,304,666	\$—	\$—	\$1,304,666	\$1,304,666
Excess mortgage servicing rights, equity method investees, at fair value ^(A)	56,215,426	181,610	—	—	181,610	181,610
Mortgage servicing rights, at fair value ^(A)	180,954,998	1,749,343	—	—	1,749,343	1,749,343
Mortgage servicing rights financing receivable, at fair value	13,070,096	118,483	—	—	118,483	118,483
Servicer advances, at fair value	4,470,640	4,836,754	—	—	4,836,754	4,836,754
Real estate securities, available-for-sale	13,787,789	7,423,273	—	1,936,193	5,487,080	7,423,273
Residential mortgage loans, held-for-investment	909,201	757,421	—	—	753,074	753,074
Residential mortgage loans, held-for-sale	1,234,452	1,001,472	—	—	1,044,901	1,044,901
Consumer loans, held-for-investment	1,576,334	1,569,388	—	—	1,584,236	1,584,236
Derivative assets	7,839,500	14,177	—	14,177	—	14,177
Cash and cash equivalents	560,016	560,016	560,016	—	—	560,016
Restricted cash	157,344	157,344	157,344	—	—	157,344
Other Assets	1,417,530	9,548	—	—	9,548	9,548
		\$19,683,495	\$717,360	\$1,950,370	\$17,069,695	\$19,737,425
Liabilities						
Repurchase agreements	\$8,263,921	\$8,261,398	\$—	\$8,263,921	\$—	\$8,263,921
Notes and bonds payable	7,805,554	7,787,782	—	—	7,797,806	7,797,806
Derivative liabilities	5,025,500	55	—	55	—	55
		\$16,049,235	\$—	\$8,263,976	\$7,797,806	\$16,061,782

The notional amount represents the total unpaid principal balance of the residential mortgage loans underlying the (A)MSRs and Excess MSRs. New Residential does not receive an excess mortgage servicing amount on non-performing loans in Agency portfolios.

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New Residential's assets measured at fair value on a recurring basis using Level 3 inputs changed as follows:

	Level 3 Excess MSR ^s ^(A)		Excess MSR ^s in Equity Method Investees ^{(A)(B)}	MSR ^s	Mortgage Servicing Rights Financing Receivable	Servicer Advances	Non-Agency RMBS	Total
	Agency	Non-Agency						
Balance at December 31, 2016	\$381,757	\$1,017,698	\$194,788	\$659,483	\$—	\$5,706,593	\$3,543,560	\$11,503,879
Transfers ^(C)								
Transfers from Level 3	—	—	—	—	—	—	—	—
Transfers to Level 3	—	—	—	—	—	—	—	—
Gains (losses) included in net income								
Included in other-than-temporary impairment on securities ^(D)	—	—	—	—	—	—	(7,227)	(7,227)
Included in change in fair value of investments in excess mortgage servicing rights ^(D)	(4,415)	(13,944)	—	—	—	—	—	(18,359)
Included in change in fair value of investments in excess mortgage servicing rights, equity method investees ^(D)	—	—	4,002	—	—	—	—	4,002
Included in servicing revenue, net ^(E)	—	—	—	(1,618)	—	—	—	(1,618)
Included in change in fair value of investments in mortgage servicing rights financing receivable	—	—	—	—	5,596	—	—	5,596
Included in change in fair value of investments in servicer advances	—	—	—	—	—	59,528	—	59,528
Included in gain (loss) on settlement	—	—	—	—	—	—	18,448	18,448

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of investments, net									
Included in other									
income (loss), net ^(D)	1,195	147	—	—	—	—	151	1,493	
Gains (losses)									
included in other									
comprehensive	—	—	—	—	—	—	190,041	190,041	
income ^(F)									
Interest income	12,953	36,593	—	—	—	316,512	155,488	521,546	
Purchases, sales and									
repayments									
Purchases	—	—	—	1,091,478	112,887	6,341,861	2,138,275	9,684,501	
Proceeds from sales	—	—	—	—	—	—	(154,429)	(154,429)	
Proceeds from									
repayments	(37,515)	(89,803)	(17,180)	—	—	(7,587,740)	(397,227)	(8,129,465)	
Balance at June 30,									
2017	\$353,975	\$950,691	\$181,610	\$1,749,343	\$118,483	\$4,836,754	\$5,487,080	\$13,677,936	

(A) Includes the recapture agreement for each respective pool.

(B) Amounts represent New Residential's portion of the Excess MSR held by the respective joint ventures in which New Residential has a 50% interest.

(C) Transfers are assumed to occur at the beginning of the respective period.

(D) The gains (losses) recorded in earnings during the period are attributable to the change in unrealized gains (losses) relating to Level 3 assets still held at the reporting dates and realized gains (losses) recorded during the period.

(E) The components of Servicing revenue, net are disclosed in Note 5.

(F) These gains (losses) were included in net unrealized gain (loss) on securities in the Condensed Consolidated Statements of Comprehensive Income.

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Investments in Excess MSR, Excess MSR Equity Method Investees and MSR Valuation

The following table summarizes certain information regarding the weighted average inputs used in valuing the Excess MSR owned directly and through equity method investees as of June 30, 2017:

	Significant Inputs ^(A)					
	Prepayment Rate ^(B)	Delinquency ^(C)	Recapture Rate ^(D)	or Excess Mortgage Servicing Amount (bps) ^(E)	Collateral Maturity (Years) ^(F)	Weighted Average
Excess MSR Directly Held (Note 4)						
Agency						
Original Pools	9.2 %	3.0 %	30.1 %	21	23	
Recaptured Pools	7.2 %	4.3 %	22.9 %	22	25	
Recapture Agreement	7.1 %	4.2 %	25.6 %	21	—	
	8.6 %	3.4 %	28.2 %	21	23	
Non-Agency ^(G)						
Nationstar and SLS Serviced:						
Original Pools	12.2 %	N/A	15.0 %	15	24	
Recaptured Pools	7.1 %	N/A	19.8 %	22	24	
Recapture Agreement	7.0 %	N/A	19.7 %	20	—	
Ocwen Serviced Pools	9.1 %	N/A	— %	14	26	
	9.6 %	N/A	3.6 %	14	26	
Total/Weighted Average--Excess MSR Directly Held	9.3 %	3.4 %	10.3 %	16	25	
Excess MSR Held through Equity Method Investees (Note 4)						
Agency						
Original Pools	10.9 %	4.9 %	34.8 %	19	22	
Recaptured Pools	7.4 %	4.5 %	24.3 %	23	24	
Recapture Agreement	7.4 %	4.5 %	24.2 %	23	—	
Total/Weighted Average--Excess MSR Held through Investees	9.3 %	4.7 %	29.9 %	21	23	
Total/Weighted Average--Excess MSR All Pools	9.3 %	3.7 %	14.4 %	17	25	
MSR						
Mortgage Servicing Rights ^(H)						
	9.9 %	0.8 %	25.2 %	27	22	
	10.2 %	0.8 %	14.6 %	26	23	

Mortgage Servicing Rights Financing
Receivable^(H)

- (A) Weighted by fair value of the portfolio.
- (B) Projected annualized weighted average lifetime voluntary and involuntary prepayment rate using a prepayment vector.
- (C) Projected percentage of residential mortgage loans in the pool for which the borrower will miss its mortgage payments.
- (D) Percentage of voluntarily prepaid loans that are expected to be refinanced by the related servicer or subservicer, as applicable.
- (E) Weighted average total mortgage servicing amount, in excess of the basic fee as applicable, measured in basis points (bps). A weighted average cost of subservicing of \$7.35 per loan per month was used to value the MSR.
- (F) Weighted average maturity of the underlying residential mortgage loans in the pool.
- (G) For certain pools, the Excess MSR will be paid on the total UPB of the mortgage portfolio (including both performing and delinquent loans until REO). For these pools, no delinquency assumption is used.
- (H) For certain pools, recapture rate represents the expected recapture rate with the successor subservicer appointed by NRM.

As of June 30, 2017, a weighted average discount rate of 9.7% was used to value New Residential's investments in Excess MSRs (directly and through equity method investees). As of June 30, 2017, a weighted average discount rate of 10.5% was used to value

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New Residential's investments in MSRs and a weighted average discount rate of 11.0% was used to value New Residential's investments in mortgage servicing rights financing receivable.

Investments in Servicer Advances Valuation

The following table summarizes certain information regarding the inputs used in valuing the Servicer Advances, including the basic fee component of the related MSRs:

	Significant Inputs			Mortgage Servicing Amount ^(B)	Discount Rate	Collateral Weighted Average Maturity (Years) ^(C)
	UPB of Underlying Residential Mortgage Loans	Prepayment Rate ^(A)	Delinquency			
June 30, 2017	1.8%	10.0%	15.2%	14.2 bps	6.5%	25.0

(A) Projected annual weighted average lifetime voluntary and involuntary prepayment rate using a prepayment vector.

(B) Mortgage servicing amount is net of 15.9 bps which represents the amount New Residential pays its servicers as a monthly servicing fee.

(C) Weighted average maturity of the underlying residential mortgage loans in the pool.

Real Estate Securities Valuation

As of June 30, 2017, New Residential's securities valuation methodology and results are further detailed as follows:

Asset Type	Fair Value					Level
	Outstanding Face Amount	Amortized Cost Basis	Multiple Quotes ^(A)	Single Quote ^(B)	Total	
Agency RMBS	\$1,880,434	\$1,941,558	\$1,936,193	\$ —	\$1,936,193	2
Non-Agency RMBS ^(C)	11,907,355	5,169,234	5,478,857	8,223	5,487,080	3
Total	\$13,787,789	\$7,110,792	\$7,415,050	\$ 8,223	\$7,423,273	

(A) New Residential generally obtained pricing service quotations or broker quotations from two sources, one of which was generally the seller (the party that sold New Residential the security) for Non-Agency RMBS. New Residential evaluates quotes received and determines one as being most representative of fair value, and does not use an average of the quotes. Even if New Residential receives two or more quotes on a particular security that come from non-selling brokers or pricing services, it does not use an average because it believes using an actual quote more closely represents a transactable price for the security than an average level. Furthermore, in some cases there is a wide disparity between the quotes New Residential receives. New Residential believes using an average of the quotes in these cases would not represent the fair value of the asset. Based on New Residential's

own fair value analysis, it selects one of the quotes which is believed to more accurately reflect fair value. New Residential has not adjusted any of the quotes received in the periods presented. These quotations are generally received via email and contain disclaimers which state that they are “indicative” and not “actionable” — meaning that the party giving the quotation is not bound to actually purchase the security at the quoted price. New Residential’s investments in Agency RMBS are classified within Level 2 of the fair value hierarchy because the market for these securities is very active and market prices are readily observable.

The third-party pricing services and brokers engaged by New Residential (collectively, “valuation providers”) use either the income approach or the market approach, or a combination of the two, in arriving at their estimated valuations of RMBS. Valuation providers using the market approach generally look at prices and other relevant information generated by market transactions involving identical or comparable assets. Valuation providers using the income approach create pricing models that generally incorporate such assumptions as discount rates, expected prepayment rates, expected default

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rates and expected loss severities. New Residential has reviewed the methodologies utilized by its valuation providers and has found them to be consistent with GAAP requirements. In addition to obtaining multiple quotations, when available, and reviewing the valuation methodologies of its valuation providers, New Residential creates its own internal pricing models for Level 3 securities and uses the outputs of these models as part of its process of evaluating the fair value estimates it receives from its valuation providers. These models incorporate the same types of assumptions as the models used by the valuation providers, but the assumptions are developed independently. These assumptions are regularly refined and updated at least quarterly by New Residential, and reviewed by its valuation group, which is separate from its investment acquisition and management group, to reflect market developments and actual performance.

For 81.9% of New Residential's Non-Agency RMBS, the ranges of assumptions used by New Residential's valuation providers are summarized in the table below. The assumptions used by New Residential's valuation providers with respect to the remainder of New Residential's Non-Agency RMBS were not readily available.

	Fair Value	Discount Rate	Prepayment Rate ^(a)	CDR ^(b)	Loss Severity ^(c)
Non-Agency RMBS	\$4,496,415	2.00 % to 40%	0.25% to 20%	0% to 10.38%	5.0 % to 100%

(a) Represents the annualized rate of the prepayments as a percentage of the total principal balance of the pool.

(b) Represents the annualized rate of the involuntary prepayments (defaults) as a percentage of the total principal balance of the pool.

(c) Represents the expected amount of future realized losses resulting from the ultimate liquidation of a particular loan, expressed as the net amount of loss relative to the outstanding balance.

(B) New Residential was unable to obtain quotations from more than one source on these securities. For approximately \$7.6 million, the one source was the party that sold New Residential the security.

(C) Includes New Residential's investments in interest-only notes for which the fair value option for financial instruments was elected.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances, such as when there is evidence of impairment. For residential mortgage loans held-for-sale and foreclosed real estate accounted for as REO, New Residential applies the lower of cost or fair value accounting and may be required, from time to time, to record a nonrecurring fair value adjustment.

At June 30, 2017, assets measured at fair value on a nonrecurring basis were \$0.3 billion. The \$0.3 billion of assets include approximately \$229.0 million of residential mortgage loans held-for-sale and \$65.7 million of REO. The fair value of New Residential's residential mortgage loans, held-for-sale is estimated based on a discounted cash flow model analysis using internal pricing models and is categorized within Level 3 of the fair value hierarchy. The following table summarizes the inputs used in valuing these residential mortgage loans as of June 30, 2017:

Fair Value and Carrying Value	Discount Rate	Weighted Average Life (Years) ^(A)	Prepayment Rate	CDR ^(B)	Loss Severity ^(C)
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Residential Mortgage Loans

Performing Loans	\$184,148	3.8	%	5.0	10.3	%	1.6	%	39.0	%
Non-Performing Loans	44,866	6.6	%	3.2	3.0	%	3.0	%	30.0	%
Total/Weighted Average	\$229,014	4.3	%	4.7	8.9	%	1.9	%	37.2	%

(A) The weighted average life is based on the expected timing of the receipt of cash flows.

(B) Represents the annualized rate of the involuntary prepayments (defaults) as a percentage of the total principal balance.

(C) Loss severity is the expected amount of future realized losses resulting from the ultimate liquidation of a particular loan, expressed as the net amount of loss relative to the outstanding loan balance.

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The fair value of REO is estimated using a broker's price opinion discounted based upon New Residential's experience with actual liquidation values and, therefore, is categorized within Level 3 of the fair value hierarchy. These discounts to the broker price opinion generally range from 10% to 25%, depending on the information available to the broker.

The total change in the recorded value of assets for which a fair value adjustment has been included in the Condensed Consolidated Statement of Income for the six months ended June 30, 2017 was an increase in the net valuation allowance of approximately \$4.0 million, consisting of increased valuation allowances of \$3.3 million for residential mortgage loans held-for-sale and \$0.7 million for REO.

Loans for Which Fair Value is Only Disclosed

The following table summarizes the inputs used in valuing certain loans as of June 30, 2017:

	Carrying Value	Fair Value	Discount Rate	Weighted Average Life (Years) ^(A)	Prepayment Rate	CDR ^(B)	Loss Severity ^(C)
Reverse Mortgage Loans ^(D)	\$10,709	\$11,371	7.0 %	4.6	N/A	N/A	8.2 %
Performing Loans	630,037	635,456	7.7 %	5.2	8.3 %	2.1 %	55.1 %
Non-Performing Loans	889,133	922,134	6.0 %	3.8	2.8 %	3.0 %	36.0 %
Total/Weighted Average	\$1,529,879	\$1,568,961	6.7 %	4.4			43.7 %
Consumer Loans	\$1,569,388	\$1,584,236	8.9 %	3.6	22.5 %	6.3 %	87.8 %

(A) The weighted average life is based on the expected timing of the receipt of cash flows.

(B) Represents the annualized rate of the involuntary prepayments (defaults) as a percentage of the total principal balance.

(C) Loss severity is the expected amount of future realized losses resulting from the ultimate liquidation of a particular loan, expressed as the net amount of loss relative to the outstanding loan balance.

(D) Carrying value and fair value represent a 70% participation interest New Residential holds in the portfolio of reverse mortgage loans.

Derivative Valuation

New Residential enters into economic hedges including interest rate swaps, caps and TBAs, which are categorized as Level 2 in the valuation hierarchy. New Residential generally values such derivatives using quotations, similarly to the method of valuation used for New Residential's other assets that are categorized as Level 2.

Liabilities for Which Fair Value is Only Disclosed

Repurchase agreements and notes and bonds payable are not measured at fair value. They are generally considered to be Level 2 and Level 3 in the valuation hierarchy, respectively, with significant valuation variables including the amount and timing of expected cash flows, interest rates and collateral funding spreads.

Short-term repurchase agreements and short-term notes and bonds payable have an estimated fair value equal to their carrying value due to their short duration and generally floating interest rates. Longer-term notes and bonds payable are valued based on internal models utilizing both observable and unobservable inputs.

13. EQUITY AND EARNINGS PER SHARE

Equity and Dividends

On January 26, 2017, New Residential's board of directors declared a first quarter 2017 dividend of \$0.48 per common share or \$147.5 million, which was paid on April 28, 2017 to stockholders of record as of March 27, 2017.

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On June 21, 2017, New Residential's board of directors declared a second quarter 2017 dividend of \$0.50 per common share or \$153.7 million, which was paid on July 28, 2017 to stockholders of record as of July 3, 2017.

In February 2017, New Residential issued 56.5 million shares of its common stock in a public offering at a price to the public of \$15.00 per share for net proceeds of approximately \$834.5 million. One of New Residential's executive officers participated in this offering and purchased 18,600 shares at the public offering price. To compensate the Manager for its successful efforts in raising capital for New Residential, in connection with this offering, New Residential granted options to the Manager relating to 5.7 million shares of New Residential's common stock at the public offering price, which had a fair value of approximately \$8.1 million as of the grant date. The assumptions used in valuing the options were: a 2.38% risk-free rate, a 10.82% dividend yield, 28.64% volatility and a 10-year term.

Approximately 2.4 million shares of New Residential's common stock were held by Fortress, through its affiliates, and its principals at June 30, 2017.

Option Plan

As of June 30, 2017, New Residential's outstanding options were summarized as follows:

Held by the Manager	16,128,730
Issued to the Manager and subsequently transferred to certain of the Manager's employees	2,367,458
Issued to the independent directors	6,000
Total	18,502,188

The following table summarizes New Residential's outstanding options as of June 30, 2017. The last sales price on the New York Stock Exchange for New Residential's common stock in the quarter ended June 30, 2017 was \$15.56 per share.

Recipient	Date of Grant/ Exercise ^(A)	Number of Unexercised Options	Options Exercisable as of June 30, 2017	Weighted Average Exercise Price ^(B)	Intrinsic Value of Exercisable Options as of June 30, 2017 (millions)
Directors	Various	6,000	6,000	\$ 13.99	\$ —
Manager ^(C)	2012	25,000	25,000	7.19	0.2
Manager ^(C)	2013	835,571	835,571	11.48	3.4
Manager ^(C)	2014	1,437,500	1,437,500	12.20	4.8
Manager ^(C)	2015	8,543,539	7,218,165	15.45	1.5
Manager ^(C)	2016	2,000,000	666,667	14.20	0.9
Manager ^(C)	2017	5,654,578	753,944	15.00	0.4
Outstanding		18,502,188	10,942,847		

(A) Options expire on the tenth anniversary from date of grant.

(B) The exercise prices are subject to adjustment in connection with return of capital dividends.

(C) The Manager assigned certain of its options to Fortress's employees as follows:

Date of Grant	Range of Exercise Prices	Total Unexercised Inception to Date
2014	\$12.20	258,750
2015	\$15.25 to \$15.88	1,708,708
2016	\$14.20	400,000
Total		2,367,458

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The following table summarizes activity in New Residential's outstanding options:

	Amount	Weighted Average Exercise Price
December 31, 2016 outstanding options	13,196,610	
Options granted	5,654,578	\$ 15.00
Options exercised	—	\$ —
Options expired unexercised	(349,000)	
June 30, 2017 outstanding options	18,502,188	See table above

Income and Earnings Per Share

New Residential is required to present both basic and diluted earnings per share ("EPS"). Basic EPS is calculated by dividing net income by the weighted average number of shares of common stock outstanding. Diluted EPS is computed by dividing net income by the weighted average number of shares of common stock outstanding plus the additional dilutive effect, if any, of common stock equivalents during each period. New Residential's common stock equivalents are its outstanding options. During the three and six months ended June 30, 2017, based on the treasury stock method, New Residential had 2,047,638 and 1,845,375 dilutive common stock equivalents outstanding. During the three and six months ended June 30, 2016, based on the treasury stock method, New Residential had 361,363 and 214,437 dilutive common stock equivalents outstanding.

Noncontrolling Interests

Noncontrolling interests is comprised of the interests held by third parties in consolidated entities that hold New Residential's investments in Servicer Advances (Note 6) and Consumer Loans (Note 9).

14. COMMITMENTS AND CONTINGENCIES

Litigation – Following the HLSS Acquisition, material potential claims, lawsuits, regulatory inquiries or investigations, and other proceedings, of which New Residential is currently aware, are as follows. New Residential has not accrued losses in connection with these legal contingencies because it does not believe there is a probable and reasonably estimable loss. Furthermore, New Residential cannot reasonably estimate the range of potential loss related to these legal contingencies at this time. However, the ultimate outcome of the proceedings described below may have a material adverse effect on New Residential's business, financial position or results of operations.

In addition to the matters described below, from time to time, New Residential is or may be involved in various disputes, litigation and regulatory inquiry and investigation matters that arise in the ordinary course of business. Given the inherent unpredictability of these types of proceedings, it is possible that future adverse outcomes could have a material adverse effect on its financial results. New Residential is not aware of any unasserted claims that it believes are material and probable of assertion where the risk of loss is expected to be reasonably possible.

Three putative class action lawsuits have been filed against HLSS and certain of its current and former officers and directors in the United States District Court for the Southern District of New York entitled: (i) Oliveira v. Home Loan

Servicing Solutions, Ltd., et al., No. 15-CV-652 (S.D.N.Y.), filed on January 29, 2015; (ii) Berglan v. Home Loan Servicing Solutions, Ltd., et al., No. 15-CV-947 (S.D.N.Y.), filed on February 9, 2015; and (iii) W. Palm Beach Police Pension Fund v. Home Loan Servicing Solutions, Ltd., et al., No. 15-CV-1063 (S.D.N.Y.), filed on February 13, 2015. On April 2, 2015, these lawsuits were consolidated into a single action, which is referred to as the “Securities Action.” On April 28, 2015, lead plaintiffs, lead counsel and liaison counsel were appointed in the Securities Action. On November 9, 2015, lead plaintiffs filed an amended class action complaint. On January 27, 2016, the Securities Action was transferred to the United States District Court for the Southern District of Florida and given the Index No. 16-CV-60165 (S.D. Fla.).

The Securities Action names as defendants HLSS, former HLSS Chairman William C. Erbey, HLSS Director, President, and Chief Executive Officer John P. Van Vlack, and HLSS Chief Financial Officer James E. Lauter. The Securities Action asserts causes of action under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) based on certain public disclosures made by HLSS relating to its relationship with Ocwen and HLSS’s risk management and internal controls. More

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specifically, the consolidated class action complaint alleges that a series of statements in HLSS's disclosures were materially false and misleading, including statements about (i) Ocwen's servicing capabilities; (ii) HLSS's contingencies and legal proceedings; (iii) its risk management and internal controls; and (iv) certain related party transactions. The consolidated class action complaint also appears to allege that HLSS's financial statements for the years ended 2012 and 2013, and the first quarter ended March 30, 2014, were false and misleading based on HLSS's August 18, 2014 restatement. Lead plaintiffs in the Securities Action also allege that HLSS misled investors by failing to disclose, among other things, information regarding governmental investigations of Ocwen's business practices. Lead plaintiffs seek money damages under the Exchange Act in an amount to be proven at trial and reasonable costs, expenses, and fees. On February 11, 2015, defendants filed motions to dismiss the Securities Action in its entirety. On June 6, 2016, all allegations except those regarding certain related party transactions were dismissed.

On June 15, 2017, the court entered an order preliminarily approving a settlement of the Securities Action for \$6 million, certifying a settlement class, approving the form and content of notice of the settlement to class members, and setting a hearing for November 17, 2017 to determine whether the settlement should receive final approval. Should the settlement receive final approval, insurance proceeds would cover \$5 million of such \$6 million settlement.

New Residential is, from time to time, subject to inquiries by government entities. New Residential currently does not believe any of these inquiries would result in a material adverse effect on New Residential's business.

Indemnifications – In the normal course of business, New Residential and its subsidiaries enter into contracts that contain a variety of representations and warranties and that provide general indemnifications. New Residential's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against New Residential that have not yet occurred. However, based on its experience, New Residential expects the risk of material loss to be remote.

Capital Commitments — As of June 30, 2017, New Residential had outstanding capital commitments related to investments in the following investment types (also refer to Note 5 for MSR investment commitments and to Note 18 for additional capital commitments entered into subsequent to June 30, 2017, if any):

MSRs and Servicer Advances — New Residential and, in some cases, third-party co-investors agreed to purchase future Servicer Advances related to certain Non-Agency mortgage loans. In addition, New Residential's subsidiary, NRM, is obligated to fund future Servicer Advances related to the loans it is obligated to service. The actual amount of future advances purchased will be based on: (a) the credit and prepayment performance of the underlying loans, (b) the amount of advances recoverable prior to liquidation of the related collateral and (c) the percentage of the loans with respect to which no additional advance obligations are made. The actual amount of future advances is subject to significant uncertainty. See Notes 5 and 6 for information on New Residential's investments in MSRs and Servicer Advances, respectively.

Residential Mortgage Loans — As part of its investment in residential mortgage loans, New Residential may be required to outlay capital. These capital outflows primarily consist of advance escrow and tax payments, residential maintenance and property disposition fees. The actual amount of these outflows is subject to significant uncertainty. See Note 8 for information on New Residential's investments in residential mortgage loans.

Consumer Loans — The Consumer Loan Companies have invested in loans with an aggregate of \$356.3 million of unfunded and available revolving credit privileges as of June 30, 2017. However, under the terms of these loans,

requests for draws may be denied and unfunded availability may be terminated at management's discretion.

Environmental Costs — As a residential real estate owner, through its REO, New Residential is subject to potential environmental costs. At June 30, 2017, New Residential is not aware of any environmental concerns that would have a material adverse effect on its consolidated financial position or results of operations.

Debt Covenants — New Residential's debt obligations contain various customary loan covenants (Note 11).

Certain Tax-Related Covenants — If New Residential is treated as a successor to Drive Shack under applicable U.S. federal income tax rules, and if Drive Shack failed to qualify as a REIT for a taxable year ending on or before December 31, 2014, New Residential could be prohibited from electing to be a REIT. Accordingly, in the separation and distribution agreement executed in connection with New Residential's spin-off from Drive Shack, Drive Shack (i) represented that it had no knowledge of any fact or circumstance that would cause New Residential to fail to qualify as a REIT, (ii) covenanted to use commercially reasonable efforts to cooperate with New Residential as necessary to enable New Residential to qualify for taxation as a REIT and receive

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customary legal opinions concerning REIT status, including providing information and representations to New Residential and its tax counsel with respect to the composition of Drive Shack's income and assets, the composition of its stockholders, and its operation as a REIT; and (iii) covenanted to use its reasonable best efforts to maintain its REIT status for each of Drive Shack's taxable years ending on or before December 31, 2014 (unless Drive Shack obtains an opinion from a nationally recognized tax counsel or a private letter ruling from the U.S. Internal Revenue Service ("IRS") to the effect that Drive Shack's failure to maintain its REIT status will not cause New Residential to fail to qualify as a REIT under the successor REIT rule referred to above). Additionally, New Residential covenanted to use its reasonable best efforts to qualify for taxation as a REIT for its taxable year ended December 31, 2013.

15. TRANSACTIONS WITH AFFILIATES AND AFFILIATED ENTITIES

New Residential is party to a Management Agreement with its Manager which provides for automatically renewing one-year terms subject to certain termination rights. The Manager's performance is reviewed annually and the Management Agreement may be terminated by New Residential by payment of a termination fee, as defined in the Management Agreement, equal to the amount of management fees earned by the Manager during the 12 consecutive calendar months immediately preceding the termination, upon the affirmative vote of at least two-thirds of the independent directors, or by a majority vote of the holders of common stock. If the Management Agreement is terminated, the Manager may require New Residential to purchase from the Manager the right of the Manager to receive the Incentive Compensation. In exchange therefor, New Residential would be obligated to pay the Manager a cash purchase price equal to the amount of the Incentive Compensation that would be paid to the Manager if all of New Residential's assets were sold for cash at their then current fair market value (taking into account, among other things, expected future performance of the underlying investments). Pursuant to the Management Agreement, the Manager, under the supervision of New Residential's board of directors, formulates investment strategies, arranges for the acquisition of assets and associated financing, monitors the performance of New Residential's assets and provides certain advisory, administrative and managerial services in connection with the operations of New Residential.

The Manager is entitled to receive a management fee in an amount equal to 1.5% per annum of New Residential's gross equity calculated and payable monthly in arrears in cash. Gross equity is generally the equity transferred by Drive Shack on the date of the spin-off, plus total net proceeds from stock offerings, plus certain capital contributions to subsidiaries, less capital distributions and repurchases of common stock.

In addition, the Manager is entitled to receive annual incentive compensation in an amount equal to the product of (A) 25% of the dollar amount by which (1) (a) New Residential's funds from operations before the incentive compensation, excluding funds from operations from investments in the Consumer Loan Companies and any unrealized gains or losses from mark-to-market valuation changes on investments and debt (and any deferred tax impact thereof), per share of common stock, plus (b) earnings (or losses) from the Consumer Loan Companies computed on a level-yield basis (such that the loans are treated as if they qualified as loans acquired with a discount for credit quality as set forth in ASC No. 310-30, as such codification was in effect on June 30, 2013) as if the Consumer Loan Companies had been acquired at their GAAP basis on May 15, 2013, plus earnings (or losses) from equity method investees invested in Excess MSRs as if such equity method investees had not made a fair value election, plus gains (or losses) from debt restructuring and gains (or losses) from sales of property, and plus non-routine items, minus amortization of non-routine items, in each case per share of common stock, exceed (2) an amount equal to (a) the weighted average of the book value per share of the equity transferred by Drive Shack on the date of the spin-off and the prices per share of New Residential's common stock in any offerings (adjusted for prior capital dividends or capital distributions) multiplied by (b) a simple interest rate of 10% per annum, multiplied by

(B) the weighted average number of shares of common stock outstanding. “Funds from operations” means net income (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and gains (or losses) from sales of property, plus depreciation on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. Funds from operations will be computed on an unconsolidated basis. The computation of funds from operations may be adjusted at the direction of New Residential’s independent directors based on changes in, or certain applications of, GAAP. Funds from operations is determined from the date of the spin-off and without regard to Drive Shack’s prior performance.

In addition to the management fee and incentive compensation, New Residential is responsible for reimbursing the Manager for certain expenses paid by the Manager on behalf of New Residential.

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Due to affiliates is comprised of the following amounts:

	June 30, December 31,	
	2017	2016
Management fees	\$9,463	\$ 3,689
Incentive compensation	52,632	42,197
Expense reimbursements and other	2,718	1,462
	\$64,813	\$ 47,348

Affiliate expenses and fees were comprised of:

	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Management fees	\$ 14,186	\$ 10,008	\$ 27,260	\$ 20,016
Incentive compensation	40,172	4,929	52,632	6,125
Expense reimbursements ^(A)	125	125	250	250
Total	\$ 54,483	\$ 15,062	\$ 80,142	\$ 26,391

(A) Included in General and Administrative Expenses in the Condensed Consolidated Statements of Income.

See Notes 4, 5, 6, 8, 11 and 14 for a discussion of transactions with Nationstar. As of June 30, 2017, 63.5%, 21.4% and 32.7% of the UPB of the loans underlying New Residential's investments in Excess MSR, MSR and Servicer Advances, respectively, was serviced, subserviced or master serviced by Nationstar. As of June 30, 2017, a total face amount of \$3.3 billion of New Residential's Non-Agency RMBS portfolio and approximately \$30.9 million of New Residential's Agency RMBS portfolio was serviced or master serviced by Nationstar. The total UPB of the loans underlying these Nationstar serviced Non-Agency RMBS was approximately \$19.1 billion as of June 30, 2017. New Residential holds a limited right to cleanup call options with respect to certain securitization trusts serviced or master serviced by Nationstar whereby, when the outstanding balance of the underlying residential mortgage loans falls below a pre-determined threshold, it can effectively purchase the underlying residential mortgage loans at par, plus unreimbursed Servicer Advances, and repay all of the outstanding securitization financing at par, in exchange for a fee of 0.75% of UPB paid to Nationstar at the time of exercise. In connection with New Residential's exercise of certain of these call rights, and certain other call rights acquired by New Residential in connection with the SLS Transaction, in 2014 and 2015, New Residential has made, and expects to continue to make, payments to funds managed by an affiliate of Fortress in respect of Excess MSR held by the funds affected by the exercise of the call rights ("MSR Fund Payments"). During 2017, New Residential accrued for MSR Fund Payments in an aggregate amount of approximately \$0.1 million and has also caused an aggregate of \$0.6 million of securities to be transferred to such funds in 2017. New Residential continues to evaluate the call rights it purchased from Nationstar, and its ability to exercise such rights and realize the benefits therefrom are subject to a number of risks. The actual UPB of the residential mortgage loans on which New Residential can successfully exercise call rights and realize the benefits therefrom may differ materially from its initial assumptions. As of June 30, 2017, \$667.2 million UPB of New Residential's residential mortgage loans and \$25.5 million of New Residential's REO were being serviced or master serviced by Nationstar. Additionally, in the ordinary course of business, New Residential engages Nationstar to administer the termination of securitization trusts that it collapses pursuant to its call rights. As a result of these relationships, New Residential routinely has receivables from, and payables to, Nationstar, which are included in Other Assets and Accrued Expenses and Other Liabilities, respectively.

See Note 9 for a discussion of a transaction with OneMain and Note 4 regarding co-investments with Fortress-managed funds.

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16. RECLASSIFICATION FROM ACCUMULATED OTHER COMPREHENSIVE INCOME INTO NET INCOME

The following table summarizes the amounts reclassified out of accumulated other comprehensive income into net income:

Accumulated Other Comprehensive Income Components	Statement of Income Location	Three Months Ended June 30,		Six Months Ended June 30,	
		2017	2016	2017	2016
Reclassification of net realized (gain) loss on securities into earnings	Gain (loss) on settlement of investments, net	\$(21,257)	\$382	\$(22,250)	\$(15,751)
Reclassification of net realized (gain) loss on securities into earnings	Other-than-temporary impairment on securities	5,115	2,819	7,227	6,073
Total reclassifications		\$(16,142)	\$3,201	\$(15,023)	\$(9,678)

New Residential did not allocate any income tax expense or benefit to any component of other comprehensive income for any period presented, as no taxable subsidiary generated other comprehensive income.

17. INCOME TAXES

Income tax expense (benefit) consists of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Current:				
Federal	\$503	\$810	\$2,611	\$1,268
State and Local	153	158	223	158
Total Current Income Tax Expense (Benefit)	656	968	2,834	1,426
Deferred:				
Federal	73,330	5,653	76,076	(3,797)
State and Local	8,858	897	9,530	(334)
Total Deferred Income Tax Expense (Benefit)	82,188	6,550	85,606	(4,131)
Total Income Tax Expense (Benefit)	\$82,844	\$7,518	\$88,440	\$(2,705)

New Residential intends to qualify as a REIT for each of its tax years through December 31, 2017. A REIT is generally not subject to U.S. federal corporate income tax on that portion of its income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by prescribed dates and complies with various other requirements.

New Residential operates various securitization vehicles and has made certain investments, particularly its investments in MSRs (Note 5), Servicer Advances (Note 6) and REO (Note 8), through taxable REIT subsidiaries ("TRSs") that are subject to regular corporate income taxes which have been provided for in the provision for income taxes, as applicable. New Residential and its subsidiaries file income tax returns with the U.S. federal government and various state and local jurisdictions beginning with the tax year ending December 31, 2013. Generally, these income tax returns will be subject to tax examinations by tax authorities for a period of three years after the date of filing.

New Residential has recorded a net deferred tax asset of approximately \$65.7 million as of June 30, 2017, primarily related to basis differences in Servicer Advances, an increase in accrued income and the value of MSRs held by New Residential's TRSs, and net operating loss carry forwards.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. During the six months ended June 30, 2017, New Residential recorded a partial valuation allowance related to certain net operating losses and loan loss reserves as management does not believe that it is more likely than not that these deferred tax assets will be realized.

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18. SUBSEQUENT EVENTS

These financial statements include a discussion of material events that have occurred subsequent to June 30, 2017 (referred to as “subsequent events”) through the issuance of these condensed consolidated financial statements. Events subsequent to that date have not been considered in these financial statements.

Ocwen Transaction

On July 23, 2017, New Residential entered into a series of agreements with Ocwen that supersede the arrangements among the parties set forth in (i) the Master Servicing Rights Purchase Agreement, dated as of October 1, 2012, as amended by Amendment No. 1 to Master Servicing Rights Purchase Agreement and Sale Supplements, dated as of December 26, 2012, and Amendment No. 2 to Master Servicing Rights Purchase Agreement and Sale Supplements, dated as of April 6, 2015 (as so amended, the “Existing Ocwen MSR Purchase Agreement”), and (ii) certain sale supplements to the Existing Ocwen MSR Purchase Agreement, as amended by Amendment No. 1 to Master Servicing Rights Purchase Agreement and Sale Supplements, dated as of December 26, 2012, Amendment to Sale Supplements dated as of July 1, 2013, Amendment to Sale Supplement, dated as of September 30, 2013, Amendment to Sale Supplements, dated as of February 4, 2014, Amendment No. 2 to Master Servicing Rights Purchase Agreement and Sale Supplements, dated as of April 6, 2015, and February Amendment, dated as of February 17, 2017 (as so amended, the “Existing Ocwen Sale Supplements” and, together with the Existing Ocwen MSR Purchase Agreement, the “Existing Ocwen Agreements”). These transactions (collectively, the “Ocwen Transaction”) are described in further detail below.

In addition, pursuant to a Transaction Agreement dated July 23, 2017, New Residential acquired from Ocwen in a private placement 6,075,510 shares of Ocwen common stock, par value \$0.01 per share, at a price per share of \$2.29, for approximately \$13.9 million.

Transfer of Remaining Interests in Subject MSRs

On July 23, 2017, Ocwen and New Residential entered into a Master Agreement (the “Ocwen Master Agreement”) and a Transfer Agreement (the “Ocwen Transfer Agreement”) pursuant to which Ocwen and New Residential agreed to undertake certain actions to facilitate the transfer from Ocwen to New Residential of Ocwen’s remaining interests in the mortgage servicing rights relating to loans with an aggregate unpaid principal balance of approximately \$110 billion that are subject to the Existing Ocwen Agreements (the “Ocwen Subject MSRs”) and with respect to which New Residential holds the Rights to MSRs (as defined in the Existing Ocwen Agreements).

The Ocwen Master Agreement provides for, among other things, the following:

- The parties will cooperate to obtain any third party consents required to transfer Ocwen’s remaining interests in the Ocwen Subject MSRs to New Residential.

- Upon obtaining the required third party consents and each Ocwen Subject MSR ceasing to be a Deferred Servicing Agreement (as defined in the Existing Ocwen Agreements) covered under the Existing Ocwen Agreements, New Residential will make a lump sum payment to Ocwen. These lump sum payments may total up to approximately \$400 million in the aggregate if all of the Ocwen Subject MSRs are transferred to New Residential.

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Upon transfer, Ocwen will subservice the mortgage loans related to such Ocwen Subject MSR's pursuant to the Ocwen Subservicing Agreement (as defined below).

In the event that the required third party consents are not obtained within one year (by July 23, 2018) or such earlier date mutually agreed to by the parties, the applicable Ocwen Subject MSR's may (i) become subject to a new mortgage servicing rights agreement to be negotiated between Ocwen and New Residential, (ii) be acquired by Ocwen at a price determined in accordance with the terms of the Ocwen Master Agreement, (iii) be sold to one or more third parties in accordance with the terms of the Ocwen Master Agreement, or (iv) remain subject to the Existing Ocwen Agreements.

New Residential agrees to up to an eighteen month standstill (until January 23, 2019), subject to certain conditions, of its rights with respect to certain Ocwen Subject MSR's under the Existing Ocwen Agreements to replace Ocwen as named servicer upon the occurrence of certain specified termination events. New Residential will permanently waive such rights if a specified percentage of the Ocwen Subject MSR's have been transferred to NRM or are not otherwise subject to the Existing Ocwen Agreements before the end of the period contemplated by the Ocwen Master Agreement.

The resolution of certain payment obligations by New Residential and Ocwen under the terms of the Existing Ocwen Agreements.

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Transfer Agreement

Pursuant to the Ocwen Transfer Agreement, Ocwen agreed to transfer its legal title and any other remaining interest in certain mortgage servicing rights to New Residential upon satisfaction of customary conditions precedent. The Ocwen Transfer Agreement contains customary representations, warranties, covenants and indemnification obligations of Ocwen as transferor of the Ocwen Subject MSR.

Subservicing

On July 23, 2017, New Residential and Ocwen entered into a subservicing agreement (the “Ocwen Subservicing Agreement”) pursuant to which Ocwen will subservice the mortgage loans related to the Ocwen Subject MSR that are transferred to New Residential pursuant to the Ocwen Master Agreement and Ocwen Transfer Agreement. The Ocwen Subservicing Agreement contains customary representations, warranties, covenants and indemnification obligations of Ocwen as servicer and prior servicer. In consideration for subservicing such mortgage loans, Ocwen will receive a fixed subservicing fee and certain other customary ancillary compensation as set forth in the Ocwen Subservicing Agreement. The initial term of the Ocwen Subservicing Agreement is five years. At any time during the initial term, New Residential may terminate the agreement for convenience, subject to Ocwen’s right to receive a termination fee (amortizing monthly during the initial term) and proper notice. Following the initial term, New Residential may extend the term of the Ocwen Subservicing Agreement for additional three month periods by delivering written notice to Ocwen of its desire to extend such contract thirty days prior to the end of such three month period. Furthermore, at any time following the initial term, the Ocwen Subservicing Agreement may be cancelled by Ocwen at the end of each twelve month period following the initial term by delivering proper notice. In addition, New Residential and Ocwen each have the ability to terminate the agreement for cause if certain events specified in the Ocwen Subservicing Agreement occur. If either New Residential or Ocwen terminates the agreement for cause, the other party is required to pay certain fees and costs as set forth in the agreement. If New Residential exercises an early termination provision in a securitization transaction during the initial term and elects not to retain Ocwen as servicer following such early termination with respect to the related mortgage loans, New Residential may be required to pay an exit fee to Ocwen (which decreases monthly during the initial term). The subservicing fees payable by New Residential to Ocwen under the Ocwen Subservicing Agreement are expected to be less than the fees that would have been payable by New Residential under the Existing Ocwen Agreements.

Corporate Activities

On June 21, 2017, New Residential’s board of directors declared a second quarter 2017 dividend of \$0.50 per common share or \$153.7 million, which was paid on July 28, 2017 to stockholders of record as of July 3, 2017.

Mortgage Servicing Rights Financing Receivable

On July 3, 2017, \$39.7 billion of UPB related to the PHH Transaction discussed in Note 5 closed.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations is intended to help the reader understand the results of operations and financial condition of New Residential. The following should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and notes thereto included herein, and with Part II, Item 1A. "Risk Factors."

GENERAL

New Residential is a publicly traded REIT primarily focused on opportunistically investing in, and actively managing, investments related to residential real estate. We primarily target investments in mortgage servicing related assets and related opportunistic investments. We are externally managed by an affiliate of Fortress pursuant to the Management Agreement. Our goal is to drive strong risk-adjusted returns primarily through our investments, and our investment guidelines are purposefully broad to enable us to make investments in a wide array of assets in diverse markets, including non-real estate related assets such as consumer loans. We generally target assets that generate significant current cash flows and/or have the potential for meaningful capital appreciation.

Our portfolio is currently composed of mortgage servicing related assets, Non-Agency RMBS (and associated call rights), residential mortgage loans and other opportunistic investments. Our asset allocation and target assets may change over time, depending on our investment decisions in light of prevailing market conditions. The assets in our portfolio are described in more detail below under "—Our Portfolio."

MARKET CONSIDERATIONS

Developments in the U.S. Housing Market

In response to the changing landscape of the mortgage industry and bank capital requirements, banks have sold or committed to sell MSR's totaling more than \$3 trillion since 2010. As of the first quarter of 2017, the top 100 mortgage servicers serviced over \$8 trillion of mortgages, according to Inside Mortgage Finance. Of the \$10 trillion one-to-four family mortgage debt outstanding, approximately 70% was serviced by banks as of the first quarter of 2017, according to Inside Mortgage Finance. We expect this number to continue to decline as banks face pressure to reduce their MSR exposure as a result of heightened capital reserve requirements under Basel III, regulatory scrutiny and a challenging servicing environment, among other reasons. As a result, we believe an elevated volume of MSR sales is likely for some period of time. In addition, we believe that non-bank servicers who are constrained by capital limitations will continue to sell MSR's, Excess MSR's and other servicing assets, such as Servicer Advances. These factors have resulted in increased opportunities for us to acquire MSR's and to provide capital to non-bank servicers. In addition, approximately \$1.6 trillion of new loans are expected to be originated in 2017, according to the Mortgage Bankers Association. We believe this creates an opportunity to enter into "flow arrangements," whereby loan originators or servicers agree to sell MSR's or Excess MSR's on newly originated loans on a recurring basis (often monthly or quarterly). While increased competition and market conditions for more recently originated MSR's have driven prices higher recently, thereby also increasing the value of the MSR's in which we have invested, we believe MSR's continue to offer attractive returns.

There can be no assurance that we will make additional investments in MSR's or Excess MSR's or that any future investment in MSR's or Excess MSR's will generate returns similar to the returns on our original investments in MSR's or Excess MSR's. The timing, size and potential returns of our future investments in MSR's and Excess MSR's may be less attractive than our prior investments in this sector due to a number of factors, most of which are beyond our control. Such factors include, but are not limited to, changes in interest rates and recent increased competition for

more recently originated MSR. In addition, the acquisition of Agency MSR requires GSE and, in certain cases, other regulatory approval. The process to obtain such approvals is extensive and will extend transaction settlement times when compared to our experience with the acquisition of Excess MSR. In general, regulatory and GSE approval processes have been more extensive and taken longer than the processes and timelines we experienced in prior periods, which has increased the amount of time and effort required to complete transactions.

Interest Rates and Prepayment Rates

As further described in Item 3. “Quantitative and Qualitative Disclosures About Market Risk,” increasing interest rates are generally associated with declining prepayment rates for residential mortgage loans since they increase the cost of borrowing for homeowners. Declining prepayment rates, in turn, would generally be expected to increase the value of our interests in Excess MSR, MSR and Servicer Advances, which include the right to a portion of the related MSR, because the duration of the cash flows we are entitled to receive becomes extended with no reduction in current cash flows. Changes in interest rates will also directly impact our costs of borrowing either immediately (floating rate debt) or upon refinancing (fixed rate debt) and may also be associated

with changes in credit spreads and/or the discount rates used in valuing investments. Declining prepayment rates have a negative impact on the value of investments purchased at a significant discount since the recovery of that discount is delayed.

In the second quarter of 2017, both current interest rates and expected future interest rates decreased. For instance, the 30-year fixed rate mortgage rate decreased from 4.14% to 3.88% during the quarter, according to Bloomberg. With respect to our Non-Agency RMBS, which were generally purchased at a significant discount, while market interest rates decreased, market credit spreads for these investments decreased, with the net result being an increase in value during the quarter.

The value of our MSR and Excess MSR is subject to a variety of factors, as described in Item 3. "Quantitative and Qualitative Disclosures About Market Risk" and in Part II, Item 1A. "Risk Factors." In the second quarter of 2017, the fair value of our direct investments in Excess MSR and our share of the fair value of the Excess MSR held through equity method investees decreased by approximately \$20.1 million in the aggregate, primarily as a result of an increase in short term prepayment rates, while the weighted average discount rate of the portfolio decreased slightly to 9.7%. In addition, a decrease in discount rates and an increase in custodial earnings rate caused the fair value of our MSR to increase by approximately \$96.5 million during the period.

Changes in interest rates did not have a meaningful impact on the net interest spread of our Agency and Non-Agency RMBS portfolios. Our RMBS are primarily floating rate or hybrid (i.e., fixed to floating rate) securities, which we generally finance with floating rate debt, or are economically hedged with respect to interest rates. Therefore, while rising interest rates will generally result in a higher cost of financing, they will also result in a higher coupon payable on the securities. The net interest spread on our Agency RMBS portfolio as of June 30, 2017 was 1.84%, compared to 2.07% as of March 31, 2017. The spread changed primarily as a result of increased funding costs and lower yields from new securities purchased during the second quarter of 2017. The net interest spread on our Non-Agency RMBS portfolio as of June 30, 2017 was 3.15%, compared to 3.22% as of March 31, 2017. This spread changed primarily as a result of increased funding costs offset by higher yields from new securities purchased during the second quarter of 2017.

General U.S. Economy and Unemployment

During the second quarter of 2017, the U.S. unemployment rate generally declined and equity market prices increased, signaling a general improvement in the U.S. economy. In our view, an improvement in the economy such as this generally improves the value of housing and the ability of borrowers to make payments on their loans, thereby decreasing delinquencies and defaults on residential mortgage loans, consumer loans and RMBS. This relationship held true, as expected, as the Case Shiller Home Price Index increased from 190 as of the second quarter of 2016 to 199 as of May of 2017. In addition, according to CoreLogic, the total number of mortgaged residential properties with negative equity stood at 3.1 million, or 6.1 percent, as of the first quarter of 2017, down from 4.0 million, or 8.0 percent, as of the first quarter of 2016. This trend helped to support the values of our residential mortgage loans, consumer loans and RMBS.

Credit Spreads

Corporate credit spreads generally tightened during the second quarter of 2017, which would generally have a favorable impact on the value of yield driven financial instruments, such as our RMBS and loan portfolios. Corporate credit spreads, while a useful market proxy, are not necessarily indicative or directly correlated to mortgage credit spreads. Collateral performance, market liquidity and other factors related specifically to certain investments within our mortgage securities and loan portfolio coupled with the corporate credit spread tightening during the second quarter of 2017 caused the value of the portion of this portfolio that was owned for the entire quarter to increase.

For more information regarding these and other market factors which impact our portfolio, see Item 3. “Quantitative and Qualitative Disclosures About Market Risk.”

Our Manager

On February 14, 2017, Fortress announced that it had entered into the Merger Agreement with SB Foundation Holdings LP, a Cayman Islands exempted limited partnership (“SoftBank Parent”) and an affiliate of SoftBank, and Foundation Acquisition LLC, a Delaware limited liability company and wholly owned subsidiary of Parent (“SoftBank Merger Sub”), pursuant to which SoftBank Merger Sub will merge with and into Fortress, with Fortress surviving as a wholly owned subsidiary of SoftBank Parent. While Fortress’s senior investment professionals are expected to remain in place, including those individuals who perform services for us, there can be no assurance that the SoftBank merger will not have an impact on us or our relationship with the Manager.

Fortress informed the Company that it believes that under the Investment Advisers Act of 1940, as amended, the change of ownership resulting from the completion of the SoftBank merger will result in a deemed assignment of the Management Agreement,

and that as a result, the Manager is required to obtain the Company's consent to the assignment. On April 19, 2017, the disinterested members of our board of directors unanimously approved the consent to the assignment. The disinterested members of our board of directors were advised by outside independent counsel.

OUR PORTFOLIO

Our portfolio is currently composed of mortgage servicing related assets, residential securities and loans and other investments, as described in more detail below. The assets in our portfolio are described in more detail below (dollars in thousands), as of June 30, 2017.

	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Carrying Value	Weighted Average Life (years) ^(A)
Investments in:					
Excess MSR _s ^(B)	\$311,675,616	\$1,310,682	7.1	% \$1,486,276	6.3
MSR _s ^{(B) (C)}	180,954,998	1,556,681	8.5	% 1,749,343	6.9
Mortgage Servicing Rights Financing Receivable ^{(B) (C)}	13,070,096	111,760	0.6	% 118,483	6.3
Servicer Advances ^{(B) (D)}	4,470,640	4,758,268	25.9	% 4,836,754	5.1
Agency RMBS ^(E)	1,880,434	1,941,558	10.6	% 1,936,193	9.5
Non-Agency RMBS ^(E)	11,907,355	5,169,234	28.2	% 5,487,080	8.0
Residential Mortgage Loans	2,143,653	1,778,674	9.7	% 1,758,893	4.4
Real Estate Owned	N/A	107,631	0.6	% 95,492	N/A
Consumer Loans	1,576,163	1,574,630	8.6	% 1,569,388	3.6
Consumer Loans, Equity Method Investees	133,951	35,796	0.2	% 45,036	1.4
Total/Weighted Average		\$18,344,914	100.0	% \$19,082,938	6.4
Reconciliation to GAAP total assets:					
Cash and restricted cash				717,360	
Trades receivable				2,677,542	
Deferred tax asset, net				65,678	
Other assets				456,497	
GAAP total assets				\$23,000,015	

(A) Weighted average life is based on the timing of expected principal reduction on the asset.

The outstanding face amount of Excess MSR_s, MSR_s, Mortgage Servicing Rights Financing Receivable, and

(B) Servicer Advances is based on 100% of the face amount of the underlying residential mortgage loans and currently outstanding advances, as applicable.

(C) Represents MSR_s where our subsidiary, NRM, is the named servicer.

(D) The value of our Servicer Advances also includes the rights to a portion of the related MSR.

(E) Amortized cost basis is net of impairment.

Servicing Related Assets

MSR_s and Mortgage Servicing Rights Financing Receivable

As of June 30, 2017, we had \$1,867.8 million carrying value of MSR_s and mortgage servicing rights financing receivable within our licensed servicer subsidiary, NRM, primarily Agency MSR_s.

NRM has contracted with certain subservicers to perform the related servicing duties on the residential mortgage loans underlying its MSRs. As of June 30, 2017, these subservicers include Ditech, Nationstar, Citi, Flagstar, and PHH, which subservice approximately 37.2%, 21.4%, 33.2%, 1.5%, 6.7% of the underlying UPB of the related mortgages, respectively (includes both Mortgage Servicing Rights and Mortgage Servicing Rights Financing Receivable). NRM has entered into agreements with Ditech,

Nationstar, and PHH whereby it is entitled to the MSR on any refinancing by such subservicer of a loan in the related original portfolio.

In July 2017, we entered into the Ocwen Transaction as described in Note 18 to our condensed consolidated financial statements.

See Note 5 to our condensed consolidated financial statements for further information regarding our investments in mortgage servicing rights financing receivable.

The table below summarizes the terms of our investments in MSRs and mortgage servicing rights financing receivable completed as of June 30, 2017.

	Initial UPB (bn)	Current UPB (bn)	Weighted Average MSR (bps)	Purchase Price (mm)	Carrying Value (mm)
Mortgage Servicing Rights					
Agency	\$194.9	\$180.9	27	bps \$1,662.6	\$1,749.3
Non-Agency	0.1	0.1	50	—	—
Mortgage Servicing Rights Financing Receivable (Agency)	13.2	13.0	26	112.9	118.5
Total/Weighted Average	\$208.2	\$194.0	27	bps \$1,775.5	\$1,867.8

The following table summarizes the collateral characteristics of the loans underlying our investments in MSRs and mortgage servicing rights financing receivable as of June 30, 2017 (dollars in thousands):

Collateral Characteristics

	Current Carrying Amount	Original Principal Balance	Current Principal Balance	Number of Loans	WA FICO Score (A)	WA Coupon (B)	WA Maturity (months) (C)	Average Loan Age (months) (D)	Adjustable Mortgage Rate (%) (E)	Three Month Average CPR (C)	Three Month Average CRR (D)	Three Month Average CDR (E)	Three Month Average Recap Rate
Mortgage Servicing Rights													
Agency	\$1,749,343	\$194,928,120	\$180,887,054	1,297,951	741	4.3%	264	66	3.4%	13.0%	12.7%	0.4%	7.1%
Non-Agency	—	68,006	67,944	946	621	7.2%	203	168	44.0%	N/A	N/A	N/A	N/A
Mortgage Servicing Rights Financing Receivable (Agency)													
Total/Weighted Average	\$1,867,826	\$208,159,958	\$194,025,094	1,379,416	742	4.3%	264	65	3.6%	13.0%	12.7%	0.4%	7.1%

Collateral Characteristics

	Delinquency 30 Days (F)	Delinquency 60 Days (F)	Delinquency 90+ Days (F)	Loans in Foreclosure	Real Estate Owned	Loans in Bankruptcy
Mortgage Servicing Rights Agency	1.4%	0.3%	0.6%	0.2%	—%	0.2%

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Non-Agency	7.7%	3.2	%	8.0	%	11.9	%	2.5	%	4.3	%
Mortgage Servicing Rights Financing Receivable (Agency)	0.9%	0.2	%	0.3	%	0.3	%	—	%	0.2	%
Total/Weighted Average	1.4%	0.3	%	0.5	%	0.2	%	—	%	0.2	%

- (A) The WA FICO score is based on the weighted average of information provided by the loan servicer on a monthly basis. The loan servicer generally updates the FICO score when loans are refinanced or become delinquent.
- (B) Adjustable Rate Mortgage % represents the percentage of the total principal balance of the pool that corresponds to adjustable rate mortgages.
- (C) Three Month Average CPR, or the constant prepayment rate, represents the annualized rate of the prepayments during the quarter as a percentage of the total principal balance of the pool.
- (D) Three Month Average CRR, or the voluntary prepayment rate, represents the annualized rate of the voluntary prepayments during the quarter as a percentage of the total principal balance of the pool.
- (E) Three Month Average CDR, or the involuntary prepayment rate, represents the annualized rate of the involuntary prepayments (defaults) during the quarter as a percentage of the total principal balance of the pool.

Delinquency 30 Days, Delinquency 60 Days and Delinquency 90+ Days represent the percentage of the total (F) principal balance of the pool that corresponds to loans that are delinquent by 30–59 days, 60–89 days or 90 or more days, respectively.

Excess MSR

As of June 30, 2017, we had approximately \$1.5 billion estimated carrying value of Excess MSR (held directly and through joint ventures). As of June 30, 2017, our completed investments represent an effective 32.5% to 100.0% interest in the Excess MSR (held either directly or through joint ventures) on pools of residential mortgage loans with an aggregate UPB of approximately \$311.7 billion. In our capacity as owner of the Excess MSR, we do not have any servicing duties, liabilities or obligations associated with the servicing of the portfolios underlying any of our Excess MSR. However, we, through co-investments made by our subsidiaries, may separately agree to do so and have separately purchased the Servicer Advances, including the right to receive the basic fee component of related MSR, on the Non-Agency portfolios underlying our Excess MSR investments. See “—Servicer Advances” below.

Nationstar is the servicer of \$198.0 billion UPB of the loans underlying our investments in Excess MSR through June 30, 2017, and our servicers earn a basic fee in exchange for providing all servicing functions. In addition, when Nationstar sells Excess MSR to us, it generally retains a 20.0% to 35.0% interest in the Excess MSR and all ancillary income associated with the portfolios.

In December 2014, we agreed to acquire 50% of the Excess MSR and all of the Servicer Advances and related basic fee portion of the MSR, and a portion of the call rights related to a portfolio of residential mortgage loans which is serviced by SLS. Fortress-managed funds acquired the other 50% of the Excess MSR. SLS continues to service the loans in exchange for a servicing fee of 10.75 bps times the UPB of the underlying loans and an incentive fee (the “SLS Incentive Fee”) which is based on the ratio of the outstanding Servicer Advances to the UPB of the underlying loans.

On April 6, 2015, we acquired Excess MSR in connection with the HLSS Acquisition. Ocwen continues to service the underlying loans in exchange for a servicing fee of 12% times the servicing fee collections of the underlying loans, which as of June 30, 2017 is equal to 6.1 bps times the UPB of the underlying loans, and an incentive fee which is reduced by LIBOR plus 2.75% per annum of the amount, if any, of Servicer Advances outstanding in excess of a defined target. In July 2017, we entered into the Ocwen Transaction as described in Note 18 to our condensed consolidated financial statements.

Each of our Excess MSR investments serviced by Nationstar and SLS is subject to a recapture agreement with Nationstar. Under such recapture agreements, we are generally entitled to a pro rata interest in the Excess MSR on any initial or subsequent refinancing by Nationstar of a loan in the original portfolio. In other words, we are generally entitled to a pro rata interest in the Excess MSR on both (i) a loan resulting from a refinancing by Nationstar of a loan in the original portfolio, and (ii) a loan resulting from a refinancing by Nationstar of a previously recaptured loan. We have a similar recapture agreement with Ocwen; however, this agreement allows for Ocwen to retain the Excess MSR on recaptured loans up to a specified threshold and no payments have been made to us under such arrangement to date.

The tables below summarize the terms of our investments in Excess MSR completed as of June 30, 2017.

Summary of Direct Excess MSR Investments as of June 30, 2017

	Initial UPB (bn)	Current UPB (bn)	MSR Component ^(A)		Interest in Excess MSR (%)	Excess MSR	
			Weighted Average MSR (bps)	Weighted Average Excess MSR (bps)		Purchase Price (mm)	Carrying Value (mm)
Agency							
Original and Recaptured Pools	\$ 118.6	\$ 72.6	28 bps	21	bps 32.5% - 66.7%	\$ 457.7	\$ 305.0
Recapture Agreements	—	—	29	21	32.5% - 66.7%	—	49.0
	118.6	72.6	28	21		457.7	354.0
Non-Agency ^(B)							
Nationstar and SLS Serviced:							
Original and Recaptured Pools	\$ 148.8	\$ 70.9	35	15	33.3% - 100.0%	\$ 328.8	\$ 199.8
Recapture Agreements	—	—	26	20	33.3% - 100.0%	—	20.5
Ocwen Serviced Pools	156.4	112.0	44	14	100.0%	917.1	730.4
	305.2	182.9	42	14		1,245.9	950.7
Total/Weighted Average	\$ 423.8	\$ 255.5	38 bps	16	bps	\$ 1,703.6	\$ 1,304.7

(A) The MSR is a weighted average as of June 30, 2017, and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant).

(B) We also invested in the related Servicer Advances, including the basic fee component of the related MSR (Note 6 to our Condensed Consolidated Financial Statements) on \$169.6 billion UPB underlying these Excess MSRs.

Summary of Excess MSR Investments Through Equity Method Investees as of June 30, 2017

	Initial UPB (bn)	Current UPB (bn)	MSR Component ^(A)		New Residential Interest in Investee (%)	Investee Interest in Excess MSR (%)	New Residential Effective Ownership (%)	Investee Carrying Value (mm)
			Weighted Average MSR (bps)	Weighted Average Excess MSR (bps)				
Agency								
Original and Recaptured Pools	\$ 125.2	\$ 56.2	32 bps	20	bps 50.0	% 66.7	% 33.3	\$ 291.9
Recapture Agreements	—	—	32	23	50.0	% 66.7	% 33.3	52.6
Total/Weighted Average	\$ 125.2	\$ 56.2	32 bps	20	bps			\$ 344.5

(A) The MSR is a weighted average as of June 30, 2017, and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant).

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The following table summarizes the collateral characteristics of the loans underlying our direct Excess MSR investments as of June 30, 2017 (dollars in thousands):

Collateral Characteristics													
	Current Carrying Amount	Original Principal Balance	Current Principal Balance	Number of Loans	WA FICO Score	WA Coupon (A)	WA Maturity (months)	Average Loan Age (months)	Adjustable Mortgage Rate (%)	Three Month Average CPR (C)	Three Month Average CRR (D)	Three Month Average CDR (E)	Three Month Average Recapture Rate
Agency													
Original Pools	\$244,042	\$118,585,641	\$60,330,134	398,206	706	4.5%	284	97	9.4%	16.6%	15.5%	1.3%	26.4%
Recaptured Loans	60,938	—	12,278,991	71,334	721	4.3%	294	26	0.6%	9.6%	9.3%	0.4%	21.1%
Recapture Agreement	48,995	—	—	—	—	—%	—	—	—%	—%	—%	—%	—%
	\$353,975	\$118,585,641	\$72,609,125	469,540	709	4.4%	286	84	7.9%	15.4%	14.4%	1.1%	25.8%
Non-Agency ^(F)													
Nationstar and SLS Serviced:													
Original Pools	\$187,613	\$148,839,262	\$67,968,603	367,957	671	4.4%	285	137	40.0%	17.4%	13.2%	4.8%	12.1%
Recaptured Loans	12,140	—	2,898,582	12,770	740	4.1%	291	18	3.5%	10.3%	10.2%	0.1%	29.6%
Recapture Agreement	20,450	—	—	—	—	—%	—	—	—%	—%	—%	—%	—%
Ocwen Serviced Pools ^(H)													
	730,488	156,374,134	111,983,880	774,912	641	4.6%	308	140	17.2%	11.7%	7.9%	4.1%	—%
	\$950,691	\$305,213,396	\$182,851,065	1,155,639	649	4.5%	302	138	25.5%	13.1%	9.2%	4.3%	3.6%
Total/Weighted Average ^(I)	\$1,304,666	\$423,799,037	\$255,460,190	1,625,179	661	4.5%	299	128	20.5%	13.5%	10.2%	3.7%	8.9%

Collateral Characteristics										
	Delinquency				Loans in		Real Estate Owned		Loans in Bankruptcy	
	30 Days ^(G)	60 Days ^(G)	90+ Days ^(G)	%	Foreclosure	%	%	%	%	%
Agency										
Original Pools	3.9%	1.2%	0.9%	0.9%	1.4%	0.3%	0.3%	0.3%	0.3%	0.3%
Recaptured Loans	1.5%	0.4%	0.3%	0.3%	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%
Recapture Agreement	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%
	3.4%	1.1%	0.8%	0.8%	1.2%	0.3%	0.3%	0.3%	0.2%	0.2%
Non-Agency ^(F)										
Nationstar and SLS Serviced:										
Original Pools	9.4%	2.6%	2.2%	2.2%	7.9%	1.4%	2.0%	2.0%	2.0%	2.0%
Recaptured Loans	1.1%	0.1%	—%	—%	—%	—%	—%	—%	—%	—%
Recapture Agreement	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%
Ocwen Serviced Pools ^(H)										
	7.9%	4.5%	5.1%	5.1%	7.3%	2.1%	1.8%	1.8%	1.8%	1.8%
	8.2%	4.0%	4.3%	4.3%	7.3%	2.0%	1.9%	1.9%	1.9%	1.9%
Total/Weighted Average ^(I)	7.3%	3.5%	3.7%	3.7%	6.2%	1.6%	1.5%	1.5%	1.5%	1.5%

(A)

The WA FICO score is based on the weighted average of information provided by the loan servicer on a monthly basis. The loan servicer generally updates the FICO score when loans are refinanced or become delinquent.

- (B) Adjustable Rate Mortgage % represents the percentage of the total principal balance of the pool that corresponds to adjustable rate mortgages.
- (C) Three Month Average CPR, or the constant prepayment rate, represents the annualized rate of the prepayments during the quarter as a percentage of the total principal balance of the pool.
- (D) Three Month Average CRR, or the voluntary prepayment rate, represents the annualized rate of the voluntary prepayments during the quarter as a percentage of the total principal balance of the pool.
- (E) Three Month Average CDR, or the involuntary prepayment rate, represents the annualized rate of the involuntary prepayments (defaults) during the quarter as a percentage of the total principal balance of the pool.

- (F) We also invested in the related Servicer Advances, including the basic fee component of the related MSR (Note 6 to our Condensed Consolidated Financial Statements) on \$169.6 billion UPB underlying these Excess MSRs.
- Delinquency 30 Days, Delinquency 60 Days and Delinquency 90+ Days represent the percentage of the total (G) principal balance of the pool that corresponds to loans that are delinquent by 30–59 days, 60–89 days or 90 or more days, respectively.
- (H) Collateral characteristics related to approximately \$2.4 billion of UPB are as of May 29, 2017.
- (I) Weighted averages exclude collateral information for which collateral data was not available as of the report date.

The following table summarizes the collateral characteristics as of June 30, 2017 of the loans underlying Excess MSR investments made through joint ventures accounted for as equity method investees (dollars in thousands). For each of these pools, we own a 50% interest in an entity that invested in a 66.7% interest in the Excess MSRs.

Collateral Characteristics

	Current Carrying Amount	Original Principal Balance	Current Principal Balance	New Residential Effective Ownership (%)	Number of Ownerships	WA FICO Score	WA Coupon (%)	WA Maturity (months)	Average Loan Age (months)	Adjustable Rate Mortgage (%)	Three Month Average CPR ^(C)	Three Month Average CRR ^(D)	Three Month Average CDR ^(E)	Three Month Average RecDR ^(F) Rate
Agency Original Pools	\$184,331	\$125,191,420	\$40,872,088	33.3%	350,107	689	5.0%	275	111	9.8%	18.4%	16.2%	2.5%	27.9%
Recaptured Loans	107,576	—	15,343,338	33.3%	104,074	703	4.3%	289	32	0.6%	10.5%	10.1%	0.5%	30.2%
Recapture Agreement	52,614	—	—	33.3%	—	—	—%	—	—	—%	—%	—%	—%	—%
Total/Weighted Average ^(G)	\$344,521	\$125,191,420	\$56,215,426		454,181	693	4.8%	279	90	7.3%	16.4%	14.7%	2.0%	28.3%

Collateral Characteristics

Agency	Delinquency 30 Days ^(F)	Delinquency 60 Days ^(F)	Delinquency 90+ Days ^(F)	Loans in Foreclosure	Real Estate Owned	Loans in Bankruptcy
Original Pools	5.2%	1.6%	1.0%	1.9%	0.7%	0.4%
Recaptured Loans	2.8%	0.8%	0.5%	0.4%	0.1%	0.1%
Recapture Agreement	—%	—%	—%	—%	—%	—%
Total/Weighted Average ^(G)	4.6%	1.4%	0.8%	1.5%	0.5%	0.3%

- (A) The WA FICO score is based on the weighted average of information provided by the loan servicer on a monthly basis. The loan servicer generally updates the FICO score on a monthly basis.
- (B) Adjustable Rate Mortgage % represents the percentage of the total principal balance of the pool that corresponds to adjustable rate mortgages.
- (C) Three Month Average CPR, or the constant prepayment rate, represents the annualized rate of the prepayments during the quarter as a percentage of the total principal balance of the pool.
- (D) Three Month Average CRR, or the voluntary prepayment rate, represents the annualized rate of the voluntary prepayments during the quarter as a percentage of the total principal balance of the pool.
- (E) Three Month Average CDR, or the involuntary prepayment rate, represents the annualized rate of the involuntary prepayments (defaults) during the quarter as a percentage of the total principal balance of the pool.
- (F)

Delinquency 30 Days, Delinquency 60 Days and Delinquency 90+ Days represent the percentage of the total principal balance of the pool that corresponds to loans that are delinquent by 30-59 days, 60-89 days or 90 or more days, respectively.

(G) Weighted averages exclude collateral information for which collateral data was not available as of the report date.

Servicer Advances

In December 2013, we made our first investment in Servicer Advances, including the basic fee component of the related MSR, through the Buyer, a joint venture entity capitalized by us and certain third-party co-investors. The Buyer acquired from Nationstar a pool of outstanding Servicer Advances (including deferred servicing fees) and the basic fee component of the related MSR on a pool of Non-Agency mortgage loans. In exchange, the Buyer (i) paid the initial purchase price, and (ii) agreed to purchase future Servicer Advances related to the loans at par. We previously acquired an interest in the Excess MSR related to these loans. See above “—Our Portfolio—Servicing Related Assets—Excess MSR.”

Nationstar remains the named servicer under the related servicing agreements and continues to perform all servicing duties for the underlying loans. The Buyer has the right, but not the obligation, to become the named servicer, subject to obtaining consents and ratings agency approvals required for a formal change of the named servicer. In exchange for Nationstar’s performance of servicing duties, the Buyer pays Nationstar a servicing fee (the “Nationstar Servicing Fee”) and, in the event that the aggregate cash flows from the advances and the basic fee generate a 14% return (the “Buyer Targeted Return”) on the Buyer’s invested equity, a performance fee (the “Nationstar Performance Fee”). Nationstar is majority owned by private equity funds managed by an affiliate of our Manager. For more information about the fee structure, see below.

In December 2014, we acquired Servicer Advances from SLS, as described under “—Excess MSR’s” above.

On April 6, 2015, we acquired Servicer Advances in connection with the HLSS Acquisition, as described under “—Excess MSR’s” above. In July 2017, we entered into the Ocwen Transaction as described in Note 18 to our condensed consolidated financial statements.

The following is a summary of our investments in Servicer Advances, including the right to the basic fee component of the related MSR’s (dollars in thousands):

June 30, 2017

	Amortized Cost Basis	Carrying Value ^(A)	UPB of Underlying Residential Mortgage Loans	Outstanding Servicer Advances	Servicer Advances to UPB of Underlying Residential Mortgage Loans		
Servicer Advances ^(B)							
Nationstar and SLS serviced pools	\$ 1,379,097	\$ 1,416,275	\$ 57,171,611	\$ 1,098,104	1.9	%	
Ocwen serviced pools	3,379,171	3,420,479	112,398,765	3,372,536	3.0	%	
Total	\$ 4,758,268	\$ 4,836,754	\$ 169,570,376	\$ 4,470,640	2.6	%	

(A) Carrying value represents the fair value of the investment in Servicer Advances, including the basic fee component of the related MSR’s.

(B) Excludes asset-backed securities collateralized by Servicer Advances, which have an aggregate face amount of \$100.0 million and an aggregate carrying value of \$100.0 million as of June 30, 2017.

The following is additional information regarding our Servicer Advances, and related financing, as of, and for the six months ended, June 30, 2017 (dollars in thousands):

	Weighted Average Discount Rate	Weighted Average Life (Years) ^(C)	Six Months Ended June 30, 2017	Change in Fair Value Recorded in Other Income	Face Amount of Notes and Bonds Payable	Loan-to-Value (“LTV” ^(A))	Cost of Funds ^(B)	Gross Net ^(D)	Gross Net
Servicer Advances ^(E)	6.5 %	5.1	\$ 59,528	\$ 4,443,368	93.5 %	92.3 %	3.3 %	2.9 %	

- Based on outstanding Servicer Advances, excluding purchased but unsettled Servicer Advances and certain deferred servicing fees (“DSF”) which we received financing on. If we were to include these DSF in the Servicer Advance balance, gross and net LTV as of June 30, 2017 would be 88.3% and 87.2%, respectively. Also excludes retained Non-Agency bonds with a current face amount of \$93.5 million from the outstanding Servicer Advances debt. If we were to sell these bonds, gross and net LTV as of June 30, 2017 would be 95.5% and 94.3%, respectively.
- (A)
 - (B) Annualized measure of the cost associated with borrowings. Gross Cost of Funds primarily includes interest expense and facility fees. Net Cost of Funds excludes facility fees.
 - (C) Weighted Average Life represents the weighted average expected timing of the receipt of expected net cash flows for this investment.

(D) Ratio of face amount of borrowings to par amount of Servicer Advance collateral, net of any general reserve.

(E) The following types of advances comprise the investment in Servicer Advances:

	June 30, 2017
Principal and interest advances	\$1,157,755
Escrow advances (taxes and insurance advances)	2,016,672
Foreclosure advances	1,296,213
Total	\$4,470,640

The Buyer

We, through a wholly owned subsidiary, are the managing member of the Buyer. As of June 30, 2017, we owned an approximately 45.8% interest in the Buyer.

In the event that any member of the Buyer does not fund its capital contribution, each other member has the right, but not the obligation, to make pro rata capital contributions in excess of its stated commitment, provided that any member's decision not to fund any such capital contribution will result in a reduction of its membership percentage.

Servicing Fee

Nationstar, SLS and Ocwen remain the named servicers under the applicable servicing agreements and will continue to perform all servicing duties for the related residential mortgage loans. The Buyer, or the related New Residential subsidiary, as applicable, has the right, but not the obligation, to become the named servicer with respect to its investments, subject to obtaining consents and ratings agency approvals required for a formal change of the named servicer. In exchange for their services, we pay Nationstar, SLS and Ocwen a monthly servicing fee representing a portion of the amounts from the purchased basic fee.

The Nationstar Servicing Fee is equal to a fixed percentage of the amounts from the purchased basic fee. This percentage was equal to approximately 9.3%, which is equal to (i) 2 bps divided by (ii) the basic fee, which is 21.6 bps on a weighted average basis as of June 30, 2017. The SLS servicing fee is equal to 10.75 bps, based on the servicing fee collections of the underlying loans. The Ocwen servicing fee is equal to 6.1 bps, based on the servicing fee collections of the underlying loans.

Targeted Return/Incentive Fee

The Buyer Targeted Return and the Nationstar Performance Fee, with respect to Nationstar, are designed to achieve three objectives: (i) provide a reasonable risk-adjusted return to the Buyer based on the expected amount and timing of estimated cash flows from the purchased basic fee and advances, with both upside and downside based on the performance of the investment, (ii) provide Nationstar with a sufficient fee to compensate it for acting as servicer, and (iii) provide Nationstar with an incentive to effectively service the underlying loans. The Buyer Targeted Return implements these objectives by allocating payments in respect of the purchased basic fee between the Buyer and Nationstar. The SLS Incentive Fee functions in the same fashion with respect to the SLS Transaction. Ocwen also receives a performance-based incentive fee (the "Ocwen Incentive Fee") based on the ratio of the outstanding Servicer Advances to the UPB of the underlying loans.

The amount available to satisfy the Buyer Targeted Return is equal to: (i) the amounts from the purchased basic fee, minus (ii) the Nationstar Servicing Fee ("Nationstar Net Collections"). The Buyer will retain the amount of Nationstar Net Collections necessary to achieve the Buyer Targeted Return. Amounts in excess of the Buyer Targeted Return

will be used to pay the Nationstar Performance Fee.

The Buyer Targeted Return, which is payable monthly, is generally equal to (i) 14% multiplied by (ii) the Buyer's total invested capital. Total invested capital is generally equal to the sum of the Buyer's (i) equity in advances as of the beginning of the prior month, plus (ii) working capital (equal to a percentage of the equity as of the beginning of the prior month), plus (iii) equity and working capital contributed during the course of the prior month.

The Buyer Targeted Return is calculated after giving effect to (i) interest expense on the advance financing, (ii) other expenses and fees of the Buyer and its subsidiaries related to financing facilities, (iii) write-offs on account of any non-recoverable Servicer Advances, and (iv) any shortfall with respect to a prior month in the satisfaction of the Buyer Targeted Return.

The Nationstar Performance Fee is calculated as follows. Pursuant to a Master Servicing Rights Purchase Agreement and related sale supplements, Nationstar Net Collections is divided into two subsets: the “Retained Amount” and the “Surplus Amount.” If the amount necessary to achieve the Buyer Targeted Return is equal to or less than the Retained Amount, then 50% of the excess Retained Amount (if any) and 100% of the Surplus Amount is paid to Nationstar as the Nationstar Performance Fee. If the amount necessary to achieve the Buyer Targeted Return is greater than the Retained Amount but less than Nationstar Net Collections, then 100% of the excess Surplus Amount is paid to Nationstar as a Nationstar Performance Fee. Nationstar Performance Fee payments were made to Nationstar in the amount of \$19.6 million during the six months ended June 30, 2017.

The SLS Incentive Fee is equal to up to 4.0 bps on the UPB of the underlying loans, depending on the ratio of the outstanding Servicer Advances to the UPB of the underlying loans.

The Ocwen Incentive Fee payable in any month is reduced if the advance ratio exceeds a predetermined level for that month. If the advance ratio is exceeded in any month, any performance-based incentive fee payable for such month will be reduced by 1-month LIBOR plus 2.75% (or 275 basis points) per annum of the amount of any such excess Servicer Advances.

A further discussion of the sensitivity of these incentive fees to changes in LIBOR is included below under “Quantitative and Qualitative Disclosures About Market Risk.”

In addition to its direct investments in Servicer Advances, we have also invested in asset-backed securities collateralized by Servicer Advances, which are summarized as of June 30, 2017 as follows (dollars in thousands):

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value ^(A)	Outstanding Repurchase Agreements
			Gains	Losses		
Servicer Advance Bonds	\$ 100,000	\$ 99,758	\$ 242	\$	-\$100,000	\$ 90,000

(A) Fair value, which is equal to carrying value for all securities.

Residential Securities and Loans

Real Estate Securities

Agency RMBS

The following table summarizes our Agency RMBS portfolio as of June 30, 2017 (dollars in thousands):

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized		Gross Unrealized		Carrying Value ^(A)	Count	Weighted Average 3-Month		Outstanding Repurchase Agreements
			Cost Basis	Gains	Losses	Life (Years)			CPR		
Agency ARM RMBS	\$ 123,193	\$ 134,758	6.9 %	\$—	\$(5,371)	\$ 129,387	26	4.7	22.6 %	\$ 126,624	
Agency Specified Pools	1,757,241	1,806,800	93.1 %	552	(546)	1,806,806	62	9.8	0.1 %	8,472	

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Agency RMBS \$1,880,434 \$1,941,558 100.0 % \$552 \$(5,917) \$1,936,193 88 9.5 1.6 % \$135,096

(A) Fair value, which is equal to carrying value for all securities.

The following table summarizes the reset dates of our Agency ARM RMBS portfolio as of June 30, 2017 (dollars in thousands):

Months to Next Reset ^(A)	Number of Securities	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Carrying Value	Weighted Average			Subsequent Coupon Adjustment ^(C)	Lifetime Cap ^(D)	Months to Reset ^(E)
						Coupon	Margin	1st Coupon Adjustment ^(B)			
1 - 12	26	\$123,193	\$134,758	100.0 %	\$129,387	3.3 %	1.7 %	N/A	2.0 %	8.9 %	6

(A) Of these investments, 94.8% reset based on 12-month LIBOR index, 3.0% reset based on one-month LIBOR, and 2.2% reset based on the one-year Treasury Constant Maturity Rate.

- (B) Represents the maximum change in the coupon at the end of the fixed rate period. All securities in this category are past the first coupon adjustment.
- (C) Represents the maximum change in the coupon at each reset date subsequent to the first coupon adjustment.
- (D) Represents the maximum coupon on the underlying security over its life.
- (E) Represents recurrent weighted average months to the next interest rate reset.

The following table summarizes the net interest spread of our Agency RMBS portfolio as of June 30, 2017:

Net Interest Spread ^(A)	
Weighted Average Asset Yield	2.98 %
Weighted Average Funding Cost	1.14 %
Net Interest Spread	1.84 %

(A) The Agency RMBS portfolio consists of 6.9% floating rate securities and 93.1% fixed rate securities (based on amortized cost basis). See table above for details on rate resets of the floating rate securities.

Non-Agency RMBS

The following table summarizes our Non-Agency RMBS portfolio as of June 30, 2017 (dollars in thousands):

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value ^(A)	Outstanding Repurchase Agreements
			Gains	Losses		
Non-Agency RMBS	\$11,907,355	\$5,169,234	\$339,748	\$(21,902)	\$5,487,080	\$4,226,691

(A) Fair value, which is equal to carrying value for all securities.

The following tables summarize the characteristics of our Non-Agency RMBS portfolio and of the collateral underlying our Non-Agency RMBS as of June 30, 2017 (dollars in thousands):

Non-Agency RMBS Characteristics^(A)

Vintage ^(B)	Average Minimum Rating ^(C)	Number of Securities	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Carrying Value	Principal Subordination	Excess Spread ^(D)	Weighted Average Life (Years)	Weighted Average Coupon ^(F)
Pre 2006	CCC-	428	\$2,018,552	\$1,414,470	28.0 %	\$1,553,235	12.5 %	1.7 %	8.8	2.3 %
2006	CC	106	2,297,656	1,436,433	28.4 %	1,520,240	8.0 %	2.1 %	8.7	1.6 %
2007	CCC-	79	2,813,799	1,625,684	32.2 %	1,719,759	7.1 %	1.2 %	8.0	1.9 %
2008 and later	BBB-	116	4,539,848	576,636	11.4 %	577,484	7.3 %	— %	5.4	2.5 %
Total/Weighted Average	CCC	729	\$11,669,855	\$5,053,223	100.0 %	\$5,370,718	9.0 %	1.5 %	8.1	2.0 %

Collateral Characteristics^{(A) (G)}

Vintage ^(B)	Average Loan Collateral Age (years)	Collateral Factor ^(H)	3-Month CPR ^(I)	Delinquency ^(J)	Cumulative Losses to Date	
Pre 2006	12.5	0.09	11.7 %	12.6 %	12.4 %	
2006	11.2	0.16	9.4 %	14.4 %	29.2 %	
2007	10.4	0.30	11.9 %	13.8 %	33.6 %	

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2008 and later	8.1	0.55	10.1	%	2.7	%	1.5	%
Total/Weighted Average	10.9	0.23	10.9	%	12.3	%	22.5	%

(A) Excludes \$100.0 million and \$137.5 million face amount of bonds backed by Servicer Advances and Consumer Loans, respectively.

(B) The year in which the securities were issued.

Ratings provided above were determined by third party rating agencies, represent the most recent credit ratings

(C) available as of the reporting date and may not be current. This excludes the ratings of the collateral underlying 207 bonds with a

carrying value of \$325.3 million, which either have never been rated or for which rating information is no longer provided. We had two assets with a carrying value of \$24.1 million that were on negative watch for possible downgrade by at least one rating agency as of June 30, 2017.

- (D) The percentage of amortized cost basis of securities and residual interests that is subordinate to our investments. This excludes interest-only bonds.
- (E) The current amount of interest received on the underlying loans in excess of the interest paid on the securities, as a percentage of the outstanding collateral balance for the quarter ended June 30, 2017.
- (F) Excludes residual bonds, and certain other Non-Agency bonds, with a carrying value of \$161.9 million and \$0.0 million, respectively, for which no coupon payment is expected.
- (G) The weighted average loan size of the underlying collateral is \$178.6 thousand.
- (H) The ratio of original UPB of loans still outstanding.
- (I) Three month average constant prepayment rate and default rates.
- (J) The percentage of underlying loans that are 90+ days delinquent, or in foreclosure or considered REO.

The following table summarizes the net interest spread of our Non-Agency RMBS portfolio as of June 30, 2017:

Net Interest Spread^(A)

Weighted Average Asset Yield	5.83 %
Weighted Average Funding Cost	2.68 %
Net Interest Spread	3.15 %

- (A) The Non-Agency RMBS portfolio consists of 89.9% floating rate securities and 10.1% fixed rate securities (based on amortized cost basis).

Call Rights

We hold a limited right to cleanup call options with respect to certain securitization trusts serviced or master serviced by Nationstar whereby, when the UPB of the underlying residential mortgage loans falls below a pre-determined threshold, we can effectively purchase the underlying residential mortgage loans at par, plus unreimbursed Servicer Advances, resulting in the repayment of all of the outstanding securitization financing at par, in exchange for a fee of 0.75% of UPB paid to Nationstar at the time of exercise. We similarly hold a limited right to cleanup call options with respect to certain securitization trusts master serviced by SLS for no fee, and also with respect to certain securitization trusts serviced or master serviced by Ocwen subject to a fee of 0.5% of UPB on loans that are current or thirty (30) days or less delinquent, paid to Ocwen at the time of exercise. The aggregate UPB of the underlying residential mortgage loans within these various securitization trusts is approximately \$160.0 billion.

We continue to evaluate the call rights we acquired from each of our servicers, and our ability to exercise such rights and realize the benefits therefrom are subject to a number of risks. See “Risk Factors—Risks Related to Our Business—Our ability to exercise our cleanup call rights may be limited or delayed if a third party also possessing such cleanup call rights exercises such rights, if the related securitization trustee refuses to permit the exercise of such rights, or if a related party is subject to bankruptcy proceedings.” The actual UPB of the residential mortgage loans on which we can successfully exercise call rights and realize the benefits therefrom may differ materially from our initial assumptions.

We have exercised our call rights with respect to Non-Agency RMBS trusts and purchased performing and non-performing residential mortgage loans and REO contained in such trusts prior to their termination. In certain cases, we sold portions of the purchased loans through securitizations, and retained bonds issued by such securitizations. In addition, we received par on the securities issued by the called trusts which we owned prior to such trusts’ termination. Refer to Note 8 in our Condensed Consolidated Financial Statements for further details on these transactions.

Residential Mortgage Loans

As of June 30, 2017, we had approximately \$2.2 billion outstanding face amount of residential mortgage loans. These investments were financed with repurchase agreements with an aggregate face amount of approximately \$1,316.8 million and notes and bonds payable with an aggregate face amount of approximately \$146.7 million. We acquired these loans through open market purchases, as well as through the exercise of call rights.

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The following table presents the total residential mortgage loans outstanding by loan type at June 30, 2017 (dollars in thousands).

	Outstanding Face Amount	Carrying Value	Loan Count	Weighted Average Yield	Weighted Average Life (Years) ^(A)	Floating Rate Loans as a % of Face Amount	LTV Ratio ^(B)	Weighted Avg. Delinquency	Weighted Average FICO ^(D)
Reverse Mortgage Loans ^{(E) (F)}	\$—	\$—	—	— %	—	— %	— %	— %	N/A
Performing Loans ^(G)	589,962	527,098	8,294	8.0 %	5.5	18.8 %	84.3 %	8.4 %	652
Purchased Credit Deteriorated Loans ^(H)	319,239	230,323	2,572	5.5 %	3.3	14.7 %	87.2 %	86.9 %	597
Total Residential Mortgage Loans, held-for-investment	\$909,201	\$757,421	10,866	7.1 %	4.7	17.4 %	85.3 %	35.9 %	632
Reverse Mortgage Loans ^{(E) (F)}	\$20,481	\$10,709	59	6.8 %	4.6	15.7 %	137.0 %	76.1 %	N/A
Performing Loans ^{(G) (I)}	285,063	287,087	7,475	4.6 %	4.4	8.3 %	72.8 %	9.3 %	617
Non-Performing Loans ^{(H) (I)}	928,908	703,676	5,677	5.5 %	4.0	18.5 %	97.5 %	66.0 %	583
Total Residential Mortgage Loans, held-for-sale	\$1,234,452	\$1,001,472	13,211	5.3 %	4.1	16.1 %	92.5 %	53.1 %	591

(A) The weighted average life is based on the expected timing of the receipt of cash flows.

(B) LTV refers to the ratio comparing the loan's unpaid principal balance to the value of the collateral property.

(C) Represents the percentage of the total principal balance that is 60+ days delinquent.

(D) The weighted average FICO score is based on the weighted average of information updated and provided by the loan servicer on a monthly basis.

(E) Represents a 70% participation interest we hold in a portfolio of reverse mortgage loans. The average loan balance outstanding based on total UPB was \$0.5 million. Approximately 61% of these loans outstanding have reached a termination event. As a result of the termination event, each such loan has matured and the borrower can no longer make draws on these loans.

(F) FICO scores are not used in determining how much a borrower can access via a reverse mortgage loan.

(G) Performing loans are generally placed on nonaccrual status when principal or interest is 120 days or more past due.

(H) Includes loans with evidence of credit deterioration since origination where it is probable that we will not collect all contractually required principal and interest payments. As of June 30, 2017, we have placed all Non-Performing Loans, held-for-sale on nonaccrual status, except as described in (I) below.

(I) Includes \$37.9 million and \$76.5 million UPB of Ginnie Mae EBO performing and non-performing loans, respectively, on accrual status as contractual cash flows are guaranteed by the FHA.

We consider the delinquency status, loan-to-value ratios, and geographic area of residential mortgage loans as our credit quality indicators.

Other

Consumer Loans

On April 1, 2013, we completed, through newly formed limited liability companies (together, the “Consumer Loan Companies”), a co-investment in a portfolio of consumer loans. The portfolio included personal unsecured loans and personal homeowner loans originated through subsidiaries of HSBC Finance Corporation. We acquired 30% membership interests in each of the Consumer Loan Companies. Of the remaining 70% of the membership interests, OneMain, which is majority-owned by Fortress funds managed by our Manager, acquired 47% and funds managed by Blackstone Tactical Opportunities Advisors LLC acquired 23%. OneMain acted as the managing member of the Consumer Loan Companies. After a servicing transition period, OneMain became the servicer of the loans and provides all servicing and advancing functions for the portfolio. On October 3, 2014, the Consumer Loan Companies refinanced the portfolio with an asset-backed securitization, resulting in proceeds in excess of the refinanced debt which were distributed to the co-investors. This reduced our basis in the consumer loans investment to \$0.0 million and resulted in a gain. Subsequent to this refinancing, we discontinued recording our share of the underlying earnings of the Consumer Loan Companies.

On March 31, 2016, we entered into the SpringCastle Transaction. As a result, we own 53.5% of, and consolidate, the Consumer Loan Companies.

In 2016, we agreed to purchase newly originated consumer loans from a third party (“Consumer Loan Seller”). In the aggregate, as of December 31, 2016, we had purchased \$177.4 million UPB of loans for an aggregate purchase price of \$176.2 million from Consumer Loan Seller. These loans are not held in the Consumer Loan Companies and have been designated as performing consumer loans, held-for-investment.

The table below summarizes the collateral characteristics of the consumer loans as of June 30, 2017 (dollars in thousands):

UPB	Collateral Characteristics			Number of Loans	Weighted Average Original FICO Score ^(A)	Weighted Average Loan Coupon ^(A)	Adjustable Rate Loan ^(A)	Average Loan Age (months)	Average Expected Life (years)	Average Delinquency 30 Days ^(B)	Average Delinquency 60 Days ^(B)	Average Delinquency 90+ Days ^(B)	12-Month CRR ^(C)	12-Month CDR ^(D)
	Personal Unsecured Loans %	Personal Homeowner Loans %												
Consumer loans, held-for-investment	\$1,576,334	69.8%	30.2%	190,487	669	17.9%	10.4%	135	3.6	3.0%	1.6%	2.4%	16.7%	6.3%

(A) Weighted average original FICO score represents the FICO score at the time the loan was originated.

Delinquency 30 Days, Delinquency 60 Days and Delinquency 90+ Days represent the percentage of the total

(B) principal balance of the pool that corresponds to loans that are delinquent by 30-59 days, 60-89 days or 90 or more days, respectively.

(C) 12-Month CRR, or the voluntary prepayment rate, represents the annualized rate of the voluntary prepayments during the three months as a percentage of the total principal balance of the pool.

(D) 12-Month CDR, or the involuntary prepayment rate, represents the annualized rate of the involuntary prepayments (defaults) during the three months as a percentage of the total principal balance of the pool.

In February 2017, we completed a co-investment, through a newly formed entity, PF LoanCo Funding LLC (“LoanCo”), to purchase up to \$5.0 billion worth of newly originated consumer loans from Consumer Loan Seller over a two year term. We, along with three co-investors, each acquired 25% membership interests in LoanCo. For further information, see Note 9 to our Condensed Consolidated Financial Statements.

The following is a summary of LoanCo’s consumer loan investments:

	Unpaid Principal Balance	Interest in Consumer Loans	Carrying Value	Weighted Average Coupon	Weighted Average Expected Life (Years) ^(A)	Weighted Average Delinquency ^(B)
June 30, 2017 ^(C)	\$133,951	25.0 %	\$133,951	17.4 %	1.4	1.3 %

(A) Represents the weighted average expected timing of the receipt of expected cash flows for this investment.

Represents the percentage of the total unpaid principal balance that is 30+ days delinquent. Delinquency status is

(B) the primary credit quality indicator as it provides early warning of borrowers who may be experiencing financial difficulties.

(C) Data as of May 31, 2017 as a result of the one month reporting lag.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Management’s Discussion and Analysis of Financial Condition and Results of Operations is based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from these estimates. We believe that the estimates and assumptions utilized in the preparation of the Condensed Consolidated Financial Statements are prudent and reasonable. Actual results historically have generally been in line with our estimates and judgments used in applying each of the accounting policies described below, as modified periodically to reflect current market conditions.

Our critical accounting policies as of June 30, 2017, which represent our accounting policies that are most affected by judgments, estimates and assumptions, included all of the critical accounting policies referred to in our annual report on Form 10-K for the year ended December 31, 2016, except as described below.

Consolidation

In May 2017, we securitized a pool of reperforming residential mortgage loans through certain subsidiaries (the “RPL Borrowers” - see Note 9 to our Condensed Consolidated Financial Statements). As a result of controlling an optional redemption feature in the securitization, although the loans were legally sold, solely for accounting purposes we determined that substantially all of the risks and rewards inherent in owning the loans had not been transferred through the securitization, and that it would not be treated as a sale under GAAP. Furthermore, we have determined that the RPL Borrowers are VIEs and that we are their primary beneficiary, and consolidate them, as a result of controlling the optional redemption feature and owning certain notes issued by the RPL Borrowers.

We account for our investments in LoanCo and WarrantCo pursuant to the equity method of accounting because we can exercise significant influence over LoanCo and WarrantCo, but the requirements for consolidation are not met. Our share of earnings and losses in these equity method investees is included in “Earnings from investments in consumer loans, equity method investees” on the condensed consolidated statements of income. Equity method investments are included in “Investments in consumer loans, equity method investees” on the condensed consolidated balance sheets. LoanCo has elected to measure its investment in consumer loans at fair value and WarrantCo has elected to measure its investments in warrants at fair value.

Mortgage Servicing Rights Financing Receivable

As a result of the length of the initial term of the related subservicing agreement between NRM and PHH (Note 5 to our Condensed Consolidated Financial Statements), although the MSRMs were legally sold, solely for accounting purposes we determined that substantially all of the risks and rewards inherent in owning the MSRMs had not been transferred to NRM, and that the purchase agreement would not be treated as a sale under GAAP. Therefore, rather than recording an investment in MSRMs, we recorded an investment in mortgage servicing rights financing receivable. Income from this investment is recorded as interest income, and we have elected to measure the investment at fair value, with changes in fair value flowing through Change in fair value of investments in mortgage servicing rights financing receivable in the Condensed Consolidated Statements of Income.

Recent Accounting Pronouncements

See Note 1 to our Condensed Consolidated Financial Statements.

RESULTS OF OPERATIONS

The following table summarizes the changes in our results of operations for the three and six months ended June 30, 2017 compared to the three and six months ended June 30, 2016 (dollars in thousands). Our results of operations are not necessarily indicative of future performance.

	Three Months Ended June 30,		Increase (Decrease) Amount	Six Months Ended June 30,		Increase (Decrease) Amount
	2017	2016		2017	2016	
Interest income	\$471,952	\$277,477	\$194,475	\$764,490	\$467,513	\$296,977
Interest expense	115,157	100,685	14,472	213,386	181,913	31,473
Net Interest Income	356,795	176,792	180,003	551,104	285,600	265,504
Impairment						
Other-than-temporary impairment (OTTI) on securities	5,115	2,819	2,296	7,227	6,073	1,154
Valuation provision (reversal) on loans and real estate owned	20,771	16,825	3,946	38,681	23,570	15,111
	25,886	19,644	6,242	45,908	29,643	16,265
Net interest income after impairment	330,909	157,148	173,761	505,196	255,957	249,239
Servicing revenue, net	170,851	—	170,851	211,453	—	211,453
Other Income						
Change in fair value of investments in excess mortgage servicing rights	(19,180)	(15,263)	(3,917)	(18,359)	(7,337)	(11,022)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	4,246	(675)	4,921	4,002	2,347	1,655
Change in fair value of investments in mortgage servicing rights financing receivable	5,596	—	5,596	5,596	—	5,596
Change in fair value of investments in servicer advances	56,969	13,946	43,023	59,528	(17,278)	76,806
Gain on consumer loans investment	—	—	—	—	9,943	(9,943)
Gain on remeasurement of consumer loans investment	—	—	—	—	71,250	(71,250)
Gain (loss) on settlement of investments, net	13,371	(14,271)	27,642	(303)	(26,517)	26,214
Earnings from investments in consumer loans, equity method investees	5,880	—	5,880	5,880	—	5,880
Other income (loss), net	(9,035)	(3,460)	(5,575)	(2,191)	(20,209)	18,018
	57,847	(19,723)	77,570	54,153	12,199	41,954
Operating Expenses						
General and administrative expenses	16,042	7,224	8,818	27,869	19,305	8,564
Management fee to affiliate	14,186	10,008	4,178	27,260	20,016	7,244
Incentive compensation to affiliate	40,172	4,929	35,243	52,632	6,125	46,507
Loan servicing expense	13,002	14,119	(1,117)	26,378	15,850	10,528
Subservicing expense	55,958	—	55,958	73,662	—	73,662
	139,360	36,280	103,080	207,801	61,296	146,505
Income (Loss) Before Income Taxes	420,247	101,145	319,102	563,001	206,860	356,141

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Income tax expense (benefit)	82,844	7,518	75,326	88,440	(2,705)	91,145
Net Income (Loss)	\$337,403	\$93,627	\$243,776	\$474,561	\$209,565	\$264,996
Noncontrolling Interests in Income (Loss) of Consolidated Subsidiaries	\$15,671	\$24,975	\$(9,304)	\$31,451	\$29,177	\$2,274
Net Income (Loss) Attributable to Common Stockholders	\$321,732	\$68,652	\$253,080	\$443,110	\$180,388	\$262,722

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Interest Income

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Interest income increased by \$194.5 million, primarily attributable to an increase in interest income of (i) \$161.5 million from Servicer Advances, primarily due to a \$170.9 million increase from HLSS Servicer Advances driven by a retrospective adjustment resulting from a change in valuation assumptions on June 30, 2017, (ii) \$45.3 million from an increase in the size of the Real Estate Securities portfolio and accelerated accretion on Real Estate Securities owned in Non-Agency RMBS trusts that were terminated upon the execution of calls, (iii) \$11.4 million from an increase in the size of the Residential Mortgage Loans portfolio due to the acquisition of loans through execution of calls and a purchase from a third-party, and (iv) \$2.5 million from Mortgage Servicing Rights due to the PHH Transaction (Note 5 to our Condensed Consolidated Financial Statements). The increase was partially offset by (v) a \$15.1 million decrease from Excess MSR investments attributable to a step up in prepayment rates this quarter relative to the prior year, (vi) a \$10.6 million decrease from Consumer Loan investments primarily driven by lower UPB, and (vii) a \$0.5 million decrease in interest income related to recoveries from certain GNMA EBO servicer advances.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Interest income increased by \$297.0 million, primarily attributable to incremental interest income of (i) \$157.3 million from Servicer Advances, due to a \$171.5 million increase from HLSS Servicer Advances driven by a retrospective adjustment resulting from a change in valuation assumptions on June 30, 2017, (ii) \$93.2 million from an increase in the size of Real Estate Securities portfolio and accelerated accretion on Real Estate Securities owned in Non-Agency RMBS trusts that were terminated upon the execution of calls, (iii) \$61.8 million from Consumer Loans acquired as a result of the SpringCastle Transaction (Note 9 to our Condensed Consolidated Financial Statements) on March 31, 2016, (iv) \$9.9 million from the Residential Mortgage Loans portfolio due to the acquisition of loans through execution of calls, and (v) \$2.5 million from Mortgage Servicing Rights due to the PHH Transaction (Note 5 to our Condensed Consolidated Financial Statements). The increase was partially offset by (vi) a \$26.7 million decrease from Excess MSR investments attributable to a step up in prepayment rates relative to the prior year, and (vii) a \$1.0 million decrease in interest income related to recoveries from certain GNMA EBO servicer advances.

Interest Expense

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Interest expense increased by \$14.5 million primarily attributable to increases of (i) \$18.6 million of interest on repurchase agreements and financings on Real Estate Securities in which we made additional levered investments subsequent to June 30, 2016, (ii) \$10.6 million of interest expense on MSRs and related servicer advances financing obtained during the three months ended June 30, 2017, (iii) \$4.7 million on Residential Mortgage Loans due to an increase in the underlying principal balance of the portfolio and (iv) \$3.8 million on Excess MSRs due to an increase in LIBOR quarter over quarter. The increase was partially offset by (v) an \$18.1 million decrease in interest on financings related to Servicer Advances due to debt extinguishment and refinancing subsequent to June 30, 2016, and (vi) \$5.2 million on Consumer Loans due to a decrease in the levered portfolio.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Interest expense increased by \$31.5 million primarily attributable to increases of (i) \$32.0 million of interest on repurchase agreements and financings on Real Estate Securities in which we made additional levered investments subsequent to June 30, 2016, (ii) \$11.6 million of interest expense on MSRs and related servicer advances financing

obtained during the six months ended June 30, 2017, (iii) \$11.0 million on debt collateralized by Excess MSRs issued subsequent to June 30, 2016, (iv) \$9.3 million on the Consumer Loan segment including the securitization notes assumed as a result of the SpringCastle Transaction (Note 9 to our Condensed Consolidated Financial Statements) on March 31, 2016, and (v) \$4.9 million on Residential Mortgage Loans due to an increase in the underlying principal balance of the portfolio. The increase was partially offset by (vi) a \$37.3 million decrease in interest on financings related to Servicer Advances due to debt extinguishment and refinancing subsequent to June 30, 2016.

Other-Than-Temporary Impairment on Securities

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

The other-than-temporary impairment on securities increased by \$2.3 million during the three months ended June 30, 2017 compared to the three months ended June 30, 2016 primarily resulting from a decrease in fair values below their amortized cost basis on an increased number of our Non-Agency RMBS as of June 30, 2017.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

The other-than-temporary impairment on securities increased by \$1.2 million during the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily resulting from a decrease in fair values above their amortized cost basis on an increased number of our Non-Agency RMBS as of June 30, 2017.

Valuation Provision (Reversal) on Loans and Real Estate Owned

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

The \$3.9 million increase in the valuation and loss provision (reversal) on loans and real estate owned resulted from (i) a \$4.7 million increase in impairment on Residential Mortgage Loans and REO due primarily to impairment on certain non-performing loans with low performance partially offset by reversal of impairment on certain REOs with an increase in home prices, during the three months ended June 30, 2017, partially offset by (ii) a decrease of \$0.5 million in consumer loan provision expense, and (iii) a decrease of \$0.3 million of reserve related to certain GNMA EBO servicer advance receivables during the three months ended June 30, 2017.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

The \$15.1 million increase in the valuation and loss provision (reversal) on loans and real estate owned resulted from (i) consumer loan provision expense of \$19.5 million on loans acquired as a result of the SpringCastle Transaction (Note 9 to our Condensed Consolidated Financial Statements) on March 31, 2016 and certain newly originated consumer loans acquired subsequent to June 30, 2016. This increase was partially offset by (ii) a \$3.6 million decrease in impairment on Residential Mortgage Loans and REO due primarily to reversal of impairment on certain REOs with an increase in home prices, partially offset by impairment on certain non-performing loans with low performance, during the six months ended June 30, 2017 and (iii) a decrease of \$0.8 million of reserve related to certain GNMA EBO servicer advance receivables during the six months ended June 30, 2017.

Servicing Revenue, Net

The component of servicing revenue, net related to changes in valuation inputs and assumptions related to the following:

	Three Months Ended June 30, 2017		Increase (Decrease) Amount	Six Months Ended June 30, 2017		Increase (Decrease) Amount
Changes in interest rates and prepayment rates	\$(12,718)	\$ —	\$(12,718)	\$(19,826)	\$ —	\$(19,826)
Changes in discount rates	71,450	—	71,450	72,090	—	72,090
Changes in other factors	31,010	—	31,010	36,719	—	36,719
Total	\$89,742	\$ —	\$89,742	\$88,983	\$ —	\$88,983

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Servicing revenue, net increased \$170.9 million during the three months ended June 30, 2017 compared to the three months ended June 30, 2016 as a result of MSR acquisitions by our licensed servicer subsidiary, NRM, which closed subsequent to June 30, 2016 (Note 5 to our Condensed Consolidated Financial Statements). \$89.7 million of the increase was related to changes in valuation inputs and assumptions, which included an increase in the custodial earnings rate that caused the fair value of our MSRs to increase by approximately \$38.0 million.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Servicing revenue, net increased \$211.5 million during the six months ended June 30, 2017 compared to the six months ended June 30, 2016 as a result of MSR acquisitions by our licensed servicer subsidiary, NRM, which closed subsequent to June 30, 2016 (Note 5 to our Condensed Consolidated Financial Statements). The positive mark-to-market adjustment during the six months ended June 30, 2017 was primarily driven by a decrease in discount rates. \$89.0 million of the increase was related to changes in valuation inputs and assumptions, which included an increase in the custodial earnings rate that caused the fair value of our MSRs to increase by approximately \$38.0 million.

Change in Fair Value of Investments in Excess Mortgage Servicing Rights

Changes in the fair value of investments in Excess MSR related to the following:

	Three Months Ended		Increase (Decrease) Amount	Six Months Ended		Increase (Decrease) Amount
	June 30, 2017	2016		June 30, 2017	2016	
Changes in interest rates and prepayment rates	\$(22,330)	\$(11,454)	\$(10,876)	\$(20,198)	\$(6,463)	\$(13,735)
Changes in discount rates	—	—	—	—	—	—
Changes in other factors	3,150	(3,809)	6,959	1,839	(874)	2,713
Total	\$(19,180)	\$(15,263)	\$(3,917)	\$(18,359)	\$(7,337)	\$(11,022)

Change in Fair Value of Investments in Excess Mortgage Servicing Rights, Equity Method Investees

Changes in the fair value of investments in Excess MSRs, equity method investees related to the following:

	Three Months Ended		Increase (Decrease) Amount	Six Months Ended		Increase (Decrease) Amount
	June 30, 2017	2016		June 30, 2017	2016	
Changes in interest rates and prepayment rates	\$1,481	\$(4,003)	\$ 5,484	\$140	\$(4,968)	\$ 5,108
Changes in discount rates	—	—	—	—	—	—
Changes in other factors	2,765	3,328	(563)	3,862	7,315	(3,453)
Total	\$4,246	\$(675)	\$ 4,921	\$4,002	\$2,347	\$ 1,655

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

The positive mark-to-market adjustments during the three months ended June 30, 2017 were mainly driven by a decrease in prepayment speed projections. Mark-to-market adjustments on equity method investees are also impacted by interest income net of expenses recorded at the investee level and other market factors, which totaled \$2.8 million during the three months ended June 30, 2017, compared to \$3.3 million during the three months ended June 30, 2016.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

The positive mark-to-market adjustments during the six months ended June 30, 2017 were mainly driven by a decrease in prepayment speed projections. Mark-to-market adjustments on equity method investees are also impacted by interest income net of expenses recorded at the investee level and other market factors, which totaled \$3.9 million during the six months ended June 30, 2017, compared to \$7.3 million during the six months ended June 30, 2016.

Change in Fair Value of Investments in Mortgage Servicing Rights Financing Receivable

The component of changes in the fair value of investments in mortgage servicing rights financing receivable related to changes in valuation inputs and assumptions related to the following:

	Three Months Ended		Increase (Decrease) Amount	Six Months Ended		Increase (Decrease) Amount
	June 30, 2017	2016		June 30, 2017	2016	
Changes in interest rates and prepayment rates	\$(3,528)	\$ —	\$(3,528)	\$(3,528)	\$ —	\$(3,528)
Changes in discount rates	9,303	—	9,303	9,303	—	9,303
Changes in other factors	948	—	948	948	—	948
Total	\$6,723	\$ —	\$ 6,723	\$6,723	\$ —	\$ 6,723

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

The change in fair value of investments in mortgage servicing rights financing receivable of \$5.6 million during the three months ended June 30, 2017 is due to the acquisition of mortgage servicing rights financing receivable as a result of the PHH Transaction (Note 5 to our Condensed Consolidated Financial Statements), which are measured at fair value on a recurring basis. \$6.7 million of the increase was related to changes in valuation inputs and assumptions.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

The change in fair value of investments in mortgage servicing rights financing receivable of \$5.6 million during the six months ended June 30, 2017 is due to the acquisition of mortgage servicing rights financing receivable as a result of the PHH Transaction (Note 5 to our Condensed Consolidated Financial Statements), which are measured at fair value on a recurring basis. \$6.7 million of the increase was related to changes in valuation inputs and assumptions.

Change in Fair Value of Investments in Servicer Advances

Changes in the fair value of investments in Servicer Advances related to the following:

	Three Months Ended June 30,		Increase (Decrease) Amount	Six Months Ended June 30,		Increase (Decrease) Amount
	2017	2016		2017	2016	
Changes in interest rates and prepayment rates	\$(5,487)	\$(23,432)	\$ 17,945	\$(3,503)	\$(82,804)	\$ 79,301
Changes in discount rates	(154,803)	36,850	(191,653)	(154,803)	59,708	(214,511)
Changes in other factors	217,259	528	216,731	217,834	5,818	212,016
Total	\$56,969	\$13,946	\$ 43,023	\$59,528	\$(17,278)	\$ 76,806

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

The positive mark-to-market adjustments during the three months ended June 30, 2017 were mainly driven by a change in valuation assumptions related to the HLSS portfolio. Primarily, we reduced our assumption related to the cost of subservicing in periods subsequent to the expiration of the related contract to reflect the current characteristics of, and market for, this investment. This change in assumption resulted in a positive mark-to-market adjustment of \$193.8 million. An increase in the custodial interest earnings rate and a decrease in the near-term estimated advance-to-UPB ratio related to the HLSS portfolio further increased the fair value of investments in Servicer Advances. The increase was partially offset by a negative mark-to-market adjustment of \$154.8 million driven by a discount rate change related to the HLSS portfolio.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

The positive mark-to-market adjustments during the six months ended June 30, 2017 were mainly driven by a change in valuation assumptions related to the HLSS portfolio. Primarily, we reduced our assumption related to the cost of subservicing in periods subsequent to the expiration of the related contract to reflect the current characteristics of, and market for, this investment. This change in assumption resulted in a positive mark-to-market adjustment of \$193.8 million. An increase in the custodial interest earnings rate and a decrease in the near-term estimated advance-to-UPB ratio related to the HLSS portfolio further increased the fair value of investments in Servicer Advances. The increase was partially offset by a negative mark-to-market adjustment of \$154.8 million driven by a discount rate change related to the HLSS portfolio.

Gain on Consumer Loans Investment

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Gain on consumer loans investment was a result of the SpringCastle Transaction (Note 9 to our Condensed Consolidated Financial Statements) on March 31, 2016, triggering a change in accounting to income recognition based on the consolidated assets and liabilities rather than recognition of income based on the distributions in excess of basis for prior periods.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Gain on consumer loans investment decreased by \$9.9 million as a result of the SpringCastle Transaction (Note 9 to our Condensed Consolidated Financial Statements) on March 31, 2016, triggering a change in accounting to income recognition based on the consolidated assets and liabilities rather than recognition of income based on the distributions in excess of basis for prior periods.

Gain on Remeasurement of Consumer Loans Investment

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Gain on remeasurement of consumer loans investment represents the remeasurement of New Residential's previously held equity method investment in the Consumer Loan Companies as a result of obtaining a controlling financial interest through the SpringCastle Transaction (Note 9 to our Condensed Consolidated Financial Statements).

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Gain on remeasurement of consumer loans investment of \$71.3 million during the six months ended June 30, 2016 represents the remeasurement of New Residential's previously held equity method investment in the Consumer Loan Companies as a result of obtaining a controlling financial interest through the SpringCastle Transaction (Note 9 to our Condensed Consolidated Financial Statements).

Gain (Loss) on Settlement of Investments, Net

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Gain (loss) on settlement of investments increased by \$27.6 million, primarily related to (i) increased gain on sale of real estate securities of \$21.6 million, (ii) increased gain on sale of residential mortgage loans of \$28.0 million, and (iii) decreased in loss on extinguishment of debt of \$0.5 million, partially offset by (iv) \$13.3 million increase in loss on settlement of derivatives, (v) \$5.5 million change in gain on sale of REO to loss on sale of REO, and (vi) \$3.6 million increase in loss on liquidated residential mortgage loans, during the three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Gain (loss) on settlement of investments increased by \$26.2 million, primarily related to (i) increased gain on sale of real estate securities of \$6.5 million, (ii) increased gain on sale of residential mortgage loans of \$28.3 million, and (iii) \$5.2 million decrease in loss on settlement of derivatives, partially offset by (iv) \$8.3 million change in gain on sale of REO to loss on sale of REO, and (v) \$5.6 million increase in loss on liquidated residential mortgage loans, during the six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Earnings from Investments in Consumer Loans, Equity Method Investees

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Earnings from investments in Consumer Loans, Equity Method Investees of \$5.9 million during the three months ended June 30, 2017 represents earnings generated by our 25% member interest in LoanCo (Note 9 to our Condensed Consolidated Financial Statements).

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Earnings from investments in Consumer Loans, Equity Method Investees of \$5.9 million during the six months ended June 30, 2017 represents earnings generated by our 25% member interest in LoanCo (Note 9 to our Condensed Consolidated Financial Statements).

Other Income (Loss), Net

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Other income (loss), net decreased by \$5.6 million, primarily attributable to (i) a \$2.8 million decrease in gain on transfer of loans to REO, (ii) \$4.5 million decrease in Ocwen downgrade reimbursement income, and (iii) \$1.7 million increase in REO expense

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and Servicer Advance expenses, partially offset by (iv) \$3.6 million decrease in loss on derivative instruments, (v) \$0.6 million decrease in unrealized loss on other ABS, during the three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Other income (loss), net increased by \$18.0 million, primarily attributable to (i) a \$32.5 million decrease in loss on derivative instruments, (ii) \$1.1 million change from unrealized losses to unrealized gains on other ABS, (iii) an increased gain on transfer of loans to REO of \$1.3 million, partially offset by (iv) \$10.4 million decrease in Ocwen downgrade reimbursement income, (v) \$5.7 million increase in REO expense and Servicer Advance expenses, (vi) \$0.6 million decrease in gain on transfer of loans to other assets and gain on Excess MSR recapture agreements, during the six months ended June 30, 2017 compared to the six months ended June 30, 2016.

General and Administrative Expenses

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

General and administrative expenses increased by \$8.8 million primarily attributable to (i) a \$3.3 million increase in securitization fees, (ii) a \$0.6 million increase in custodian expense, (iii) a \$0.5 million increase in professional fees related to servicing compliance, (iv) a \$2.4 million of deal related expense, and (v) a \$1.7 million increase in other general and administrative expenses related to newly acquired Residential Mortgage Loans during the three months ended June 30, 2017.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

General and administrative expenses increased by \$8.6 million primarily attributable to (i) a \$4.6 million increase in securitization fees, (ii) a \$0.7 million increase in custodian expense, (iii) a \$1.2 million increase in professional fees related to servicing compliance, (iv) a \$3.3 million increase in other general and administrative expenses related to newly acquired Residential Mortgage Loans, partially offset by (v) a \$2.0 million decrease in deal expense during the six months ended June 30, 2017.

Management Fee to Affiliate

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Management fee to affiliate increased by \$4.2 million as a result of increases to our gross equity subsequent to June 30, 2016.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Management fee to affiliate increased by \$7.2 million as a result of increases to our gross equity subsequent to June 30, 2016.

Incentive Compensation to Affiliate

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Incentive compensation to affiliate increased by \$35.2 million due to an increase in our incentive compensation earnings measure resulting from the changes in the income and expense items described above, excluding any unrealized gains or losses from mark-to-market valuation changes on investments and debt, during the three months

ended June 30, 2017 compared to the three months ended June 30, 2016.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Incentive compensation to affiliate increased by \$46.5 million due to an increase in our incentive compensation earnings measure resulting from the changes in the income and expense items described above, excluding any unrealized gains or losses from mark-to-market valuation changes on investments and debt, during the six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Loan Servicing Expense

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Loan servicing expense decreased by \$1.1 million due to (i) a \$0.5 million decrease in loan servicing expense on Consumer Loans, held for investment, (ii) a \$0.5 million decrease in servicing expense on the Residential Mortgage Loans, and (iii) a \$0.1 million decrease in servicing expense on Real Estate Securities.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Loan servicing expense increased by \$10.5 million due to (i) a \$10.6 million increase of loan servicing expense on Consumer Loans, held for investment as a result of the SpringCastle Transaction (Note 9 to our Condensed Consolidated Financial Statements) on March 31, 2016, and (ii) a \$0.1 million increase in servicing expense on the Residential Mortgage Loans, partially offset by (iii) a \$0.2 million decrease in servicing expense on Real Estate Securities.

Subservicing Expense

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Subservicing expense increased \$56.0 million during the three months ended June 30, 2017 compared to the three months ended June 30, 2016 as a result of transactions that closed subsequent to June 30, 2016 within our licensed servicer subsidiary, NRM (Note 5 to our Condensed Consolidated Financial Statements).

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Subservicing expense increased \$73.7 million during the six months ended June 30, 2017 compared to the six months ended June 30, 2016 as a result of transactions that closed subsequent to June 30, 2016 within our licensed servicer subsidiary, NRM (Note 5 to our Condensed Consolidated Financial Statements).

Income Tax Expense (Benefit)

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Income tax expense (benefit) increased by \$75.3 million primarily due to the increase in the net deferred tax expense resulting from changes in assumptions impacting interest income and mark-to-market on investments in Servicer Advances and other book to tax differences.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Income tax expense (benefit) increased by \$91.1 million primarily due to the increase in the net deferred tax expense resulting from changes in assumptions impacting interest income and mark-to-market on investments in Servicer Advances and other book to tax differences.

Noncontrolling Interests in Income (Loss) of Consolidated Subsidiaries

Three months ended June 30, 2017 compared to the three months ended June 30, 2016.

Noncontrolling interests in income of consolidated subsidiaries decreased by \$9.3 million primarily due to (i) a \$7.0 million decrease in other's interest in the net income of the Buyer as a result of a net decrease in interest income earned on the Buyer's levered assets and in the change in fair value of the Buyer's assets, during the three months ended June 30, 2017 and (ii) a \$2.3 million decrease in other's interest in the net income of the Consumer Loan Companies as a result of a decrease in UPB and interest income generated, during the three months ended June 30, 2017.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Noncontrolling interests in income of consolidated subsidiaries increased by \$2.3 million primarily due to (i) a \$7.7 million increase from the consolidation of the Consumer Loan Companies as part of the SpringCastle Transaction on March 31, 2016 (Note 9 to our Condensed Consolidated Financial Statements), which are 46.5% owned by third parties, partially offset by (ii) a \$5.4 million decrease in other's interest in the net income of the Buyer as a result of a net decrease in interest income earned on the Buyer's levered assets and in the change in fair value of the Buyer's assets, during the six months ended June 30, 2017.

Other Comprehensive Income. See “—Accumulated Other Comprehensive Income (Loss)” below.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, and other general business needs. Additionally, to maintain our status as a REIT under the Internal Revenue Code, we must distribute annually at least 90% of our REIT taxable income. We note that a portion of this requirement may be able to be met in future years through stock dividends, rather than cash, subject to limitations based on the value of our stock.

Our primary sources of funds for liquidity generally consist of cash provided by operating activities (primarily income from our investments in Excess MSR, MSR, Servicer Advances, RMBS and loans), sales of and repayments from our investments, potential debt financing sources, including securitizations, and the issuance of equity securities, when feasible and appropriate. Our ability to utilize funds generated by the MSR held in our licensed servicer subsidiary, NRM, is subject to regulatory requirements regarding NRM's liquidity. As of June 30, 2017, approximately \$443.8 million of our cash and cash equivalents was held at NRM, of which \$361.5 million was in excess of regulatory liquidity requirements and available for deployment. Our primary uses of funds are the payment of interest, management fees, incentive compensation, outstanding commitments (including margins) and other operating expenses, and the repayment of borrowings and hedge obligations, as well as dividends. Although we have other sources of liquidity, such as sales of and repayments from our investments, potential debt financing sources and the issuance of equity securities, there can be no assurance that we will generate sufficient cash or achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions in the future. We have also committed to purchase certain future Servicer Advances. Currently, we expect that net recoveries of Servicer Advances will exceed net fundings for the foreseeable future. However, in the event of a significant economic downturn, net fundings could exceed net recoveries, which could have a materially adverse impact on our liquidity and could also result in additional expenses, primarily interest expense on any related financings of incremental advances.

Currently, our primary sources of financing are notes and bonds payable and repurchase agreements, although we have in the past and may in the future also pursue one or more other sources of financing such as securitizations and other secured and unsecured forms of borrowing. As of June 30, 2017, we had outstanding repurchase agreements with an aggregate face amount of approximately \$8.3 billion to finance our investments. The financing of our entire RMBS portfolio, which generally has 30 to 90 day terms, is subject to margin calls. Under repurchase agreements, we sell a security to a counterparty and concurrently agree to repurchase the same security at a later date for a higher specified price. The sale price represents financing proceeds and the difference between the sale and repurchase prices represents interest on the financing. The price at which the security is sold generally represents the market value of the security less a discount or "haircut," which can range broadly, for example from 3% - 5% for Agency RMBS, 10% - 60% for Non-Agency RMBS, and 3% - 50% for residential mortgage loans. During the term of the repurchase agreement, the counterparty holds the security as collateral. If the agreement is subject to margin calls, the counterparty monitors and calculates what it estimates to be the value of the collateral during the term of the agreement. If this value declines by more than a de minimis threshold, the counterparty could require us to post additional collateral (or "margin") in order to maintain the initial haircut on the collateral. This margin is typically required to be posted in the form of cash and cash equivalents. Furthermore, we may, from time to time, be a party to derivative agreements or financing arrangements that may be subject to margin calls based on the value of such instruments. In addition, \$285.1 million face amount of our Excess MSR financing is subject to "collateral coverage trigger events," which are essentially similar to a margin requirement (except that they result in an actual paydown of the financing) to the extent that the UPB of the financing exceeds 90% of the market value of the related collateral. We seek to maintain adequate cash reserves and other sources of available liquidity to meet any margin calls or related requirements resulting from decreases in value related to a reasonably possible (in our opinion) change in interest rates.

Our ability to obtain borrowings and to raise future equity capital is dependent on our ability to access borrowings and the capital markets on attractive terms. We continually monitor market conditions for financing opportunities and at any given time may be entering or pursuing one or more of the transactions described above. Our Manager's senior management team has extensive long-term relationships with investment banks, brokerage firms and commercial banks, which we believe will enhance our ability to source and finance asset acquisitions on attractive terms and access borrowings and the capital markets at attractive levels.

With respect to the next 12 months, we expect that our cash on hand, combined with our cash flow provided by operations and our ability to roll our repurchase agreements and Servicer Advance financings, will be sufficient to satisfy our anticipated liquidity needs with respect to our current investment portfolio, including related financings, potential margin calls and operating expenses. Our ability to roll over short-term borrowings is critical to our liquidity outlook. While it is inherently more difficult to forecast beyond the next 12 months, we currently expect to meet our long-term liquidity requirements through our cash on hand and, if needed, additional borrowings, proceeds received from repurchase agreements and other financings, proceeds from equity offerings and the liquidation or refinancing of our assets.

These short-term and long-term expectations are forward-looking and subject to a number of uncertainties and assumptions, including those described under “—Market Considerations” as well as “Risk Factors.” If our assumptions about our liquidity prove to be incorrect, we could be subject to a shortfall in liquidity in the future, and such a shortfall may occur rapidly and with little or no notice, which could limit our ability to address the shortfall on a timely basis and could have a material adverse effect on our business.

Our cash flow provided by operations differs from our net income due to these primary factors: (i) the difference between (a) accretion and amortization and unrealized gains and losses recorded with respect to our investments and (b) cash received therefrom, (ii) unrealized gains and losses on our derivatives, and recorded impairments, if any, (iii) deferred taxes, and (iv) principal cash flows related to held-for-sale loans, which are characterized as operating cash flows under GAAP.

In addition to the information referenced above, the following factors could affect our liquidity, access to capital resources and our capital obligations. As such, if their outcomes do not fall within our expectations, changes in these factors could negatively affect our liquidity.

Access to Financing from Counterparties – Decisions by investors, counterparties and lenders to enter into transactions with us will depend upon a number of factors, such as our historical and projected financial performance, compliance with the terms of our current credit arrangements, industry and market trends, the availability of capital and our investors’, counterparties’ and lenders’ policies and rates applicable thereto, and the relative attractiveness of alternative investment or lending opportunities. Our business strategy is dependent upon our ability to finance certain of our investments at rates that provide a positive net spread.

Impact of Expected Repayment or Forecasted Sale on Cash Flows – The timing of and proceeds from the repayment or sale of certain investments may be different than expected or may not occur as expected. Proceeds from sales of assets are unpredictable and may vary materially from their estimated fair value and their carrying value. Further, the availability of investments that provide similar returns to those repaid or sold investments is unpredictable and returns on new investments may vary materially from those on existing investments.

Debt Obligations

The following table presents certain information regarding our debt obligations (dollars in thousands):

June 30, 2017

Debt Obligations/Collateral	Outstanding Face Amount	Carrying Value ^(A)	Final Stated Maturity ^(B)	Weighted Average		Collateral		Carrying Value	Weighted Average Life (Years)
				Funding Cost	Average Life (Years)	Outstanding Face	Amortized Cost Basis		
Repurchase Agreements ^(C)									
Agency RMBS ^(D)	\$2,720,413	\$2,720,413	Jul-17 to Aug-17	1.14 %	0.1	\$2,727,477	\$2,805,774	\$2,808,860	0.3
Non-Agency RMBS ^(E)	4,226,691	4,226,691	Jul-17 to Sep-17	2.68 %	0.1	10,947,964	5,069,675	5,382,793	8.0
Residential Mortgage Loans ^(F)	1,213,786	1,211,460	Jul-17 to Feb-19	3.88 %	0.5	1,811,738	1,581,267	1,563,004	3.8
Real Estate Owned ^{(G)(H)}	103,031	102,834	Jul-17 to Feb-19	3.88 %	0.4	N/A	N/A	137,402	N/A
Total Repurchase Agreements	8,263,921	8,261,398		2.36 %	0.2				

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Notes and Bonds

Payable

Secured Corporate Notes ^(I)	768,443	764,601	Apr-18 to Sep-19	5.69%	1.8	275,957,786	1,195,335	1,339,563	6.1
MSRs ^(J)	924,214	923,336	Feb-18 to Apr-22	5.23%	2.9	191,111,797	1,647,679	1,836,451	6.8
Servicer Advances ^(K)	4,528,323	4,519,048	Nov-17 to Dec-21	3.28%	2.3	4,562,746	4,905,989	4,984,475	5.0
Residential Mortgage Loans ^(L)	144,562	144,562	Oct-17 to Apr-20	3.60%	2.7	237,605	186,261	186,261	7.5
Consumer Loans ^(M)	1,437,834	1,434,057	Sep-19 to Mar-24	3.37%	3.0	1,576,163	1,574,459	1,569,217	3.6
Receivable from government agency ^(L)	2,178	2,178	Oct-17	3.74%	0.3	N/A	N/A	2,815	N/A
Total Notes and Bonds Payable	7,805,554	7,787,782		3.77%	2.5				
Total/ Weighted Average	\$16,069,475	\$16,049,180		3.05%	1.3				

(A) Net of deferred financing costs.

- (B) All debt obligations with a stated maturity of July 2017 were refinanced, extended or repaid.
- (C) These repurchase agreements had approximately \$17.6 million of associated accrued interest payable as of June 30, 2017.
- (D) All of the Agency RMBS repurchase agreements have a fixed rate. Collateral amounts include approximately \$2.7 billion of related trade and other receivables.
- (E) All of the Non-Agency RMBS repurchase agreements have LIBOR-based floating interest rates. This includes repurchase agreements of \$159.9 million on retained servicer advance and consumer loan bonds.
- (F) All of these repurchase agreements have LIBOR-based floating interest rates.
- (G) All of these repurchase agreements have LIBOR-based floating interest rates.
- (H) Includes financing collateralized by receivables including claims from FHA on Ginnie Mae EBO loans for which foreclosure has been completed and for which we have made or intend to make a claim on the FHA guarantee. Includes \$213.3 million of corporate loans which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 4.75%, \$270.0 million of corporate loans which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 4.25%, and a \$285.1 million corporate loan which bears interest equal to 5.68%. The outstanding face amount of the collateral represents the UPB of our residential mortgage loans underlying our Excess MSR that secure these notes, and the \$285.1 million corporate loan is also collateralized by the rights to the related basic fee portion of the MSRs.
- (I) Includes \$290.0 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 4.25%, \$60.0 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 3.75%, \$74.0 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 3.65%, and
- (J) \$500.2 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 4.00%. The outstanding face amount of the collateral represents the UPB of our residential mortgage loans underlying our MSRs and mortgage servicing rights financing receivable that secure these notes.
- \$4.1 billion face amount of the notes have a fixed rate while the remaining notes bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR or a cost of funds rate, as applicable, and (ii) a margin ranging from 1.9% to 2.4%. Collateral includes Servicer Advances receivable related to the mortgage servicing rights owned by NRM.
- (K)
- (L) Represents: (i) a \$8.7 million note payable to Nationstar that bears interest equal to one-month LIBOR plus 2.875% and (ii) \$138.1 million of asset-backed notes held by third parties which bear interest equal to 3.60%. Includes the SpringCastle debt, which is comprised of the following classes of asset-backed notes held by third parties: \$1.1 billion UPB of Class A notes with a coupon of 3.05% and a stated maturity date in November 2023; \$210.8 million UPB of Class B notes with a coupon of 4.10% and a stated maturity date in March 2024; \$18.3 million UPB of Class C-1 notes with a coupon of 5.63% and a stated maturity date in March 2024; \$18.3 million UPB of Class C-2 notes with a coupon of 5.63% and a stated maturity date in March 2024. Also includes a \$96.4 million face amount note collateralized by newly originated consumer loans which bears interest equal to one-month LIBOR plus 3.25%.
- (M)

Certain of the debt obligations included above are obligations of our consolidated subsidiaries, which own the related collateral. In some cases, including the Servicer Advances and Consumer Loans Notes and Bonds Payable, such collateral is not available to other creditors of ours.

We have margin exposure on \$8.3 billion of repurchase agreements. To the extent that the value of the collateral underlying these repurchase agreements declines, we may be required to post margin, which could significantly impact our liquidity.

The following table provides additional information regarding our short-term borrowings (dollars in thousands):

	Six Months Ended June 30, 2017				Weighted Average Daily Interest Rate
	Outstanding Balance at June 30, 2017	Average Daily Amount Outstanding ^(A)	Maximum Amount Outstanding ^(A)	Maximum Amount Outstanding ^(A)	
Repurchase Agreements					
Agency RMBS	\$2,720,413	\$2,220,195	\$2,727,309	0.99	%
Non-Agency RMBS	4,226,691	3,287,609	4,226,691	2.54	%
Residential Mortgage Loans	1,077,934	903,331	1,698,723	3.56	%
Real Estate Owned	87,955	87,677	163,264	3.52	%
Notes and Bonds Payable					
Secured Corporate Notes	213,332	219,018	220,000	5.51	%
MSRs	424,027	346,656	424,027	5.13	%
Servicer Advances	454,335	298,777	646,067	2.89	%
Residential Mortgage Loans	6,505	8,605	8,819	3.74	%
Real Estate Owned	2,178	2,791	3,136	3.74	%
Total/Weighted Average	\$9,213,370	\$7,374,659		2.42	%

(A) Represents the average for the period the debt was outstanding.

	Average Daily Amount Outstanding ^(A)			
	Three Months Ended September 30, 2016	Three Months Ended December 31, 2016	Three Months Ended March 31, 2017	Three Months Ended June 30, 2017
Repurchase Agreements				
Agency RMBS	\$1,636,200	\$1,530,739	1,905,559	2,531,373
Non-Agency RMBS	2,259,505	2,653,867	2,891,179	3,713,734
Residential Mortgage Loans	692,282	578,532	785,283	1,020,082
Real Estate Owned	102,896	60,494	92,169	83,235
Consumer Loans	22,153	30,565	—	—

(A) Represents the average for the period the debt was outstanding.

For additional information on our debt activities, see Note 11 to our Condensed Consolidated Financial Statements.

Maturities

Our debt obligations as of June 30, 2017, as summarized in Note 11 to our Condensed Consolidated Financial Statements, had contractual maturities as follows (in thousands):

Year	Nonrecourse ^(A)	Recourse ^(B)	Total
July 1 through December 31, 2017	\$ 363,064	\$8,121,690	\$8,484,754
2018	942,742	782,556	1,725,298
2019	1,805,186	560,828	2,366,014
2020	514,303	—	514,303
2021	1,137,454	—	1,137,454

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2022 and thereafter	1,341,465	500,187	1,841,652
	\$ 6,104,214	\$ 9,965,261	\$ 16,069,475

(A) Includes repurchase agreements and notes and bonds payable of \$0.0 million and \$6,104.0 million, respectively.

(B) Includes repurchase agreements and notes and bonds payable of \$8,264.0 million and \$1,701.0 million, respectively.

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The weighted average differences between the fair value of the assets and the face amount of available financing for the Agency RMBS repurchase agreements (including amounts related to Trades Receivable) and Non-Agency RMBS repurchase agreements were 3.1% and 21.5%, respectively, and for Residential Mortgage Loans and Real Estate Owned were 22.3% and 25.0%, respectively, during the six months ended June 30, 2017.

Borrowing Capacity

The following table represents our borrowing capacity as of June 30, 2017 (in thousands):

Debt Obligations/ Collateral	Collateral Type	Borrowing Capacity	Balance Outstanding	Available Financing
Repurchase Agreements				
Residential Mortgage Loans	Residential Mortgage Loans and REO	\$2,340,000	\$ 1,316,817	\$ 1,023,183
Notes and Bonds Payable				
Secured Corporate Loans	Excess MSR	525,000	483,332	41,668
MSRs	MSRs	700,000	424,027	275,973
Servicer Advances ^(A)	Servicer Advances	2,867,161	1,921,827	945,334
Consumer Loans	Consumer Loans	150,000	96,368	53,632
		\$6,582,161	\$ 4,242,371	\$2,339,790

Our unused borrowing capacity is available to us if we have additional eligible collateral to pledge and meet other borrowing conditions as set forth in the applicable agreements, including any applicable advance rate. We pay a 0.1% fee on the unused borrowing capacity. Excludes borrowing capacity and outstanding debt for retained Non-Agency bonds with a current face amount of \$93.5 million.

Covenants

Certain of the debt obligations are subject to customary loan covenants and event of default provisions, including event of default provisions triggered by certain specified declines in our equity or failure to maintain a specified tangible net worth, liquidity, or indebtedness to tangible net worth ratio. We were in compliance with all of our debt covenants as of June 30, 2017.

Stockholders' Equity

Common Stock

Approximately 2.4 million shares of our common stock were held by Fortress, through its affiliates, and its principals as of June 30, 2017.

As of June 30, 2017, our outstanding options had a weighted average exercise price of \$14.74. Our outstanding options as of June 30, 2017 are summarized as follows:

Held by the Manager	16,128,730
Issued to the Manager and subsequently transferred to certain of the Manager's employees	2,367,458
Issued to the independent directors	6,000
Total	18,502,188

In February 2017, New Residential issued 56.5 million shares of its common stock in a public offering at a price to the public of \$15.00 per share for net proceeds of approximately \$834.5 million. One of New Residential's executive officers participated in this offering and purchased 18,600 shares at the public offering price. To compensate the Manager for its successful efforts in raising capital for New Residential, in connection with this offering, New Residential granted options to the Manager relating to 5.7 million shares of New Residential's common stock at the public offering price, which had a fair value of approximately \$8.1 million as of the grant date. The assumptions used in valuing the options were: a 2.38% risk-free rate, a 10.82% dividend yield, 28.64% volatility and a 10-year term.

Accumulated Other Comprehensive Income (Loss)

During the six months ended June 30, 2017, our accumulated other comprehensive income (loss) changed due to the following factors (in thousands):

	Total Accumulated Other Comprehensive Income
Accumulated other comprehensive income, December 31, 2016	\$ 126,363
Net unrealized gain (loss) on securities	201,960
Reclassification of net realized (gain) loss on securities into earnings	(15,023)
Accumulated other comprehensive income (loss), June 30, 2017	\$ 313,300

Our GAAP equity changes as our real estate securities portfolio is marked to market each quarter, among other factors. The primary causes of mark to market changes are changes in interest rates and credit spreads. During the six months ended June 30, 2017, we recorded unrealized gains on our real estate securities primarily caused by performance, liquidity and other factors related specifically to certain investments, coupled with a net tightening of credit spreads. We recorded OTTI charges of \$7.2 million with respect to real estate securities and realized gains of \$22.2 million on sales of real estate securities.

See “—Market Considerations” above for a further discussion of recent trends and events affecting our unrealized gains and losses, as well as our liquidity.

Common Dividends

We are organized and intend to conduct our operations to qualify as a REIT for U.S. federal income tax purposes. We intend to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its taxable income. We intend to make regular quarterly distributions of our taxable income to holders of our common stock out of assets legally available for this purpose, if and to the extent authorized by our board of directors. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our repurchase agreements and other debt payable. If our cash available for distribution is less than our taxable income, we could be required to sell assets or raise capital to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

We make distributions based on a number of factors, including an estimate of taxable earnings per common share. Dividends distributed and taxable and GAAP earnings will typically differ due to items such as fair value adjustments, differences in premium amortization and discount accretion, other differences in method of accounting, non-deductible general and administrative expenses, taxable income arising from certain modifications of debt instruments and investments held in TRSs. Our quarterly dividend per share may be substantially different than our quarterly taxable earnings and GAAP earnings per share.

Common Dividends Declared for the Period Ended	Paid/Payable	Amount Per Share
December 31, 2016	January 2017	\$ 0.46
March 31, 2017	April 2017	\$ 0.48
June 30, 2017	July 2017	\$ 0.50

Cash Flow

Operating Activities

Net cash flows provided by operating activities decreased approximately \$685.1 million for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. Operating cash flows for the six months ended June 30, 2017 primarily consisted of proceeds from sales and principal repayments of purchased residential mortgage loans, held-for-sale of \$2.6 billion, servicing fees received of \$153.7 million, collections on receivables and other assets of \$26.6 million, net interest income received of \$286.3 million, and distributions of earnings from equity method investees of \$8.7 million. Operating cash outflows primarily consisted of purchases of residential mortgage loans, held-for-sale of \$3.2 billion, incentive compensation and management fees

paid to the Manager of \$63.7 million, net funding on servicing advance receivables of \$7.8 million, taxes paid of \$4.8 million and other outflows of approximately \$108.8 million that primarily consisted of general and administrative costs and subservicing fees.

Investing Activities

Cash flows used in investing activities were \$2.8 billion for the six months ended June 30, 2017. Investing activities consisted primarily of the acquisition of Servicer Advances, MSR, Excess MSR, real estate securities, and loans, net of principal repayments from Servicer Advances, MSR, Excess MSR, real estate securities and loans as well as proceeds from the sale of real estate securities, loans and REO, and derivative cash flows.

Financing Activities

Cash flows provided by financing activities were approximately \$3.4 billion during the six months ended June 30, 2017. Financing activities consisted primarily of borrowings net of repayments under debt obligations, equity offerings, capital contributions net of distributions from noncontrolling interests in the equity of consolidated subsidiaries, and payment of dividends.

INTEREST RATE, CREDIT AND SPREAD RISK

We are subject to interest rate, credit and spread risk with respect to our investments. These risks are further described in “Quantitative and Qualitative Disclosures About Market Risk.”

OFF-BALANCE SHEET ARRANGEMENTS

We have material off-balance sheet arrangements related to our non-consolidated securitizations of residential mortgage loans treated as sales in which we retained certain interests. We believe that these off-balance sheet structures presented the most efficient and least expensive form of financing for these assets at the time they were entered and represented the most common market-accepted method for financing such assets. Our exposure to credit losses related to these non-recourse, off-balance sheet financings is limited to \$409.4 million. As of June 30, 2017, there was \$4,631.5 million in total outstanding unpaid principal balance of residential mortgage loans underlying such securitization trusts that represent off-balance sheet financings.

As described in Note 9 to our condensed consolidated financial statements, we have a co-investment in a portfolio of consumer loans held through an entity (“LoanCo”) which we account for under the equity method. LoanCo had outstanding debt of \$55.1 million as of June 30, 2017. We have not guaranteed this debt.

We did not have any other off-balance sheet arrangements as of June 30, 2017. We did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured investment vehicles, or special purpose or variable interest entities, established to facilitate off-balance sheet arrangements or other contractually narrow or limited purposes, other than the entities described above. Further, we have not guaranteed any obligations of unconsolidated entities or entered into any commitment and do not intend to provide additional funding to any such entities.

CONTRACTUAL OBLIGATIONS

Our contractual obligations as of June 30, 2017 included all of the material contractual obligations referred to in our annual report on Form 10-K for the year ended December 31, 2016, excluding debt that was repaid as described in “—Liquidity and Capital Resources—Debt Obligations.”

In addition, we executed the following material contractual obligations during the six months ended June 30, 2017:

• Derivatives – as described in Note 10 to our Condensed Consolidated Financial Statements, we have altered the composition of our economic hedges during the period.

• Debt obligations – as described in Note 11 to our Condensed Consolidated Financial Statements, we borrowed additional amounts, including borrowings to fund MSR.

See Notes 14 and 18 to our Condensed Consolidated Financial Statements included in this report for information regarding commitments and material contracts entered into subsequent to June 30, 2017, if any. As described in Note 14, we have committed to purchase certain future Servicer Advances. The actual amount of future advances is subject to significant uncertainty. However, we currently expect that net recoveries of Servicer Advances will exceed net fundings for the foreseeable future. This expectation is based on judgments, estimates and assumptions, all of which are subject to significant uncertainty, as further described in “—Application of Critical Accounting Policies—Servicer Advances.” In addition, the Consumer Loan Companies have invested in

loans with an aggregate of \$356.3 million of unfunded and available revolving credit privileges as of June 30, 2017. However, under the terms of these loans, requests for draws may be denied and unfunded availability may be terminated at management's discretion.

INFLATION

Virtually all of our assets and liabilities are financial in nature. As a result, interest rates and other factors affect our performance more so than inflation, although inflation rates can often have a meaningful influence over the direction of interest rates. Furthermore, our financial statements are prepared in accordance with GAAP and our distributions are determined by our board of directors primarily based on our taxable income, and, in each case, our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation. See "Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk."

CORE EARNINGS

We have four primary variables that impact our operating performance: (i) the current yield earned on our investments, (ii) the interest expense under the debt incurred to finance our investments, (iii) our operating expenses and taxes and (iv) our realized and unrealized gains or losses, including any impairment, on our investments. "Core earnings" is a non-GAAP measure of our operating performance, excluding the fourth variable above and adjusts the earnings from the consumer loan investment to a level yield basis. Core earnings is used by management to evaluate our performance without taking into account: (i) realized and unrealized gains and losses, which although they represent a part of our recurring operations, are subject to significant variability and are generally limited to a potential indicator of future economic performance; (ii) incentive compensation paid to our Manager; (iii) non-capitalized transaction-related expenses; and (iv) deferred taxes, which are not representative of current operations.

Our definition of core earnings includes accretion on held-for-sale loans as if they continued to be held-for-investment. Although we intend to sell such loans, there is no guarantee that such loans will be sold or that they will be sold within any expected timeframe. During the period prior to sale, we continue to receive cash flows from such loans and believe that it is appropriate to record a yield thereon. In addition, our definition of core earnings excludes all deferred taxes, rather than just deferred taxes related to unrealized gains or losses, because we believe deferred taxes are not representative of current operations. Our definition of core earnings also limits accreted interest income on RMBS where we receive par upon the exercise of associated call rights based on the estimated value of the underlying collateral, net of related costs including advances. We created this limit in order to be able to accrete to the lower of par or the net value of the underlying collateral, in instances where the net value of the underlying collateral is lower than par. We believe this amount represents the amount of accretion we would have expected to earn on such bonds had the call rights not been exercised.

Our investments in consumer loans are accounted for under ASC No. 310-20 and ASC No. 310-30, including certain non-performing consumer loans with revolving privileges that are explicitly excluded from being accounted for under ASC No. 310-30. Under ASC No. 310-20, the recognition of expected losses on these non-performing consumer loans is delayed in comparison to the level yield methodology under ASC No. 310-30, which recognizes income based on an expected cash flow model reflecting an investment's lifetime expected losses. The purpose of the Core Earnings adjustment to adjust consumer loans to a level yield is to present income recognition across the consumer loan portfolio in the manner in which it is economically earned, avoid potential delays in loss recognition, and align it with our overall portfolio of mortgage-related assets which generally record income on a level yield basis. With respect to consumer loans classified as held-for-sale, the level yield is computed through the expected sale date. With respect to the gains recorded under GAAP in 2014 and 2016 as a result of a refinancing of, and the consolidation of, the Consumer Loan Companies, respectively, we continue to record a level yield on those assets based on their original purchase price.

While incentive compensation paid to our Manager may be a material operating expense, we exclude it from core earnings because (i) from time to time, a component of the computation of this expense will relate to items (such as gains or losses) that are excluded from core earnings, and (ii) it is impractical to determine the portion of the expense related to core earnings and non-core earnings, and the type of earnings (loss) that created an excess (deficit) above or below, as applicable, the incentive compensation threshold. To illustrate why it is impractical to determine the portion of incentive compensation expense that should be allocated to core earnings, we note that, as an example, in a given period, we may have core earnings in excess of the incentive compensation threshold but incur losses (which are excluded from core earnings) that reduce total earnings below the incentive compensation threshold. In such case, we would either need to (a) allocate zero incentive compensation expense to core earnings, even though core earnings exceeded the incentive compensation threshold, or (b) assign a “pro forma” amount of incentive compensation expense to core earnings, even though no incentive compensation was actually incurred. We believe that neither of these allocation methodologies achieves a logical result. Accordingly, the exclusion of incentive compensation facilitates comparability between

periods and avoids the distortion to our non-GAAP operating measure that would result from the inclusion of incentive compensation that relates to non-core earnings.

With regard to non-capitalized transaction-related expenses, management does not view these costs as part of our core operations, as they are considered by management to be similar to realized losses incurred at acquisition. Non-capitalized transaction-related expenses are generally legal and valuation service costs, as well as other professional service fees, incurred when we acquire certain investments, as well as costs associated with the acquisition and integration of acquired businesses.

Management believes that the adjustments to compute “core earnings” specified above allow investors and analysts to readily identify and track the operating performance of the assets that form the core of our activity, assist in comparing the core operating results between periods, and enable investors to evaluate our current core performance using the same measure that management uses to operate the business. Management also utilizes core earnings as a measure in its decision-making process relating to improvements to the underlying fundamental operations of our investments, as well as the allocation of resources between those investments, and management also relies on core earnings as an indicator of the results of such decisions. Core earnings excludes certain recurring items, such as gains and losses (including impairment as well as derivative activities) and non-capitalized transaction-related expenses, because they are not considered by management to be part of our core operations for the reasons described herein. As such, core earnings is not intended to reflect all of our activity and should be considered as only one of the factors used by management in assessing our performance, along with GAAP net income which is inclusive of all of our activities.

The primary differences between core earnings and the measure we use to calculate incentive compensation relate to (i) realized gains and losses (including impairments), (ii) non-capitalized transaction-related expenses and (iii) deferred taxes (other than those related to unrealized gains and losses). Each are excluded from core earnings and included in our incentive compensation measure (either immediately or through amortization). In addition, our incentive compensation measure does not include accretion on held-for-sale loans and the timing of recognition of income from consumer loans is different. Unlike core earnings, our incentive compensation measure is intended to reflect all realized results of operations. The Gain on Remeasurement of Consumer Loans Investment was treated as an unrealized gain for the purposes of calculating incentive compensation and was therefore excluded from such calculation.

Core earnings does not represent and should not be considered as a substitute for, or superior to, net income or as a substitute for, or superior to, cash flows from operating activities, each as determined in accordance with U.S. GAAP, and our calculation of this measure may not be comparable to similarly entitled measures reported by other companies. For a further description of the difference between cash flow provided by operations and net income, see “—Liquidity and Capital Resources” above. Set forth below is a reconciliation of core earnings to the most directly comparable GAAP financial measure (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income attributable to common stockholders	\$321,732	\$68,652	\$443,110	\$180,388
Impairment	25,886	19,644	45,908	29,643
Other Income adjustments:				
Other Income				
Change in fair value of investments in excess mortgage servicing rights	19,180	15,263	18,359	7,337
Change in fair value of investments in excess mortgage servicing rights, equity method investees	(4,246)	675	(4,002)	(2,347)
Change in fair value of investments in mortgage servicing rights financing receivable	(6,723)	—	(6,723)	—
Change in fair value of investments in servicer advances	(56,969)	(13,946)	(59,528)	17,278
Gain on consumer loans investment	—	—	—	(9,943)
Gain on remeasurement of consumer loans investment	—	—	—	(71,250)
(Gain) loss on settlement of investments, net	(13,371)	14,271	303	26,517
Unrealized (gain) loss on derivative instruments	8,010	11,603	3,684	36,160
Unrealized (gain) loss on other ABS	607	1,218	(151)	950
(Gain) loss on transfer of loans to REO	(4,978)	(7,804)	(11,612)	(10,287)
(Gain) loss on transfer of loans to other assets	(81)	(344)	(293)	(861)
Gain on Excess MSR recapture agreements	(715)	(688)	(1,342)	(1,420)
Other (income) loss	6,192	3,995	11,905	6,040
Total Other Income Adjustments	(53,094)	24,243	(49,400)	(1,826)
Other Income and Impairment attributable to non-controlling interests	(7,848)	(4,195)	(18,101)	(5,187)
Change in fair value of investments in mortgage servicing rights	(89,742)	—	(88,983)	—
Non-capitalized transaction-related expenses	5,278	(557)	7,930	5,413
Incentive compensation to affiliate	40,172	4,929	52,632	6,125
Deferred taxes	82,188	6,547	85,606	(4,134)
Interest income on residential mortgage loans, held-for-sale	3,789	4,561	7,466	6,473
Limit on RMBS discount accretion related to called deals	(6,516)	(3,594)	(6,516)	(6,243)
Adjust consumer loans to level yield	(8,566)	(2,744)	(13,586)	15,162
Core earnings of equity method investees:				
Excess mortgage servicing rights	4,456	2,110	6,534	6,139
Core Earnings	\$317,735	\$119,596	\$472,600	\$231,953

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates, credit spreads, foreign currency exchange rates, commodity prices, equity prices and other market based risks. The primary market risks that we are exposed to are interest rate risk, prepayment rate risk, credit spread risk and credit risk. These risks are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. All of our market risk sensitive assets, liabilities and derivative positions (other than TBAs) are for non-trading purposes only. For a further discussion of how market risk may affect our financial position or results of operations, please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Application of Critical Accounting Policies.”

Interest Rate Risk

Changes in interest rates, including changes in expected interest rates or “yield curves,” affect our investments in various ways, the most significant of which are discussed below.

Cash Flow Impact

Changes in interest rates affect our net interest income, which is the difference between the interest income earned on assets and the interest expense incurred in connection with our debt obligations and hedges.

We may use match funded structures, when appropriate and available. This means that we may seek to match the maturities of our debt obligations with the maturities of our assets to reduce the risk that we have to refinance our liabilities prior to the maturities of our assets, and to reduce the impact of changing interest rates on our earnings. In addition, we may seek to match fund interest rates on our assets with like-kind debt (i.e., fixed rate assets are financed with fixed rate debt and floating rate assets are financed with floating rate debt), directly or through the use of interest rate swaps, caps or other financial instruments (see below), or through a combination of these strategies, which we believe allows us to reduce the impact of changing interest rates on our earnings.

However, increases or decreases in interest rates can nonetheless reduce our net interest income to the extent that we are not completely match funded. Furthermore, a period of changing interest rates can negatively impact our return on certain floating rate investments. Although these investments may be financed with floating rate debt, the interest rate on the debt may reset prior or subsequent to, and in some cases more or less frequently than, the interest rate on the assets, causing a decrease in return on equity during a period of changing interest rates. See further disclosure regarding our Agency RMBS under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Our Portfolio—Real Estate Securities—Agency RMBS” for information about certain reset terms and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Debt Obligations” for information about related debt.

We are exposed to fluctuations in forward LIBOR rates across our portfolio. For our investments in Servicer Advances (including the basic fee component of the related MSRs), forward LIBOR rates have a direct impact on current period income recognition. Performance-based incentive fees paid to both Nationstar and Ocwen as part of our MSR purchase agreements are impacted by changes in LIBOR. Ocwen’s performance-based incentive fee is reduced by a LIBOR-based factor if the advance ratio exceeds a predetermined level for that month. Shifts upward in projected LIBOR will increase any projected reduction in Ocwen’s incentive fee, thus increasing our share of the servicing fee. Conversely, shifts downward in projected LIBOR will decrease the projected reduction in Ocwen’s incentive fee, thus decreasing our share of the servicing fee. Nationstar’s performance-based incentive fee is based on our target equity return. Changes in LIBOR may impact Nationstar’s ability to reach our target return. Shifts downward in projected LIBOR will decrease our projected cost of borrowings thus decreasing the share of the servicing fee we need to

receive in order to obtain our target return. Conversely, shifts upward in projected LIBOR will increase our projected cost of borrowings thus increasing the share of the servicing fee we need to receive in order to obtain our target return.

We have elected to record our investments in Servicer Advances, including the right to the basic fee component of the related MSRs, at fair value. Therefore, any changes to our projected payments to/from our related servicers can impact the estimated future cash flows used to value the investments and the unrealized gains/losses on the investment. Changes to estimated future cash flows will also impact interest income recognized in the current period. We may project net cash flow increases in connection with decreases in projected LIBOR, as a result of estimated savings on our future cost of borrowings outweighing estimated reductions of future retained servicing fees. However, only the asset impact would be reflected in our current period income statement.

As of June 30, 2017, an immediate 50 basis point increase in short term interest rates, based on a shift in the yield curve, would increase our cash flows by approximately \$20.3 million in the next 12 months, whereas a 50 basis point decrease in short term interest rates would decrease our cash flows by approximately \$17.5 million in the next 12 months, based solely on our current

net floating rate exposure and assuming a static portfolio of investments (including fixed rate repurchase agreements that mature within 60 days of June 30, 2017 and assuming a LIBOR floor of 0.0%).

Other Impacts

Changes in the level of interest rates also affect the yields required by the marketplace on interest rate instruments. Increasing interest rates would decrease the value of the fixed rate assets we hold at the time because higher required yields result in lower prices on existing fixed rate assets in order to adjust their yield upward to meet the market.

Changes in unrealized gains or losses resulting from changes in market interest rates do not directly affect our cash flows, or our ability to pay a dividend, to the extent the related assets are expected to be held and continue to perform as expected, as their fair value is not relevant to their underlying cash flows. Changes in unrealized gains or losses would impact our ability to realize gains on existing investments if they were sold. Furthermore, with respect to changes in unrealized gains or losses on investments which are carried at fair value, changes in unrealized gains or losses would impact our net book value and, in certain cases, our net income.

Changes in interest rates can also have ancillary impacts on our investments. Generally, in a declining interest rate environment, residential mortgage loan prepayment rates increase which in turn would cause the value of MSR, mortgage servicing rights financing receivable, Excess MSR and the rights to the basic fee components of MSR to decrease, because the duration of the cash flows we are entitled to receive becomes shortened, and the value of loans and Non-Agency RMBS to increase, because we generally acquired these investments at a discount whose recovery would be accelerated. With respect to a significant portion of our investments in MSR and Excess MSR, we have recapture agreements, as described in Notes 4 and 5 to our Consolidated Financial Statements. These recapture agreements help to protect these investments from the impact of increasing prepayment rates. In addition, to the extent that the loans underlying our investments in MSR, mortgage servicing rights financing receivable, Excess MSR and the rights to the basic fee components of MSR are well-seasoned with credit-impaired borrowers who may have limited refinancing options, we believe the impact of interest rates on prepayments would be reduced. Conversely, in an increasing interest rate environment, prepayment rates decrease which in turn would cause the value of MSR, mortgage servicing rights financing receivable, Excess MSR and the rights to the basic fee components of MSR to increase and the value of loans and Non-Agency RMBS to decrease. To the extent we do not hedge against changes in interest rates, our balance sheet, results of operations and cash flows would be susceptible to significant volatility due to changes in the fair value of, or cash flows from, our investments as interest rates change. However, rising interest rates could result from more robust market conditions, which could reduce the credit risk associated with our investments. The effects of such a decrease in values on our financial position, results of operations and liquidity are discussed below under “—Prepayment Rate Exposure.”

Changes in the value of our assets could affect our ability to borrow and access capital. Also, if the value of our assets subject to short-term financing were to decline, it could cause us to fund margin, or repay debt, and affect our ability to refinance such assets upon the maturity of the related financings, adversely impacting our rate of return on such investments.

We are subject to margin calls on our repurchase agreements. Furthermore, we may, from time to time, be a party to derivative agreements or financing arrangements that are subject to margin calls, or mandatory repayment, based on the value of such instruments. We seek to maintain adequate cash reserves and other sources of available liquidity to meet any margin calls, or required repayments, resulting from decreases in value related to a reasonably possible (in our opinion) change in interest rates but there can be no assurance that our cash reserves will be sufficient.

In addition, changes in interest rates may impact our ability to exercise our call rights and to realize or maximize potential profits from them. A significant portion of the residential mortgage loans underlying our call rights bear

fixed rates and may decline in value during a period of rising market interest rates. Furthermore, rising rates could cause prepayment rates on these loans to decline, which would delay our ability to exercise our call rights. These impacts could be at least partially offset by potential declines in the value of Non-Agency RMBS related to the call rights, which could then be acquired more cheaply, and in credit spreads, which could offset the impact of rising market interest rates on the value of fixed rate loans to some degree. Conversely, declining interest rates could increase the value of our call rights by increasing the value of the underlying loans.

We believe our consumer loan investments generally have limited interest rate sensitivity given that our portfolio is mostly composed of very seasoned loans with credit-impaired borrowers who are paying fixed rates, who we believe are relatively unlikely to change their prepayment patterns based on changes in interest rates.

As of June 30, 2017, an immediate 50 basis point increase in short term interest rates, based on a shift in the yield curve, would increase our net book value by approximately \$247.3 million, whereas a 50 basis point decrease in short term interest rates would decrease our net book value by approximately \$328.3 million, based on the present value of estimated cash flows on a static

portfolio of investments. This does not include changes in our book value resulting from potential related changes in discount rates; refer to “—Credit Spread Risk” below.

Interest rates are highly sensitive to many factors, including fiscal and monetary policies and domestic and international economic and political considerations, as well as other factors beyond our control.

A further discussion on the sensitivity of our book value to changes in yields required by the marketplace on interest bearing investments is included below under “—Credit Spread Risk.”

Prepayment Rate Exposure

Prepayment rates significantly affect the value of MSR, mortgage servicing rights financing receivable, Excess MSR, the basic fee component of MSR (which we own as part of our investments in Servicer Advances), Non-Agency RMBS and loans, including consumer loans. Prepayment rate is the measurement of how quickly borrowers pay down the UPB of their loans or how quickly loans are otherwise brought current, modified, liquidated or charged off. The price we pay to acquire certain investments will be based on, among other things, our projection of the cash flows from the related pool of loans. Our expectation of prepayment rates is a significant assumption underlying those cash flow projections. If the fair value of MSR, mortgage servicing rights financing receivable, Excess MSR or the basic fee component of MSR decreases, we would be required to record a non-cash charge, which would have a negative impact on our financial results. Furthermore, a significant increase in prepayment rates could materially reduce the ultimate cash flows we receive from MSR, mortgage servicing rights financing receivable, Excess MSR or our right to the basic fee component of MSR, and we could ultimately receive substantially less than what we paid for such assets. Conversely, a significant decrease in prepayment rates with respect to our loans or RMBS could delay our expected cash flows and reduce the yield on these investments.

We seek to reduce our exposure to prepayment through the structuring of our investments. For example, in our MSR and Excess MSR investments, we seek to enter into “recapture agreements” whereby our MSR or Excess MSR is retained if the applicable servicer or subservicer originates a new loan the proceeds of which are used to repay a loan underlying an MSR or Excess MSR in our portfolio. We seek to enter into such recapture agreements in order to protect our returns in the event of a rise in voluntary prepayment rates.

Please refer to the table in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Application of Critical Accounting Policies—Excess MSRs” for an analysis of the sensitivity of these investments to changes in certain market factors.

Credit Spread Risk

Credit spreads measure the yield demanded on financial instruments by the market based on their credit relative to U.S. Treasuries, for fixed rate credit, or LIBOR, for floating rate credit. Excessive supply of such financial instruments combined with reduced demand will generally cause the market to require a higher yield on such financial instruments, resulting in the use of a higher (or “wider”) spread over the benchmark rate to value them.

Widening credit spreads would result in higher yields being required by the marketplace on financial instruments. This widening would reduce the value of the financial instruments we hold at the time because higher required yields result in lower prices on existing financial instruments in order to adjust their yield upward to meet the market. The effects of such a decrease in values on our financial position, results of operations and liquidity are discussed above under “—Interest Rate Risk.”

As of June 30, 2017, a 25 basis point increase in credit spreads would decrease our net book value by approximately \$164.3 million, and a 25 basis point decrease in credit spreads would increase our net book value by approximately \$168.1 million, based on a static portfolio of investments, but would not directly affect our earnings or cash flow.

In an environment where spreads are tightening, if spreads tighten on the assets we purchase to a greater degree than they tighten on the liabilities we issue, our net spread will be reduced.

Credit Risk

We are subject to varying degrees of credit risk in connection with our assets. Credit risk refers to the ability of each individual borrower underlying our investments in MSR, mortgage servicing rights financing receivable, Excess MSR, Servicer Advances, securities and loans to make required interest and principal payments on the scheduled due dates. If delinquencies increase, then the amount of Servicer Advances we are required to make will also increase, as would our financing cost thereof. We may also

invest in loans and Non-Agency RMBS which represent “first loss” pieces; in other words, they do not benefit from credit support although we believe they predominantly benefit from underlying collateral value in excess of their carrying amounts. Although we do not expect to encounter credit risk in our Agency RMBS, we do anticipate credit risk related to Non-Agency RMBS, residential mortgage loans and consumer loans.

We seek to reduce credit risk through prudent asset selection, actively monitoring our asset portfolio and the underlying credit quality of our holdings and, where appropriate and achievable, repositioning our investments to upgrade their credit quality. Our pre-acquisition due diligence and processes for monitoring performance include the evaluation of, among other things, credit and risk ratings, principal subordination, prepayment rates, delinquency and default rates, and vintage of collateral.

For our MSR, mortgage servicing rights financing receivable, and Excess MSR on Agency collateral and our Agency RMBS, delinquency and default rates have an effect similar to prepayment rates. Our Excess MSR on Non-Agency portfolios are not directly affected by delinquency rates because the servicer continues to advance principal and interest until a default occurs on the applicable loan, so delinquencies decrease prepayments therefore having a positive impact on fair value, while increased defaults have an effect similar to increased prepayments. For our Non-Agency RMBS and loans, higher default rates can lead to greater loss of principal. For our call rights, higher delinquencies and defaults could reduce the value of the underlying loans, therefore reducing or eliminating the related potential profit.

Market factors that could influence the degree of the impact of credit risk on our investments include (i) unemployment and the general economy, which impact borrowers’ ability to make payments on their loans, (ii) home prices, which impact the value of collateral underlying residential mortgage loans, (iii) the availability of credit, which impacts borrowers’ ability to refinance, and (iv) other factors, all of which are beyond our control.

Liquidity Risk

The assets that comprise our asset portfolio are generally not publicly traded. A portion of these assets may be subject to legal and other restrictions on resale or otherwise be less liquid than publicly-traded securities. The illiquidity of our assets may make it difficult for us to sell such assets if the need or desire arises, including in response to changes in economic and other conditions.

Investment Specific Sensitivity Analyses

Excess MSRs

The following table summarizes the estimated change in fair value of our interests in the Agency Excess MSRs owned directly as of June 30, 2017 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at June 30, 2017	\$353,975			
Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$385,974	\$369,268	\$339,946	\$327,025
Change in estimated fair value:				
Amount	\$31,999	\$15,293	\$(14,029)	\$(26,950)
%	9.0	% 4.3	% (4.0)	% (7.6)
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$378,846	\$366,141	\$342,343	\$331,210
Change in estimated fair value:				
Amount	\$24,871	\$12,166	\$(11,632)	\$(22,765)
%	7.0	% 3.4	% (3.3)	% (6.4)
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$357,587	\$355,784	\$352,176	\$350,373
Change in estimated fair value:				
Amount	\$3,612	\$1,809	\$(1,799)	\$(3,602)
%	1.0	% 0.5	% (0.5)	% (1.0)
Recapture rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$343,609	\$348,757	\$359,280	\$364,659
Change in estimated fair value:				
Amount	\$(10,366)	\$(5,218)	\$5,305	\$10,684
%	(2.9)	% (1.5)	% 1.5	% 3.0

The following table summarizes the estimated change in fair value of our interests in the Non-Agency Excess MSR's owned directly as of June 30, 2017 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at June 30, 2017	\$950,691			
Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$1,028,975	\$988,013	\$915,679	\$883,620
Change in estimated fair value:				
Amount	\$78,284	\$37,322	\$(35,012)	\$(67,071)
%	8.2	% 3.9	% (3.7)	% (7.1)
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$1,036,046	\$991,691	\$911,700	\$875,559
Change in estimated fair value:				
Amount	\$85,355	\$41,000	\$(38,991)	\$(75,132)
%	9.0	% 4.3	% (4.1)	% (7.9)
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$950,691	\$950,691	\$950,691	\$950,691
Change in estimated fair value:				
Amount	\$—	\$—	\$—	\$—
%	—	% —	% —	% —
Recapture rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$945,988	\$948,143	\$952,552	\$954,808
Change in estimated fair value:				
Amount	\$(4,703)	\$(2,548)	\$1,861	\$4,117
%	(0.5)	% (0.3)	% 0.2	% 0.4

The following table summarizes the estimated change in fair value of our interests in the Agency Excess MSR's owned through equity method investees as of June 30, 2017 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at June 30, 2017	\$ 181,610			
Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$ 197,142	\$ 189,034	\$ 174,792	\$ 168,512
Change in estimated fair value:				
Amount	\$ 15,532	\$ 7,424	\$(6,818)	\$(13,098)
%	8.6	% 4.1	% (3.8)	% (7.2)%
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$ 193,483	\$ 187,425	\$ 176,033	\$ 170,687
Change in estimated fair value:				
Amount	\$ 11,873	\$ 5,815	\$(5,577)	\$(10,923)
%	6.5	% 3.2	% (3.1)	% (6.0)%
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$ 184,355	\$ 182,983	\$ 180,237	\$ 178,865
Change in estimated fair value:				
Amount	\$ 2,745	\$ 1,373	\$(1,373)	\$(2,745)
%	1.5	% 0.8	% (0.8)	% (1.5)%
Recapture rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$ 176,043	\$ 178,807	\$ 184,454	\$ 187,339
Change in estimated fair value:				
Amount	\$(5,567)	\$(2,803)	\$ 2,844	\$ 5,729
%	(3.1)%	(1.5)%	1.6	% 3.2 %

MSRs

The following table summarizes the estimated change in fair value of our interests in the Agency MSRs, including mortgage servicing rights financing receivable, owned as of June 30, 2017 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at June 30, 2017	\$ 1,867,826			
Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$ 2,046,695	\$ 1,953,099	\$ 1,789,324	\$ 1,717,367
Change in estimated fair value:				
Amount	\$ 178,869	\$ 85,273	\$(78,502)	\$(150,459)
%	9.6	% 4.6	% (4.2)	% (8.1)%
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$ 1,992,049	\$ 1,928,139	\$ 1,810,502	\$ 1,756,499
Change in estimated fair value:				
Amount	\$ 124,223	\$ 60,313	\$(57,324)	\$(111,327)
%	6.7	% 3.2	% (3.1)	% (6.0)%
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$ 1,882,120	\$ 1,874,751	\$ 1,860,016	\$ 1,852,658
Change in estimated fair value:				
Amount	\$ 14,294	\$ 6,925	\$(7,810)	\$(15,168)
%	0.8	% 0.4	% (0.4)	% (0.8)%
Recapture rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$ 1,823,259	\$ 1,845,444	\$ 1,889,813	\$ 1,911,997
Change in estimated fair value:				
Amount	\$(44,567)	\$(22,382)	\$ 21,987	\$ 44,171
%	(2.4)%	(1.2)%	1.2	% 2.4 %

The Non-Agency MSRs owned as of June 30, 2017 had an aggregate fair value of less than \$0.1 million and this fair value would not change significantly based on similar changes in assumptions.

Each of the preceding sensitivity analyses is hypothetical and should be used with caution. In particular, the results are calculated by stressing a particular economic assumption independent of changes in any other assumption; in practice, changes in one factor may result in changes in another, which might counteract or amplify the sensitivities. Also, changes in the fair value based on a 10% variation in an assumption generally may not be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information is recorded, processed, summarized and reported accurately and on a timely basis. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the

Company's disclosure controls and procedures were effective.

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Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Following the HLSS Acquisition, material potential claims, lawsuits, regulatory inquiries or investigations, and other proceedings, of which we are currently aware, are as follows. We have not accrued losses in connection with these legal contingencies because management does not believe there is a probable and reasonably estimable loss. Furthermore, we cannot reasonably estimate the range of potential loss related to these legal contingencies at this time. However, the ultimate outcomes of the proceedings described below may have a material adverse effect on our business, financial position or results of operations.

In addition to the matters described below, from time to time, we are or may be involved in various disputes, litigation and regulatory inquiry and investigation matters that arise in the ordinary course of business. Given the inherent unpredictability of these types of proceedings, it is possible that future adverse outcomes could have a material adverse effect on our financial results.

Three putative class action lawsuits have been filed against HLSS and certain of its current and former officers and directors in the United States District Court for the Southern District of New York entitled: (i) Oliveira v. Home Loan Servicing Solutions, Ltd., et al., No. 15-CV-652 (S.D.N.Y.), filed on January 29, 2015; (ii) Berglan v. Home Loan Servicing Solutions, Ltd., et al., No. 15-CV-947 (S.D.N.Y.), filed on February 9, 2015; and (iii) W. Palm Beach Police Pension Fund v. Home Loan Servicing Solutions, Ltd., et al., No. 15-CV-1063 (S.D.N.Y.), filed on February 13, 2015. On April 2, 2015, these lawsuits were consolidated into a single action, which is referred to as the “Securities Action.” On April 28, 2015, lead plaintiffs, lead counsel and liaison counsel were appointed in the Securities Action. On November 9, 2015, lead plaintiffs filed an amended class action complaint. On January 27, 2016, the Securities Action was transferred to the United States District Court for the Southern District of Florida and given the Index No. 16-CV-60165 (S.D. Fla.).

The Securities Action names as defendants HLSS, former HLSS Chairman William C. Erbey, HLSS Director, President, and Chief Executive Officer John P. Van Vlack, and HLSS Chief Financial Officer James E. Lauter. The Securities Action asserts causes of action under Sections 10(b) and 20(a) of the Exchange Act based on certain public disclosures made by HLSS relating to its relationship with Ocwen and HLSS’s risk management and internal controls. More specifically, the consolidated class action complaint alleges that a series of statements in HLSS’s disclosures were materially false and misleading, including statements about (i) Ocwen’s servicing capabilities; (ii) HLSS’s contingencies and legal proceedings; (iii) its risk management and internal controls; and (iv) certain related party transactions. The consolidated class action complaint also appears to allege that HLSS’s financial statements for the years ended 2012 and 2013, and the first quarter ended March 30, 2014, were false and misleading based on HLSS’s August 18, 2014 restatement. Lead plaintiffs in the Securities Action also allege that HLSS misled investors by failing to disclose, among other things, information regarding governmental investigations of Ocwen’s business practices. Lead plaintiffs seek money damages under the Exchange Act in an amount to be proven at trial and reasonable costs, expenses, and fees. On February 11, 2015, defendants filed motions to dismiss the Securities Action in its entirety. On June 6, 2016, all allegations except those regarding certain related party transactions were dismissed.

On June 15, 2017, the court entered an order preliminarily approving a settlement of the Securities Action for \$6 million, certifying a settlement class, approving the form and content of notice of the settlement to class members, and setting a hearing for November 17, 2017 to determine whether the settlement should receive final approval.

New Residential is, from time to time, subject to inquiries by government entities. New Residential currently does not believe any of these inquiries would result in a material adverse effect on New Residential’s business.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully read and consider the following risk factors and all other information contained in this report. If any of the following risks, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, occur, our business, financial condition or results of operations could be materially and adversely affected. The risk factors summarized below are categorized as follows: (i) Risks Related to Our Business, (ii) Risks Related to Our Manager, (iii) Risks Related to the Financial Markets, (iv) Risks Related to Our Taxation as a REIT and (v) Risks Related to Our Common Stock. However, these categories do overlap and should not be considered exclusive.

Risks Related to Our Business

We may not be able to successfully operate our business strategy or generate sufficient revenue to make or sustain distributions to our stockholders.

We cannot assure you that we will be able to successfully operate our business or implement our operating policies and strategies. There can be no assurance that we will be able to generate sufficient returns to pay our operating expenses and make satisfactory distributions to our stockholders, or any distributions at all. Our results of operations and our ability to make or sustain distributions to our stockholders depend on several factors, including the availability of opportunities to acquire attractive assets, the level and volatility of interest rates, the availability of adequate short- and long-term financing, and conditions in the real estate market, the financial markets and economic conditions.

The value of our investments is based on various assumptions that could prove to be incorrect and could have a negative impact on our financial results.

When we make investments, we base the price we pay and the rate of amortization of those investments on, among other things, our projection of the cash flows from the related pool of loans. We generally record such investments on our balance sheet at fair value, and we measure their fair value on a recurring basis. Our projections of the cash flow from our investments, and the determination of the fair value thereof, are based on assumptions about various factors, including, but not limited to:

- rates of prepayment and repayment of the underlying loans;
- potential fluctuations in prevailing interest rates;
- rates of delinquencies and defaults;
- costs of engaging a servicer to service MSR;
- in the case of MSR and Excess MSR, recapture rates; and
- in the case of Servicer Advances, the amount and timing of Servicer Advances and recoveries.

Our assumptions could differ materially from actual results. The use of different estimates or assumptions in connection with the valuation of these investments could produce materially different fair values for such investments, which could have a material adverse effect on our consolidated financial position, results of operations and cash flows. The ultimate realization of the value of our investments may be materially different than the fair values of such investments as reflected in our Condensed Consolidated Financial Statements as of any particular date.

With respect to our investments in MSR, Excess MSR, interest-only RMBS, residential mortgage loans and consumer loans, when the related loans are prepaid as a result of a refinancing or otherwise, the related cash flows payable to us will either, in the case of interest-only RMBS, Excess MSR, and/or MSR, cease (unless, in the case of MSR and Excess MSR, the loans are recaptured upon a refinancing), or we will cease to receive interest income on such investments, as applicable. Borrowers under residential mortgage loans and consumer loans are generally permitted to prepay their loans at any time without penalty. Our expectation of prepayment rates is a significant assumption underlying our cash flow projections. Prepayment rate is the measurement of how quickly borrowers pay down the UPB of their loans or how quickly loans are otherwise brought current, modified, liquidated or charged off. If the fair value of our MSR, Excess MSR or interest-only RMBS decreases, we would be required to record a non-cash charge, which would have a negative impact on our financial results. Furthermore, a significant increase in prepayment rates could materially reduce the ultimate cash flows and/or interest income, as applicable, we receive from our investments, and we could ultimately receive substantially less than what we paid for such assets. Consequently, the price we pay to acquire our investments may prove to be too high if there is a significant increase in prepayment rates.

The values of our investments are highly sensitive to changes in interest rates. Historically, the value of MSR, which underpin the value of certain of our investments, has increased when interest rates rise and decreased when interest rates decline due to the effect of changes in interest rates on prepayment rates. Prepayment rates could increase as a result of a general economic recovery or other factors, which would reduce the value of our interests in MSR.

Moreover, delinquency rates have a significant impact on the value of our investments. When delinquent residential mortgage loans are resolved through foreclosure (or repurchased by the GSEs), the UPB of such mortgage loans cease to be a part of the aggregate UPB of the serviced loan pool when the related properties are foreclosed on and liquidated and the related cash flows payable to us, as the holder of the MSR, Excess MSR or basic fee, as applicable, cease. An increase in delinquencies will generally result in lower revenue because typically we will only collect on our MSR from GSEs or mortgage owners for performing loans. An increase in delinquencies with respect to the loans underlying our Servicer Advances could also result in a higher advance balance and the need to obtain additional financing, which we may not be able to do on favorable terms or at all. In addition, delinquencies on the loans underlying our Servicer Advances give rise to accrued but unpaid servicing fees, or “deferred servicing

fees,” which we have agreed to purchase or have otherwise acquired in connection with our purchase of Servicer Advances, and deferred servicing fees generally cannot be financed on terms as favorable as the terms available to other types of Servicer Advances. Additionally, in the case of residential mortgage loans, consumer loans and RMBS that we own, an increase in foreclosures could result in an acceleration of repayments, resulting in a decrease in interest income. Alternatively, increases in delinquencies and defaults could also adversely affect our investments in RMBS, residential mortgage loans and/or consumer loans if and to the extent that losses are suffered on residential mortgage loans, consumer loans or, in the case of RMBS, the residential mortgage loans underlying such RMBS. Accordingly, if delinquencies are significantly greater than expected, the estimated fair value of these investments could be diminished. As a result, we could suffer a loss, which would have a negative impact on our financial results.

We are party to several “recapture agreements” whereby our MSR or Excess MSR is retained if the applicable servicer originates a new loan the proceeds of which are used to repay a loan underlying an MSR in our portfolio. We believe that such arrangements will mitigate the impact on our returns in the event of a rise in voluntary prepayment rates. There are no assurances, however, that counterparties will enter into such arrangements with us in connection with any future investment in MSRs. We are not party to any such arrangements with respect to residential mortgage loans or consumer loans that we own.

If the applicable servicer does not meet anticipated recapture targets, the servicing cash flow on a given pool could be significantly lower than projected, which could have a material adverse effect on the value of our MSRs or Excess MSRs and consequently on our business, financial condition, results of operations and cash flows. Our recapture target for our current recapture agreements is stated in the table in Note 12 to our Condensed Consolidated Financial Statements. In our investment in Servicer Advances, we are not entitled to the cash flows from recaptured loans.

Servicer Advances may not be recoverable or may take longer to recover than we expect, which could cause us to fail to achieve our targeted return on our investment in Servicer Advances.

We have agreed (in the case of Nationstar, together with certain third-party investors) to purchase from certain of our servicers all Servicer Advances related to certain loan pools, as a result of which we are entitled to amounts representing repayment for such advances. During any period in which a borrower is not making payments, a servicer is generally required under the applicable servicing agreement to advance its own funds to cover the principal and interest remittances due to investors in the loans, pay property taxes and insurance premiums to third parties, and to make payments for legal expenses and other protective advances. The servicer also advances funds to maintain, repair and market real estate properties on behalf of investors in the loans.

Repayment for Servicer Advances and payment of deferred servicing fees are generally made from late payments and other collections and recoveries on the related residential mortgage loan (including liquidation, insurance and condemnation proceeds) or, if the related servicing agreement provides for a “general collections backstop,” from collections on other residential mortgage loans to which such servicing agreement relates. The rate and timing of payments on Servicer Advances and deferred servicing fees are unpredictable for several reasons, including the following:

payments on the Servicer Advances and the deferred servicing fees depend on the source of repayment, and whether and when the related servicer receives such payment (certain Servicer Advances are reimbursable only out of late payments and other collections and recoveries on the related residential mortgage loan, while others are also reimbursable out of principal and interest collections with respect to all residential mortgage loans serviced under the related servicing agreement, and as a consequence, the timing of such reimbursement is highly uncertain); the length of time necessary to obtain liquidation proceeds may be affected by conditions in the real estate market or the financial markets generally, the availability of financing for the acquisition of the real estate and other factors, including, but not limited to, government intervention;

the length of time necessary to effect a foreclosure may be affected by variations in the laws of the particular jurisdiction in which the related mortgaged property is located, including whether or not foreclosure requires judicial action;

the requirements for judicial actions for foreclosure (which can result in substantial delays in reimbursement of Servicer Advances and payment of deferred servicing fees), which vary from time to time as a result of changes in applicable state law; and

the ability of the related servicer to sell delinquent residential mortgage loans to third parties prior to liquidation, resulting in the early reimbursement of outstanding unreimbursed Servicer Advances in respect of such residential mortgage loans.

As home values change, the servicer may have to reconsider certain of the assumptions underlying its decisions to make advances. In certain situations, its contractual obligations may require the servicer to make certain advances for which it may not be reimbursed. In addition, when a residential mortgage loan defaults or becomes delinquent, the repayment of the advance may be delayed until the residential mortgage loan is repaid or refinanced, or a liquidation occurs. To the extent that one of our servicers fails to recover

the Servicer Advances in which we have invested, or takes longer than we expect to recover such advances, the value of our investment could be adversely affected and we could fail to achieve our expected return and suffer losses.

Servicing agreements related to residential mortgage securitization transactions generally require a residential mortgage servicer to make Servicer Advances in respect of serviced residential mortgage loans unless the servicer determines in good faith that the Servicer Advance would not be ultimately recoverable from the proceeds of the related residential mortgage loan, mortgaged property or mortgagor. In many cases, if the servicer determines that a Servicer Advance previously made would not be recoverable from these sources, the servicer is entitled to withdraw funds from the related custodial account in respect of payments on the related pool of serviced mortgages to reimburse the related Servicer Advance. This is what is often referred to as a “general collections backstop.” The timing of when a servicer may utilize a general collections backstop can vary (some contracts require actual liquidation of the related loan first, while others do not), and contracts vary in terms of the types of Servicer Advances for which reimbursement from a general collections backstop is available. Accordingly, a servicer may not ultimately be reimbursed if both (i) the payments from related loan, property or mortgagor payments are insufficient for reimbursement, and (ii) a general collections backstop is not available or is insufficient. Also, if a servicer improperly makes a Servicer Advance, it would not be entitled to reimbursement. Historically, according to information made available to us, Nationstar and Ocwen have each recovered more than 99% of the advances that they have made. While we do not expect recovery rates to vary materially during the term of our investments, there can be no assurance regarding future recovery rates related to our portfolio.

We rely heavily on mortgage servicers and subservicers to achieve our investment objective and have no direct ability to influence their performance.

The value of our investments in MSRs, Excess MSRs, Servicer Advances, Non-Agency RMBS and residential mortgage loans is dependent on the satisfactory performance of servicing obligations by the related mortgage servicer or subservicer, as applicable. The duties and obligations of mortgage servicers are defined through contractual agreements, generally referred to as Servicing Guides in the case of GSEs, the MBS Guide in the case of Ginnie Mae (collectively with the GSEs, the “Agencies”) or Pooling and Servicing Agreements in the case of Non-Agency securities (collectively, the “Servicing Guidelines”). The duties of the subservicers we engage to service the loans on our behalf when we own the MSR are defined through subservicing agreements with our subservicers. The duties of a subservicer under a subservicing agreement may not be identical to the obligations of the servicer under Servicing Guidelines. Our investment in MSRs or Excess MSRs is subject to all of the terms and conditions of the applicable Servicing Guidelines. Servicing Guidelines generally provide for the possibility of termination of the contractual rights of the servicer in the absolute discretion of the owner of the mortgages being serviced (or the required bondholders of a residential mortgage backed securitization). Under the Agency Servicing Guidelines, the servicer may be terminated by the applicable Agency for any reason, “with” or “without” cause, for all or any portion of the loans being serviced for such Agency. In the event mortgage owners (or bondholders) terminate the servicer (regardless of whether such servicer is a subsidiary of New Residential or one of its subservicers), the related MSRs, Excess MSRs and basic fees, as applicable, would under most circumstances lose all value on a going forward basis. If the servicer is terminated as servicer for any Agency pools, the servicer’s right to service the related mortgage loans will be extinguished and our investment in related MSRs, Excess MSRs and basic fees, as applicable, will likely lose all of its value. Any recovery in such circumstances will be highly conditioned and may require, among other things, a new servicer willing to pay for the right to service the applicable residential mortgage loans while assuming responsibility for the origination and prior servicing of the residential mortgage loans. In addition, in the case of Agency MSRs, any payment received from a successor servicer will be applied first to pay the applicable Agency for all of its claims and costs, including claims and costs against the servicer that do not relate to the residential mortgage loans for which we own the MSRs. A termination could also result in an event of default under our related financings. It is expected that any termination of a servicer by mortgage owners (or bondholders) would take effect across all mortgages of such mortgage owners (or bondholders) and would not be limited to a particular vintage or other subset of mortgages.

Therefore, it is expected that all investments with a given servicer would lose all their value in the event mortgage owners (or bondholders) terminate such servicer. Nationstar, Ocwen, Ditech and PHH are the servicers of most of the loans underlying our investments in MSRs, Excess MSRs, basic fees and Servicer Advances, and Nationstar and Ocwen are the servicer or master servicer of the vast majority of the loans underlying our Non-Agency RMBS to date. See “—We have significant counterparty concentration risk in Nationstar, Ocwen, Ditech and OneMain, and are subject to other counterparty concentration and default risks.” As a result, we could be materially and adversely affected if Nationstar, Ocwen, Ditech, PHH or any other servicer of the loans underlying our investments is unable to adequately carry out its duties as a result of:

- its failure to comply with applicable laws and regulation;
- a downgrade in, or failure to maintain, any of its servicer ratings;
- its failure to maintain sufficient liquidity or access to sources of liquidity;
- its failure to perform its loss mitigation obligations;
- its failure to perform adequately in its external audits;
- a failure in or poor performance of its operational systems or infrastructure;

regulatory or legal scrutiny or regulatory actions regarding any aspect of a servicer's operations, including, but not limited to, servicing practices and foreclosure processes lengthening foreclosure timelines;

- an Agency's or a whole-loan owner's transfer of servicing to another party; or
- any other reason.

Nationstar is subject to numerous legal proceedings, federal, state or local governmental examinations, investigations or enforcement actions in the ordinary course of business, which could adversely affect its reputation and its liquidity, financial position and results of operations. For example, Nationstar announced that on March 15, 2017, it entered into a consent order with the Consumer Financial Protection Bureau (the "CFPB"), providing for \$1.75 million in civil monetary penalties for failure to comply with certain of the data reporting requirements of the Home Mortgage Disclosure Act. Other servicers, including Ocwen and Ditech, have experienced heightened regulatory scrutiny and enforcement actions, and Nationstar could be adversely affected by the market's perception that Nationstar could experience similar regulatory issues. See "—Ocwen has been and is subject to certain federal and state regulatory matters, which may adversely impact us" and "—Ditech and other Walter companies have been and may be subject to certain federal and state regulatory matters and certain other litigation, which may adversely impact us" for more information on heightened regulatory scrutiny of Ocwen and Ditech, respectively. In light of recent regulatory actions against Ocwen, we cannot assure you that Ocwen will not be removed as servicer by the Agencies or by bondholders, which could have a material adverse effect on our interests in the loans serviced by Ocwen.

Loss mitigation techniques are intended to reduce the probability that borrowers will default on their loans and to minimize losses when defaults occur, and they may include the modification of mortgage loan rates, principal balances and maturities. If any of our servicers or subservicers fails to adequately perform its loss mitigation obligations, we could be required to purchase Servicer Advances in excess of those that we might otherwise have had to purchase, and the time period for collecting Servicer Advances may extend. Any increase in Servicer Advances or material increase in the time to resolution of a defaulted loan could result in increased capital requirements and financing costs for us and our co-investors and could adversely affect our liquidity and net income. In the event that one of our servicers from which we are obligated to purchase Servicer Advances is required by the applicable Servicing Guidelines to make advances in excess of amounts that we or, in the case of Nationstar, the co-investors, are willing or able to fund, such servicer may not be able to fund these advance requests, which could result in a termination event under the applicable Servicing Guidelines, an event of default under our advance facilities and a breach of our purchase agreement with such servicer. As a result, we could experience a partial or total loss of the value of our investment in Servicer Advances.

MSRs and Servicer Advances are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions. If the servicer actually or allegedly failed to comply with applicable laws, rules or regulations, it could be terminated as the servicer, and could lead to civil and criminal liability, loss of licensing, damage to our reputation and litigation, which could have a material adverse effect on our business, financial condition, results of operations or cash flows. In addition, Servicer Advances that are improperly made may not be eligible for financing under our facilities and may not be reimbursable by the related securitization trust or other owner of the residential mortgage loan, which could cause us to suffer losses.

Favorable servicer ratings from third-party rating agencies, such as S&P Global Ratings ("S&P"), Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch"), are important to the conduct of a mortgage servicer's loan servicing business, and a downgrade in a mortgage servicer's servicer ratings could have an adverse effect on the value of our MSRs, Excess MSRs, basic fees and Servicer Advances, and result in an event of default under our financings. Downgrades in a mortgage servicer's servicer ratings could adversely affect their and our ability to finance our assets and maintain their status as an approved servicer by Fannie Mae and Freddie Mac. Downgrades in servicer ratings could also lead to the early termination of existing advance facilities and affect the terms and availability of financing that a mortgage servicer or we may seek in the future. A mortgage servicer's failure to maintain favorable or specified

ratings may cause their termination as a servicer and may impair their ability to consummate future servicing transactions, which could result in an event of default under our financing for Servicer Advances and have an adverse effect on the value of our investments since we will rely heavily on mortgage servicers to achieve our investment objective and have no direct ability to influence their performance. As a result of recent regulatory actions, certain rating agencies have announced that they have placed Ocwen's servicer ratings on review for possible downgrade.

In addition, a bankruptcy by any mortgage servicer that services the residential mortgage loans underlying our MSR, Excess MSR, basic fees and Servicer Advances could materially and adversely affect us. Walter announced that it had entered into a Restructuring Support Agreement (the "RSA") on July 31, 2017, with certain of its senior lenders. Based on Walter's public filings, the RSA provides for a proposed financial restructuring of Walter to be implemented through an out-of-court restructuring and, in the absence of sufficient stakeholder support from Walter's other lenders for the out-of-court restructuring, a prepackaged plan of reorganization under Title 11 of the United States Code. There can be no assurances as to what the outcome of Walter's restructuring will be or that the outcome will not have a material adverse effect on us. See "—A bankruptcy of any of our mortgage servicers could materially and adversely affect us."

For additional information about the ways in which we may be affected by mortgage servicers, see “—The value of our MSR, Excess MSR, Servicer Advances and RMBS may be adversely affected by deficiencies in servicing and foreclosure practices, as well as related delays in the foreclosure process.”

Ocwen has been and is subject to certain federal and state regulatory matters and certain other litigation, which may adversely impact us.

Regulatory action and legal proceedings against Ocwen, a public company, could increase our financing costs or operating expenses, reduce our revenues or otherwise materially adversely affect our business, financial condition, results of operations and liquidity. Ocwen may be subject to additional federal and state regulatory matters in the future that could materially and adversely affect the value of our investments because we rely heavily on Ocwen to achieve our investment objectives and have no direct ability to influence its performance. Below is a description of certain matters that Ocwen has disclosed in its periodic reports filed with the SEC. There can be no assurance that such events will not have a material adverse effect on Ocwen. We are currently evaluating the impact of such events and cannot assure you what impact these events may have or actions we may take under our agreements with Ocwen. In addition, we cannot assure you that Ocwen will not be removed as servicer by the Agencies or by counterparties to its securitization or bondholders, which could have a material adverse effect on our interests in the loans and MSR serviced by Ocwen.

On July 20, 2017, Ocwen announced that it reached an agreement in principle to settle a class action, captioned In re Ocwen Financial Corporation Securities Litigation that was pending in the U.S. District Court for the Southern District of Florida and involved allegations in connection with Ocwen’s restatements of its 2013 and first quarter 2014 financial statements and the 2014 Consent Order (as described below), among other matters. Pending final approval by the court, Ocwen disclosed that the settlement would include a \$49 million cash payment and an issuance of 2,500,000 shares of Ocwen’s common stock to plaintiffs.

On April 20, 2017, the CFPB filed a lawsuit against Ocwen in the U.S. District Court for the Southern District of Florida alleging misconduct in Ocwen’s mortgage servicing business, including illegal foreclosures on homeowners, servicing loans with incorrect and incomplete information and failure to send accurate monthly statements, properly credit payments or handle taxes and insurance. On April 21, 2017, Ocwen issued a statement disputing the allegations and announcing its intention to vigorously defend against the suit. On April 26, 2017, Ocwen announced the filing of two related motions seeking an early court ruling that the CFPB is unconstitutional and that its enforcement action against Ocwen should be dismissed.

Ocwen has disclosed that in April 2017, two state attorneys general took actions against Ocwen relating to its servicing practices. The Florida Attorney General filed a lawsuit in the federal district court for the Southern District of Florida against Ocwen, Ocwen Mortgage Servicing, Inc. (“OMS”) and Ocwen Loan Servicing, LLC (“OLS”), alleging violations of federal and state consumer financial laws relating to Ocwen’s servicing business. These claims are similar to the claims made by the CFPB. The Florida Attorney General’s lawsuit seeks injunctive and equitable relief, costs, and civil money penalties in excess of \$10,000 per confirmed violation of the applicable statute. In addition, the Massachusetts Attorney General filed a lawsuit against OLS in the Superior Court for the Commonwealth of Massachusetts, alleging violations of state consumer financial laws relating to its servicing business, including with respect to its activities relating to lender-placed insurance and property preservation fees. The Massachusetts Attorney General’s lawsuit seeks injunctive and equitable relief, costs, and civil money penalties of \$5,000 per confirmed violation of the applicable statute. Ocwen has announced its belief that it has valid defenses to the claims made in both lawsuits and is vigorously defending itself in both of them.

Ocwen also announced that on April 20, 2017 and subsequently, 30 state (including the District of Columbia) mortgage and banking regulatory agencies issued orders against OLS and certain other Ocwen companies. All of these orders apply to OLS, but additional Ocwen entities are named in some state orders, including OMS, Homeward Residential, Inc. and Liberty Home Equity Solutions, Inc. While such orders tend to vary by state, they generally prohibit a range of actions, including (1) acquiring new MSRs, (2) originating or acquiring new mortgage loans, where we would be the servicer, (3) originating or acquiring new mortgage loans and (4) conducting foreclosure activities, among others. Ocwen announced its intention to vigorously defend itself while continuing to work with these regulatory agencies to resolve their concerns.

In April 2017, Ocwen received a subpoena from the Office of Inspector General of HUD requesting the production of documentation related to lender-placed insurance arrangements with a mortgage insurer and the amounts paid for such insurance. The subpoena consisted of a request for information but did not contain allegations against Ocwen.

Previously, on December 19, 2013, Ocwen announced that it had reached an agreement, which was approved by consent judgment by the U.S. District Court for the District of Columbia on February 26, 2014, involving the CFPB, various state attorneys general

and other agencies that regulate the mortgage servicing industry. According to Ocwen's disclosure, the key elements of the settlement are as follows:

- A commitment by Ocwen to service loans in accordance with specified servicing guidelines and to be subject to oversight by an independent national monitor for three years;
- A payment of \$127.3 million to a consumer relief fund to be disbursed by an independent administrator to eligible borrowers. In May 2014, Ocwen satisfied this obligation with regards to the consumer relief fund, \$60.4 million of which is the responsibility of former owners of certain servicing portfolios acquired by Ocwen, pursuant to indemnification and loss sharing provisions in the applicable agreements; and
- A commitment by Ocwen to continue its principal forgiveness modification programs to delinquent and underwater borrowers, including underwater borrowers at imminent risk of default, in an aggregate amount of at least \$2.0 billion over three years from the date of the consent order. Ocwen will only receive credit towards its \$2.0 billion commitment for principal reductions that satisfy various criteria set forth in the settlement. In April 2016, Ocwen satisfied these obligations and was credited with over \$2.1 billion in consumer relief credits, which exceeded such obligations.

On March 27, 2017, Ocwen announced that it had entered into an additional settlement with the NY DFS in connection with the previously disclosed consent order, dated December 22, 2014 related to investigations into Ocwen's mortgage servicing practices in New York (the "2014 Consent Order") that, according to Ocwen's disclosure, provides for:

- The termination of the engagement of the NY DFS Operations Monitor appointed pursuant to the 2014 Consent Order; and
- A determination on whether the restrictions on acquisitions of MSRs contained in the 2014 Consent Order should be eased following completion of a scheduled servicing examination.

On February 17, 2017, Ocwen announced that it had entered into a comprehensive settlement with the California Department of Business Oversight (the "CA DBO"), terminating the previously disclosed consent order, dated January 23, 2015. According to Ocwen's disclosure, the key elements of the settlement to terminate the consent order are as follows:

- Payment of \$25 million (which Ocwen had previously reserved as of September 30, 2016); and
- An additional \$198 million in debt forgiveness through loan modifications to existing California borrowers over a three-year period.

On January 26, 2016, Ocwen announced that it had reached a settlement with the SEC, resolving the previously disclosed SEC matters, including Ocwen's business dealings with Altisource Portfolio Solutions, S.A., HLSS, Altisource Asset Management Corporation and Altisource Residential Corporation and the interests of its directors and executive officers in those companies, as well as amendments to Ocwen's 2013 Annual Report on Form 10-K and 2014 First Quarter Quarterly Report on Form 10-Q. According to Ocwen's disclosure, the key elements of the settlement are as follows:

- Payment of \$2.5 million (of which Ocwen had previously accrued \$2 million as of September 30, 2015 with respect to the proposed resolution); and
- Consent to the entry of an administrative order requiring that Ocwen cease and desist from any violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and certain related SEC rules promulgated thereunder.

On August 25, 2016, Ocwen announced that it had entered into a Consent Order with the Washington State Department of Financial Institutions (the "WA-DFI") relating to the activities of certain subsidiaries in Washington

State under the Washington Consumer Loan Act. Ocwen disclosed that under the Consent Order, Ocwen neither admits nor denies any wrongdoing and agrees, among other things, to pay the WA-DFI \$900,000 to conclude this matter.

Ditech and other Walter companies have been and may be subject to certain federal and state regulatory matters and certain other litigation, which may adversely impact us.

Walter and its subsidiaries have been and continue to be subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations and threatened legal actions and proceedings. In connection with formal and informal inquiries, Walter receives numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of Walter's activities, including whether certain of Ditech's residential loan servicing and originations practices, bankruptcy practices and other aspects of its business comply with applicable laws and regulatory requirements. Walter cannot provide any assurance as to the outcome of any of the aforementioned actions, proceedings or inquiries, or that such outcomes will not have a material adverse effect on Walter's reputation, business, prospects, results of operations, liquidity or financial condition.

Below are descriptions of certain regulatory and litigation matters that Walter has disclosed publicly:

In April 2015, Walter announced that its wholly owned mortgage subservicing subsidiary, Ditech, entered into a stipulated order with the Federal Trade Commission (“FTC”) and the CFPB to resolve allegations resulting from an investigation by the FTC and CFPB that started in 2010 and continued into 2015 (“Stipulated Order”). According to Walter’s disclosure, the key elements to the Stipulated Order included injunctive relief, including establishing a data integrity program and a home preservation program, as well as payments of (i) \$18 million for alleged misrepresentations relating to payment methods that entail convenience fees; (ii) \$30 million for alleged misrepresentations related primarily to the time it would take to review short sale requests and for alleged delays in processing loan modifications in servicing transfers; and (iii) a \$15 million civil money penalty. Ditech remains subject to various ongoing obligations under the terms of the Stipulated Order, including requirements relating to data integrity testing, loan transfer practices, consumer disclosure practices, record-keeping, and compliance reporting and monitoring.

Walter has received various subpoenas for testimony and documents, motions for examinations pursuant to Federal Rule of Bankruptcy Procedure 2004, and other information requests from certain Offices of the United States Trustees, acting through trial counsel in various federal judicial districts, seeking information regarding an array of Walter’s policies, procedures and practices in servicing loans to borrowers who are in bankruptcy and Walter’s compliance with bankruptcy laws and rules. The information has been provided in response to these subpoenas and requests and Walter’s management have met with representatives of certain Offices of the United States Trustees to discuss various issues that have arisen in the course of these inquiries, including compliance with bankruptcy laws and rules. The outcome of the aforementioned proceedings and investigations cannot be predicted, which could result in requests for damages, fines, sanctions, or other remediation. Walter could face further legal proceedings in connection with these matters, and may seek to enter into one or more agreements to resolve these matters. Any such agreement may require Walter to pay fines or other amounts for alleged breaches of law and to change or otherwise remediate Walter’s business practices.

From time to time, Walter has received and may in the future receive subpoenas and other information requests from federal and state governmental and regulatory agencies that are examining or investigating Walter. Walter and certain of its current or former officers have received subpoenas from the SEC requesting documents, testimony and/or other information in connection with an investigation concerning trading in Walter’s securities. Walter and the aforementioned officers are cooperating with the investigation. Walter cannot provide any assurance as to the outcome of the aforementioned investigations or that such outcomes will not have a material adverse effect on Walter’s reputation, business, prospects, results of operations, liquidity or financial condition.

Since mid-2014, Walter has received subpoenas for documents and other information requests from the offices of various state attorneys general who have, as a group and individually, been investigating Walter’s mortgage servicing practices. According to Walter’s public filings, Walter has provided information in response to these subpoenas and requests and has had discussions with representatives of the states involved in the investigations to explain Walter’s practices. Walter may seek to reach an agreement to resolve these matters with one or more states. Any such agreement may include, among other things, enhanced servicing standards, monitoring and testing obligations, injunctive relief and payments for remediation, consumer relief, penalties and other amounts. Walter cannot predict whether litigation or other legal proceedings will be commenced by one or more states in relation to these investigations.

Walter is involved in litigation, including putative class actions, and other legal proceedings concerning, among other things, lender-placed insurance, private mortgage insurance, bankruptcy practices, employment practices, the Consumer Financial Protection Act, the Fair Debt Collection Practices Act, the Telephone Consumer Protection Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Real Estate Settlement Procedures Act, the Electronic Funds Transfer Act, the Equal Credit Opportunity Act, and other federal and state laws and statutes.

On August 28, 2015, Walter’s wholly owned subsidiary, Reverse Mortgage Solutions, Inc. (“RMS”), received a Civil Investigative Demand (“CID”) from the CFPB to produce certain documents and answer questions relating to RMS’s marketing and provision of reverse mortgage products and services. On December 7, 2016, RMS agreed to the terms

of a consent order that settled the matters arising from a CFPB investigation. Under the order, RMS, without admitting or denying the allegations detailed in the order, agreed to pay a \$325,000 civil money penalty. RMS also agreed to injunctions against future violations of certain consumer protection statutes and regulations and agreed to establish and maintain a comprehensive compliance plan designed to ensure RMS's compliance with applicable consumer financial protection law and the full terms of the consent order. If RMS fails to comply with the order, it could be subject to additional sanctions, including actions for contempt, actions seeking additional fines, or new actions alleging violations of consumer protection statutes.

Walter has also disclosed that RMS has received (i) subpoenas from the Office of Inspector General of the U.S. Department of Housing and Urban Development ("HUD"), requiring RMS to produce documents and other materials relating to, among other things, the origination, underwriting and appraisal of reverse mortgages for the time period since January 1, 2005, and (ii) a letter from the NY DFS requesting information on RMS's reverse mortgage servicing business in New York. RMS has also received a subpoena dated March 30, 2017 from the Office of the Attorney General of the State of New York

requiring RMS to produce documents and information relating to, among other things, the servicing of HECMs insured by the FHA during the period since January 1, 2012. Walter also disclosed that it is cooperating with this inquiry.

On June 17, 2016, Walter's board of directors received a letter from a stockholder demanding that the board of directors assert legal claims against certain current and former directors and officers of Walter. The stockholder alleged that these directors and officers breached their fiduciary duties by failing to oversee Walter's operations and internal controls regarding its loan servicing, loan origination, reverse mortgage and financial reporting practices. On June 27, 2016, the board formed an evaluation committee to consider and make a recommendation concerning the stockholder demand. On November 11, 2016, the evaluation committee recommended that the board refuse the demand, which the board adopted, and the demanding stockholder's counsel has been informed of the board's determination, according to Walter's public disclosure.

On March 14, 2017, Walter publicly disclosed that it had identified material weaknesses in internal controls over operational processes related to Ditech default servicing activities and that, as a result, it had made several adjustments to reserves during the fourth quarter of 2016. In March and April of 2017, class action lawsuits were filed against Walter on behalf of its stockholders, alleging that Walter and its management had made false and/or misleading statements and omissions relating to its business and financial condition as a result of deficient internal controls. One such complaint, Courtney Elkin, et al. vs. Walter Investment Management Corp., et al., Case No. 1:17-cv-20997, was transferred to the Eastern District of Pennsylvania on May 2, 2017. Plaintiffs in the other two lawsuits, Emil Bonomi, et al. vs. Walter Investment Management Corporation, et al., Case No 8:17-cv-00645 and Joseph Petrovets, et al. vs. Walter Investment Management Corp., et al., Case No 8:17-cv-00695, agreed to dismiss their actions without prejudice and coordinate the pursuit of their claims with the claims in the Elkin action in the Eastern District of Pennsylvania. The Bonomi action was dismissed on May 4, 2017, and the Petrovets action was dismissed on May 9, 2017.

On May 26, 2017, Walter publicly disclosed that, due to an error in their calculation of the valuation allowance on their deferred tax asset balances, their previously issued audited consolidated financial statements and other financial information contained in their Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and their previously issued unaudited consolidated financial statements and other financial information contained in their Quarterly Reports on Form 10-Q for the fiscal periods ended June 30, 2016, September 30, 2016 and March 31, 2017 should no longer be relied upon and will require restatement. In light of their need to restate the aforementioned financial statements, Walter has sought necessary waivers to certain provisions of a number of its and its subsidiaries' credit and financing arrangements.

The outcome of all of Walter's regulatory matters and other legal proceedings is uncertain, and it is possible that adverse results in such proceedings (which could include restitution, penalties, punitive damages and injunctive relief affecting Walter's business practices) and the terms of any settlements of such proceedings could have a material adverse effect on Walter's reputation, business, prospects, results of operations, liquidity or financial condition. In addition, governmental and regulatory agency examinations, inquiries and investigations may result in the commencement of lawsuits or other proceedings against Walter or its personnel. Although Walter has historically been able to resolve the preponderance of its ordinary course litigations on terms it considered favorable and without a material effect, this pattern may not continue and, in any event, individual cases could have unexpected materially adverse outcomes, requiring payments or other expenses in excess of amounts already accrued. Walter cannot predict whether or how any legal proceeding will affect Walter's business relationship with actual or potential customers, Walter's creditors, rating agencies and others. In addition, cooperating in, defending and resolving these legal proceedings consume significant amounts of management time and attention and could cause Walter to incur substantial legal, consulting and other expenses and to change Walter's business practices, even in cases where there is no determination that Walter's conduct failed to meet applicable legal or regulatory requirements.

Completion of the pending transactions related to MSRs (the "MSR Transactions") is subject to various closing conditions, involves significant costs, and we cannot assure you if, when or the terms on which such transactions will

close. Failure to complete the pending MSR Transactions could adversely affect our future business and results of operations.

We have entered into an agreement for the purchase and sale of approximately \$67.0 billion UPB of MSRs and related Servicer Advances from PHH Mortgage Corporation and its subsidiaries (“PHH”) (the various aspects of such transaction, the “PHH Transaction”). The completion of the pending PHH Transaction is subject to the satisfaction of closing conditions, and consents of third parties and we cannot assure you that such conditions will be satisfied and that some or all portions of the PHH Transaction will be successfully completed on their current terms, if at all. In the event that any portion of the PHH Transaction is not consummated, we will have spent considerable time and resources, and incurred substantial costs, many of which must be paid even if the PHH Transaction is not completed.

We have entered into an agreement for Ocwen to transfer its remaining interests in \$110 billion of UPB of non-Agency MSRs to NRM (the “Ocwen Subject MSRs”). We currently hold certain interests in the Ocwen Subject MSRs (including all Servicer Advances) pursuant to existing agreements with Ocwen that we assumed in connection with the HLSS Acquisition. The transfer of Ocwen’s interests in the Ocwen Subject MSRs is subject to numerous consents of third parties and certain actions by rating

agencies. There is no assurance that we will be able to obtain such consents in order to transfer Ocwen's interests in the Ocwen Subject MSR to NRM. We have spent considerable time and resources, and incurred substantial costs, in connection with the negotiation of such transaction and we will incur such costs even if the Ocwen Subject MSR cannot be transferred to NRM.

We may be unable to become the named servicer in respect of Non-Agency MSRs because, among other potential reasons, we do not maintain any servicer ratings from rating agencies. If we are unable to become the named servicer in respect of any of the Ocwen Subject MSRs in accordance with the Ocwen Transaction, Ocwen has the right, in certain circumstances, to purchase from us our interests in the related MSRs. In such a situation, we will be required to sell Ocwen those assets (and will cease to receive income on those investments) and/or may be required to refinance certain indebtedness on terms that are not favorable to us.

We have significant counterparty concentration risk in Nationstar, Ocwen, Ditech, PHH and OneMain, and are subject to other counterparty concentration and default risks.

We are not restricted from dealing with any particular counterparty or from concentrating any or all of our transactions with a few counterparties. Any loss suffered by us as a result of a counterparty defaulting, refusing to conduct business with us or imposing more onerous terms on us would also negatively affect our business, results of operations, cash flows and financial condition.

A majority of our investments in MSRs, Excess MSRs and Servicer Advances relate to loans serviced or subserviced, as applicable, by Nationstar, Ocwen, Ditech, or PHH. If any of these servicer parties is the named servicer as the related MSR and is terminated, its servicing performance deteriorates, or in the event that any of them files for bankruptcy, our expected returns on these investments would be severely impacted. In addition, a large portion of the loans underlying our Non-Agency RMBS are serviced by Nationstar or Ocwen. We closely monitor Nationstar's, Ocwen's, Ditech's and PHH's mortgage servicing performance and overall operating performance, financial condition and liquidity, as well as their compliance with applicable regulations and Servicing Guidelines. We have various information, access and inspection rights in our agreements with these servicers that enable us to monitor their financial and operating performance and credit quality, which we periodically evaluate and discuss with their management. However, we have no direct ability to influence our servicers' performance, and our diligence cannot prevent, and may not even help us anticipate, the termination of any such servicers' servicing agreement or a severe deterioration of any of our servicers' servicing performance on our MSR portfolio.

Furthermore, Nationstar, Ocwen and Walter are subject to numerous legal proceedings, federal, state or local governmental examinations, investigations or enforcement actions, which could adversely affect their operations, reputation and liquidity, financial position and results of operations. See "—Ocwen has been and is subject to certain federal and state regulatory matters, which may adversely impact us" and "—Ditech and other Walter companies have been and may be subject to certain federal and state regulatory matters and certain other litigation, which may adversely impact us" for more information on heightened regulatory scrutiny of Ocwen and Ditech, respectively.

None of our servicers or subservicers have an obligation to offer us any future co-investment opportunity on the same terms as prior transactions, or at all, and we may not be able to find suitable counterparties from which to acquire MSRs, Excess MSRs and Servicer Advances, which could impact our business strategy. See "—We will rely heavily on mortgage servicers to achieve our investment objective and have no direct ability to influence their performance."

Repayment of the outstanding amount of Servicer Advances (including payment with respect to deferred servicing fees) may be subject to delay, reduction or set-off in the event that any applicable servicer or subservicer breaches any of its obligations under the Servicing Guidelines, including, without limitation, any failure of such servicer or subservicer to perform its servicing and advancing functions in accordance with the terms of such Servicing

Guidelines. If any applicable servicer (included NRM, if NRM is the named servicer) is terminated or resigns as servicer and the applicable successor servicer does not purchase all outstanding Servicer Advances at the time of transfer, collection of the Servicer Advances will be dependent on the performance of such successor servicer and, if applicable, reliance on such successor servicer's compliance with the "first-in, first-out" or "FIFO" provisions of the Servicing Guidelines. In addition, such successor servicers may not agree to purchase the outstanding advances on the same terms as our current purchase arrangements and may require, as a condition of their purchase, modification to such FIFO provisions, which could further delay our repayment and adversely affect the returns from our investment.

We are subject to substantial other operational risks associated with Nationstar, Ocwen, Ditech, PHH or any other applicable servicer or subservicer in connection with the financing of Servicer Advances. In our current financing facilities for Servicer Advances, the failure of our servicer or subservicer to satisfy various covenants and tests can result in an amortization event and/or an event of default. We have no direct ability to control our servicer or subservicer's compliance with those covenants and tests. Failure of our servicer or subservicer to satisfy any such covenants or tests could result in a partial or total loss on our investment.

In addition, Ocwen is a party to substantially all financing agreements with subsidiaries of HLSS acquired by us in the HLSS Acquisition (including the related Servicer Advance facilities). Our ability to obtain financing for the assets of those acquired subsidiaries is dependent on Ocwen's agreement to be a party to its financing agreements. If Ocwen does not agree to be a party to these financing agreements for any reason, we may not be able to obtain financing on favorable terms or at all. Breaches and other events with respect to Ocwen (including, without limitation, failure of Ocwen to satisfy certain financial tests) could cause certain or all of the financing, in respect of mortgage loans underlying our MSR investments that are serviced or subserviced by Ocwen, to become due and payable prior to maturity. Our ability to obtain financing on such assets is dependent on Ocwen's ability to satisfy various tests under such financing arrangements. We will be dependent on Ocwen as the servicer or subservicer of the residential mortgage loans with respect to which we hold an MSR investment, and Ocwen's servicing practices may impact the value of certain of our assets. We may be adversely impacted:

• By regulatory actions taken against Ocwen;

• By a default by Ocwen under its debt agreements;

• By further downgrades in Ocwen's servicer rating;

• If Ocwen fails to ensure its Servicer Advances comply with the terms of its Pooling and Servicing Agreements ("PSAs");

• If Ocwen were terminated as servicer under certain PSAs;

• If Ocwen becomes subject to a bankruptcy proceeding; or

• If Ocwen fails to meet its obligations or is deemed to be in default under the indenture governing notes issued under any Servicer Advance facility with respect to which Ocwen is the servicer.

A material portion of our MSR portfolio is subserviced by each of Citi, PHH, Ditech or Nationstar. Upon transfer of the Ocwen Subject MSRs in connection with the Ocwen Transaction, Ocwen will subservice a material portion of our MSR portfolio. Nationstar is currently the servicer for a significant portion of our loans, and the loans underlying our Excess MSRs and Servicer Advances. The selection of Nationstar as subservicer on the MSR portfolio in our agreement with CitiMortgage, Inc. for the purchase and sale of MSRs and related Servicer Advances (including certain other agreements, the "Citi Transaction") extends our relationship with Nationstar, which could further exacerbate our counterparty concentration and default risks. If the servicing performance of one of our subservicers deteriorates, if one of our subservicers files for bankruptcy or if one of our subservicers is otherwise unwilling or unable to continue to subservice MSRs for us, our expected returns on these investments would be severely impacted. In addition, if a subservicer becomes subject to a regulatory consent order or similar enforcement proceeding, that regulatory action could adversely affect us in several ways. For example, the regulatory action could result in delays of transferring servicing from an interim subservicer to our designated successor subservicer or cause the subservicer's performance to degrade. Any such development would negatively affect our expected returns on these investments, and such effect could be materially adverse to our business and results of operations. We closely monitor each subservicer's mortgage servicing performance and overall operating performance, financial condition and liquidity, as well as its compliance with applicable regulations and GSE servicing guidelines. We have various information, access and inspection rights in our respective agreements with our subservicers that enable us to monitor their financial and operating performance and credit quality, which we periodically evaluate and discuss with each subservicer's respective management. However, we have no direct ability to influence each subservicer's performance, and our diligence cannot prevent, and may not even help us anticipate, a severe deterioration of each subservicer's respective servicing performance on our MSR portfolio.

In addition, a material portion of the consumer loans in which we have invested are serviced by OneMain. If OneMain is terminated as the servicer of some or all of these portfolios, or in the event that it files for bankruptcy or is otherwise unable to continue to service such loans, our expected returns on these investments could be severely impacted.

Moreover, we are party to repurchase agreements with a limited number of counterparties. If any of our counterparties elected not to roll our repurchase agreements, we may not be able to find a replacement counterparty, which would have a material adverse effect on our financial condition.

Our risk-management processes may not accurately anticipate the impact of market stress or counterparty financial condition, and as a result, we may not take sufficient action to reduce our risks effectively. Although we will monitor our credit exposures, default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate. In addition, concerns about, or a default by, one large participant could lead to significant liquidity problems for other participants, which may in turn expose us to significant losses.

In the event of a counterparty default, particularly a default by a major investment bank, we could incur material losses rapidly, and the resulting market impact of a major counterparty default could seriously harm our business, results of operations, cash flows and financial condition. In the event that one of our counterparties becomes insolvent or files for bankruptcy, our ability to eventually recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty or the applicable legal regime governing the bankruptcy proceeding.

Counterparty risks have increased in complexity and magnitude as a result of the insolvency of a number of major financial institutions in recent years and the consequent decrease in the number of potential counterparties. In addition, counterparties have generally tightened their underwriting standards and increased their margin requirements for financing, which could negatively impact us in several ways, including by decreasing the number of counterparties willing to provide financing to us, decreasing the overall amount of leverage available to us, and increasing the costs of borrowing.

The counterparties to the MSR Transactions have been and are subject to certain federal and state regulatory matters and certain other litigation.

The counterparties to certain MSR Transactions have been and continue to be subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations and threatened legal actions and proceedings. In connection with formal and informal inquiries, the respective counterparties to the MSR Transactions may receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their activities, including whether certain of their residential loan servicing and originations practices, bankruptcy practices and other aspects of their business comply with applicable laws and regulatory requirements. Such counterparties cannot provide any assurance as to the outcome of any of the aforementioned actions, proceedings or inquiries, or that such outcomes will not have a material adverse effect on its reputation, business, prospects, results of operations, liquidity or financial condition.

A bankruptcy of any of our mortgage servicers could materially and adversely affect us.

If Nationstar, Ocwen, Ditech, PHH or any of our other mortgage servicers becomes subject to a bankruptcy proceeding, we could be materially and adversely affected, and you could suffer losses, as discussed below.

A sale of MSRs, Excess MSRs, Servicer Advances or other assets, including loans, could be re-characterized as a pledge of such assets in a bankruptcy proceeding.

We believe that a mortgage servicer's transfer to us of MSRs, Excess MSRs, Servicer Advances and any other asset transferred pursuant to a related purchase agreement, including loans, constitutes a sale of such assets, in which case such assets would not be part of such servicer's bankruptcy estate. The servicer (as debtor-in-possession in the bankruptcy proceeding), a bankruptcy trustee appointed in such servicer's bankruptcy proceeding, or any other party in interest, however, might assert in a bankruptcy proceeding that MSRs, Excess MSRs, Servicer Advances or any other assets transferred to us pursuant to the related purchase agreement were not sold to us but were instead pledged to us as security for such servicer's obligation to repay amounts paid by us to the servicer pursuant to the related purchase agreement. We generally create and perfect security interests with respect to the MSRs that we acquire, though we do not do so in all instances. If such assertion were successful, all or part of the MSRs, Excess MSRs, Servicer Advances or any other asset transferred to us pursuant to the related purchase agreement would constitute property of the bankruptcy estate of such servicer, and our rights against the servicer could be those of a secured creditor with a lien on such present and future assets. Under such circumstances, cash proceeds generated from our collateral would constitute "cash collateral" under the provisions of the U.S. bankruptcy laws. Under U.S. bankruptcy laws, the servicer could not use our cash collateral without either (a) our consent or (b) approval by the bankruptcy court, subject to providing us with "adequate protection" under the U.S. bankruptcy laws. In addition, under such circumstances, an issue could arise as to whether certain of these assets generated after the commencement of the bankruptcy proceeding would constitute after-acquired property excluded from our entitlement pursuant to the U.S. bankruptcy laws.

If such a recharacterization occurs, the validity or priority of our security interest in the MSRs, Excess MSRs, Servicer Advances or other assets could be challenged in a bankruptcy proceeding of such servicer.

If the purchases pursuant to the related purchase agreement are recharacterized as secured financings as set forth above, we nevertheless created and perfected security interests with respect to the MSR, Excess MSR, Servicer Advances and other assets that we may have purchased from such servicer by including a pledge of collateral in the related purchase agreement and filing financing statements in appropriate jurisdictions. Nonetheless, to the extent we have created and perfected a security interest, our security interests may be challenged and ruled unenforceable, ineffective or subordinated by a bankruptcy court, and the amount of our claims may be disputed so as not to include all MSR, Excess MSR and Servicer Advances to be collected. If this were to occur, or if we have not created a security interest, then the servicer's obligations to us with respect to purchased MSR, Excess MSR, Servicer Advances and other assets would be deemed unsecured obligations, payable from unencumbered assets to be shared among all of such servicer's unsecured creditors. In addition, even if the security interests are found to be valid and enforceable, if a bankruptcy court determines that the value of the collateral is less than such servicer's underlying obligations to us, the difference between such value and the total amount of such obligations will be deemed an unsecured "deficiency" claim and the same result will occur with respect to such unsecured claim. In addition, even if the security interest is found to be valid

and enforceable, such servicer would have the right to use the proceeds of our collateral subject to either (a) our consent or (b) approval by the bankruptcy court, subject to providing us with “adequate protection” under U.S. bankruptcy laws. Such servicer also would have the ability to confirm a chapter 11 plan over our objections if the plan complied with the “cramdown” requirements under U.S. bankruptcy laws.

Payments made by a servicer to us could be voided by a court under federal or state preference laws.

If one of our mortgage servicers were to file, or to become the subject of, a bankruptcy proceeding under the United States Bankruptcy Code or similar state insolvency laws, and our security interest is declared unenforceable, ineffective or subordinated, payments previously made by a servicer to us pursuant to the related purchase agreement may be recoverable on behalf of the bankruptcy estate as preferential transfers. A payment could constitute a preferential transfer if a court were to find that the payment was a transfer of an interest of property of such servicer that:

- Was made to or for the benefit of a creditor;
- Was for or on account of an antecedent debt owed by such servicer before that transfer was made;
- Was made while such servicer was insolvent (a company is presumed to have been insolvent on and during the 90 days preceding the date the company’s bankruptcy petition was filed);
- Was made on or within 90 days (or if we are determined to be a statutory insider, on or within one year) before such servicer’s bankruptcy filing;
- Permitted us to receive more than we would have received in a Chapter 7 liquidation case of such servicer under U.S. bankruptcy laws; and
- Was a payment as to which none of the statutory defenses to a preference action apply.

If the court were to determine that any payments were avoidable as preferential transfers, we would be required to return such payments to such servicer’s bankruptcy estate and would have an unsecured claim against such servicer with respect to such returned amounts.

Payments made to us by such servicer, or obligations incurred by it, could be voided by a court under federal or state fraudulent conveyance laws.

The mortgage servicer (as debtor-in-possession in the bankruptcy proceeding), a bankruptcy trustee appointed in such servicer’s bankruptcy proceeding, or another party in interest could also claim that such servicer’s transfer to us of MSR, Excess MSR, Servicer Advances or other assets or such servicer’s agreement to incur obligations to us under the related purchase agreement was a fraudulent conveyance. Under U.S. bankruptcy laws and similar state insolvency laws, transfers made or obligations incurred could be voided if such servicer, at the time it made such transfers or incurred such obligations: (a) received less than reasonably equivalent value or fair consideration for such transfer or incurrence and (b) either (i) was insolvent at the time of, or was rendered insolvent by reason of, such transfer or incurrence; (ii) was engaged in, or was about to engage in, a business or transaction for which the assets remaining with such servicer were an unreasonably small capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature. If any transfer or incurrence is determined to be a fraudulent conveyance, Nationstar, Ocwen or Ditech, as the case may be, (as debtor-in-possession in the bankruptcy proceeding) or a bankruptcy trustee on such servicer’s behalf would be entitled to recover such transfer or to avoid the obligation previously incurred.

Any purchase agreement pursuant to which we purchase MSR, Excess MSR, Servicer Advances or other assets, including loans, or any subservicing agreement between us and a subservicer on our behalf could be rejected in a bankruptcy proceeding of one of our mortgage servicers or counterparties.

A mortgage servicer (as debtor-in-possession in the bankruptcy proceeding) or a bankruptcy trustee appointed in such servicer's or counterparty's bankruptcy proceeding could seek to reject the related purchase agreement or subservicing agreement with a counterparty and thereby terminate such servicer's or counterparty's obligation to service the MSR, Excess MSR, Servicer Advances and any other asset transferred pursuant to such purchase agreement, and terminate our right to acquire additional assets under such purchase agreement and our right to require such servicer to use commercially reasonable efforts to transfer servicing. If the bankruptcy court approved the rejection, we would have a claim against such servicer or counterparty for any damages from the rejection, and the resulting transfer of our MSR or servicing of the MSR relating to our Excess MSR to another subservicer may result in significant cost and may negatively impact the value of our MSR or Excess MSR.

A bankruptcy court could stay a transfer of servicing to another servicer.

Our ability to terminate a subservicer or to require a mortgage servicer to use commercially reasonable efforts to transfer servicing rights to a new servicer would be subject to the automatic stay in such servicer's bankruptcy proceeding. To enforce this right, we would have to seek relief from the bankruptcy court to lift such stay, and there is no assurance that the bankruptcy court would grant this relief.

Any Subservicing Agreement could be rejected in a bankruptcy proceeding.

If one of our mortgage servicers or subservicers were to file, or to become the subject of, a bankruptcy proceeding under the United States Bankruptcy Code or similar state insolvency laws, such servicer (as debtor-in-possession in the bankruptcy proceeding) or the bankruptcy trustee could reject its subservicing agreement with us and terminate such servicer's obligation to service the MSR, Servicer Advances or loans in which we have an investment. Any claim we have for damages arising from the rejection of a subservicing agreement would be treated as a general unsecured claim for purposes of distributions from such servicer's bankruptcy estate.

Our mortgage servicers could discontinue servicing.

If one of our mortgage servicers or subservicers were to file or to become the subject of a bankruptcy proceeding under the United States Bankruptcy Code, such servicer could be terminated as servicer (with bankruptcy court approval) or could discontinue servicing, in which case there is no assurance that we would be able to continue receiving payments and transfers in respect of the MSR, Servicer Advances and other assets purchased under the related purchase agreement or subserviced under the related subservicing agreement. Even if we were able to obtain the servicing rights or terminate the related subservicer, because we do not and in the future may not have the employees, servicing platforms, or technical resources necessary to service mortgage loans, we would need to engage an alternate subservicer (which may not be readily available on acceptable terms or at all) or negotiate a new subservicing agreement with such servicer, which presumably would be on less favorable terms to us. Any engagement of an alternate subservicer by us would require the approval of the related RMBS trustees or the Agencies, as applicable.

The automatic stay under the United States Bankruptcy Code may prevent the ongoing receipt of servicing fees or other amounts due.

Even if we are successful in arguing that we own the MSR, Excess MSR, Servicer Advances and other assets, including loans, purchased under the related purchase agreement, we may need to seek relief in the bankruptcy court to obtain turnover and payment of amounts relating to such assets, and there may be difficulty in recovering payments in respect of such assets that may have been commingled with other funds of such servicer.

A bankruptcy of any of our servicers or subservicers may default our MSR, Excess MSR and Servicer Advance financing facilities and negatively impact our ability to continue to purchase MSR, Excess MSR and Servicer Advances.

If any of our servicers or subservicers were to file for bankruptcy or become the subject of a bankruptcy proceeding, it could result in an event of default under certain of our financing facilities that would require the immediate paydown of such facilities. In this scenario, we may not be able to comply with our obligations to purchase MSR and Servicer Advances under the related purchase agreements. Notwithstanding this inability to purchase, the related seller may try to force us to continue making such purchases. If it is determined that we are in breach of our obligations under our purchase agreements, any claims that we may have against such related seller may be subject to offset against claims such seller may have against us by reason of this breach.

GSE initiatives and other actions may adversely affect returns from investments in MSR and Excess MSR.

On January 18, 2011, the Federal Housing Finance Agency (“FHFA”) announced that it had instructed Fannie Mae and Freddie Mac to study possible alternatives to the current residential mortgage servicing and compensation system used for single-family mortgage loans. It is unclear what Fannie Mae or Freddie Mac may propose as alternatives to current servicing compensation practices, or when any such alternatives may become effective. Although we do not expect MSR that have already been created to be subject to any changes implemented by Fannie Mae or Freddie Mac, it is possible that, because of the significant role of Fannie Mae or Freddie Mac in the secondary mortgage market, any changes they implement could become prevalent in the mortgage servicing industry generally. Other industry stakeholders or regulators may also implement or require changes in response to the perception that the current mortgage servicing practices and compensation do not appropriately serve broader housing policy objectives. These proposals are still evolving. To the extent the GSEs implement reforms that materially affect the market for conforming loans, there may be secondary effects on the subprime and Alt-A markets. These reforms may have a material adverse effect on the economics or performance of any MSR that we may acquire in the future.

Changes to the minimum servicing amount for GSE loans could occur at any time and could impact us in significantly negative ways that we are unable to predict or protect against.

Currently, when a loan is sold into the secondary market for Fannie Mae or Freddie Mac loans, the servicer is generally required to retain a minimum servicing amount (“MSA”) of 25 basis points of the UPB for fixed rate mortgages. As has been widely publicized, in September 2011, the FHFA announced that a Joint Initiative on Mortgage Servicing Compensation was seeking public comment on two alternative mortgage servicing compensation structures detailed in a discussion paper. Changes to the MSA structure could significantly impact our business in negative ways that we cannot predict or protect against. For example, the elimination of a MSA could radically change the mortgage servicing industry and could severely limit the supply of MSR or Excess MSR available for sale. In addition, a removal of, or reduction in, the MSA could significantly reduce the recapture rate on the affected loan portfolio, which would negatively affect the investment return on our MSR or Excess MSR. We cannot predict whether any changes to current MSA rules will occur or what impact any changes will have on our business, results of operations, liquidity or financial condition.

Our investments in MSR, Excess MSR and Servicer Advances may involve complex or novel structures.

Investments in MSR, Excess MSR and Servicer Advances may entail new types of transactions and may involve complex or novel structures. Accordingly, the risks associated with the transactions and structures are not fully known to buyers and sellers. In the case of MSR or Excess MSR on Agency pools, Agencies may require that we submit to costly or burdensome conditions as a prerequisite to their consent to an investment in, or our financing of, MSR or Excess MSR on Agency pools. Agency conditions, including capital requirements, may diminish or eliminate the investment potential of MSR or Excess MSR on Agency pools by making such investments too expensive for us or by severely limiting the potential returns available from MSR or Excess MSR on Agency pools.

It is possible that an Agency’s views on whether any such acquisition structure is appropriate or acceptable may not be known to us when we make an investment and may change from time to time for any reason or for no reason, even with respect to a completed investment. An Agency’s evolving posture toward an acquisition or disposition structure through which we invest in or dispose of Excess MSR on Agency pools may cause such Agency to impose new conditions on our existing investments in Excess MSR on Agency pools, including the owner’s ability to hold such Excess MSR on Agency pools directly or indirectly through a grantor trust or other means. Such new conditions may be costly or burdensome and may diminish or eliminate the investment potential of the Excess MSR on Agency pools that are already owned by us. Moreover, obtaining such consent may require us or our co-investment counterparties to agree to material structural or economic changes, as well as agree to indemnification or other terms that expose us to

risks to which we have not previously been exposed and that could negatively affect our returns from our investments.

Our ability to finance the MSR and Servicer Advances acquired in the MSR Transactions may depend on the related servicer's cooperation with our financing sources and compliance with certain covenants.

We intend to finance some or all of the MSRs or Servicer Advances acquired in the MSR Transactions, and as a result, we will be subject to substantial operational risks associated with the related servicers. In our current financing facilities for Excess MSRs and Servicer Advances, the failure of the related servicer to satisfy various covenants and tests can result in an amortization event and/or an event of default. Our financing sources may require us to include similar provisions in any financing we obtain relating to the MSRs and Servicer Advances acquired in the MSR Transactions. If we decide to finance such assets, we will not have the direct ability to control any party's compliance with any such covenants and tests and the failure of any party to satisfy any such

covenants or tests could result in a partial or total loss on our investment. Some financing sources may be unwilling to finance any assets acquired in the MSR Transactions.

In addition, any financing for the MSRs and Servicer Advances acquired in the MSR Transactions may be subject to regulatory approval and the agreement of the relevant servicer or subservicer to be party to such financing agreements. If we cannot get regulatory approval or these parties do not agree to be a party to such financing agreements, we may not be able to obtain financing on favorable terms or at all.

Mortgage servicing is heavily regulated at the U.S. federal, state and local levels, and each transfer of MSRs to our subservicer of such MSRs may not be approved by the requisite regulators.

Mortgage servicers must comply with U.S. federal, state and local laws and regulations. These laws and regulations cover topics such as licensing; allowable fees and loan terms; permissible servicing and debt collection practices; limitations on forced-placed insurance; special consumer protections in connection with default and foreclosure; and protection of confidential, nonpublic consumer information. The volume of new or modified laws and regulations has increased in recent years, and states and individual cities and counties continue to enact laws that either restrict or impose additional obligations in connection with certain loan origination, acquisition and servicing activities in those cities and counties. The laws and regulations are complex and vary greatly among the states and localities, and in some cases, these laws are in conflict with each other or with U.S. federal law. In connection with the MSR Transactions, there is no assurance that each transfer of MSRs to our selected subservicer will be approved by the requisite regulators. If regulatory approval for each such transfer is not obtained, we may incur additional costs and expenses in connection with the approval of another replacement subservicer.

We do not have legal title to the MSRs underlying our Excess MSRs and certain of our Servicer Advances.

We do not have legal title to the MSRs underlying our Excess MSRs and certain of the MSRs related to the transactions contemplated by the purchase agreements pursuant to which we acquire Servicer Advances from Ocwen, SLS and Nationstar, and are subject to increased risks as a result of the related servicer continuing to own the mortgage servicing rights. The validity or priority of our interest in the underlying mortgage servicing could be challenged in a bankruptcy proceeding of the servicer, and the related purchase agreement could be rejected in such proceeding. Any of the foregoing events might have a material adverse effect on our business, financial condition, results of operations and liquidity. As part of the Ocwen Transaction, we and Ocwen will cooperate to obtain any third party consents required to transfer Ocwen's remaining interest in the Ocwen Subject MSRs to us. As noted above, however, there is no assurance that we will be successful in obtaining those consents.

Many of our investments may be illiquid, and this lack of liquidity could significantly impede our ability to vary our portfolio in response to changes in economic and other conditions or to realize the value at which such investments are carried if we are required to dispose of them.

Many of our investments are illiquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their resale, refinancing or other disposition. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof.

MSRs, Excess MSRs and Servicer Advances are highly illiquid and may be subject to numerous restrictions on transfers, including without limitation the receipt of third-party consents. For example, the Servicing Guidelines of a mortgage owner may require that holders of Excess MSRs obtain the mortgage owner's prior approval of any change of direct ownership of such Excess MSRs. Such approval may be withheld for any reason or no reason in the

discretion of the mortgage owner. Moreover, we have not received and do not expect to receive any assurances from any GSEs that their conditions for the sale by us of any MSR or Excess MSR will not change. Therefore, the potential costs, issues or restrictions associated with receiving such GSEs' consent for any such dispositions by us cannot be determined with any certainty. Additionally, investments in MSR, Excess MSR and Servicer Advances may entail complex transaction structures and the risks associated with the transactions and structures are not fully known to buyers or sellers. As a result of the foregoing, we may be unable to locate a buyer at the time we wish to sell MSR, Excess MSR or Servicer Advances. There is some risk that we will be required to dispose of MSR, Excess MSR or Servicer Advances either through an in-kind distribution or other liquidation vehicle, which will, in either case, provide little or no economic benefit to us, or a sale to a co-investor in the MSR, Excess MSR or Servicer Advances, which may be an affiliate. Accordingly, we cannot provide any assurance that we will obtain any return or any benefit of any kind from any disposition of MSR, Excess MSR or Servicer Advances. We may not benefit from the full term of the assets and for the aforementioned reasons may not receive any benefits from the disposition, if any, of such assets.

In addition, some of our real estate related securities may not be registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or other disposition except in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. There are also no established trading markets for a majority of our intended investments. Moreover, certain of our investments, including our investments in consumer loans, Servicer Advances and certain investments in MSRs and Excess MSRs, are made indirectly through a vehicle that owns the underlying assets. Our ability to sell our interest may be contractually limited or prohibited. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be limited.

Our real estate related securities have historically been valued based primarily on third-party quotations, which are subject to significant variability based on the liquidity and price transparency created by market trading activity. A disruption in these trading markets could reduce the trading for many real estate related securities, resulting in less transparent prices for those securities, which would make selling such assets more difficult. Moreover, a decline in market demand for the types of assets that we hold would make it more difficult to sell our assets. If we are required to liquidate all or a portion of our illiquid investments quickly, we may realize significantly less than the amount at which we have previously valued these investments.

Market conditions could negatively impact our business, results of operations, cash flows and financial condition.

The market in which we operate is affected by a number of factors that are largely beyond our control but can nonetheless have a potentially significant, negative impact on us. These factors include, among other things:

- interest rates and credit spreads;
- the availability of credit, including the price, terms and conditions under which it can be obtained;
- the quality, pricing and availability of suitable investments and credit losses with respect to our investments;
- the ability to obtain accurate market-based valuations;
- the ability of securities dealers to make markets in relevant securities and loans;
- loan values relative to the value of the underlying real estate assets;
- default rates on the loans underlying our investments and the amount of the related losses;
- prepayment rates, delinquency rates and legislative/regulatory changes with respect to our investments in MSRs, Excess MSRs, Servicer Advances, RMBS, and loans, and the timing and amount of Servicer Advances;
- the availability and cost of quality servicers and subservicers, and advance and recapture rates;
- competition;
- the actual and perceived state of the real estate markets, bond markets, market for dividend-paying stocks and public capital markets generally;
- unemployment rates; and
- the attractiveness of other types of investments relative to investments in real estate or REITs generally.

Changes in these factors are difficult to predict, and a change in one factor can affect other factors. For example, at various points in time, increased default rates in the subprime mortgage market played a role in causing credit spreads to widen, reducing availability of credit on favorable terms, reducing liquidity and price transparency of real estate related assets, resulting in difficulty in obtaining accurate mark-to-market valuations, and causing a negative perception of the state of the real estate markets and of REITs generally. While market conditions have generally improved since 2008, they could deteriorate as a result of a variety of factors beyond our control with adverse effects to our financial condition.

The geographic distribution of the loans underlying, and collateral securing, certain of our investments subjects us to geographic real estate market risks, which could adversely affect the performance of our investments, our results of operations and financial condition.

The geographic distribution of the loans underlying, and collateral securing, our investments, including our MSR, Excess MSR, Servicer Advances, Non-Agency RMBS and loans, exposes us to risks associated with the real estate and commercial lending industry in general within the states and regions in which we hold significant investments. These risks include, without limitation: possible declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds; overbuilding; extended vacancies of properties; increases in competition, property taxes and operating expenses; changes in zoning laws; increased energy costs; unemployment; costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; casualty or condemnation losses; uninsured damages from floods, earthquakes or other natural disasters; and changes in interest rates.

As of June 30, 2017, 24.0% and 20.7% of the total UPB of the residential mortgage loans underlying our Excess MSR and MSR, respectively, was secured by properties located in California, which are particularly susceptible to natural disasters such as fires, earthquakes and mudslides. 8.7% and 6.0% of the total UPB of the residential mortgage loans underlying our Excess MSR and

MSRs, respectively, was secured by properties located in Florida and Texas, respectively. As of June 30, 2017, 38.5% of the collateral securing our Non-Agency RMBS was located in the Western U.S., 23.7% was located in the Southeastern U.S., 19.7% was located in the Northeastern U.S., 10.7% was located in the Midwestern U.S. and 7.2% was located in the Southwestern U.S. We were unable to obtain geographical information for 0.2% of the collateral. As a result of this concentration, we may be more susceptible to adverse developments in those markets than if we owned a more geographically diverse portfolio. To the extent any of the foregoing risks arise in states and regions where we hold significant investments, the performance of our investments, our results of operations, cash flows and financial condition could suffer a material adverse effect.

Many of the RMBS in which we invest are collateralized by subprime mortgage loans, which are subject to increased risks.

Many of the RMBS in which we invest are backed by collateral pools of subprime residential mortgage loans. “Subprime” mortgage loans refer to mortgage loans that have been originated using underwriting standards that are less restrictive than the underwriting requirements used as standards for other first and junior lien mortgage loan purchase programs, such as the programs of Fannie Mae and Freddie Mac. These lower standards include mortgage loans made to borrowers having imperfect or impaired credit histories (including outstanding judgments or prior bankruptcies), mortgage loans where the amount of the loan at origination is 80% or more of the value of the mortgage property, mortgage loans made to borrowers with low credit scores, mortgage loans made to borrowers who have other debt that represents a large portion of their income and mortgage loans made to borrowers whose income is not required to be disclosed or verified. Due to economic conditions, including increased interest rates and lower home prices, as well as aggressive lending practices, subprime mortgage loans have in recent periods experienced significant rates of delinquency, foreclosure, bankruptcy and loss, and they are likely to continue to experience delinquency, foreclosure, bankruptcy and loss rates that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in a more traditional manner. Thus, because of the higher delinquency rates and losses associated with subprime mortgage loans, the performance of RMBS backed by subprime mortgage loans could be correspondingly adversely affected, which could adversely impact our results of operations, liquidity, financial condition and business.

The value of our MSRs, Excess MSRs, Servicer Advances and RMBS may be adversely affected by deficiencies in servicing and foreclosure practices, as well as related delays in the foreclosure process.

Allegations of deficiencies in servicing and foreclosure practices among several large sellers and servicers of residential mortgage loans that surfaced in 2010 raised various concerns relating to such practices, including the improper execution of the documents used in foreclosure proceedings (so-called “robo signing”), inadequate documentation of transfers and registrations of mortgages and assignments of loans, improper modifications of loans, violations of representations and warranties at the date of securitization and failure to enforce put-backs.

As a result of alleged deficiencies in foreclosure practices, a number of servicers temporarily suspended foreclosure proceedings beginning in the second half of 2010 while they evaluated their foreclosure practices. In late 2010, a group of state attorneys general and state bank and mortgage regulators representing nearly all 50 states and the District of Columbia, along with the U.S. Justice Department and HUD, began an investigation into foreclosure practices of banks and servicers. The investigations and lawsuits by several state attorneys general led to a settlement agreement in early February 2012 with five of the nation’s largest banks, pursuant to which the banks agreed to pay more than \$25 billion to settle claims relating to improper foreclosure practices. The settlement does not prohibit the states, the federal government, individuals or investors from pursuing additional actions against the banks and servicers in the future.

Under the terms of the agreement governing our investment in Servicer Advances, we (in certain cases, together with third-party co-investors) are required to purchase from Nationstar, Ocwen, Ditech and our other servicers, advances on certain loan pools. While a residential mortgage loan is in foreclosure, servicers are generally required to continue to advance delinquent principal and interest and to also make advances for delinquent taxes and insurance and foreclosure costs and the upkeep of vacant property in foreclosure to the extent it determines that such amounts are recoverable. Servicer Advances are generally recovered when the delinquency is resolved.

Foreclosure moratoria or other actions that lengthen the foreclosure process increase the amount of Servicer Advances our servicers are required to make and we are required to purchase, lengthen the time it takes for us to be repaid for such advances and increase the costs incurred during the foreclosure process. In addition, Servicer Advance financing facilities contain provisions that modify the advance rates for, and limit the eligibility of, Servicer Advances to be financed based on the length of time that Servicer Advances are outstanding, and, as a result, an increase in foreclosure timelines could further increase the amount of Servicer Advances that we need to fund with our own capital. Such increases in foreclosure timelines could increase our need for capital to fund Servicer Advances (which do not bear interest), which would increase our interest expense, reduce the value of our investment and potentially reduce the cash that we have available to pay our operating expenses or to pay dividends.

Even in states where servicers have not suspended foreclosure proceedings or have lifted (or will soon lift) any such delayed foreclosures, servicers, including Nationstar, Ocwen, Ditech and our other servicers, have faced, and may continue to face, increased delays and costs in the foreclosure process. For example, the current legislative and regulatory climate could lead borrowers to contest foreclosures that they would not otherwise have contested under ordinary circumstances, and servicers may incur increased litigation costs if the validity of a foreclosure action is challenged by a borrower. In general, regulatory developments with respect to foreclosure practices could result in increases in the amount of Servicer Advances and the length of time to recover Servicer Advances, fines or increases in operating expenses, and decreases in the advance rate and availability of financing for Servicer Advances. This would lead to increased borrowings, reduced cash and higher interest expense which could negatively impact our liquidity and profitability. Although the terms of our investment in Servicer Advances contain adjustment mechanisms that would reduce the amount of performance fees payable to the related servicer if Servicer Advances exceed pre-determined amounts, those fee reductions may not be sufficient to cover the expenses resulting from longer foreclosure timelines.

The integrity of the servicing and foreclosure processes is critical to the value of the residential mortgage loan portfolios underlying our MSR, Excess MSR, Servicer Advances and RMBS, and our financial results could be adversely affected by deficiencies in the conduct of those processes. For example, delays in the foreclosure process that have resulted from investigations into improper servicing practices may adversely affect the values of, and result in losses on, these investments. Foreclosure delays may also increase the administrative expenses of the securitization trusts for the RMBS, thereby reducing the amount of funds available for distribution to investors.

In addition, the subordinate classes of securities issued by the securitization trusts may continue to receive interest payments while the defaulted loans remain in the trusts, rather than absorbing the default losses. This may reduce the amount of credit support available for the senior classes of RMBS that we own, thus possibly adversely affecting these securities. Additionally, a substantial portion of the \$25 billion settlement is a “credit” to the banks and servicers for principal write-downs or reductions they may make to certain mortgages underlying RMBS. There remains uncertainty as to how these principal reductions will work and what effect they will have on the value of related RMBS. As a result, there can be no assurance that any such principal reductions will not adversely affect the value of our MSR, Excess MSR, Servicer Advances and RMBS.

While we believe that the sellers and servicers would be in violation of the applicable Servicing Guidelines to the extent that they have improperly serviced mortgage loans or improperly executed documents in foreclosure or bankruptcy proceedings, or do not comply with the terms of servicing contracts when deciding whether to apply principal reductions, it may be difficult, expensive, time consuming and, ultimately, uneconomic for us to enforce our contractual rights. While we cannot predict exactly how the servicing and foreclosure matters or the resulting litigation or settlement agreements will affect our business, there can be no assurance that these matters will not have an adverse impact on our results of operations, cash flows and financial condition.

A failure by any or all of the members of Buyer to make capital contributions for amounts required to fund Servicer Advances could result in an event of default under our advance facilities and a complete loss of our investment.

As described in Note 6 to our Condensed Consolidated Financial Statements, New Residential and third-party co-investors, through a joint venture entity (Advance Purchaser LLC, the “Buyer”) have agreed to purchase all future arising Servicer Advances from Nationstar under certain residential mortgage servicing agreements. Buyer relies, in part, on its members to make committed capital contributions in order to pay the purchase price for future Servicer Advances. A failure by any or all of the members to make such capital contributions for amounts required to fund Servicer Advances could result in an event of default under our advance facilities and a complete loss of our investment.

The loans underlying the securities we invest in and the loans we directly invest in are subject to delinquency, foreclosure and loss, which could result in losses to us.

Mortgage backed securities are securities backed by mortgage loans. The ability of borrowers to repay these mortgage loans is dependent upon the income or assets of these borrowers. If a borrower has insufficient income or assets to repay these loans, it will default on its loan. Our investments in RMBS will be adversely affected by defaults under the loans underlying such securities. To the extent losses are realized on the loans underlying the securities in which we invest, we may not recover the amount invested in, or, in extreme cases, any of our investment in such securities.

Residential mortgage loans, manufactured housing loans and subprime mortgage loans are secured by single-family residential property and are also subject to risks of delinquency and foreclosure, and risks of loss. The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors may impair borrowers' abilities to repay their loans, including, among other things, changes in the borrower's employment status, changes in national, regional or local economic conditions, changes in interest rates or the availability of credit on favorable terms, changes in regional or local real estate values, changes in regional or local rental rates and changes in real estate taxes.

In the event of default under a loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the outstanding principal and accrued but unpaid interest of the loan, which could adversely affect our results of operations, cash flows and financial condition.

Our investments in real estate related securities are subject to changes in credit spreads as well as available market liquidity, which could adversely affect our ability to realize gains on the sale of such investments.

Real estate related securities are subject to changes in credit spreads. Credit spreads measure the yield demanded on securities by the market based on their credit relative to a specific benchmark.

Fixed rate securities are valued based on a market credit spread over the rate payable on fixed rate U.S. Treasuries of like maturity. Floating rate securities are valued based on a market credit spread over LIBOR and are affected similarly by changes in LIBOR spreads. As of June 30, 2017, 89.9% of our Non-Agency RMBS Portfolio consisted of floating rate securities and 10.1% consisted of fixed rate securities, and 6.9% of our Agency RMBS portfolio consisted of floating rate securities and 93.1% consisted of fixed rate securities, based on the amortized cost basis of all securities (including the amortized cost basis of interest-only and residual classes). Excessive supply of these securities combined with reduced demand will generally cause the market to require a higher yield on these securities, resulting in the use of a higher, or “wider,” spread over the benchmark rate to value such securities. Under such conditions, the value of our real estate related securities portfolios would tend to decline. Conversely, if the spread used to value such securities were to decrease, or “tighten,” the value of our real estate related securities portfolio would tend to increase. Such changes in the market value of our real estate securities portfolios may affect our net equity, net income or cash flow directly through their impact on unrealized gains or losses on available-for-sale securities, and therefore our ability to realize gains on such securities, or indirectly through their impact on our ability to borrow and access capital. Widening credit spreads could cause the net unrealized gains on our securities and derivatives, recorded in accumulated other comprehensive income or retained earnings, and therefore our book value per share, to decrease and result in net losses.

Prepayment rates on the residential mortgage loans underlying our real estate related securities may adversely affect our profitability.

In general, the residential mortgage loans backing our real estate related securities may be prepaid at any time without penalty. Prepayments on our real estate related securities result when homeowners/mortgagors satisfy (i.e., pay off) the mortgage upon selling or refinancing their mortgaged property. When we acquire a particular security, we anticipate that the underlying residential mortgage loans will prepay at a projected rate which, together with expected coupon income, provides us with an expected yield on such securities. If we purchase assets at a premium to par value, and borrowers prepay their mortgage loans faster than expected, the corresponding prepayments on the real estate related security may reduce the expected yield on such securities because we will have to amortize the related premium on an accelerated basis. Conversely, if we purchase assets at a discount to par value, when borrowers prepay their mortgage loans slower than expected, the decrease in corresponding prepayments on the real estate related security may reduce the expected yield on such securities because we will not be able to accrete the related discount as quickly as originally anticipated.

Prepayment rates on loans are influenced by changes in mortgage and market interest rates and a variety of economic, geographic and other factors, all of which are beyond our control. Consequently, such prepayment rates cannot be predicted with certainty and no strategy can completely insulate us from prepayment or other such risks. In periods of declining interest rates, prepayment rates on mortgage loans generally increase. If general interest rates decline at the same time, the proceeds of such prepayments received during such periods are likely to be reinvested by us in assets yielding less than the yields on the assets that were prepaid. In addition, the market value of our real estate related

securities may, because of the risk of prepayment, benefit less than other fixed-income securities from declining interest rates.

With respect to Agency RMBS, we may purchase securities that have a higher or lower coupon rate than the prevailing market interest rates. In exchange for a higher coupon rate, we would then pay a premium over par value to acquire these securities. In accordance with GAAP, we would amortize the premiums on our Agency RMBS over the life of the related securities. If the mortgage loans securing these securities prepay at a more rapid rate than anticipated, we would have to amortize our premiums on an accelerated basis which may adversely affect our profitability. As compensation for a lower coupon rate, we would then pay a discount to par value to acquire these securities. In accordance with GAAP, we would accrete any discounts on our Agency RMBS over the life of the related securities. If the mortgage loans securing these securities prepay at a slower rate than anticipated, we would have to accrete our discounts on an extended basis which may adversely affect our profitability. Defaults on the mortgage loans underlying Agency RMBS typically have the same effect as prepayments because of the underlying Agency guarantee.

Prepayments, which are the primary feature of mortgage backed securities that distinguish them from other types of bonds, are difficult to predict and can vary significantly over time. As the holder of the security, on a monthly basis, we receive a payment equal to a portion of our investment principal in a particular security as the underlying mortgages are prepaid. In general, on the date each month that principal prepayments are announced (i.e., factor day), the value of our real estate related security pledged as collateral under our repurchase agreements is reduced by the amount of the prepaid principal and, as a result, our lenders will typically initiate a margin call requiring the pledge of additional collateral or cash, in an amount equal to such prepaid principal, in order to re-establish the required ratio of borrowing to collateral value under such repurchase agreements. Accordingly, with respect to our Agency RMBS, the announcement on factor day of principal prepayments is in advance of our receipt of the related scheduled payment, thereby creating a short-term receivable for us in the amount of any such principal prepayments. However, under our repurchase agreements, we may receive a margin call relating to the related reduction in value of our Agency RMBS and, prior to receipt of this short-term receivable, be required to post additional collateral or cash in the amount of the principal prepayment on or about factor day, which would reduce our liquidity during the period in which the short-term receivable is outstanding. As a result, in order to meet any such margin calls, we could be forced to sell assets in order to maintain liquidity. Forced sales under adverse market conditions may result in lower sales prices than ordinary market sales made in the normal course of business. If our real estate related securities were liquidated at prices below our amortized cost (i.e., the cost basis) of such assets, we would incur losses, which could adversely affect our earnings. In addition, in order to continue to earn a return on this prepaid principal, we must reinvest it in additional real estate related securities or other assets; however, if interest rates decline, we may earn a lower return on our new investments as compared to the real estate related securities that prepay.

Prepayments may have a negative impact on our financial results, the effects of which depend on, among other things, the timing and amount of the prepayment delay on our Agency RMBS, the amount of unamortized premium or discount on our real estate related securities, the rate at which prepayments are made on our Non-Agency RMBS, the reinvestment lag and the availability of suitable reinvestment opportunities.

Our investments in RMBS may be subject to significant impairment charges, which would adversely affect our results of operations.

We will be required to periodically evaluate our investments for impairment indicators. The value of an investment is impaired when our analysis indicates that, with respect to a security, it is probable that the value of the security is other-than-temporarily impaired. The judgment regarding the existence of impairment indicators is based on a variety of factors depending upon the nature of the investment and the manner in which the income related to such investment was calculated for purposes of our financial statements. If we determine that an impairment has occurred, we are required to make an adjustment to the net carrying value of the investment, which would adversely affect our results of operations in the applicable period and thereby adversely affect our ability to pay dividends to our stockholders.

The lenders under our repurchase agreements may elect not to extend financing to us, which could quickly and seriously impair our liquidity.

We finance a meaningful portion of our investments in RMBS with repurchase agreements, which are short-term financing arrangements. Under the terms of these agreements, we will sell a security to the lending counterparty for a specified price and concurrently agree to repurchase the same security from our counterparty at a later date for a higher specified price. During the term of the repurchase agreement—which can be as short as 30 days—the counterparty will make funds available to us and hold the security as collateral. Our counterparties can also require us to post additional margin as collateral at any time during the term of the agreement. When the term of a repurchase agreement ends, we will be required to repurchase the security for the specified repurchase price, with the difference between the sale and repurchase prices serving as the equivalent of paying interest to the counterparty in return for extending financing to us. If we want to continue to finance the security with a repurchase agreement, we ask the counterparty to

extend—or “roll”—the repurchase agreement for another term.

Our counterparties are not required to roll our repurchase agreements upon the expiration of their stated terms, which subjects us to a number of risks. Counterparties electing to roll our repurchase agreements may charge higher spread and impose more onerous terms upon us, including the requirement that we post additional margin as collateral. More significantly, if a repurchase agreement counterparty elects not to extend our financing, we would be required to pay the counterparty the full repurchase price on the maturity date and find an alternate source of financing. Alternate sources of financing may be more expensive, contain more onerous terms or simply may not be available. If we were unable to pay the repurchase price for any security financed with a repurchase agreement, the counterparty has the right to sell the underlying security being held as collateral and require us to compensate it for any shortfall between the value of our obligation to the counterparty and the amount for which the collateral was sold (which may be a significantly discounted price). As of June 30, 2017, we had outstanding repurchase agreements with an aggregate face amount of approximately \$4.2 billion to finance Non-Agency RMBS and approximately \$2.7 billion to finance Agency RMBS and related trades receivable. Moreover, our repurchase agreement obligations are currently with a limited number

of counterparties. If any of our counterparties elected not to roll our repurchase agreements, we may not be able to find a replacement counterparty in a timely manner. Finally, some of our repurchase agreements contain covenants and our failure to comply with such covenants could result in a loss of our investment.

The financing sources under our Servicer Advance financing facilities may elect not to extend financing to us or may have or take positions adverse to us, which could quickly and seriously impair our liquidity.

We finance a meaningful portion of our investments in Servicer Advances with structured financing arrangements. These arrangements are commonly of a short-term nature. These arrangements are generally accomplished by having the named servicer if the named servicer is a subsidiary of the Company or the purchaser of such Servicer Advances (which is a subsidiary of the Company) transfer our right to repayment for certain Servicer Advances that we have as servicer under the relevant Servicing Guidelines or that we have acquired from one of our mortgage servicers, as applicable, to one of our wholly owned bankruptcy remote subsidiaries (a "Depositor"). We are generally required to continue to transfer to the related Depositor all of our rights to repayment for any particular pool of Servicer Advances as they arise (and, if applicable, are transferred from one of our mortgage servicers) until the related financing arrangement is paid in full and is terminated. The related Depositor then transfers such rights to an "Issuer." The Issuer then issues limited recourse notes to the financing sources backed by such rights to repayment.

The outstanding balance of Servicer Advances securing these arrangements is not likely to be repaid on or before the maturity date of such financing arrangements. Accordingly, we rely heavily on our financing sources to extend or refinance the terms of such financing arrangements. Our financing sources are not required to extend the arrangements upon the expiration of their stated terms, which subjects us to a number of risks. Financing sources electing to extend may charge higher interest rates and impose more onerous terms upon us, including without limitation, lowering the amount of financing that can be extended against any particular pool of Servicer Advances.

If a financing source is unable or unwilling to extend financing, including, but not limited to, due to legal or regulatory matters applicable to us or our mortgage servicers, the related Issuer will be required to repay the outstanding balance of the financing on the related maturity date. Additionally, there may be substantial increases in the interest rates under a financing arrangement if the related notes are not repaid, extended or refinanced prior to the expected repayment date, which may be before the related maturity date. If an Issuer is unable to pay the outstanding balance of the notes, the financing sources generally have the right to foreclose on the Servicer Advances pledged as collateral.

As of June 30, 2017, certain of the notes issued under our structured Servicer Advance financing arrangements accrued interest at a floating rate of interest. Servicer Advances are non-interest bearing assets. Accordingly, if there is an increase in prevailing interest rates and/or our financing sources increase the interest rate "margins" or "spreads," the amount of financing that we could obtain against any particular pool of Servicer Advances may decrease substantially and/or we may be required to obtain interest rate hedging arrangements. There is no assurance that we will be able to obtain any such interest rate hedging arrangements.

Alternate sources of financing may be more expensive, contain more onerous terms or simply may not be available. Moreover, our structured Servicer Advance financing arrangements are currently with a limited number of counterparties. If any of our sources are unable to or elected not to extend or refinance such arrangements, we may not be able to find a replacement counterparty in a timely manner.

Many of our Servicer Advance financing arrangements are provided by financial institutions with whom we have substantial relationships. Some of our Servicer Advance financing arrangements entail the issuance of term notes to capital markets investors with whom we have little or no relationships or the identities of which we may not be aware and, therefore, we have no ability to control or monitor the identity of the holders of such term notes. Holders of such term notes may have or may take positions - for example, "short" positions in our stock or the stock of our servicers -

that could be benefited by adverse events with respect to us or our servicers. If any holders of term notes allege or assert noncompliance by us or the related servicer under our Servicer Advance financing arrangements in order to realize such benefits, we or our servicers, or our ability to maintain Servicer Advance financing on favorable terms, could be materially and adversely affected.

In order to continue to finance Servicer Advances and deferred servicing fees arising in connection with the Ocwen Subject MSR upon any transfer in connection with the Ocwen Transaction, we will need to amend our existing Servicer Advance financing facilities (or establish new Servicer Advance financing facilities) related to the Ocwen Subject MSR to permit such continued financing. There is no assurance we will be able to do so on favorable terms or at all. As of June 30, 2017, we had borrowed \$3.3 billion against approximately \$3.7 billion of Servicer Advances and deferred servicing fees arising under the Ocwen Subject MSR. Our obligation to pay Ocwen lump sum payments in connection with any transfer of interests in the Ocwen Subject MSR in connection with the Ocwen Transaction is not conditioned on having such Servicer Advance financings amended (or having new Servicer Advance financing facilities established).

We may not be able to finance our investments on attractive terms or at all, and financing for MSR, Excess MSR or Servicer Advances may be particularly difficult to obtain.

The ability to finance investments with securitizations or other long-term non-recourse financing not subject to margin requirements has been more challenging since 2007 as a result of market conditions. These conditions may result in having to use less efficient forms of financing for any new investments, which will likely require a larger portion of our cash flows to be put toward making the initial investment and thereby reduce the amount of cash available for distribution to our stockholders and funds available for operations and investments, and which will also likely require us to assume higher levels of risk when financing our investments. In addition, there is a limited market for financing of investments in MSR and Excess MSR, and it is possible that one will not develop for a variety of reasons, such as the challenges with perfecting security interests in the underlying collateral.

Certain of our advance facilities may mature in the short term, and there can be no assurance that we will be able to renew these facilities on favorable terms or at all. Moreover, an increase in delinquencies with respect to the loans underlying our Servicer Advances could result in the need for additional financing, which may not be available to us on favorable terms or at all. If we are not able to obtain adequate financing to purchase Servicer Advances from our servicers or fund Servicer Advances under our MSR in accordance with the applicable Servicing Guidelines, we or any such servicer, as applicable, could default on its obligation to fund such advances, which could result in its termination of us or any applicable servicer, as applicable, as servicer under the applicable Servicing Guidelines, and a partial or total loss of our investment in Servicer Advances, MSR and Excess MSR, as applicable.

The non-recourse long-term financing structures we use expose us to risks, which could result in losses to us.

We use structured finance and other non-recourse long-term financing for our investments to the extent available and appropriate. In such structures, our financing sources typically have only a claim against the assets included in the securitizations rather than a general claim against us as an entity. Prior to any such financing, we would seek to finance our investments with relatively short-term facilities until a sufficient portfolio is accumulated. As a result, we would be subject to the risk that we would not be able to acquire, during the period that any short-term facilities are available, sufficient eligible assets or securities to maximize the efficiency of a securitization. We also bear the risk that we would not be able to obtain new short-term facilities or would not be able to renew any short-term facilities after they expire should we need more time to seek and acquire sufficient eligible assets or securities for a securitization. In addition, conditions in the capital markets may make the issuance of any such securitization less attractive to us even when we do have sufficient eligible assets or securities. While we would intend to retain the unrated equity component of securitizations and, therefore, still have exposure to any investments included in such securitizations, our inability to enter into such securitizations may increase our overall exposure to risks associated with direct ownership of such investments, including the risk of default. Our inability to refinance any short-term facilities would also increase our risk because borrowings thereunder would likely be recourse to us as an entity. If we are unable to obtain and renew short-term facilities or to consummate securitizations to finance our investments on a long-term basis, we may be required to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price.

The final Basel FRTB Ruling, which raised capital charges for bank holders of ABS, CMBS and Non-Agency MBS beginning in 2019, could adversely impact available trading liquidity and access to financing.

In January 2006, the Basel Committee on Banking Supervision released a finalized framework for calculating minimum capital requirements for market risk, which will take effect in January 2019. In the final proposal, capital requirements would overall be meaningfully higher than current requirements, but are less punitive than the previous December 2014 proposal. However, each country's specific regulator may codify the rules differently. Under the

framework, capital charges on a bond are calculated based on three components: default, market and residual risk. Implementation of the final proposal could impose meaningfully higher capital charges on dealers compared with current requirements, and could reduce liquidity in the securitized products market.

Risks associated with our investment in the consumer loan sector could have a material adverse effect on our business and financial results.

Our portfolio includes an investment in the consumer loan sector. Although many of the risks applicable to consumer loans are also applicable to residential mortgage loans, and thus the type of risks that we have experience managing, there are nevertheless substantial risks and uncertainties associated with engaging in a new category of investment. There may be factors that affect the consumer loan sector with which we are not as familiar compared to the residential mortgage loan sector. Moreover, our underwriting assumptions for these investments may prove to be materially incorrect. It is also possible that the addition of consumer loans to our investment portfolio could divert our Manager's time away from our other investments. Furthermore, external factors, such

as compliance with regulations, may also impact our ability to succeed in the consumer loan investment sector. Failure to successfully manage these risks could have a material adverse effect on our business and financial results.

The consumer loans we invest in are subject to delinquency and loss, which could have a negative impact on our financial results.

The ability of borrowers to repay the consumer loans we invest in may be adversely affected by numerous personal factors, including unemployment, divorce, major medical expenses or personal bankruptcy. General factors, including an economic downturn, high energy costs or acts of God or terrorism, may also affect the financial stability of borrowers and impair their ability or willingness to repay the consumer loans in our investment portfolio. In the event of any default under a loan in the consumer loan portfolio in which we have invested, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral securing the loan, if any, and the principal and accrued interest of the loan. In addition, our investments in consumer loans may entail greater risk than our investments in residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly. In such cases, repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency often does not warrant further substantial collection efforts against the borrower. Further, repossessing personal property securing a consumer loan can present additional challenges, including locating the collateral and taking possession of it. In addition, borrowers under consumer loans may have lower credit scores. There can be no guarantee that we will not suffer unexpected losses on our investments as a result of the factors set out above, which could have a negative impact on our financial results.

The servicer of the loans underlying our consumer loan investment may not be able to accurately track the default status of senior lien loans in instances where our consumer loan investments are secured by second or third liens on real estate.

A portion of our investment in consumer loans is secured by second and third liens on real estate. When we hold the second or third lien another creditor or creditors, as applicable, holds the first and/or second, as applicable, lien on the real estate that is the subject of the security. In these situations our second or third lien is subordinate in right of payment to the first and/or second, as applicable, holder's right to receive payment. Moreover, as the servicer of the loans underlying our consumer loan portfolio is not able to track the default status of a senior lien loan in instances where we do not hold the related first mortgage, the value of the second or third lien loans in our portfolio may be lower than our estimates indicate.

The consumer loan investment sector is subject to various initiatives on the part of advocacy groups and extensive regulation and supervision under federal, state and local laws, ordinances and regulations, which could have a negative impact on our financial results.

In recent years consumer advocacy groups and some media reports have advocated governmental action to prohibit or place severe restrictions on the types of short-term consumer loans in which we have invested. Such consumer advocacy groups and media reports generally focus on the annual percentage rate to a consumer for this type of loan, which is compared unfavorably to the interest typically charged by banks to consumers with top-tier credit histories.

The fees charged on the consumer loans in the portfolio in which we have invested may be perceived as controversial by those who do not focus on the credit risk and high transaction costs typically associated with this type of investment. If the negative characterization of these types of loans becomes increasingly accepted by consumers, demand for the consumer loan products in which we have invested could significantly decrease. Additionally, if the negative characterization of these types of loans is accepted by legislators and regulators, we could become subject to more restrictive laws and regulations in the area.

In addition, we are, or may become, subject to federal, state and local laws, regulations, or regulatory policies and practices, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) (which, among other things, established the CFPB with broad authority to regulate and examine financial institutions), which may, amongst other things, limit the amount of interest or fees allowed to be charged on the consumer loans we invest in, or the number of consumer loans that customers may receive or have outstanding. The operation of existing or future laws, ordinances and regulations could interfere with the focus of our investments which could have a negative impact on our financial results.

A significant portion of the residential mortgage loans that we acquire are, or may become, sub-performing loans, non-performing loans or REO assets, which increases our risk of loss.

We acquire distressed residential mortgage loans where the borrower has failed to make timely payments of principal and/or interest. As part of the residential mortgage loan portfolios we purchase, we also may acquire performing loans that are or subsequently become sub-performing or non-performing, meaning the borrowers fail to timely pay some or all of the required

payments of principal and/or interest. Under current market conditions, it is likely that some of these loans will have current loan-to-value ratios in excess of 100%, meaning the amount owed on the loan exceeds the value of the underlying real estate.

The borrowers on sub-performing or non-performing loans may be in economic distress and may have become unemployed, bankrupt or otherwise unable or unwilling to make payments when due. Borrowers may also face difficulties with refinancing such loans, including due to reduced availability of refinancing alternatives and insufficient equity in their homes to permit them to refinance. Increases in mortgage interest rates would exacerbate these difficulties. We may need to foreclose on collateral securing such loans, and the foreclosure process can be lengthy and expensive. Furthermore, REO assets (i.e., real estate owned by the lender upon completion of the foreclosure process) are relatively illiquid, and we may not be able to sell such REO assets on terms acceptable to us or at all.

Even though we typically pay less than the amount owed on these loans to acquire them, if actual results differ from our assumptions in determining the price we paid to acquire such loans, we may incur significant losses. Any loss we incur may be significant and could materially and adversely affect us.

Certain jurisdictions require licenses to purchase, hold, enforce or sell residential mortgage loans and/or MSR, and we may not be able to obtain and/or maintain such licenses.

Certain jurisdictions require a license to purchase, hold, enforce or sell residential mortgage loans and/or MSR. We currently hold some but not all such licenses. In the event that any licensing requirement is applicable to us, there can be no assurance that we will obtain such licenses or, if obtained, that we will be able to maintain them. Our failure to obtain or maintain such licenses could restrict our ability to invest in loans in these jurisdictions if such licensing requirements are applicable. With respect to mortgage loans, in lieu of obtaining such licenses, we may contribute our acquired residential mortgage loans to one or more wholly owned trusts whose trustee is a national bank, which may be exempt from state licensing requirements. We have formed one or more subsidiaries to apply for certain state licenses. If these subsidiaries obtain the required licenses, any trust holding loans in the applicable jurisdictions may transfer such loans to such subsidiaries, resulting in these loans being held by a state-licensed entity. There can be no assurance that we will be able to obtain the requisite licenses in a timely manner or at all or in all necessary jurisdictions, or that the use of the trusts will reduce the requirement for licensing. In addition, even if we obtain necessary licenses, we may not be able to maintain them. Any of these circumstances could limit our ability to invest in residential mortgage loans or MSR in the future and have a material adverse effect on us.

Our determination of how much leverage to apply to our investments may adversely affect our return on our investments and may reduce cash available for distribution.

We leverage certain of our assets through a variety of borrowings. Our investment guidelines do not limit the amount of leverage we may incur with respect to any specific asset or pool of assets. The return we are able to earn on our investments and cash available for distribution to our stockholders may be significantly reduced due to changes in market conditions, which may cause the cost of our financing to increase relative to the income that can be derived from our assets.

A significant portion of our investments are not match funded, which may increase the risks associated with these investments.

When available, a match funding strategy mitigates the risk of not being able to refinance an investment on favorable terms or at all. However, our Manager may elect for us to bear a level of refinancing risk on a short-term or longer-term basis, as in the case of investments financed with repurchase agreements, when, based on its analysis, our

Manager determines that bearing such risk is advisable or unavoidable. In addition, we may be unable, as a result of conditions in the credit markets, to match fund our investments. For example since the 2008 recession, non-recourse term financing not subject to margin requirements has been more difficult to obtain, which impairs our ability to match fund our investments. Moreover, we may not be able to enter into interest rate swaps. A decision not to, or the inability to, match fund certain investments exposes us to additional risks.

Furthermore, we anticipate that, in most cases, for any period during which our floating rate assets are not match funded with respect to maturity, the income from such assets may respond more slowly to interest rate fluctuations than the cost of our borrowings. Because of this dynamic, interest income from such investments may rise more slowly than the related interest expense, with a consequent decrease in our net income. Interest rate fluctuations resulting in our interest expense exceeding interest income would result in operating losses for us from these investments.

Accordingly, to the extent our investments are not match funded with respect to maturities and interest rates, we are exposed to the risk that we may not be able to finance or refinance our investments on economically favorable terms, or at all, or may have to liquidate assets at a loss.

Interest rate fluctuations and shifts in the yield curve may cause losses.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Our primary interest rate exposures relate to our investments in MSR, Excess MSR, servicer advances, RMBS, loans and any floating rate debt obligations that we may incur. Changes in interest rates, including changes in expected interest rates or “yield curves,” affect our business in a number of ways. Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on our interest-earning assets and the interest expense incurred in connection with our interest-bearing liabilities and hedges. Changes in the level of interest rates also can affect, among other things, our ability to acquire real estate related securities at attractive prices, the value of our real estate related securities and derivatives and our ability to realize gains from the sale of such assets. We may wish to use hedging transactions to protect certain positions from interest rate fluctuations, but we may not be able to do so as a result of market conditions, REIT rules or other reasons. In such event, interest rate fluctuations could adversely affect our financial condition, cash flows and results of operations.

In the event of a significant rising interest rate environment and/or economic downturn, loan and collateral defaults may increase and result in credit losses that would adversely affect our liquidity and operating results.

Our ability to execute our business strategy, particularly the growth of our investment portfolio, depends to a significant degree on our ability to obtain additional capital. Our financing strategy for our real estate related securities and loans is dependent on our ability to place the debt we use to finance our investments at rates that provide a positive net spread. If spreads for such liabilities widen or if demand for such liabilities ceases to exist, then our ability to execute future financings will be severely restricted.

Interest rate changes may also impact our net book value as our real estate related securities are marked to market each quarter. Debt obligations are not marked to market. Generally, as interest rates increase, the value of our fixed rate securities decreases, which will decrease the book value of our equity.

Furthermore, shifts in the U.S. Treasury yield curve reflecting an increase in interest rates would also affect the yield required on our real estate related securities and therefore their value. For example, increasing interest rates would reduce the value of the fixed rate assets we hold at the time because the higher yields required by increased interest rates result in lower market prices on existing fixed rate assets in order to adjust the yield upward to meet the market, and vice versa. This would have similar effects on our real estate related securities portfolio and our financial position and operations to a change in interest rates generally.

Any hedging transactions that we enter into may limit our gains or result in losses.

We may use, when feasible and appropriate, derivatives to hedge a portion of our interest rate exposure, and this approach has certain risks, including the risk that losses on a hedge position will reduce the cash available for distribution to stockholders and that such losses may exceed the amount invested in such instruments. We have adopted a general policy with respect to the use of derivatives, which generally allows us to use derivatives where appropriate, but does not set forth specific policies and procedures or require that we hedge any specific amount of risk. From time to time, we may use derivative instruments, including forwards, futures, swaps and options, in our risk management strategy to limit the effects of changes in interest rates on our operations. A hedge may not be effective in eliminating all of the risks inherent in any particular position. Our profitability may be adversely affected during any period as a result of the use of derivatives.

There are limits to the ability of any hedging strategy to protect us completely against interest rate risks. When rates change, we expect the gain or loss on derivatives to be offset by a related but inverse change in the value of any items that we hedge. We cannot assure you, however, that our use of derivatives will offset the risks related to changes in interest rates. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses. In addition, our hedging strategy may limit our flexibility by causing us to refrain from taking certain actions that would be potentially profitable but would cause adverse consequences under the terms of our hedging arrangements. The REIT provisions of the Internal Revenue Code limit our ability to hedge. In managing our hedge instruments, we consider the effect of the expected hedging income on the REIT qualification tests that limit the amount of gross income that a REIT may receive from hedging. We need to carefully monitor, and may have to limit, our hedging strategy to assure that we do not realize hedging income, or hold hedges having a value, in excess of the amounts that would cause us to fail the REIT gross income and asset tests. See “—Risks Related to Our Taxation as a REIT—Complying with the REIT requirements may limit our ability to hedge effectively.”

Accounting for derivatives under GAAP is extremely complicated. Any failure by us to account for our derivatives properly in accordance with GAAP in our financial statements could adversely affect us. In addition, under applicable accounting standards, we may be required to treat some of our investments as derivatives, which could adversely affect our results of operations.

Maintenance of our 1940 Act exclusion imposes limits on our operations.

We intend to continue to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the 1940 Act. We believe we will not be considered an investment company under Section 3(a)(1)(A) of the 1940 Act because we will not engage primarily, or hold ourselves out as being engaged primarily, in the business of investing, reinvesting or trading in securities. However, under Section 3(a)(1)(C) of the 1940 Act, because we are a holding company that will conduct its businesses primarily through wholly owned and majority owned subsidiaries, the securities issued by our subsidiaries that are excluded from the definition of “investment company” under Section 3(c)(1) or Section 3(c)(7) of the 1940 Act, together with any other investment securities we may own, may not have a combined value in excess of 40% of the value of our total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis. For purposes of the foregoing, we currently treat our interest in SLS Servicer Advances and our subsidiaries that hold consumer loans as investment securities because these subsidiaries presently rely on the exclusion provided by Section 3(c)(7) of the 1940 Act. The 40% test under Section 3(a)(1)(C) of the 1940 Act limits the types of businesses in which we may engage through our subsidiaries. In addition, the assets we and our subsidiaries may originate or acquire are limited by the provisions of the 1940 Act and the rules and regulations promulgated under the 1940 Act, which may adversely affect our business.

If the value of securities issued by our subsidiaries that are excluded from the definition of “investment company” by Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities we own, exceeds the 40% test under Section 3(a)(1)(C) of the 1940 Act (e.g., the value of our interests in the taxable REIT subsidiaries that hold Servicer Advances and are not excluded from the definition of “investment company” by Section 3(c)(5)(A), (B) or (C) of the 1940 Act increases significantly in proportion to the value of our other assets), or if one or more of such subsidiaries fail to maintain an exclusion or exception from the 1940 Act, we could, among other things, be required either (a) to substantially change the manner in which we conduct our operations to avoid being required to register as an investment company or (b) to register as an investment company under the 1940 Act, either of which could have an adverse effect on us and the market price of our securities. As discussed above, for purposes of the foregoing, we generally treat our interests in SLS Servicer Advances and our subsidiaries that hold consumer loans as investment securities because these subsidiaries presently rely on the exclusion provided by Section 3(c)(7) of the 1940 Act. If we or any of our subsidiaries were required to register as an investment company under the 1940 Act, the registered entity would become subject to substantial regulation with respect to capital structure (including the ability to use leverage), management, operations, transactions with affiliated persons (as defined in the 1940 Act), portfolio composition, including restrictions with respect to diversification and industry concentration, compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations.

Failure to maintain an exclusion would require us to significantly restructure our investment strategy. For example, because affiliate transactions are generally prohibited under the 1940 Act, we would not be able to enter into transactions with any of our affiliates if we are required to register as an investment company, and we might be required to terminate our Management Agreement and any other agreements with affiliates, which could have a material adverse effect on our ability to operate our business and pay distributions. If we were required to register as an investment company but failed to do so, we would be prohibited from engaging in our business, and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of us and liquidate our business.

For purposes of the foregoing, we treat our interests in certain of our wholly owned and majority owned subsidiaries, which constitute more than 60% of the value of our adjusted total assets on an unconsolidated basis, as non-investment securities because such subsidiaries qualify for exclusion from the definition of an investment company under the 1940 Act pursuant to Section 3(c)(5)(C) of the 1940 Act. The Section 3(c)(5)(C) exclusion is available for entities “primarily engaged” in the business of “purchasing or otherwise acquiring mortgages and other liens on and interests in real estate.” The Section 3(c)(5)(C) exclusion generally requires that at least 55% of these subsidiaries’ assets must comprise qualifying real estate assets and at least 80% of each of their portfolios must comprise qualifying real estate assets and real estate-related assets under the 1940 Act. We expect each of our subsidiaries relying on Section 3(c)(5)(C) to rely on guidance published by the SEC staff or on our analyses of such guidance to determine which assets are qualifying real estate assets and real estate-related assets. However, the SEC’s guidance was issued in accordance with factual situations that may be substantially different from the factual situations each of our subsidiaries may face, and much of the guidance was issued more than 20 years ago. No assurance can be given that the SEC staff will concur with the classification of each of our subsidiaries’ assets. In addition, the SEC staff may, in the future, issue further guidance that may require us to re-classify some of our subsidiaries’ assets for purposes of qualifying for an exclusion from regulation under the 1940 Act. For example, the SEC and its staff have not published guidance with respect to the treatment of whole pool Non-Agency RMBS for purposes of the Section 3(c)(5)(C) exclusion. Accordingly, based on our own judgment and analysis of the guidance

from the SEC and its staff identifying Agency whole pool certificates as qualifying real estate assets under Section 3(c)(5)(C), we treat whole pool Non-Agency RMBS issued with respect to an underlying pool of mortgage loans in which our subsidiary relying on Section 3(c)(5)(C) holds all of the certificates issued by the pool as qualifying real estate assets. Based on our own judgment and analysis of the guidance from the SEC and its staff with respect to analogous assets, we treat Excess MSR for which we do not own the related servicing rights as real estate-related assets for purposes of satisfying the 80% test under the Section 3(c)(5)(C) exclusion. If we are required to re-classify any of our subsidiaries' assets, including those subsidiaries holding whole pool Non-Agency RMBS and/or Excess MSRs, such subsidiaries may no longer be in compliance with the exclusion from the definition of an "investment company" provided by Section 3(c)(5)(C) of the 1940 Act, and in turn, we may not satisfy the requirements to avoid falling within the definition of an "investment company" provided by Section 3(a)(1)(C). To the extent that the SEC staff publishes new or different guidance or disagrees with our analysis with respect to any assets of our subsidiaries we have determined to be qualifying real estate assets or real estate-related assets, we may be required to adjust our strategy accordingly. In addition, we may be limited in our ability to make certain investments and these limitations could result in a subsidiary holding assets we might wish to sell or selling assets we might wish to hold.

In August 2011, the SEC issued a concept release soliciting public comments on a wide range of issues relating to companies engaged in the business of acquiring mortgages and mortgage-related instruments and that rely on Section 3(c)(5)(C) of the 1940 Act. Therefore, there can be no assurance that the laws and regulations governing the 1940 Act status of REITs, or guidance from the SEC or its staff regarding the Section 3(c)(5)(C) exclusion, will not change in a manner that adversely affects our operations. If we or our subsidiaries fail to maintain an exclusion or exception from the 1940 Act, we could, among other things, be required either to (a) change the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company, any of which could negatively affect the value of our common stock, the sustainability of our business model, and our ability to make distributions. In addition, if we or any of our subsidiaries were required to register as an investment company under the 1940 Act, the registered entity would become subject to substantial regulation with respect to capital structure (including the ability to use leverage), management, operations, transactions with affiliated persons (as defined in the 1940 Act), portfolio composition, including restrictions with respect to diversification and industry concentration, compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations.

Rapid changes in the values of our assets may make it more difficult for us to maintain our qualification as a REIT or our exclusion from the 1940 Act.

If the market value or income potential of qualifying assets for purposes of our qualification as a REIT or our exclusion from registration as an investment company under the 1940 Act declines as a result of increased interest rates, changes in prepayment rates or other factors, or the market value or income from non-qualifying assets increases, we may need to increase our investments in qualifying assets and/or liquidate our non-qualifying assets to maintain our REIT qualification or our exclusion from registration under the 1940 Act. If the change in market values or income occurs quickly, this may be especially difficult to accomplish. This difficulty may be exacerbated by the illiquid nature of any non-qualifying assets we may own. We may have to make investment decisions that we otherwise would not make absent the intent to maintain our qualification as a REIT and exclusion from registration under the 1940 Act.

We are subject to significant competition, and we may not compete successfully.

We are subject to significant competition in seeking investments. We compete with other companies, including other REITs, insurance companies and other investors, including funds and companies affiliated with our Manager. Some of our competitors have greater resources than we possess or have greater access to capital or various types of financing

structures than are available to us, and we may not be able to compete successfully for investments or provide attractive investment returns relative to our competitors. These competitors may be willing to accept lower returns on their investments and, as a result, our profit margins could be adversely affected. Furthermore, competition for investments that are suitable for us, including, but not limited to, investments in MSR, may lead to decreased availability, higher market prices and decreased returns available from such investments, which may further limit our ability to generate our desired returns. We cannot assure you that other companies will not be formed that compete with us for investments or otherwise pursue investment strategies similar to ours or that we will be able to compete successfully against any such companies.

Furthermore, we currently do not have a mortgage servicing platform. Therefore, we may not be an attractive buyer for those sellers of MSR that prefer to sell MSR and their mortgage servicing platform in a single transaction. Since our business model does not currently include acquiring and running servicing platforms, to engage in a bid for such a business we would need to find a servicer to acquire and run the platform or we would need to incur additional costs to shut down the acquired servicing platform. The need to work with a servicer in these situations increases the complexity of such potential acquisitions, and Nationstar, Ocwen, Ditech and our other servicers may be unwilling or unable to act as servicer or subservicer on any acquisitions of MSR, Excess

MSRs or Servicer Advances we want to execute. The complexity of these transactions and the additional costs incurred by us if we were to execute future acquisitions of this type could adversely affect our future operating results.

The valuations of our assets are subject to uncertainty because most of our assets are not traded in an active market.

There is not anticipated to be an active market for most of the assets in which we will invest. In the absence of market comparisons, we will use other pricing methodologies, including, for example, models based on assumptions regarding expected trends, historical trends following market conditions believed to be comparable to the then current market conditions and other factors believed at the time to be likely to influence the potential resale price of, or the potential cash flows derived from, an investment. Such methodologies may not prove to be accurate and any inability to accurately price assets may result in adverse consequences for us. A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the market value of a private asset depends to a great extent on economic and other conditions beyond our control. Further, valuations do not necessarily represent the price at which a private investment would sell since market prices of private investments can only be determined by negotiation between a willing buyer and seller. If we were to liquidate a particular private investment, the realized value may be more than or less than the valuation of such asset as carried on our books.

Changes in accounting rules could occur at any time and could impact us in significantly negative ways that we are unable to predict or protect against.

As has been widely publicized, the SEC, the Financial Accounting Standards Board (the "FASB") and other regulatory bodies that establish the accounting rules applicable to us have recently proposed or enacted a wide array of changes to accounting rules. Moreover, in the future these regulators may propose additional changes that we do not currently anticipate. Changes to accounting rules that apply to us could significantly impact our business or our reported financial performance in negative ways that we cannot predict or protect against. We cannot predict whether any changes to current accounting rules will occur or what impact any codified changes will have on our business, results of operations, liquidity or financial condition.

A prolonged economic slowdown, a lengthy or severe recession, or declining real estate values could harm our operations.

We believe the risks associated with our business are more severe during periods in which an economic slowdown or recession is accompanied by declining real estate values, as was the case in 2008. Declining real estate values generally reduce the level of new mortgage loan originations, since borrowers often use increases in the value of their existing properties to support the purchase of, or investment in, additional properties. Borrowers may also be less able to pay principal and interest on the loans underlying our securities, MSRs and Servicer Advances, if the real estate economy weakens. Further, declining real estate values significantly increase the likelihood that we will incur losses on our securities in the event of default because the value of our collateral may be insufficient to cover our basis. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect our net interest income from the assets in our portfolio, which would significantly harm our revenues, results of operations, financial condition, liquidity, business prospects and our ability to make distributions to our stockholders.

Compliance with changing regulation of corporate governance and public disclosure has and will continue to result in increased compliance costs and pose challenges for our management team.

Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on us and, more generally, the financial services and mortgage industries. Additionally, we cannot predict whether there will be additional proposed laws or reforms that would affect us, whether or when such changes may be adopted, how such changes may be interpreted and enforced or how such

changes may affect us. However, the costs of complying with any additional laws or regulations could have a material effect on our financial condition and results of operations.

Stockholder or other litigation against HLSS and/or us could result in the payment of damages and/or may materially and adversely affect our business, financial condition, results of operations and liquidity.

Transactions, such as the HLSS Acquisition, often give rise to lawsuits by stockholders or other third parties. Stockholders may, among other things, assert claims relating to the parties' mutual agreement to terminate the Agreement and Plan of Merger (the "HLSS Initial Merger Agreement"). Stockholders may also assert claims relating to the fact that HLSS no longer owns any significant assets other than the cash received from us in the HLSS Acquisition and any cash proceeds it received pursuant to its sale of our common stock. The defense or settlement of any lawsuit or claim regarding the HLSS Acquisition may materially and adversely affect our business, financial condition, results of operations and liquidity. Further, such litigation could be costly and could divert our time and attention from the operation of the business.

On May 22, 2015, a purported stockholder of the Company, Chester County Employees' Retirement Fund, filed a class action and derivative action in the Delaware Court of Chancery purportedly on behalf of all stockholders and the Company, titled Chester County Employees' Retirement Fund v. New Residential Investment Corp., et al., C.A. No. 11058-VCMR. On October 30, 2015, plaintiff filed an amended complaint (the "Amended Complaint"). The lawsuit names the Company, our directors, our Manager, Fortress and Fortress Operating Entity I LP as defendants, and alleges breaches of fiduciary duties by the Company, our directors, our Manager, Fortress and Fortress Operating Entity I LP in connection with the HLSS Acquisition. The lawsuit also seeks declaratory judgment, among other things, as to the applicability of Article Twelfth of the Company's Certificate of Incorporation and as to the validity of the release of claims of the Company's stockholders related to the termination of the HLSS Initial Merger Agreement. The Amended Complaint seeks declaratory relief, equitable relief and damages. On December 11, 2015, defendants filed a motion to dismiss the Amended Complaint, which was heard by the court on June 14, 2016. On October 7, 2016, the court issued an opinion dismissing without prejudice the breach of fiduciary duty claims and declaratory judgment claims, except for the claim relating to the applicability of Article Twelfth. On October 14, 2016, plaintiff moved to reargue the Court's dismissal opinion, and defendants filed an opposition to the motion for reargument on October 28, 2016. On December 1, 2016, the court denied the motion for reargument. Plaintiff filed a second amended complaint (the "Second Amended Complaint") on February 27, 2017 containing allegations and seeking relief similar to that in the Amended Complaint. Defendants moved to dismiss the Second Amended Complaint on March 30, 2017. The court held an oral argument on the motion to dismiss on July 7, 2017.

We have engaged and may in the future engage in a number of acquisitions (including the HLSS Acquisition, the Ocwen Transaction and the MSR Transactions), and we may be unable to successfully integrate the acquired assets and assumed liabilities in connection with such acquisitions.

As part of our business strategy, we regularly evaluate acquisitions of what we believe are complementary assets. Achieving the anticipated benefits of such acquisitions is subject to a number of uncertainties, including, without limitation, whether we are able to integrate the acquired assets and manage the assumed liabilities efficiently. As an example, we depend on Ocwen for significant operational support with respect to HLSS assets and the Ocwen Subject MSRs. It is possible that the integration process could take longer than anticipated and could result in additional and unforeseen expenses, the disruption of our ongoing business, processes and systems, or inconsistencies in standards, controls, procedures, practices and policies, any of which could adversely affect our ability to achieve the anticipated benefits of such acquisitions. There may be increased risk due to integrating the assets into our financial reporting and internal control systems. Difficulties in adding the assets into our business could also result in the loss of contract counterparties or other persons with whom we conduct business and potential disputes or litigation with contract counterparties or other persons with whom we or such counterparties conduct business. We could also be adversely affected by any issues attributable to the related seller's operations that arise or are based on events or actions that occurred prior to the closing of such acquisitions. Completion of the integration process is subject to a number of uncertainties, and no assurance can be given that the anticipated benefits will be realized in their entirety or at all or, if realized, the timing of their realization. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect our future business, financial condition, operating results and cash flows. Due to the costs of engaging in a number of acquisitions (including the MSR Transactions), we may also have difficulty completing more acquisitions in the future.

There may be difficulties with integrating the loans related to the Citi Transaction into Nationstar's servicing platform, which could have a material adverse effect on our results of operations, financial condition and liquidity.

In connection with the Citi Transaction, Citi's remaining interim servicing obligations will be transferred to Nationstar, subject to GSE and other regulatory approvals. The ability to integrate and service the assets acquired in the Citi Transaction and in all similar future transactions will depend in large part on the success of Nationstar's development and integration of expanded servicing capabilities with Nationstar's current operations. We may fail to realize some or

all of the anticipated benefits of the transaction if the integration process takes longer, or is more costly, than expected.

Potential difficulties we may encounter during the integration process with the assets acquired in the Citi Transaction or future similar acquisitions include, but are not limited to, the following:

- the integration of the portfolio into Nationstar's information technology platforms and servicing systems;
- the quality of servicing during any interim servicing period after we purchase the portfolio but before Nationstar assumes servicing obligations from the seller or its agents;
- the disruption to our ongoing businesses and distraction of our management teams from ongoing business concerns;
- incomplete or inaccurate files and records;
- the retention of existing customers;
- the creation of uniform standards, controls, procedures, policies and information systems;
- the occurrence of unanticipated expenses; and

potential unknown liabilities associated with the transactions, including legal liability related to origination and servicing prior to the acquisition.

Our failure to meet the challenges involved in successfully integrating the assets acquired in the Citi Transaction and in all similar future transactions with our current business could impair our operations. For example, it is possible that the data Nationstar acquires upon assuming the direct servicing obligations for the loans may not transfer from the Citi platform to its systems properly. This may result in data being lost, key information not being locatable on Nationstar's systems, or the complete failure of the transfer. If Nationstar's employees are unable to access customer information easily, or if Nationstar is unable to produce originals or copies of documents or accurate information about the loans, collections could be affected significantly, and Nationstar may not be able to enforce its right to collect in some cases. Similarly, collections could be affected by any changes to Nationstar's collections practices, the restructuring of any key servicing functions, transfer of files and other changes that occur as a result of the transfer of servicing obligations from Citi to Nationstar.

We are responsible for certain of HLSS's contingent and other corporate liabilities.

Under the HLSS acquisition agreement, we have assumed and are responsible for the payment of HLSS's contingent and other liabilities, including: (i) liabilities for litigation relating to, arising out of or resulting from certain lawsuits in which HLSS is named as the defendant, (ii) HLSS's tax liabilities, (iii) HLSS's corporate liabilities, (iv) generally any actions with respect to the HLSS Acquisition brought by any third party and (v) payments under contracts. We currently cannot estimate the amount we may ultimately be responsible for as a result of assuming substantially all of HLSS's contingent and other corporate liabilities. The amount for which we are ultimately responsible may be material and have a material adverse effect on our business, financial condition, results of operations and liquidity. In addition, certain claims and lawsuits may require significant costs to defend and resolve and may divert management's attention away from other aspects of operating and managing our business, each of which could materially and adversely affect our business, financial condition, results of operations and liquidity.

In August 2014, HLSS restated its consolidated financial statements for the quarter ended March 31, 2014, and for the years ended December 31, 2013 and 2012, including the quarterly periods within those years, to correct the valuation and the related effect on amortization of its Notes Receivable-Rights to MSRs that resulted from a material weakness in its internal control over financial reporting.

On March 23, 2015, HLSS received a subpoena from the SEC requesting that it provide information concerning communications between HLSS and certain investment advisors and hedge funds. The SEC also requested documents relating to HLSS's structure, certain governance documents and any investigations or complaints connected to trading in HLSS's securities. We are cooperating with the SEC in this matter.

Three putative class action lawsuits have been filed against HLSS and certain of its current and former officers and directors in the United States District Court for the Southern District of New York entitled: (i) Oliveira v. Home Loan Servicing Solutions, Ltd., et al., No. 15-CV-652 (S.D.N.Y.), filed on January 29, 2015; (ii) Berglan v. Home Loan Servicing Solutions, Ltd., et al., No. 15-CV-947 (S.D.N.Y.), filed on February 9, 2015; and (iii) W. Palm Beach Police Pension Fund v. Home Loan Servicing Solutions, Ltd., et al., No. 15-CV-1063 (S.D.N.Y.), filed on February 13, 2015. On April 2, 2015, these lawsuits were consolidated into a single action, which is referred to as the "Securities Action." On April 28, 2015, lead plaintiffs, lead counsel and liaison counsel were appointed in the Securities Action. On November 9, 2015, lead plaintiffs filed an amended class action complaint. On January 27, 2016, the Securities Action was transferred to the United States District Court for the Southern District of Florida and given the Index No. 16-CV-60165 (S.D. Fla.).

The Securities Action names as defendants HLSS, former HLSS Chairman William C. Erbey, HLSS Director, President and Chief Executive Officer John P. Van Vlack, and HLSS Chief Financial Officer James E. Lauter. The Securities Action asserts causes of action under Sections 10(b) and 20(a) of the Exchange Act based on certain public disclosures made by HLSS relating to its relationship with Ocwen and HLSS's risk management and internal controls. More specifically, the consolidated class action complaint alleges that a series of statements in HLSS's disclosures were materially false and misleading, including statements about (i) Ocwen's servicing capabilities; (ii) HLSS's contingencies and legal proceedings; (iii) its risk management and internal controls; and (iv) certain related party transactions. The consolidated class action complaint also appears to allege that HLSS's financial statements for the years ended 2012 and 2013, and the first quarter ended March 30, 2014, were false and misleading based on HLSS's August 18, 2014 restatement. Lead plaintiffs in the Securities Action also allege that HLSS misled investors by failing to disclose, among other things, information regarding governmental investigations of Ocwen's business practices. Lead plaintiffs seek money damages under the Exchange Act in an amount to be proven at trial and reasonable costs, expenses, and fees. On February 11, 2015, defendants filed motions to dismiss the Securities Action in its entirety. On June 6, 2016, all allegations except those regarding certain related party transactions were dismissed.

On June 15, 2017, the court entered an order preliminarily approving a settlement of the Securities Action for \$6 million, certifying a settlement class, approving the form and content of notice of the settlement to class members, and setting a hearing for November 17, 2017 to determine whether the settlement should receive final approval.

Refer to “Risk Factors—Risks Related to Our Business—Stockholder or other litigation against HLSS and/or us could result in the payment of damages and/or may materially and adversely affect our business, financial condition results of operations and liquidity” for a description of the Chester County Employees’ Retirement Fund litigation.

We cannot guarantee that we will not receive further regulatory inquiries or be subject to litigation regarding the subject matter of the subpoenas or matters relating thereto, or that existing inquiries, or, should they occur, any future regulatory inquiries or litigation, will not consume internal resources, result in additional legal and consulting costs or negatively impact our stock price.

We could be materially and adversely affected by past events, conditions or actions with respect to HLSS or Ocwen.

HLSS acquired assets and assumed liabilities could be adversely affected as a result of events or conditions that occurred or existed before the closing of the HLSS Acquisition. Adverse changes in the assets or liabilities we have acquired or assumed, respectively, as part of the HLSS Acquisition, could occur or arise as a result of actions by HLSS or Ocwen, legal or regulatory developments, including the emergence or unfavorable resolution of pre-acquisition loss contingencies, deteriorating general business, market, industry or economic conditions, and other factors both within and beyond the control of HLSS or Ocwen. We are subject to a variety of risks as a result of our dependence on mortgage servicers such as Nationstar and Ocwen, including, without limitation, the potential loss of all of the value of our Excess MSR in the event that the servicer of the underlying loans is terminated by the mortgage loan owner or RMBS bondholders. A significant decline in the value of HLSS assets or a significant increase in HLSS liabilities we have acquired could adversely affect our future business, financial condition, cash flows and results of operations. HLSS is subject to a number of other risks and uncertainties, including regulatory investigations and legal proceedings against HLSS, and others with whom HLSS conducted business. Moreover, any insurance proceeds received with respect to such matters may be inadequate to cover the associated losses. For more information regarding recent actions against Ocwen, see “—Ocwen has been and is subject to certain federal and state regulatory matters” above. Adverse developments at Ocwen, including liquidity issues, ratings downgrades, defaults under debt agreements, servicer rating downgrades, failure to comply with the terms of PSAs, termination under PSAs, Ocwen bankruptcy proceedings and additional regulatory issues and settlements, including those described above, could have a material adverse effect on us. See “—We rely heavily on mortgage servicers to achieve our investment objective and have no direct ability to influence their performance.”

Our ability to borrow may be adversely affected by the suspension or delay of the rating of the notes issued under the NRART facility or other financing facilities by the credit agency providing the ratings.

All of the notes outstanding under the NRZ Advance Receivables Trust 2015-ON1 (“NRART”) facility are rated by one rating agency and we may sponsor financing facilities in the future that are rated by credit agencies. The related agency or rating agencies may suspend rating notes backed by Servicer Advances, MSRs, Excess MSRs and our other investments at any time. Rating agency delays may result in our inability to obtain timely ratings on new notes, or amend or modify other financing facilities which could adversely impact the availability of borrowings or the interest rates, advance rates or other financing terms and adversely affect our results of operations and liquidity. Further, if we are unable to secure ratings from other agencies, limited investor demand for unrated notes could result in further adverse changes to our liquidity and profitability.

A downgrade of certain of the notes issued under the NRART facility or other financing facilities could cause such notes to become due and payable prior to their expected repayment date/maturity date, which could have a material

adverse effect on our business, financial condition, results of operations and liquidity.

Regulatory scrutiny regarding foreclosure processes could lengthen foreclosure timelines, which could increase advances and materially and adversely affect our business, financial condition, results of operations and liquidity.

When a residential mortgage loan is in foreclosure, the servicer is generally required to continue to advance delinquent principal and interest to the securitization trust and to also make advances for delinquent taxes and insurance and foreclosure costs and the upkeep of vacant property in foreclosure to the extent we determine that such amounts are recoverable. These Servicer Advances are generally recovered when the delinquency is resolved. Foreclosure moratoria or other actions that lengthen the foreclosure process increase the amount of Servicer Advances, lengthen the time it takes for reimbursement of such advances and increase the costs incurred during the foreclosure process. In addition, Servicer Advance financing facilities generally contain provisions that limit the eligibility of Servicer Advances to be financed based on the length of time that Servicer Advances are outstanding, and, as a result, an increase in foreclosure timelines could further increase the amount of Servicer Advances that need to be funded from the related servicer's own capital. Such increases in foreclosure timelines could increase the need for capital to fund Servicer

Advances, which would increase our interest expense, delay the collection of interest income or servicing revenue until the foreclosure has been resolved and, therefore, reduce the cash that we have available to pay our operating expenses or to pay dividends. For more information regarding recent actions against Ocwen, see “—Ocwen has been and is subject to certain federal and state regulatory matters” and “—We could be materially and adversely affected by events, conditions or actions that might occur at HLSS or Ocwen” above.

Certain of our servicers have triggered termination events or events of default under some PSAs underlying the MSR with respect to which we are entitled to the basic fee component or Excess MSRs, and the parties to the related securitization transactions could enforce their rights against such servicer as a result.

If a servicer termination event or event of default occurs under a PSA, the servicer may be terminated without any right to compensation for its loss, other than the right to be reimbursed for any outstanding Servicer Advances as the related loans are brought current, modified, liquidated or charged off. So long as we are in compliance with our obligations under our servicing agreements and purchase agreements, if we or one of our servicers is terminated as servicer, we may have the right to receive an indemnification payment from such servicer or any applicable subservicer, even if such termination related to servicer termination events or events of default existing at the time of any transaction with such servicer. If one of our servicers is terminated as servicer under a PSA, we will lose any investment related to such servicer’s MSRs. If we or such servicer is terminated as servicer with respect to a PSA and we are unable to enforce our contractual rights against such servicer or related subservicer, as applicable, or if such servicer or related subservicer, as applicable is unable to make any resulting indemnification payments to us, if any such payment is due and payable, it may have a material adverse effect on our financial condition, results of operations, ability to make distributions, liquidity and financing arrangements, including our Servicer Advance financing facilities, and may make it more difficult for us to acquire additional MSR investments in the future.

During February and March 2015, Ocwen received two notices of servicer termination affecting four separate PSAs related to MSRs related to the transactions contemplated by the Ocwen Purchase Agreement (Note 1 to our Condensed Consolidated Financial Statements). Ocwen could be subject to further terminations as a result of its failure to maintain required minimum servicer ratings, which could have an adverse effect on our business, financing activities, financial condition and results of operations.

On January 23, 2015, Gibbs & Bruns LLP, on behalf of its clients, issued a press release regarding the notices of nonperformance provided to various trustees in relation to Ocwen’s servicing practices under 119 residential mortgage-backed securities trusts. Of these transactions, 90 relate to agreements for MSRs related to the transactions contemplated by the Ocwen Purchase Agreement, which are also Ocwen Subject MSRs under the Ocwen Transaction. It is possible that Ocwen could be terminated for other servicing agreements related to such MSRs.

On January 29, 2015, Moody’s downgraded Ocwen’s SQ assessment from SQ3+ to SQ3- as a primary servicer of subprime residential loans and as a special servicer of residential mortgage loans. During February 2015, Fitch downgraded Ocwen’s residential primary servicer rating for subprime products from “RPS3” to “RPS4” and, in February 2016, upgraded such rating to “RPS3-.” During February 2015, Morningstar also downgraded Ocwen’s residential primary servicer rating from “MOR RS2” to “MOR RS3.” Throughout 2015, S&P downgraded Ocwen’s various servicer ratings from “Average” to “Below Average,” then upgraded such ratings to “Average” on August 9, 2016.

As a result of recent regulatory actions, certain rating agencies have announced that they have placed Ocwen’s servicer ratings on review for possible downgrade. For example, in April 2017, Moody’s placed Ocwen’s servicer ratings on “Review for Downgrade,” Moody’s changed its forecast from “Positive” to “On Alert” and Fitch changed its outlook from “Stable” to “Negative.” Any downgrades in Ocwen’s servicer ratings could increase our financing costs or operating expenses, reduce our revenues or otherwise materially adversely affect our business, financial condition, results of operations and liquidity. Additionally, our response to any such downgrade actions could include a termination of

applicable agreements, pursuant to their terms. Further, certain of the servicing agreements underlying our MSR, Excess MSR and Servicer Advances require that Ocwen maintain specified servicer ratings. The failure to satisfy such specified servicing ratings results in a termination of Ocwen, which would have a negative effect on such MSR, Excess MSR and Servicer Advances.

The performance of loans that we acquired in the HLSS Acquisition may be adversely affected by the performance of parties who service or subservice these residential mortgage loans.

HLSS and its subsidiaries acquired by us in the HLSS Acquisition contracted with third parties for the servicing of the residential mortgage loans in its early buy-out (“EBO”) portfolio. The performance of this portfolio and our ability to finance this portfolio are subject to risks associated with inadequate or untimely servicing. If our servicers or subservicers commit a material breach of their obligations as a servicer, we may be subject to damages if the breach is not cured within a specified period of time following notice. In addition, we may be required to indemnify an investor or our lenders against losses from any failure of our servicer or

subservicer to perform the servicing obligations properly. Poor performance by a servicer or subservicer may result in greater than expected delinquencies and foreclosures and losses on our mortgage loans. A substantial increase in our delinquency or foreclosure rate or the inability to process claims in accordance with Ginnie Mae or FHA guidelines could adversely affect our ability to access the capital and secondary markets for our financing needs.

Servicing issues in the portfolio of loans that was acquired in the HLSS Acquisition could adversely impact our claims against FHA insurance and result in our reliance on servicer indemnifications which could increase losses.

We rely on our servicers (including Ocwen) to service our Ginnie Mae EBO loans we acquired in the HLSS Transaction in a manner that supports our ability to make claims to the FHA for shortfalls on these loans. If servicing issues result in the curtailment of FHA insurance claims, we will only have recourse against the servicer for any shortfall. If the servicer is unable to make indemnification payments owed to us under this circumstance, we could incur losses.

Our borrowings collateralized by loans require that we make certain representations and warranties that, if determined to be inaccurate, could require us to repurchase loans or cover losses.

Our financing facilities require us to make certain representations and warranties regarding the loans that collateralize the borrowings. Although we perform due diligence on the loans that we acquire, certain representations and warranties that we make in respect of such loans may ultimately be determined to be inaccurate. In the event of a breach of a representation or warranty, we may be required to repurchase affected loans, make indemnification payments to certain indemnified parties or address any claims associated with such breach. Further, we may have limited or no recourse against the seller from whom we purchased the loans. Such recourse may be limited due to a variety of factors, including the absence of a representation or warranty from the seller corresponding to the representation provided by us or the contractual expiration thereof.

Representations and warranties made by us in our loan sale agreements may subject us to liability.

In March 2015, HLSS sold reperforming loans to an unrelated third party and transferred mortgages into a trust in exchange for cash. We may be liable to purchasers under the related sale agreement for any breaches of representations and warranties made by HLSS at the time the applicable loans are sold. Such representations and warranties may include, but are not limited to, issues such as the validity of the lien; the absence of delinquent taxes or other liens; the loans compliance with all local, state and federal laws and the delivery of all documents required to perfect title to the lien. If the purchaser is successful in asserting its claim for recourse, this could adversely affect the availability of financing under loan financing facilities or otherwise adversely impact our results of operations and liquidity. From time to time we sell residential mortgage loans pursuant to loan sale agreements. The risks describe in this paragraph relate to any such sale as well.

Our ability to exercise our cleanup call rights may be limited or delayed if a third party contests our ability to exercise our cleanup call rights, if the related securitization trustee refuses to permit the exercise of such rights, or if a related party is subject to bankruptcy proceedings.

Certain servicing contracts permit more than one party to exercise a cleanup call-meaning the right of a party to collapse a securitization trust by purchasing all of the remaining loans held by the securitization trust pursuant to the terms set forth in the applicable servicing agreement. While the servicers from which we acquired our cleanup call rights (or other servicers from which our servicers acquired MSRs) may be named as the party entitled to exercise such rights, certain third parties may also be permitted to exercise such rights. If any such third party exercises a cleanup call, we could lose our ability to exercise our cleanup call right and, as a result, lose the ability to generate positive returns with respect to the related securitization transaction. In addition, another party could impair our ability

to exercise our cleanup call rights by contesting our rights (for example, by claiming that they hold the exclusive cleanup call right with respect to the applicable securitization trust). Moreover, because the ability to exercise a cleanup call right is governed by the terms of the applicable servicing agreement, any ambiguous or conflicting language regarding the exercise of such rights in the agreement may make it more difficult and costly to exercise a cleanup call right. Furthermore, certain servicing contracts provide cleanup call rights to a servicer currently subject to bankruptcy proceedings from which our servicers have acquired MSR. While, notwithstanding the related bankruptcy proceedings, it is possible that we will be able to exercise the related cleanup calls within our desired time frame, our ability to exercise such rights may be significantly delayed or impaired by the applicable securitization trustee or bankruptcy estate or any additional steps required because of the bankruptcy process. Finally, many of our call rights are not currently exercisable and may not become exercisable for a period of years. As a result, our ability to realize the benefits from these rights will depend on a number of factors at the time they become exercisable many of which are outside our control, including interest rates, conditions in the capital markets and conditions in the residential mortgage market.

New Residential's subsidiary New Residential Mortgage LLC is or may become subject to significant state and federal regulations.

A subsidiary of New Residential, New Residential Mortgage LLC ("NRM"), has obtained or is currently in the process of obtaining applicable qualifications, licenses and approvals to own Non-Agency and certain Agency MSR in the United States and certain other jurisdictions. As a result of NRM's current and expected approvals, NRM is subject to extensive and comprehensive regulation under federal, state and local laws in the United States. These laws and regulations may in the future significantly affect the way that NRM does business, and may subject NRM and New Residential to additional costs and regulatory obligations, which could impact our financial results.

NRM's business may become subject to increasing regulatory oversight and scrutiny in the future as it continues seeking and obtaining additional approvals to hold MSR, which may lead to regulatory investigations or enforcement, including both formal and informal inquiries, from various state and federal agencies as part of those agencies' oversight of the mortgage servicing business. An adverse result in governmental investigations or examinations or private lawsuits, including purported class action lawsuits, may adversely affect NRM's and our financial results or result in serious reputational harm. In addition, a number of participants in the mortgage servicing industry have been the subject of purported class action lawsuits and regulatory actions by state or federal regulators, and other industry participants have been the subject of actions by state Attorneys General.

Failure of New Residential's subsidiary, NRM, to obtain or maintain certain licenses and approvals required for NRM to purchase and own MSR could prevent us from purchasing or owning MSR, which could limit our potential business activities.

State and federal laws require a business to hold certain state licenses prior to acquiring MSR. NRM is currently licensed or otherwise eligible to hold MSR in each applicable state. As a licensee in such states, NRM may become subject to administrative actions in those states for failing to satisfy ongoing license requirements or for other state law violations, the consequences of which could include fines or suspensions or revocations of NRM's licenses by applicable state regulatory authorities, which could in turn result in NRM becoming ineligible to hold MSR in the related jurisdictions. We could be delayed or prohibited from conducting certain business activities if we do not maintain necessary licenses in certain jurisdictions. We cannot assure you that we will be able to maintain all of the required state licenses.

Additionally, NRM has received approval from FHA to hold MSR associated with FHA-insured mortgage loans, from Fannie Mae to hold MSR associated with loans owned by Fannie Mae, and from Freddie Mac to hold MSR associated with loans owned by Freddie Mac. NRM may seek approval from Ginnie Mae to become an approved Ginnie Mae Issuer, which would make NRM eligible to hold MSR associated with Ginnie Mae securities. As an approved Fannie Mae Servicer, Freddie Mac Servicer and FHA Lender, NRM is required to conduct aspects of its operations in accordance with applicable policies and guidelines published by FHA, Fannie Mae and Freddie Mac in order to maintain those approvals. Should NRM fail to maintain FHA, Fannie Mae or Freddie Mac approval, or fail to obtain approval from Ginnie Mae, NRM may be unable to purchase certain types of MSR, which could limit our potential business activities.

NRM is currently subject to various, and may become subject to additional information reporting and other regulatory requirements, and there is no assurance that we will be able to satisfy those requirements or other ongoing requirements applicable to mortgage loan servicers under applicable state and federal laws. Any failure by NRM to comply with such state or federal regulatory requirements may expose us to administrative or enforcement actions, license or approval suspensions or revocations or other penalties that may restrict our business and investment options, any of which could restrict our business and investment options, adversely impact our business and financial results and damage our reputation.

We may become subject to fines or other penalties based on the conduct of mortgage loan originators and brokers that originate residential mortgage loans related to MSRMs that we acquire, and the third-party servicers we may engage to subservice the loans underlying MSRMs we acquire.

We have acquired MSRMs and may in the future acquire additional MSRMs from third-party mortgage loan originators, brokers or other sellers, and we therefore are or will become dependent on such third parties for the related mortgage loans' compliance with applicable law, and on third-party mortgage servicers to perform the day-to-day servicing on the mortgage loans underlying any such MSRMs. Mortgage loan originators and brokers are subject to strict and evolving consumer protection laws and other legal obligations with respect to the origination of residential mortgage loans. These laws and regulations include the residential mortgage servicing standards, "ability-to-repay" and "qualified mortgage" regulations promulgated by the CFPB, which became effective in 2014. In addition, there are various other federal, state, and local laws and regulations that are intended to discourage predatory lending practices by residential mortgage loan originators. These laws may be highly subjective and open to interpretation and, as a result, a regulator or court may determine that that there has been a violation where an originator or servicer of mortgage

loans reasonably believed that the law or requirement had been satisfied. Although we will not originate or directly service any mortgage loans, failure or alleged failure by originators or servicers to comply with these laws and regulations could subject us, as an investor in MSR, to state or CFPB administrative proceedings, which could result in monetary penalties, license suspensions or revocations, or restrictions to our business, all of which could adversely impact our business and financial results and damage our reputation.

The final servicing rules promulgated by the CFPB to implement certain sections of the Dodd-Frank Act include provisions relating to, among other things, periodic billing statements and disclosures, responding to borrower inquiries and complaints, force-placed insurance, and adjustable rate mortgage interest rate adjustment notices. Further, the mortgage servicing rules require servicers to, among other things, make good faith early intervention efforts to notify delinquent borrowers of loss mitigation options, to implement specified loss mitigation procedures, and if feasible, exhaust all loss mitigation options before proceeding to foreclosure. Proposed updates to further refine these rules have been published and will likely lead to further changes in requirements applicable to servicing mortgage loans.

We do not engage in any day-to-day servicing operations, and instead engage third-party servicers to subservice mortgage loans relating to any MSR we acquire. It is therefore possible that a third-party servicer's failure to comply with the new and evolving servicing protocols could adversely affect the value of the MSR we acquire. Additionally, we may become subject to fines, penalties or civil liability based upon the conduct of any third-party servicer who services mortgage loans related to MSR that we have acquired or will acquire in the future.

Investments in MSR may expose us to additional risks.

We hold investments in MSR. Our investments in MSR may subject us to certain additional risks, including the following:

We have limited experience acquiring MSR and operating a servicer. Although ownership of MSR and the operation of a servicer includes many of the same risks as our other target assets and business activities, including risks related to prepayments, borrower credit, defaults, interest rates, hedging, and regulatory changes, there can be no assurance that we will be able to successfully operate a servicer subsidiary and integrate MSR investments into our business operations.

As of today, we rely on subservicers to subservice the mortgage loans underlying our MSR on our behalf. We are generally responsible under the applicable Servicing Guidelines for any subservicer's non-compliance with any such applicable Servicing Guideline. In addition, there is a risk that our current subservicers will be unwilling or unable to continue subservicing on our behalf on terms favorable to us in the future. In such a situation, we may be unable to locate a replacement subservicer on favorable terms.

NRM's existing approvals from government-related entities or federal agencies are subject to compliance with their respective servicing guidelines, minimum capital requirements, reporting requirements and other conditions that they may impose from time to time at their discretion. Failure to satisfy such guidelines or conditions could result in the unilateral termination of NRM's existing approvals or pending applications by one or more entities or agencies.

NRM is presently licensed or otherwise eligible to hold MSR in all states within the United States and the District of Columbia. Such state licenses may be suspended or revoked by a state regulatory authority, and we may as a result lose the ability to own MSR under the regulatory jurisdiction of such state regulatory authority.

Changes in minimum servicing compensation for Agency loans could occur at any time and could negatively impact the value of the income derived from any MSR that we hold or may acquire in the future.

Investments in MSR are highly illiquid and subject to numerous restrictions on transfer and, as a result, there is risk that we would be unable to locate a willing buyer or get approval to sell any MSR in the future should we desire to do so.

Our business, results of operations, financial condition and reputation could be adversely impacted if we are not able to successfully manage these or other risks related to investing and managing MSR investments.

Risks Related to Our Manager

We are dependent on our Manager and may not find a suitable replacement if our Manager terminates the Management Agreement.

None of our officers or other senior individuals who perform services for us (other than three part-time employees of NRM), is an employee of New Residential. Instead, these individuals are employees of our Manager. Accordingly, we are completely reliant on our Manager, which has significant discretion as to the implementation of our operating policies and strategies, to conduct our business. We are subject to the risk that our Manager will terminate the Management Agreement and that we will not be able to find a suitable replacement for our Manager in a timely manner, at a reasonable cost or at all. Furthermore, we are dependent on the services of certain key employees of our Manager whose compensation is partially or entirely dependent upon the amount of

incentive or management compensation earned by our Manager and whose continued service is not guaranteed, and the loss of such services could adversely affect our operations.

On February 14, 2017, Fortress announced that it had entered into the Merger Agreement with SoftBank Parent and an affiliate of SoftBank, and SoftBank Merger Sub, pursuant to which SoftBank Merger Sub will merge with and into Fortress, with Fortress surviving as a wholly owned subsidiary of SoftBank Parent. While Fortress's senior investment professionals are expected to remain in place, including those individuals who perform services for us, there can be no assurance that the SoftBank merger will not have an impact on us or our relationship with the Manager.

There are conflicts of interest in our relationship with our Manager.

Our Management Agreement with our Manager was not negotiated between unaffiliated parties, and its terms, including fees payable, although approved by the independent directors of New Residential as fair, may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

There are conflicts of interest inherent in our relationship with our Manager insofar as our Manager and its affiliates—including investment funds, private investment funds, or businesses managed by our Manager, including Drive Shack, Nationstar and OneMain—invest in real estate related securities, consumer loans and Excess MSR and Servicer Advances and whose investment objectives overlap with our investment objectives. Certain investments appropriate for us may also be appropriate for one or more of these other investment vehicles. Certain members of our board of directors and employees of our Manager who are our officers also serve as officers and/or directors of these other entities. For example, we have some of the same directors as Drive Shack. Although we have the same Manager, we may compete with entities affiliated with our Manager or Fortress, including Drive Shack, for certain target assets. From time to time, affiliates of Fortress focus on investments in assets with a similar profile as our target assets that we may seek to acquire. These affiliates may have meaningful purchasing capacity, which may change over time depending upon a variety of factors, including, but not limited to, available equity capital and debt financing, market conditions and cash on hand. Fortress has two funds primarily focused on investing in Excess MSR with approximately \$0.7 billion in capital commitments in aggregate. We have broad investment guidelines, and we have co-invested and may co-invest with Fortress funds or portfolio companies of private equity funds managed by our Manager (or an affiliate thereof) in a variety of investments. We also may invest in securities that are senior or junior to securities owned by funds managed by our Manager. Fortress funds generally have a fee structure similar to ours, but the fees actually paid will vary depending on the size, terms and performance of each fund. Fortress had approximately \$72.2 billion of assets under management as of June 30, 2017.

Our Management Agreement with our Manager generally does not limit or restrict our Manager or its affiliates from engaging in any business or managing other pooled investment vehicles that invest in investments that meet our investment objectives. Our Manager intends to engage in additional real estate related management and real estate and other investment opportunities in the future, which may compete with us for investments or result in a change in our current investment strategy. In addition, our certificate of incorporation provides that if Fortress or an affiliate or any of their officers, directors or employees acquire knowledge of a potential transaction that could be a corporate opportunity, they have no duty, to the fullest extent permitted by law, to offer such corporate opportunity to us, our stockholders or our affiliates. In the event that any of our directors and officers who is also a director, officer or employee of Fortress or its affiliates acquires knowledge of a corporate opportunity or is offered a corporate opportunity, provided that this knowledge was not acquired solely in such person's capacity as a director or officer of New Residential and such person acts in good faith, then to the fullest extent permitted by law such person is deemed to have fully satisfied such person's fiduciary duties owed to us and is not liable to us if Fortress or its affiliates pursues or acquires the corporate opportunity or if such person did not present the corporate opportunity to us.

The ability of our Manager and its officers and employees to engage in other business activities, subject to the terms of our Management Agreement with our Manager, may reduce the amount of time our Manager, its officers or other employees spend managing us. In addition, we may engage (subject to our investment guidelines) in material transactions with our Manager or another entity managed by our Manager or one of its affiliates, including Drive Shack, Nationstar and OneMain which may include, but are not limited to, certain financing arrangements, purchases of debt, co-investments in Excess MSR, consumer loans, Servicer Advances and other assets that present an actual, potential or perceived conflict of interest. It is possible that actual, potential or perceived conflicts could give rise to investor dissatisfaction, litigation or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential, actual or perceived conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation, which could materially adversely affect our business in a number of ways, including causing an inability to raise additional funds, a reluctance of counterparties to do business with us, a decrease in the prices of our equity securities and a resulting increased risk of litigation and regulatory enforcement actions.

The management compensation structure that we have agreed to with our Manager, as well as compensation arrangements that we may enter into with our Manager in the future (in connection with new lines of business or other activities), may incentivize our Manager to invest in high risk investments. In addition to its management fee, our Manager is currently entitled to receive incentive compensation. In evaluating investments and other management strategies, the opportunity to earn incentive compensation may lead our Manager to place undue emphasis on the maximization of earnings, including through the use of leverage, at the expense of other criteria, such as preservation of capital, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative than lower-yielding investments. Moreover, because our Manager receives compensation in the form of options in connection with the completion of our common equity offerings, our Manager may be incentivized to cause us to issue additional common stock, which could be dilutive to existing stockholders. In addition, our Manager's management fee is not tied to our performance and may not sufficiently incentivize our Manager to generate attractive risk-adjusted returns for us.

It would be difficult and costly to terminate our Management Agreement with our Manager.

It would be difficult and costly for us to terminate our Management Agreement with our Manager. The Management Agreement may only be terminated annually upon (i) the affirmative vote of at least two-thirds of our independent directors, or by a vote of the holders of a simple majority of the outstanding shares of our common stock, that there has been unsatisfactory performance by our Manager that is materially detrimental to us or (ii) a determination by a simple majority of our independent directors that the management fee payable to our Manager is not fair, subject to our Manager's right to prevent such a termination by accepting a mutually acceptable reduction of fees. Our Manager will be provided 60 days' prior notice of any termination and will be paid a termination fee equal to the amount of the management fee earned by the Manager during the 12-month period preceding such termination. In addition, following any termination of the Management Agreement, our Manager may require us to purchase its right to receive incentive compensation at a price determined as if our assets were sold for their fair market value (as determined by an appraisal, taking into account, among other things, the expected future value of the underlying investments) or otherwise we may continue to pay the incentive compensation to our Manager. These provisions may increase the effective cost to us of terminating the Management Agreement, thereby adversely affecting our ability to terminate our Manager without cause.

Our directors have approved broad investment guidelines for our Manager and do not approve each investment decision made by our Manager. In addition, we may change our investment strategy without a stockholder vote, which may result in our making investments that are different, riskier or less profitable than our current investments.

Our Manager is authorized to follow broad investment guidelines. Consequently, our Manager has great latitude in determining the types and categories of assets it may decide are proper investments for us, including the latitude to invest in types and categories of assets that may differ from those in which we currently invest. Our directors will periodically review our investment guidelines and our investment portfolio. However, our board does not review or pre-approve each proposed investment or our related financing arrangements. In addition, in conducting periodic reviews, the directors rely primarily on information provided to them by our Manager. Furthermore, transactions entered into by our Manager may be difficult or impossible to unwind by the time they are reviewed by the directors, even if the transactions contravene the terms of the Management Agreement. In addition, we may change our investment strategy, including our target asset classes, without a stockholder vote.

Our investment strategy may evolve in light of existing market conditions and investment opportunities, and this evolution may involve additional risks depending upon the nature of the assets in which we invest and our ability to finance such assets on a short or long-term basis. Investment opportunities that present unattractive risk-return profiles relative to other available investment opportunities under particular market conditions may become relatively attractive under changed market conditions, and changes in market conditions may therefore result in changes in the

investments we target. Decisions to make investments in new asset categories present risks that may be difficult for us to adequately assess and could therefore reduce our ability to pay dividends on our common stock or have adverse effects on our liquidity, results of operations or financial condition. A change in our investment strategy may also increase our exposure to interest rate, foreign currency, real estate market or credit market fluctuations and expose us to new legal and regulatory risks. In addition, a change in our investment strategy may increase our use of non-match-funded financing, increase the guarantee obligations we agree to incur or increase the number of transactions we enter into with affiliates. Our failure to accurately assess the risks inherent in new asset categories or the financing risks associated with such assets could adversely affect our results of operations, liquidity and financial condition.

Our Manager will not be liable to us for any acts or omissions performed in accordance with the Management Agreement, including with respect to the performance of our investments.

Pursuant to our Management Agreement, our Manager will not assume any responsibility other than to render the services called for thereunder in good faith and will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Our Manager, its members, managers, officers and employees will not be liable to us or any of

our subsidiaries, to our board of directors, or our or any subsidiary's stockholders or partners for any acts or omissions by our Manager, its members, managers, officers or employees, except by reason of acts constituting bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement. We shall, to the full extent lawful, reimburse, indemnify and hold our Manager, its members, managers, officers and employees and each other person, if any, controlling our Manager harmless of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including attorneys' fees) in respect of or arising from any acts or omissions of an indemnified party made in good faith in the performance of our Manager's duties under our Management Agreement and not constituting such indemnified party's bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement.

Our Manager's due diligence of investment opportunities or other transactions may not identify all pertinent risks, which could materially affect our business, financial condition, liquidity and results of operations.

Our Manager intends to conduct due diligence with respect to each investment opportunity or other transaction it pursues. It is possible, however, that our Manager's due diligence processes will not uncover all relevant facts, particularly with respect to any assets we acquire from third parties. In these cases, our Manager may be given limited access to information about the investment and will rely on information provided by the target of the investment. In addition, if investment opportunities are scarce, the process for selecting bidders is competitive, or the timeframe in which we are required to complete diligence is short, our ability to conduct a due diligence investigation may be limited, and we would be required to make investment decisions based upon a less thorough diligence process than would otherwise be the case. Accordingly, investments and other transactions that initially appear to be viable may prove not to be over time, due to the limitations of the due diligence process or other factors.

The ownership by our executive officers and directors of shares of common stock, options, or other equity awards of OneMain, Nationstar, and other entities either owned by Fortress funds managed by affiliates of our Manager or managed by our Manager may create, or may create the appearance of, conflicts of interest.

Some of our directors, officers and other employees of our Manager hold positions with OneMain, Nationstar, and other entities either owned by Fortress funds managed by affiliates of our Manager or managed by our Manager and own such entities' common stock, options to purchase such entities' common stock or other equity awards. Such ownership may create, or may create the appearance of, conflicts of interest when these directors, officers and other employees are faced with decisions that could have different implications for such entities than they do for us.

Risks Related to the Financial Markets

We do not know what impact the Dodd-Frank Act will have on our business.

On July 21, 2010, the U.S. enacted the Dodd-Frank Act. The Dodd-Frank Act affects almost every aspect of the U.S. financial services industry, including certain aspects of the markets in which we operate. The Dodd-Frank Act imposes new regulations on us and how we conduct our business. As we describe in more detail below, it affects our business in many ways but it is difficult at this time to know exactly how or what the cumulative impact will be.

First, generally the Dodd-Frank Act strengthens the regulatory oversight of securities and capital markets activities by the SEC and empowers the newly-created CFPB to enforce laws and regulations for consumer financial products and services. It requires market participants to undertake additional record-keeping activities and imposes many additional disclosure requirements for public companies.

Moreover, the Dodd-Frank Act contains a risk retention requirement for all asset-backed securities. We issue many asset-backed securities. In October 2014, final rules were promulgated by a consortium of regulators implementing the

final credit risk retention requirements of Section 941(b) of the Dodd-Frank Act. Under these “Risk Retention Rules,” sponsors of both public and private securitization transactions or one of their majority owned affiliates are required to retain at least 5% of the credit risk of the assets collateralizing such securitization transactions. These regulations generally prohibit the sponsor or its affiliate from directly or indirectly hedging or otherwise selling or transferring the retained interest for a specified period of time, depending on the type of asset that is securitized. Beginning December 2015 and December 2016, respectively, sponsors securitizing residential mortgages and certain other types of assets must comply with the Risk Retention Rules. The Risk Retention Rules provide for limited exemptions for certain types of assets, however, these exemptions may be of limited use under our current market practices. In any event, compliance with these new Risk Retention Rules has increased and will likely continue to increase the administrative and operational costs of asset securitization.

Further, the Dodd-Frank Act imposes mandatory clearing and exchange-trading requirements on many derivatives transactions (including formerly unregulated over-the-counter derivatives) in which we may engage. In addition, the Dodd-Frank Act is expected to increase the margin requirements for derivatives transactions that are not subject to mandatory clearing requirements, which may impact our activities. The Dodd-Frank Act also creates new categories of regulated market participants, such as “swap-dealers,” “security-based swap dealers,” “major swap participants” and “major security-based swap participants,” and subjects or may subject these regulated entities to significant new capital, registration, recordkeeping, reporting, disclosure, business conduct and other regulatory requirements that will give rise to new administrative costs.

Also, under the Dodd-Frank Act, financial regulators belonging to the Financial Stability Oversight Council are required to name financial institutions that are deemed to be systemically important to the economy and which may require closer regulatory supervision. Such systemically important financial institutions, or “SIFIs,” may be required to operate with greater safety margins, such as higher levels of capital, and may face further limitations on their activities. The determination of what constitutes a SIFI is evolving, and in time SIFIs may include large investment funds and even asset managers. There can be no assurance that we will not be deemed to be a SIFI and thus subject to further regulation.

Even if certain of the new requirements of the Dodd-Frank Act are not directly applicable to us, they may still increase our costs of entering into transactions with the parties to whom the requirements are directly applicable. For instance, the new exchange-trading and trade reporting requirements may lead to reductions in the liquidity of derivative transactions, causing higher pricing or reduced availability of derivatives, or the reduction of arbitrage opportunities for us, which could adversely affect the performance of certain of our trading strategies. Importantly, many key aspects of the changes imposed by the Dodd-Frank Act will continue to be established by various regulatory bodies and other groups over the next several years. As a result, we do not know how significantly the Dodd-Frank Act will affect us. It is possible that the Dodd-Frank Act could, among other things, increase our costs of operating as a public company, impose restrictions on our ability to securitize assets and reduce our investment returns on securitized assets.

We do not know what impact certain U.S. government programs intended to stabilize the economy and the financial markets will have on our business.

In recent years, the U.S. government has taken a number of steps to attempt to strengthen the financial markets and U.S. economy, including direct government investments in, and guarantees of, troubled financial institutions as well as government-sponsored programs such as the Term Asset-Backed Securities Loan Facility program and the Public Private Investment Partnership Program. The U.S. government continues to evaluate or implement an array of other measures and programs intended to help improve U.S. financial and market conditions. While conditions appear to have improved relative to the depths of the global financial crisis, it is not clear whether this improvement is real or will last for a significant period of time. It is not clear what impact the government’s future actions to improve financial and market conditions will have on our business. We may not derive any meaningful benefit from these programs in the future. Moreover, if any of our competitors are able to benefit from one or more of these initiatives, they may gain a significant competitive advantage over us.

The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between these agencies and the U.S. government, may adversely affect our business.

The payments we receive on the Agency RMBS in which we invest depend upon a steady stream of payments by borrowers on the underlying mortgages and the fulfillment of guarantees by GSEs. Ginnie Mae is part of a U.S. Government agency and its guarantees are backed by the full faith and credit of the U.S. Fannie Mae and Freddie Mac

are GSEs, but their guarantees are not backed by the full faith and credit of the U.S. Government.

In response to the deteriorating financial condition of Fannie Mae and Freddie Mac and the credit market disruption beginning in 2007, Congress and the U.S. Treasury undertook a series of actions to stabilize these GSEs and the financial markets, generally. The Housing and Economic Recovery Act of 2008 was signed into law on July 30, 2008, and established the FHFA, with enhanced regulatory authority over, among other things, the business activities of Fannie Mae and Freddie Mac and the size of their portfolio holdings. On September 7, 2008, FHFA placed Fannie Mae and Freddie Mac into federal conservatorship and, together with the U.S. Treasury, established a program designed to boost investor confidence in Fannie Mae's and Freddie Mac's debt and Agency RMBS.

As the conservator of Fannie Mae and Freddie Mac, the FHFA controls and directs the operations of Fannie Mae and Freddie Mac and may (1) take over the assets of and operate Fannie Mae and Freddie Mac with all the powers of the stockholders, the directors and the officers of Fannie Mae and Freddie Mac and conduct all business of Fannie Mae and Freddie Mac; (2) collect all obligations and money due to Fannie Mae and Freddie Mac; (3) perform all functions of Fannie Mae and Freddie Mac which are consistent

with the conservator's appointment; (4) preserve and conserve the assets and property of Fannie Mae and Freddie Mac; and (5) contract for assistance in fulfilling any function, activity, action or duty of the conservator.

Those efforts resulted in significant U.S. Government financial support and increased control of the GSEs.

The U.S. Federal Reserve (the "Fed") announced in November 2008 a program of large-scale purchases of Agency RMBS in an attempt to lower longer-term interest rates and contribute to an overall easing of adverse financial conditions. Subject to specified investment guidelines, the portfolios of Agency RMBS purchased through the programs established by the U.S. Treasury and the Fed may be held to maturity and, based on mortgage market conditions, adjustments may be made to these portfolios. This flexibility may adversely affect the pricing and availability of Agency securities that we seek to acquire during the remaining term of these portfolios.

There can be no assurance that the U.S. Government's intervention in Fannie Mae and Freddie Mac will be adequate for the longer-term viability of these GSEs. These uncertainties lead to questions about the availability of and trading market for, Agency RMBS. Accordingly, if these government actions are inadequate and the GSEs defaulted on their guaranteed obligations, suffered losses or ceased to exist, the value of our Agency RMBS and our business, operations and financial condition could be materially and adversely affected.

Additionally, because of the financial problems faced by Fannie Mae and Freddie Mac that led to their federal conservatorships, many policymakers have been examining the value of a federal mortgage guarantee and the appropriate role for the U.S. government in providing liquidity for residential mortgage loans. In June 2013, legislation titled "Housing Finance Reform and Taxpayer Protection Act of 2013" was introduced in the U.S. Senate; in July 2013, legislation titled "Protecting American Taxpayers and Homeowners Act of 2013" was introduced in the U.S. House of Representatives. The bills differ in many respects, but both require the wind-down of the GSEs. Each chairman of the respective Congressional committees of jurisdiction, as well as the Secretary of the Treasury, has each stated that housing finance policy is a priority. However, the details of any plans, policies or proposals with respect to the housing GSEs are unknown at this time. Other bills have been introduced that change the GSEs' business charters and eliminate the entities. We cannot predict whether or when the introduced legislation, the amended legislation or any future legislation may be enacted. Such legislation could materially and adversely affect the availability of, and trading market for, Agency RMBS and could, therefore, materially and adversely affect the value of our Agency RMBS and our business, operations and financial condition. Finally, the new presidential administration has stated that tax reform will be a legislative priority. A tax reform proposal may contain provisions that impact the housing GSEs in material ways, but the details of such plans and policies are unknown at this time.

Legislation that permits modifications to the terms of outstanding loans may negatively affect our business, financial condition, liquidity and results of operations.

The U.S. government has enacted legislation that enables government agencies to modify the terms of a significant number of residential and other loans to provide relief to borrowers without the applicable investor's consent. These modifications allow for outstanding principal to be deferred, interest rates to be reduced, the term of the loan to be extended or other terms to be changed in ways that can permanently eliminate the cash flow (principal and interest) associated with a portion of the loan. These modifications are currently reducing, or in the future may reduce, the value of a number of our current or future investments, including investments in mortgage backed securities and MSR. As a result, such loan modifications are negatively affecting our business, results of operations, liquidity and financial condition. In addition, certain market participants propose reducing the amount of paperwork required by a borrower to modify a loan, which could increase the likelihood of fraudulent modifications and materially harm the U.S. mortgage market and investors that have exposure to this market. Additional legislation intended to provide relief to borrowers may be enacted and could further harm our business, results of operations and financial condition.

Risks Related to Our Taxation as a REIT

Qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code.

Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Compliance with these requirements must be carefully monitored on a continuing basis. Monitoring and managing our REIT compliance has become challenging due to the increased size and complexity of the assets in our portfolio, a meaningful portion of which are not qualifying REIT assets. There can be no assurance that our Manager's personnel responsible for doing so will be able to successfully monitor our compliance or maintain our REIT status.

Our failure to qualify as a REIT would result in higher taxes and reduced cash available for distribution to our stockholders.

We intend to operate in a manner intended to qualify us as a REIT for U.S. federal income tax purposes. Our ability to satisfy the asset tests depends upon our analysis of the fair market values of our assets, some of which are not susceptible to a precise determination, and for which we do not obtain independent appraisals. See “—Risks Related to our Business—The valuations of our assets are subject to uncertainty since most of our assets are not traded in an active market,” and “—Risks Related to Our Business—Rapid changes in the values of our assets may make it more difficult for us to maintain our qualification as a REIT or our exclusion from the 1940 Act.” Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Moreover, the proper classification of one or more of our investments (such as TBAs) may be uncertain in some circumstances, which could affect the application of the REIT qualification requirements. Accordingly, there can be no assurance that the U.S. Internal Revenue Service (“IRS”) will not contend that our investments violate the REIT requirements.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to U.S. federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and distributions to stockholders would not be deductible by us in computing our taxable income. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of, and market price for, our stock. See also “—Our failure to qualify as a REIT would cause our stock to be delisted from the NYSE.”

Unless entitled to relief under certain provisions of the Internal Revenue Code, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we initially ceased to qualify as a REIT. The rule against re-electing REIT status following a loss of such status would also apply to us if Drive Shack failed to qualify as a REIT for its taxable years ending on or before December 31, 2014, as we are treated as a successor to Drive Shack for U.S. federal income tax purposes. Although Drive Shack (i) represented in the separation and distribution agreement that it entered into with us on April 26, 2013 (the “Separation and Distribution Agreement”) that it has no knowledge of any fact or circumstance that would cause us to fail to qualify as a REIT and (ii) covenanted in the Separation and Distribution Agreement to use its reasonable best efforts to maintain its REIT status for each of Drive Shack's taxable years ending on or before December 31, 2014 (unless Drive Shack obtains an opinion from a nationally recognized tax counsel or a private letter ruling from the IRS to the effect that Drive Shack's failure to maintain its REIT status will not cause us to fail to qualify as a REIT under the successor REIT rule referred to above), no assurance can be given that such representation and covenant would prevent us from failing to qualify as a REIT. Although, in the event of a breach, we may be able to seek damages from Drive Shack, there can be no assurance that such damages, if any, would appropriately compensate us. In addition, if Drive Shack were to fail to

qualify as a REIT despite its reasonable best efforts, we would have no claim against Drive Shack.

Our failure to qualify as a REIT would cause our stock to be delisted from the NYSE.

The NYSE requires, as a condition to the listing of our shares, that we maintain our REIT status. Consequently, if we fail to maintain our REIT status, our shares would promptly be delisted from the NYSE, which would decrease the trading activity of such shares. This could make it difficult to sell shares and would likely cause the market volume of the shares trading to decline.

If we were delisted as a result of losing our REIT status and desired to relist our shares on the NYSE, we would have to reapply to the NYSE to be listed as a domestic corporation. As the NYSE's listing standards for REITs are less onerous than its standards for domestic corporations, it would be more difficult for us to become a listed company under these heightened standards. We might not be able to satisfy the NYSE's listing standards for a domestic corporation. As a result, if we were delisted from the NYSE, we might not be able to relist as a domestic corporation, in which case our shares could not trade on the NYSE.

The failure of assets subject to repurchase agreements to qualify as real estate assets could adversely affect our ability to qualify as a REIT.

We enter into financing arrangements that are structured as sale and repurchase agreements pursuant to which we nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase these assets at a later date in exchange for a purchase price. Economically, these agreements are financings that are secured by the assets sold pursuant thereto. We believe that, for purposes of the REIT asset and income tests, we should be treated as the owner of the assets that are the subject of any such sale and repurchase agreement, notwithstanding that those agreements generally transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the sale and repurchase agreement, in which case we might fail to qualify as a REIT.

The failure of our Excess MSR to qualify as real estate assets or the income from our Excess MSR to qualify as mortgage interest could adversely affect our ability to qualify as a REIT.

We have received from the IRS a private letter ruling substantially to the effect that our Excess MSR represent interests in mortgages on real property and thus are qualifying “real estate assets” for purposes of the REIT asset test, which generate income that qualifies as interest on obligations secured by mortgages on real property for purposes of the REIT income test. The ruling is based on, among other things, certain assumptions as well as on the accuracy of certain factual representations and statements that we and Drive Shack have made to the IRS. If any of the representations or statements that we have made in connection with the private letter ruling, are, or become, inaccurate or incomplete in any material respect with respect to one or more Excess MSR investments, or if we acquire an Excess MSR investment with terms that are not consistent with the terms of the Excess MSR investments described in the private letter ruling, then we will not be able to rely on the private letter ruling. If we are unable to rely on the private letter ruling with respect to an Excess MSR investment, the IRS could assert that such Excess MSR investments do not qualify under the REIT asset and income tests, and if successful, we might fail to qualify as a REIT.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

Dividends payable to domestic stockholders that are individuals, trusts, and estates are generally taxed at reduced tax rates. Dividends payable by REITs, however, generally are not eligible for the reduced rates. The more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock. In addition, the relative attractiveness of real estate in general may be adversely affected by the favorable tax treatment given to non-REIT corporate dividends, which could affect the value of our real estate assets negatively.

REIT distribution requirements could adversely affect our liquidity and our ability to execute our business plan.

We generally must distribute annually at least 90% of our REIT taxable income, excluding any net capital gain, in order for corporate income tax not to apply to earnings that we distribute. We intend to make distributions to our stockholders to comply with the REIT requirements of the Internal Revenue Code. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the 90% distribution requirement of the Internal Revenue Code. Certain of our assets, such as our investment in consumer loans, generate substantial mismatches between taxable income and available cash. As a result, the requirement to distribute a substantial portion of our net taxable income could cause us to: (i) sell assets in adverse market conditions; (ii) borrow on unfavorable terms; (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt; or (iv) make taxable distributions of our capital stock or debt securities in order to comply with REIT requirements. Further, amounts

distributed will not be available to fund investment activities. If we fail to obtain debt or equity capital in the future, it could limit our ability to satisfy our liquidity needs, which could adversely affect the value of our common stock.

We may be required to report taxable income for certain investments in excess of the economic income we ultimately realize from them.

Based on IRS guidance concerning the classification of Excess MSR, we intend to treat our Excess MSR as ownership interests in the interest payments made on the underlying residential mortgage loans, akin to an “interest only” strip. Under this treatment, for purposes of determining the amount and timing of taxable income, each Excess MSR is treated as a bond that was issued with original issue discount on the date we acquired such Excess MSR. In general, we will be required to accrue original issue discount based on the constant yield to maturity of each Excess MSR, and to treat such original issue discount as taxable income in accordance with the applicable U.S. federal income tax rules. The constant yield of an Excess MSR will be determined, and we will be taxed, based on a prepayment assumption regarding future payments due on the residential mortgage loans underlying the Excess MSR.

If the residential mortgage loans underlying an Excess MSR prepay at a rate different than that under the prepayment assumption, our recognition of original issue discount will be either increased or decreased depending on the circumstances. Thus, in a particular taxable year, we may be required to accrue an amount of income in respect of an Excess MSR that exceeds the amount of cash collected in respect of that Excess MSR. Furthermore, it is possible that, over the life of the investment in an Excess MSR, the total amount we pay for, and accrue with respect to, the Excess MSR may exceed the total amount we collect on such Excess MSR. No assurance can be given that we will be entitled to a deduction for such excess, meaning that we may be required to recognize “phantom income” over the life of an Excess MSR.

Other debt instruments that we may acquire, including consumer loans, may be issued with, or treated as issued with, original issue discount. Those instruments would be subject to the original issue discount accrual and income computations that are described above with regard to Excess MSRs.

We may acquire debt instruments in the secondary market for less than their face amount. The discount at which such debt instruments are acquired may reflect doubts about their ultimate collectability rather than current market interest rates. The amount of such discount will nevertheless generally be treated as “market discount” for U.S. federal income tax purposes. Accrued market discount is reported as income when, and to the extent that, any payment of principal of the debt instrument is made. If we collect less on the debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deductions.

In addition, we may acquire debt instruments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding instrument are “significant modifications” under the applicable U.S. Treasury regulations, the modified instrument will be considered to have been reissued to us in a debt-for-debt exchange with the borrower. In that event, we may be required to recognize taxable gain to the extent the principal amount of the modified instrument exceeds our adjusted tax basis in the unmodified instrument, even if the value of the instrument or the payment expectations have not changed. Following such a taxable modification, we would hold the modified loan with a cost basis equal to its principal amount for U.S. federal tax purposes.

Finally, in the event that any debt instruments acquired by us are delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular instrument are not made when due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income as it accrues, despite doubt as to its ultimate collectability. Similarly, we may be required to accrue interest income with respect to debt instruments at the stated rate regardless of whether corresponding cash payments are received or are ultimately collectible. In each case, while we would in general ultimately have an offsetting loss deduction available to us when such interest was determined to be uncollectible, the utility of that deduction could depend on our having taxable income of an appropriate character in that later year or thereafter.

In any event, if our investments generate more taxable income than cash in any given year, we may have difficulty satisfying our annual REIT distribution requirement.

We may be unable to generate sufficient cash from operations to pay our operating expenses and to pay distributions to our stockholders.

As a REIT, we are generally required to distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and not including net capital gains) each year to our stockholders. To qualify for the tax benefits accorded to REITs, we intend to make distributions to our stockholders in amounts such that we distribute all or substantially all of our net taxable income, subject to certain adjustments, although there can be no assurance that our operations will generate sufficient cash to make such distributions. Moreover, our ability to make distributions may be adversely affected by the risk factors described herein. See also “—Risks Related to our Common

Stock—We have not established a minimum distribution payment level, and we cannot assure you of our ability to pay distributions in the future.”

The stock ownership limit imposed by the Internal Revenue Code for REITs and our certificate of incorporation may inhibit market activity in our stock and restrict our business combination opportunities.

In order for us to maintain our qualification as a REIT under the Internal Revenue Code, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) at any time during the last half of each taxable year after our first taxable year. Our certificate of incorporation, with certain exceptions, authorizes our board of directors to take the actions that are necessary and desirable to preserve our qualification as a REIT. Stockholders are generally restricted from owning more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock, or 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of capital stock. Our board may grant an exemption in its sole discretion, subject to such conditions, representations and undertakings as it may determine in its sole discretion. These ownership limits could delay

or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. Moreover, if a REIT distributes less than 85% of its ordinary income and 95% of its capital gain net income plus any undistributed shortfall from the prior year (the "Required Distribution") to its stockholders during any calendar year (including any distributions declared by the last day of the calendar year but paid in the subsequent year), then it is required to pay an excise tax on 4% of any shortfall between the Required Distribution and the amount that was actually distributed. Any of these taxes would decrease cash available for distribution to our stockholders. In addition, in order to meet the REIT qualification requirements, or to avert the imposition of a 100% tax that applies to certain gains derived by a REIT from dealer property or inventory, we may hold some of our assets through TRSs. Such subsidiaries generally will be subject to corporate level income tax at regular rates and the payment of such taxes would reduce our return on the applicable investment. Currently, we hold some of our investments in TRSs, including Servicer Advances and MSRs, and we may contribute other non-qualifying investments, such as our investment in consumer loans, to a TRS in the future.

Complying with the REIT requirements may negatively impact our investment returns or cause us to forgo otherwise attractive opportunities, liquidate assets or contribute assets to a TRS.

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. As a result of these tests, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, forgo otherwise attractive investment opportunities, liquidate assets in adverse market conditions or contribute assets to a TRS that is subject to regular corporate federal income tax. Our ability to acquire and hold MSRs, interests in consumer loans, Servicer Advances and other investments is subject to the applicable REIT qualification tests, and we may have to hold these interests through TRSs, which would negatively impact our returns from these assets. In general, compliance with the REIT requirements may hinder our ability to make and retain certain attractive investments.

Complying with the REIT requirements may limit our ability to hedge effectively.

The existing REIT provisions of the Internal Revenue Code may substantially limit our ability to hedge our operations because a significant amount of the income from those hedging transactions is likely to be treated as non-qualifying income for purposes of both REIT gross income tests. In addition, we must limit our aggregate income from non-qualified hedging transactions, from our provision of services and from other non-qualifying sources, to less than 5% of our annual gross income (determined without regard to gross income from qualified hedging transactions).

As a result, we may have to limit our use of certain hedging techniques or implement those hedges through TRSs. This could result in greater risks associated with changes in interest rates than we would otherwise want to incur or could increase the cost of our hedging activities. If we fail to comply with these limitations, we could lose our REIT qualification for U.S. federal income tax purposes, unless our failure was due to reasonable cause, and not due to willful neglect, and we meet certain other technical requirements. Even if our failure were due to reasonable cause, we might incur a penalty tax. See also "—Risks Related to Our Business—Any hedging transactions that we enter into may limit our gains or result in losses."

Distributions to tax-exempt investors may be classified as unrelated business taxable income.

Neither ordinary nor capital gain distributions with respect to our stock nor gain from the sale of stock should generally constitute unrelated business taxable income to a tax-exempt investor. However, there are certain exceptions to this rule. In particular:

part of the income and gain recognized by certain qualified employee pension trusts with respect to our stock may be treated as unrelated business taxable income if shares of our stock are predominantly held by qualified employee pension trusts, and we are required to rely on a special look-through rule for purposes of meeting one of the REIT ownership tests, and we are not operated in a manner to avoid treatment of such income or gain as unrelated business taxable income;

part of the income and gain recognized by a tax-exempt investor with respect to our stock would constitute unrelated business taxable income if the investor incurs debt in order to acquire the stock; and

to the extent that we are (or a part of us, or a disregarded subsidiary of ours, is) a “taxable mortgage pool,” or if we hold residual interests in a real estate mortgage investment conduit (“REMIC”), a portion of the distributions paid to a tax exempt stockholder that is allocable to excess inclusion income may be treated as unrelated business taxable income.

The “taxable mortgage pool” rules may increase the taxes that we or our stockholders may incur, and may limit the manner in which we effect future securitizations.

We may enter into securitization or other financing transactions that result in the creation of taxable mortgage pools for U.S. federal income tax purposes. As a REIT, so long as we own 100% of the equity interests in a taxable mortgage pool, we would generally not be adversely affected by the characterization of a securitization as a taxable mortgage pool. Certain categories of stockholders, however, such as foreign stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to the taxable mortgage pool. In addition, to the extent that our stock is owned by tax exempt “disqualified organizations,” such as certain government-related entities and charitable remainder trusts that are not subject to tax on unrelated business income, we could incur a corporate level tax on a portion of our income from the taxable mortgage pool. In that case, we might reduce the amount of our distributions to any disqualified organization whose stock ownership gave rise to the tax. Moreover, we may be precluded from selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for tax purposes. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions.

Uncertainty exists with respect to the treatment of TBAs for purposes of the REIT asset and income tests, and the failure of TBAs to be qualifying assets or of income/gains from TBAs to be qualifying income could adversely affect our ability to qualify as a REIT.

We purchase and sell Agency RMBS through TBAs and recognize income or gains from the disposition of those TBAs, through dollar roll transactions or otherwise. In a dollar roll transaction, we exchange an existing TBA for another TBA with a different settlement date. There is no direct authority with respect to the qualification of TBAs as real estate assets or U.S. Government securities for purposes of the 75% asset test or the qualification of income or gains from dispositions of TBAs as gains from the sale of real property (including interests in real property and interests in mortgages on real property) or other qualifying income for purposes of the 75% gross income test. For a particular taxable year, we would treat such TBAs as qualifying assets for purposes of the REIT asset tests, and income and gains from such TBAs as qualifying income for purposes of the 75% gross income test, to the extent set forth in an opinion from Skadden, Arps, Slate, Meagher & Flom LLP substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a TBA should be treated as ownership of the underlying Agency RMBS, and (ii) for purposes of the 75% REIT gross income test, any gain recognized by us in connection with the settlement of such TBAs should be treated as gain from the sale or disposition of the underlying Agency RMBS. Opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS would not successfully challenge the conclusions set forth in such opinions. In addition, it must be emphasized that any opinion of Skadden, Arps, Slate, Meagher & Flom LLP would be based on various assumptions relating to any TBAs that we enter into and would be conditioned upon fact-based representations and covenants made by our management regarding such TBAs. No assurance can be given that the IRS would not assert that such assets or income are not qualifying assets or income. If the IRS were to successfully challenge any conclusions of Skadden, Arps, Slate, Meagher & Flom LLP, we could be subject to a penalty tax or we could fail to qualify as a REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs.

The tax on prohibited transactions will limit our ability to engage in transactions that would be treated as prohibited transactions for U.S. federal income tax purposes.

Net income that we derive from a “prohibited transaction” is subject to a 100% tax. The term “prohibited transaction” generally includes a sale or other disposition of property (including mortgage loans, but other than foreclosure

property, as discussed below) that is held primarily for sale to customers in the ordinary course of our trade or business. We might be subject to this tax if we were to dispose of or securitize loans or Excess MSR in a manner that was treated as a prohibited transaction for U.S. federal income tax purposes.

We intend to conduct our operations so that no asset that we own (or are treated as owning) will be treated as, or as having been, held-for-sale to customers, and that a sale of any such asset will not be treated as having been in the ordinary course of our business. As a result, we may choose not to engage in certain sales of loans or Excess MSR at the REIT level, and may limit the structures we utilize for our securitization transactions, even though the sales or structures might otherwise be beneficial to us. In addition, whether property is held “primarily for sale to customers in the ordinary course of a trade or business” depends on the particular facts and circumstances. No assurance can be given that any property that we sell will not be treated as property held-for-sale to customers, or that we can comply with certain safe-harbor provisions of the Internal Revenue Code that would prevent such treatment. The 100% prohibited transaction tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate rates. We intend to structure our activities to prevent prohibited transaction characterization.

Legislative or other actions could have a negative effect on us.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. According to publicly released statements, a top legislative priority of the new Congress and administration may be to enact significant reform of the Internal Revenue Code, including significant changes to taxation of business entities and the deductibility of interest expense and capital investment. There is a substantial lack of clarity around the likelihood, timing and details of any such tax reform and the impact of any potential tax reform on us or an investment in our securities. Any such changes to the tax laws or interpretations thereof, with or without retroactive application, could materially and adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, U.S. Treasury regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the U.S. federal income tax consequences to our investors and us of such qualification, or could have other adverse consequences. For example, legislation which provides for a significant decrease in the U.S. federal corporate income tax rate could result in a material decrease in the carrying value of our deferred tax assets. You are urged to consult with your tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our securities.

Liquidation of assets may jeopardize our REIT qualification or create additional tax liability for us.

To qualify as a REIT, we must comply with requirements regarding the composition of our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory.

Risks Related to our Common Stock

There can be no assurance that the market for our stock will provide you with adequate liquidity.

Our common stock began trading (on a when issued basis) on the NYSE on May 2, 2013. There can be no assurance that an active trading market for our common stock will be sustained in the future, and the market price of our common stock may fluctuate widely, depending upon many factors, some of which may be beyond our control. These factors include, without limitation:

- a shift in our investor base;
- our quarterly or annual earnings and cash flows, or those of other comparable companies;
- actual or anticipated fluctuations in our operating results;
- changes in accounting standards, policies, guidance, interpretations or principles;
- announcements by us or our competitors of significant investments, acquisitions or dispositions;
- the failure of securities analysts to cover our common stock;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- market performance of affiliates and other counterparties with whom we conduct business;
- the operating and stock price performance of other comparable companies;
- our failure to qualify as a REIT, maintain our exemption under the 1940 Act or satisfy the NYSE listing requirements;
- overall market fluctuations; and
- general economic conditions.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the market price of our common stock.

Sales or issuances of shares of our common stock could adversely affect the market price of our common stock.

Sales or issuances of substantial amounts of shares of our common stock, or the perception that such sales or issuances might occur, could adversely affect the market price of our common stock. The issuance of our common stock in connection with property, portfolio or business acquisitions or the exercise of outstanding options or otherwise could also have an adverse effect on the market price of our common stock. We have an effective registration statement on file to sell common stock or convertible securities in public offerings.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business and stock price.

As a public company, we are required to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules. We have made investments through joint ventures, such as our investment in consumer loans, and accounting for such investments can increase the complexity of maintaining effective internal control over financial reporting. We cannot assure you that our internal control over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we had previously believed that our internal control over financial reporting was effective. If we are not able to maintain or document effective internal control over financial reporting, our independent registered public accounting firm will not be able to certify as to the effectiveness of our internal control over financial reporting. Matters impacting our internal control over financial reporting may cause us to be unable to report our financial information on a timely basis, or may cause us to restate previously issued financial information, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC, or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we or our independent registered public accounting firm reports a material weakness in the effectiveness of our internal control over financial reporting. This could materially adversely affect us by, for example, leading to a decline in our stock price and impairing our ability to raise capital.

Your percentage ownership in us may be diluted in the future.

Your percentage ownership in us may be diluted in the future because of equity awards that we expect will be granted to our Manager, to the directors, officers and employees of our Manager who perform services for us, and to our directors, officers and employees, as well as other equity instruments such as debt and equity financing. We have adopted a Nonqualified Stock Option and Incentive Award Plan, as amended (the "Plan"), which provides for the grant of equity-based awards, including restricted stock, options, stock appreciation rights, performance awards, tandem awards and other equity-based and non-equity based awards, in each case to our Manager, to the directors, officers, employees, service providers, consultants and advisor of our Manager who perform services for us, and to our directors, officers, employees, service providers, consultants and advisors. We reserved 15 million shares of our common stock for issuance under the Plan. The term of the Plan expires in 2023. On the first day of each fiscal year beginning during the term of the Plan, that number will be increased by a number of shares of our common stock equal to 10% of the number of shares of our common stock newly issued by us during the immediately preceding fiscal year. In connection with any offering of our common stock, we will issue to our Manager options relating to shares of our common stock, representing 10% of the number of shares being offered. Our board of directors may also determine to issue options to the Manager that are not subject to the Plan, provided that the number of shares relating to any options granted to the Manager in connection with an offering of our common stock would not exceed 10% of the shares sold in such offering and would be subject to NYSE rules.

We may incur or issue debt or issue equity, which may negatively affect the market price of our common stock.

We may in the future incur or issue debt or issue equity or equity-related securities. In the event of our liquidation, lenders and holders of our debt and holders of our preferred stock (if any) would receive a distribution of our available assets before common stockholders. Any future incurrence or issuance of debt would increase our interest cost and could adversely affect our results of operations and cash flows. We are not required to offer any additional equity securities to existing common stockholders on a preemptive basis. Therefore, additional issuances of common stock, directly or through convertible or exchangeable securities, warrants or options, will dilute the holdings of our existing common stockholders and such issuances, or the perception of such issuances, may reduce the market price of our

common stock. Any preferred stock issued by us would likely have a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to common stockholders. Because our decision to incur or issue debt or issue equity or equity-related securities in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. Thus, common stockholders bear the risk that our future incurrence or issuance of debt or issuance of equity or equity-related securities will adversely affect the market price of our common stock.

We have not established a minimum distribution payment level, and we cannot assure you of our ability to pay distributions in the future.

We intend to make quarterly distributions of our REIT taxable income to holders of our common stock out of assets legally available therefor. We have not established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described in this report. Any distributions will be authorized by our board of directors and declared by us based upon a number of factors, including our actual and anticipated results of operations,

liquidity and financial condition, restrictions under Delaware law or applicable financing covenants, our REIT taxable income, the annual distribution requirements under the REIT provisions of the Internal Revenue Code, our operating expenses and other factors our directors deem relevant.

On June 21, 2017, our board of directors approved an increase in our quarterly dividend to \$0.50 per share of common stock for the second quarter of 2017, which resulted in reduced cash flows. Although we have other sources of liquidity, such as sales of and repayments from our investments, potential debt financing sources and the issuance of equity securities, there can be no assurance that we will generate sufficient cash or achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions in the future.

Furthermore, while we are required to make distributions in order to maintain our REIT status (as described above under “—Risks Related to our Taxation as a REIT—We may be unable to generate sufficient revenue from operations to pay our operating expenses and to pay distributions to our stockholders”), we may elect not to maintain our REIT status, in which case we would no longer be required to make such distributions. Moreover, even if we do elect to maintain our REIT status, we may elect to comply with the applicable requirements by, after completing various procedural steps, distributing, under certain circumstances, a portion of the required amount in the form of shares of our common stock in lieu of cash. If we elect not to maintain our REIT status or to satisfy any required distributions in shares of common stock in lieu of cash, such action could negatively and materially affect our business, results of operations, liquidity and financial condition as well as the market price of our common stock. No assurance can be given that we will make any distributions on shares of our common stock in the future.

We may in the future choose to make distributions in our own stock, in which case you could be required to pay income taxes in excess of any cash distributions you receive.

We may in the future make taxable distributions that are payable in cash and shares of our common stock at the election of each stockholder. Taxable stockholders receiving such distributions will be required to include the full amount of the distribution as ordinary income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, stockholders may be required to pay income taxes with respect to such distributions in excess of the cash distributions received. If a U.S. stockholder sells the stock that it receives as a distribution in order to pay this tax, the sale proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such distributions, including in respect of all or a portion of such distribution that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on distributions, it may put downward pressure on the market price of our common stock.

It is unclear whether and to what extent we will be able to pay taxable distributions in cash and stock in later years. Moreover, various aspects of such a taxable cash/stock distribution are uncertain and have not yet been addressed by the IRS. No assurance can be given that the IRS will not impose additional requirements in the future with respect to taxable cash/stock distributions, including on a retroactive basis, or assert that the requirements for such taxable cash/stock distributions have not been met.

An increase in market interest rates may have an adverse effect on the market price of our common stock.

One of the factors that investors may consider in deciding whether to buy or sell shares of our common stock is our distribution rate as a percentage of our stock price relative to market interest rates. If the market price of our common stock is based primarily on the earnings and return that we derive from our investments and income with respect to our investments and our related distributions to stockholders, and not from the market value of the investments themselves, then interest rate fluctuations and capital market conditions will likely affect the market price of our

common stock. For instance, if market interest rates rise without an increase in our distribution rate, the market price of our common stock could decrease, as potential investors may require a higher distribution yield on our common stock or seek other securities paying higher distributions or interest. In addition, rising interest rates would result in increased interest expense on our outstanding and future (variable and fixed) rate debt, thereby adversely affecting cash flow and our ability to service our indebtedness and pay distributions.

Provisions in our certificate of incorporation and bylaws and of Delaware law may prevent or delay an acquisition of our company, which could decrease the market price of our common stock.

Our certificate of incorporation, bylaws and Delaware law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the raider and to encourage prospective acquirers to negotiate with our board of directors rather than to attempt a hostile takeover. These provisions include, among others:

- a classified board of directors with staggered three-year terms;
- provisions regarding the election of directors, classes of directors, the term of office of directors, the filling of director vacancies and the resignation and removal of directors for cause only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;
- provisions regarding corporate opportunity only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;
- removal of directors only for cause and only with the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote in the election of directors;
- our board of directors to determine the powers, preferences and rights of our preferred stock and to issue such preferred stock without stockholder approval;
- advance notice requirements applicable to stockholders for director nominations and actions to be taken at annual meetings;
- a prohibition, in our certificate of incorporation, stating that no holder of shares of our common stock will have cumulative voting rights in the election of directors, which means that the holders of a majority of the issued and outstanding shares of common stock can elect all the directors standing for election; and
- a requirement in our bylaws specifically denying the ability of our stockholders to consent in writing to take any action in lieu of taking such action at a duly called annual or special meeting of our stockholders.

Public stockholders who might desire to participate in these types of transactions may not have an opportunity to do so, even if the transaction is considered favorable to stockholders. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or a change in our management and board of directors and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

ERISA may restrict investments by plans in our common stock.

A plan fiduciary considering an investment in our common stock should consider, among other things, whether such an investment is consistent with the fiduciary obligations under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), including whether such investment might constitute or give rise to a prohibited transaction under ERISA, the Internal Revenue Code or any substantially similar federal, state or local law and, if so, whether an exemption from such prohibited transaction rules is available.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
<u>2.1</u>	Separation and Distribution Agreement, dated as of April 26, 2013, by and between New Residential Investment Corp. and Newcastle Investment Corp. (incorporated by reference to Exhibit 2.1 to Amendment No. 6 of New Residential Investment Corp.'s Registration Statement on Form 10, filed April 29, 2013)
<u>2.2</u>	Purchase Agreement, dated as of March 5, 2013, by and among the Sellers listed therein, HSBC Finance Corporation and SpringCastle Acquisition LLC (incorporated by reference to Exhibit 99.1 to Drive Shack Inc.'s Current Report on Form 8-K, filed March 11, 2013)
<u>2.3</u>	Master Servicing Rights Purchase Agreement, dated as of December 17, 2013, by and between Nationstar Mortgage LLC and Advance Purchaser LLC (incorporated by reference to Exhibit 2.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 23, 2013)
<u>2.4</u>	Sale Supplement (Shuttle 1), dated as of December 17, 2013, by and between Nationstar Mortgage LLC and Advance Purchaser LLC (incorporated by reference to Exhibit 2.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 23, 2013)
<u>2.5</u>	Sale Supplement (Shuttle 2), dated as of December 17, 2013, by and between Nationstar Mortgage LLC and Advance Purchaser LLC (incorporated by reference to Exhibit 2.3 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 23, 2013)
<u>2.6</u>	Sale Supplement (First Tennessee), dated as of December 17, 2013, by and between Nationstar Mortgage LLC and Advance Purchaser LLC (incorporated by reference to Exhibit 2.4 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 23, 2013)
<u>2.7</u>	Purchase Agreement, dated as of March 31, 2016, by and among SpringCastle Holdings, LLC, Springleaf Acquisition Corporation, Springleaf Finance, Inc., NRZ Consumer LLC, NRZ SC America LLC, NRZ SC Credit Limited, NRZ SC Finance I LLC, NRZ SC Finance II LLC, NRZ SC Finance III LLC, NRZ SC Finance IV LLC, NRZ SC Finance V LLC, BTO Willow Holdings II, L.P. and Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P., and solely with respect to Section 11(a) and Section 11(g), NRZ SC America Trust 2015-1, NRZ SC Credit Trust 2015-1, NRZ SC Finance Trust 2015-1, and BTO Willow Holdings, L.P. (incorporated by reference to Exhibit 2.10 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016, filed on May 4, 2016)
<u>3.1</u>	Amended and Restated Certificate of Incorporation of New Residential Investment Corp. (incorporated by reference to Exhibit 3.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed May 3, 2013)
<u>3.2</u>	Amended and Restated Bylaws of New Residential Investment Corp. (incorporated by reference to Exhibit 3.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed May 3, 2013)
<u>3.3</u>	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of New Residential Investment Corp. (incorporated by reference to Exhibit 3.1 to New Residential Investment Corp.'s Current

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Report on Form 8-K, filed October 17, 2014)

4.1 Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.18 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015)

4.2 Amendment No. 1, dated as of June 30, 2016, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed July 7, 2016)

4.3 Series 2015-T1 Indenture Supplement, dated as of August 28, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.19 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015)

4.4 Series 2015-T2 Indenture Supplement, dated as of August 28, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.20 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015)

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Exhibit Number	Exhibit Description
<u>4.5</u>	Series 2015-VF1 Indenture Supplement, dated as of August 28, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.21 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015)
<u>4.6</u>	Amendment No. 1, dated as of November 24, 2015, to the Series 2015-VF1 Indenture Supplement, dated as of August 28, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.22 to New Residential Investment Corp.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2015)
<u>4.7</u>	Amendment No. 2, dated as of March 22, 2016, to the Series 2015-VF1 Indenture Supplement, dated as of August 28, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed March 24, 2016)
<u>4.8</u>	Amendment No. 3, dated as of May 9, 2016, to the Series 2015-VF1 Indenture Supplement, dated as of August 28, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed May 13, 2016)
<u>4.9</u>	Amendment No. 4, dated as of May 27, 2016, to the Series 2015-VF1 Indenture Supplement, dated as of August 28, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed June 3, 2016)
<u>4.10</u>	Amendment No. 5, dated as of December 15, 2016, to the Series 2015-VF1 Indenture Supplement, dated as of August 28, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.3 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 16, 2016)
<u>4.11</u>	Series 2015-T3 Indenture Supplement, dated as of November 24, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.23 to New Residential Investment Corp.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2015)

4.12 Series 2015-T4 Indenture Supplement, dated as of November 24, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.24 to New Residential Investment Corp.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2015)

4.13 Series 2016-T1 Indenture Supplement, dated as of June 30, 2016, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed July 7, 2016)

4.14 Series 2016-T2 Indenture Supplement, dated as of October 25, 2016, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed October 31, 2016)

4.15 Series 2016-T3 Indenture Supplement, dated as of October 25, 2016, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed October 31, 2016)

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Exhibit Number	Exhibit Description
<u>4.16</u>	Series 2016-T4 Indenture Supplement, dated as of December 15, 2016, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 16, 2016)
<u>4.17</u>	Series 2016-T5 Indenture Supplement, dated as of December 15, 2016, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 16, 2016)
<u>4.18</u>	Series 2017-T1 Indenture Supplement, dated as of February 7, 2017, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K filed February 7, 2017)
<u>10.1</u>	Third Amended and Restated Management and Advisory Agreement, dated as of May 7, 2015, by and between New Residential Investment Corp. and FIG LLC (incorporated by reference to Exhibit 10.4 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015)
<u>10.2</u>	Form of Indemnification Agreement by and between New Residential Investment Corp. and its directors and officers (incorporated by reference to Exhibit 10.2 to Amendment No. 3 to New Residential Investment Corp.'s Registration Statement on Form 10, filed March 27, 2013)
<u>10.3</u>	New Residential Investment Corp. Nonqualified Stock Option and Incentive Award Plan, adopted as of April 29, 2013 (incorporated by reference to Exhibit 10.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed May 3, 2013)
<u>10.4</u>	Amended and Restated New Residential Investment Corp. Nonqualified Stock Option and Incentive Plan, adopted as of November 4, 2014 (incorporated by reference to Exhibit 10.6 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014)
<u>10.5</u>	Investment Guidelines (incorporated by reference to Exhibit 10.4 to Amendment No. 4 to New Residential Investment Corp.'s Registration Statement on Form 10, filed April 9, 2013)
<u>10.6</u>	Excess Servicing Spread Sale and Assignment Agreement, dated as of December 8, 2011, by and between Nationstar Mortgage LLC and NIC MSR I LLC (incorporated by reference to Exhibit 10.5 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011)
<u>10.7</u>	Excess Spread Refinanced Loan Replacement Agreement, dated as of December 8, 2011, by and between Nationstar Mortgage LLC and NIC MSR I LLC (incorporated by reference to Exhibit 10.6 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011)

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- 10.8 Future Spread Agreement for FHLMC Mortgage Loans, dated as of May 13, 2012, by and between Nationstar Mortgage LLC and NIC MSR IV LLC (incorporated by reference to Exhibit 10.4 to Drive Shack Inc.'s Current Report on Form 8-K, filed May 15, 2012)
- 10.9 Future Spread Agreement for FNMA Mortgage Loans, dated as of May 13, 2012, by and between Nationstar Mortgage LLC and NIC MSR V LLC (incorporated by reference to Exhibit 10.2 to Drive Shack Inc.'s Current Report on Form 8-K, filed May 15, 2012)
- 10.10 Future Spread Agreement for Non-Agency Mortgage Loans, dated as of May 13, 2012, by and between Nationstar Mortgage LLC and NIC MSR VI LLC (incorporated by reference to Exhibit 10.6 to Drive Shack Inc.'s Current Report on Form 8-K, filed May 15, 2012)
- 10.11 Future Spread Agreement for GNMA Mortgage Loans, dated as of May 13, 2012, by and between Nationstar Mortgage LLC and NIC MSR VII, LLC (incorporated by reference to Exhibit 10.8 to Drive Shack Inc.'s Current Report on Form 8-K, filed May 15, 2012)
- 10.12 Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, dated as of May 31, 2012, by and between Nationstar Mortgage LLC and NIC MSR III LLC (incorporated by reference to Exhibit 10.1 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 6, 2012)
- 10.13 Future Spread Agreement for FHLMC Mortgage Loans, dated as of May 31, 2012, by and between Nationstar Mortgage LLC and NIC MSR III LLC (incorporated by reference to Exhibit 10.2 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 6, 2012)

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Exhibit Number	Exhibit Description
<u>10.14</u>	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FNMA Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.1 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012)
<u>10.15</u>	Amended and Restated Future Spread Agreement for FNMA Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.2 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012)
<u>10.16</u>	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.3 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012)
<u>10.17</u>	Amended and Restated Future Spread Agreement for FHLMC Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.4 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012)
<u>10.18</u>	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.5 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012)
<u>10.19</u>	Amended and Restated Future Spread Agreement for Non-Agency Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.6 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012)
<u>10.20</u>	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FNMA Mortgage Loans, dated as of June 28, 2012, by and between Nationstar Mortgage LLC and NIC MSR V LLC (incorporated by reference to Exhibit 10.1 to Drive Shack Inc.'s Current Report on Form 8-K, filed July 5, 2012)
<u>10.21</u>	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, dated as of June 28, 2012, by and between Nationstar Mortgage LLC and NIC MSR IV LLC (incorporated by reference to Exhibit 10.2 to Drive Shack Inc.'s Current Report on Form 8-K, filed July 5, 2012)
<u>10.22</u>	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, dated as of June 28, 2012, by and between Nationstar Mortgage LLC and NIC MSR VI LLC (incorporated by reference to Exhibit 10.3 to Drive Shack Inc.'s Current Report on Form 8-K, filed July 5, 2012)
<u>10.23</u>	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for GNMA Mortgage Loans, dated as of June 28, 2012, by and between Nationstar Mortgage LLC and NIC MSR VII LLC (incorporated by reference to Exhibit 10.4 to Drive Shack Inc.'s Current Report on Form 8-K, filed July 5, 2012)

- 10.24 Current Excess Servicing Spread Acquisition Agreement for GNMA Mortgage Loans, dated as of December 31, 2012, by and between Nationstar Mortgage LLC and MSR VIII LLC (incorporated by reference to Exhibit 10.35 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)
- 10.25 Future Spread Agreement for GNMA Mortgage Loans, dated as of December 31, 2012, by and between Nationstar Mortgage LLC and MSR VIII LLC (incorporated by reference to Exhibit 10.36 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)
- 10.26 Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR IX LLC (incorporated by reference to Exhibit 10.37 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)
- 10.27 Future Spread Agreement for FHLMC Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR IX LLC (incorporated by reference to Exhibit 10.38 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)
- 10.28 Current Excess Servicing Spread Acquisition Agreement for FNMA Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR X LLC (incorporated by reference to Exhibit 10.39 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)
- 10.29 Future Spread Agreement for FNMA Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR X LLC (incorporated by reference to Exhibit 10.40 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)
- 10.30 Current Excess Servicing Spread Acquisition Agreement for GNMA Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XI LLC (incorporated by reference to Exhibit 10.41 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)

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Exhibit Number	Exhibit Description
<u>10.31</u>	Future Spread Agreement for GNMA Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XI LLC (incorporated by reference to Exhibit 10.42 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)
<u>10.32</u>	Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XII LLC (incorporated by reference to Exhibit 10.43 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)
<u>10.33</u>	Future Spread Agreement for Non-Agency Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XII LLC (incorporated by reference to Exhibit 10.44 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)
<u>10.34</u>	Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XIII LLC (incorporated by reference to Exhibit 10.45 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)
<u>10.35</u>	Future Spread Agreement for Non-Agency Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XIII LLC (incorporated by reference to Exhibit 10.46 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)
<u>10.36</u>	Interim Servicing Agreement, dated as of April 1, 2013, by and among the Interim Servicers listed therein, HSBC Finance Corporation, as Interim Servicer Representative, HSBC Bank USA, National Association, SpringCastle America, LLC, SpringCastle Credit, LLC, SpringCastle Finance, LLC, Wilmington Trust, National Association, as Loan Trustee, and SpringCastle Finance LLC, as Owner Representative (incorporated by reference to Exhibit 10.35 to Amendment No. 4 to New Residential Investment Corp.'s Registration Statement on Form 10, filed April 9, 2013)
<u>10.37</u>	Second Amended and Restated Limited Liability Company Agreement of SpringCastle Acquisition LLC, dated as of March 31, 2016 (incorporated by reference to Exhibit 10.37 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016)
<u>10.38</u>	Services Agreement, dated as of April 6, 2015, by and between HLSS Advances Acquisition Corp. and Home Loan Servicing Solutions, Ltd. (incorporated by reference to Exhibit 2.4 to New Residential Investment Corp.'s Current Report on Form 8-K, filed April 10, 2015)
<u>10.39</u>	Receivables Sale Agreement, dated as of August 28, 2015, by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC and NRZ Advance Facility Transferor 2015-ON1 LLC (incorporated by reference to Exhibit 10.47 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015)
<u>10.40</u>	Receivables Pooling Agreement, dated as of August 28, 2015, by and between NRZ Advance Facility Transferor 2015-ON1 LLC and NRZ Advance Receivables Trust 2015-ON1 (incorporated by reference to Exhibit 10.48 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015)

- 31.1 Certification of Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer as adopted 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
- 101.INS XBRL Instance Document *
- 101.SCH XBRL Taxonomy Extension Schema Document *
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document *
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document *
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document *
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document *

Furnished
*electronically
herewith.

The following second amended and restated limited liability company agreements of the Consumer Loan Companies are substantially identical in all material respects, except as to the parties thereto and the initial capital contributions required under each agreement, to the Second Amended and Restated Limited Liability Company Agreement of SpringCastle Acquisition LLC that is filed as Exhibit 10.37 hereto and are being omitted in reliance on Instruction 2 to Item 601 of Regulation S-K:

• Second Amended and Restated Limited Liability Company Agreement of SpringCastle America, LLC, dated as of March 31, 2016.

• Second Amended and Restated Limited Liability Company Agreement of SpringCastle Credit, LLC, dated as of March 31, 2016.

• Second Amended and Restated Limited Liability Company Agreement of SpringCastle Finance, LLC, dated as of March 31, 2016.

SIGNATURES

Pursuant to the requirements 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:

NEW RESIDENTIAL INVESTMENT
CORP.

By: /s/ Michael Nierenberg
Michael Nierenberg
Chief Executive Officer and President
(Principal Executive Officer)

August 3, 2017

By: /s/ Nicola Santoro, Jr.
Nicola Santoro, Jr.
Chief Financial Officer and Treasurer
(Principal Financial Officer)

August 3, 2017

By: /s/ Jonathan R. Brown
Jonathan R. Brown
Chief Accounting Officer
(Principal Accounting Officer)

August 3, 2017