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New Residential Investment Corp.
Form 10-K
February 22, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

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)

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

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

Title of each class: _____ Name of each exchange on which registered:

Common Stock, \$0.01 par value per share New York Stock Exchange (NYSE)

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this form 10-K

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

Large accelerated filer Accelerated filer

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Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the common stock held by non-affiliates as of June 30, 2016 (computed based on the closing price on such date as reported on the NYSE) was: \$3.1 billion.

Common stock, \$0.01 par value per share: 307,334,117 shares outstanding as of February 9, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III (Items 10, 11, 12, 13 and 14) will be incorporated by reference from the registrant's Definitive Proxy Statement for its 2017 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

Table of Contents

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 that 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 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;

i

Table of Contents

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.;

events, conditions or actions that might occur at Nationstar, Ocwen, OneMain, Ditech and other third parties; and

the risk that GSE or other regulatory initiatives or actions may adversely affect returns from investments in MSRs 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.

Table of Contents

SPECIAL NOTE REGARDING EXHIBITS

In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, 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 Annual Report on Form 10-K and the Company’s other public filings, which are available without charge through the SEC’s website at <http://www.sec.gov>. See “Business—Corporate Governance and Internet Address; Where Readers Can Find Additional Information.”

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.

Table of Contents

NEW RESIDENTIAL INVESTMENT CORP.
FORM 10-K

INDEX

	Page
<u>PART I</u>	
Item 1. <u>Business</u>	1
Item 1A. <u>Risk Factors</u>	13
Item 1B. <u>Unresolved Staff Comments</u>	59
Item 2. <u>Properties</u>	59
Item 3. <u>Legal Proceedings</u>	59
Item 4. <u>Mine Safety Disclosures</u>	61
<u>PART II</u>	
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	62
Item 6. <u>Selected Financial Data</u>	65
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	69
<u>General</u>	69
<u>Market Considerations</u>	69
<u>Our Portfolio</u>	71
<u>Application of Critical Accounting Policies</u>	84
<u>Recent Accounting Pronouncements</u>	91
<u>Results of Operations</u>	92
<u>Liquidity and Capital Resources</u>	99
<u>Interest Rate, Credit and Spread Risk</u>	110
<u>Off-Balance Sheet Arrangements</u>	110
<u>Contractual Obligations</u>	110
<u>Inflation</u>	110
<u>Core Earnings</u>	110
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	112
Item 8. <u>Financial Statements and Supplementary Data</u>	117
<u>Report of Independent Registered Public Accounting Firm</u>	118
<u>Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting</u>	119
<u>Consolidated Balance Sheets as of December 31, 2016 and 2015</u>	120
<u>Consolidated Statements of Income for the years ended December 31, 2016, 2015 and 2014</u>	121
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014</u>	122
<u>Consolidated Statements of Changes in Stockholders’ Equity for the years ended December 31, 2016, 2015 and 2014</u>	123
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014</u>	124
<u>Notes to Consolidated Financial Statements</u>	127
Note 1. <u>Organization</u>	127
Note 2. <u>Summary of Significant Accounting Policies</u>	131

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Note 3.	<u>Segment Reporting</u>	<u>140</u>
Note 4.	<u>Investments in Excess Mortgage Servicing Rights</u>	<u>143</u>
Note 5.	<u>Investments in Mortgage Servicing Rights</u>	<u>147</u>
Note 6.	<u>Investments in Servicer Advances</u>	<u>150</u>
Note 7.	<u>Investments in Real Estate Securities</u>	<u>154</u>
Note 8.	<u>Investments in Residential Mortgage Loans</u>	<u>158</u>
Note 9.	<u>Investments in Consumer Loans</u>	<u>164</u>
Note 10.	<u>Derivatives</u>	<u>171</u>
Note 11.	<u>Debt Obligations</u>	<u>174</u>
Note 12.	<u>Fair Value Measurement</u>	<u>177</u>
Note 13.	<u>Equity and Earnings Per Share</u>	<u>190</u>
Note 14.	<u>Commitments and Contingencies</u>	<u>193</u>
Note 15.	<u>Transactions with Affiliates and Affiliated Entities</u>	<u>196</u>

Table of Contents

Note 16. <u>Reclassification from Accumulated Other Comprehensive Income into Net Income</u>	<u>198</u>
Note 17. <u>Income Taxes</u>	<u>198</u>
Note 18. <u>Subsequent Events</u>	<u>200</u>
Note 19. <u>Summary Quarterly Consolidated Financial Information (Unaudited)</u>	<u>202</u>
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>204</u>
Item 9A. <u>Controls and Procedures</u>	<u>204</u>
<u>Management's Report on Internal Control over Financial Reporting</u>	<u>204</u>
Item 9B. <u>Other Information</u>	<u>204</u>
<u>PART III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	<u>205</u>
Item 11. <u>Executive Compensation</u>	<u>205</u>
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>205</u>
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>205</u>
Item 14. <u>Principal Accounting Fees and Services</u>	<u>205</u>
<u>PART IV</u>	
Item 15. <u>Exhibits; Financial Statement Schedules</u>	<u>206</u>
Item 16. <u>Form 10-K Summary</u>	<u>211</u>
<u>Signatures</u>	<u>212</u>

Table of Contents

PART I

Item 1. Business.

General

New Residential is a publicly traded real estate investment trust (“REIT”) primarily focused on opportunistically investing in, and actively managing, investments related to residential real estate. We were formed as a wholly owned subsidiary of Drive Shack Inc. (formerly Newcastle Investment Corp., “Drive Shack”) in September 2011 and were spun-off from Drive Shack on May 15, 2013, which we refer to as the “distribution date.” Our stock is traded on the New York Stock Exchange under the symbol “NRZ.” We are externally managed and advised by an affiliate (our “Manager”) of Fortress Investment Group LLC (“Fortress”) pursuant to a management agreement (the “Management Agreement”). In 2016, our wholly-owned subsidiary, New Residential Mortgage LLC (“NRM”), became a licensed mortgage servicer.

We seek to drive strong risk-adjusted returns primarily through investments in the U.S. residential real estate market, which at times incorporate the use of leverage. We generally target assets that generate significant current cash flows and/or have the potential for meaningful capital appreciation. 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 expect our asset allocation and target assets to change over time depending on the types of investments our Manager identifies and the investment decisions our Manager makes in light of prevailing market conditions. For more information about our investment guidelines, see “—Investment Guidelines.” On February 14, 2017, Fortress announced that it had entered into an Agreement and Plan of Merger (the “Merger Agreement”) with an affiliate of SoftBank Group Corp. (“SoftBank”), pursuant to which Fortress will become a wholly owned subsidiary of the SoftBank affiliate (the “Merger”). In connection with the Merger, Fortress will operate within SoftBank as an independent business headquartered in New York. Fortress’s senior investment professionals are expected to remain in place, including those individuals who perform services for us.

Our portfolio is currently composed of mortgage servicing related assets, residential mortgage backed securities (“RMBS”) (and associated call rights), residential mortgage loans and other opportunistic investments. For more details on our portfolio, see “—Our Portfolio” below, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Our Portfolio.” For information concerning current market trends which impact our portfolio, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Market Considerations” and “Quantitative and Qualitative Disclosures About Market Risk.”

The Residential Real Estate Market

The U.S. residential housing market has experienced meaningful recovery since the 2008-2009 financial crisis. Performance across the mortgage market has generally been strong and benefited from a combination of sharp recovery in the general economy and specifically in real estate fundamentals, accommodative monetary policies, and limited new housing supply.

Currently, the residential mortgage industry continues to undergo structural changes that are transforming the way mortgages are originated, owned and serviced. In today’s complex and dynamic mortgage market, we believe significant investment opportunities continue to exist.

As a major capital provider to the mortgage servicing industry, we believe we are one of only a select number of market participants that have the combination of capital, industry expertise and key business relationships that are necessary to take advantage of these opportunities.

The U.S. residential real estate market is vast: The value of the housing market totaled approximately \$22.2 trillion as of November 2016, including about \$12.7 trillion of home equity and \$9.5 trillion of single-family mortgage debt outstanding, according to the Federal Home Loan Mortgage Corporation (“Freddie Mac”).

Over the last few decades the complexity of the market for residential mortgage loans in the U.S. has dramatically increased. A borrower seeking credit for a home purchase will typically obtain financing from a financial institution, such as a bank, savings association or credit union. In the past, these institutions would generally have held a majority of their originated residential mortgage loans as interest-earning assets on their balance sheets and would have performed all activities associated with servicing the loans, including accepting principal and interest payments, making advances for real estate taxes and property and casualty insurance premiums, initiating collection actions for delinquent payments and conducting foreclosures.

Table of Contents

Now, institutions that originate residential mortgage loans generally hold a smaller portion of such loans as assets on their balance sheets and instead sell a significant portion of the loans they originate to third parties. GSEs (defined below) are currently the largest purchasers of residential mortgage loans. Under a process known as securitization, GSEs and financial institutions typically package residential mortgage loans into pools that are sold to securitization trusts. These securitization trusts fund the acquisition of residential mortgage loans by issuing securities, known as RMBS, which entitle the owner of such securities to receive a portion of the interest and/or principal collected on the residential mortgage loans in the pool. The purchasers of the RMBS are typically large institutions, such as pension funds, mutual funds, insurance companies, hedge funds and REITs. The agreement that governs the packaging of residential mortgage loans into a pool, the servicing of such residential mortgage loans and the terms of the RMBS issued by the securitization trust is often referred to as a pooling and servicing agreement.

As of the third quarter of 2016, approximately \$7 trillion of the \$10 trillion of one-to-four family residential mortgages outstanding had been securitized, according to Inside Mortgage Finance. Approximately \$6 trillion were Agency RMBS according to Inside Mortgage Finance, and the balance were Non-Agency RMBS.

In the ten years prior to the credit dislocation in 2007, the securitization market drove an increase in the number of residential mortgage loans outstanding. Since 2007, the mortgage industry has been characterized by reduced origination and securitization activities, particularly for subprime and Alt-A mortgage loans. However, in the third quarter of 2016, first lien mortgage loan origination totaled \$579 billion, up 27% year-over-year, reaching the highest origination volume since the second quarter of 2009, although this recent trend could be dampened if market interest rates increase. The role of private capital has increased in financing the mortgage origination process despite the GSEs' presence as the largest purchasers of residential mortgage loans.

In connection with a securitization, a number of entities perform specific roles with respect to the residential mortgage loans in a pool, including the trustee and the mortgage servicer. The trustee holds legal title to the residential mortgage loans on behalf of the owner of the RMBS and either maintains the mortgage note and related documents itself or with a custodian. One or more other entities are appointed pursuant to the pooling and servicing agreement to service the residential mortgage loans. In some cases, the servicer is the same institution that originated the loan, and, in other cases, it may be a different institution. The duties of servicers for residential mortgage loans that have been securitized are generally required to be performed in accordance with industry-accepted servicing practices and the terms of the relevant pooling and servicing agreement, mortgage note and applicable law. A servicer generally takes actions, such as foreclosure, in the name and on behalf of the trustee. The trustee or a separate securities administrator for the trust receives the payments collected by the servicer on the residential mortgage loans and distributes them to the investors in the RMBS pursuant to the terms of the pooling and servicing agreement.

Following the credit crisis, the need for "high-touch" non-bank specialty servicers increased as loan performance declined, delinquencies rose and servicing complexities broadened. Specialty servicers have proven more willing and better equipped to perform the operationally intensive activities (e.g., collections, foreclosure avoidance and loan workouts) required to service credit-sensitive loans.

The Residential Mortgage Loan Market

Residential mortgage loans are classified based on certain payment characteristics. Performing loans are residential mortgage loans where the borrower is generally current on required payments; by contrast, non-performing loans are residential mortgage loans where the borrower is delinquent or in default. Re-performing loans were formally non-performing but became performing again, often as a result of a loan modification where the lender agrees to modified terms with the borrower rather than foreclosing on the underlying property. Reverse mortgage loans are a special type of loan under which the borrower is typically paid a monthly amount, increasing the balance of the loan, and are typically collected when the property is sold or the borrower no longer resides at the property. If a borrower

defaults on a loan and the lender takes ownership of the underlying property through foreclosure, that property is referred to as real estate owned (“REO”).

The residential mortgage loan market is commonly further divided into a number of categories based on certain residential mortgage loan characteristics, including the credit quality of borrowers and the types of institutions that originate or finance such loans. While there are no universally accepted definitions, the residential mortgage loan market is commonly divided by market participants into the following categories.

Government-Sponsored Enterprise and Government Guaranteed Loans. This category of residential mortgage loans includes “conforming loans,” which are first lien residential mortgage loans that are secured by single-family residences that meet or “conform” to the underwriting standards established by the Federal National Mortgage Association (“Fannie Mae”) or Freddie Mac (collectively with Fannie Mae, the “GSEs”). The conforming loan limit is established by statute and currently is \$424,000 with certain exceptions for high-priced real estate markets. This category also includes residential mortgage loans issued to borrowers that do not meet conforming loan standards, but who qualify for a loan that is insured

Table of Contents

or guaranteed by the government through the Government National Mortgage Association (“Ginnie Mae” and, collectively with the GSEs, the “Agencies” (with each of Fannie Mae, Freddie Mac and Ginnie Mae an “Agency”)), primarily through federal programs operated by the Federal Housing Administration (“FHA”) and the Department of Veterans Affairs.

Non-GSE or Government Guaranteed Loans. Residential mortgage loans that are not guaranteed by the GSEs or the government are generally referred to as “non-conforming loans” and fall into one of the following categories: jumbo, subprime, Alt-A or second lien loans. The loans may be non-conforming due to various factors, including mortgage balances in excess of Agency underwriting guidelines, borrower characteristics, loan characteristics and level of documentation.

Jumbo. Jumbo mortgage loans have original principal amounts that exceed the statutory conforming limit for GSE loans. Jumbo borrowers generally have strong credit histories and provide full loan documentation, including verification of income and assets.

Subprime. Subprime mortgage loans are generally issued to borrowers with weak credit histories, who make low or no down payments on the properties they purchase or have limited documentation of their income or assets. Subprime borrowers generally pay higher interest rates and fees than prime borrowers.

Alt-A. Alt-A mortgage loans are generally issued to borrowers with risk profiles that fall between prime and subprime. These loans have one or more high-risk features, such as the borrower having a high debt-to-income ratio, limited documentation verifying the borrower’s income or assets, or the option of making monthly payments that are lower than required for a fully amortizing loan. Alt-A mortgage loans generally have interest rates that fall between the interest rates on conforming loans and subprime loans.

Second Lien. Second mortgages and home equity lines are often referred to as second liens and fall into a separate category of the residential mortgage market. These loans typically have higher interest rates than loans secured by first liens because the lender generally will only receive proceeds from a foreclosure of a property after the first lien holder is paid in full. In addition, these loans often feature higher loan-to-value ratios and are less secure than first lien mortgages.

Servicing Related Assets

Mortgage Servicing Rights and Excess Mortgage Servicing Rights

A mortgage servicing right (“MSR”) provides a mortgage servicer with the right to service a pool of residential mortgage loans in exchange for a portion of the interest payments made on the underlying residential mortgage loans. This amount typically ranges from 25 to 50 basis points (“bps”) times the unpaid principal balance (“UPB”) of the residential mortgage loans, plus ancillary income and custodial interest. An MSR is made up of two components: a basic fee and an excess MSR (“Excess MSR”). The basic fee is the amount of compensation for the performance of servicing duties (including advance obligations), and the Excess MSR is the amount that exceeds the basic fee.

Ownership of a full MSR requires the owner to be a licensed mortgage servicer. An owner of an Excess MSR is not required to be licensed, and is not required to assume any servicing duties, advance obligations or liabilities associated with the loan pool underlying the MSR unless otherwise specified through agreement. We have purchased Servicer Advances, including the basic fee component of the related MSRs, on certain loan pools underlying our Excess MSRs.

Servicer Advances

Servicer Advances are a customary feature of residential mortgage securitization transactions and represent one of the duties for which a servicer is compensated through the basic fee component of the related MSR, since the advances are non-interest bearing. Servicer Advances are generally reimbursable cash payments made by a servicer (i) when the borrower fails to make scheduled payments due on a residential mortgage loan or (ii) to support the value of the collateral property. Our acquisition of Servicer Advances include the rights to the basic fee component of the related

MSR.

Servicer Advances typically fall into one of three categories:

Principal and Interest Advances: Cash payments made by the servicer to cover scheduled payments of principal of, and interest on, a residential mortgage loan that have not been paid on a timely basis by the borrower.

Escrow Advances (Taxes and Insurance Advances): Cash payments made by the servicer to third parties on behalf of the borrower for real estate taxes and insurance premiums on the property that have not been paid on a timely basis by the borrower.

Foreclosure Advances: Cash payments made by the servicer to third parties for the costs and expenses incurred in connection with the foreclosure, preservation and sale of the mortgaged property, including attorneys' and other professional fees.

3

Table of Contents

The purpose of the advances is to provide liquidity, rather than credit enhancement, to the underlying residential mortgage securitization transaction. Servicer Advances are generally permitted to be repaid from amounts received with respect to the related residential mortgage loan, including payments from the borrower or amounts received from the liquidation of the property securing the loan, which is referred to as “loan-level recovery.”

Residential mortgage servicing agreements generally require a servicer to make advances in respect of serviced residential mortgage loans unless the servicer determines in good faith that the advance would not be ultimately recoverable from the proceeds of the related residential mortgage loan or the mortgaged property. In many cases, if the servicer determines that an advance previously made would not be recoverable from these sources, or if such advance is not recovered when the loan is repaid or related property is liquidated, then, the servicer is, most often, entitled to withdraw funds from the trustee custodial account for payments on the serviced residential mortgage loans to reimburse the applicable advance. This is what is often referred to as a “general collections backstop.” Under certain circumstances, a servicer may also be reimbursed for an otherwise unrecoverable advance by a GSE, with respect to loans in Agency RMBS (defined below). See “Risk Factors—Risks Related to Our Business—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.”

The status of our Servicer Advances for purposes of the REIT requirements is uncertain, and therefore our ability to acquire Servicer Advances may be limited. We currently hold our investment in Servicer Advances in a taxable REIT subsidiary.

We also purchase rated bonds backed by securitized pools of Servicer Advances issued through transactions sponsored by mortgage servicers. Servicer advance securitizations are generally rated “Master Trust” structures with multiple series of notes and one or more variable funding notes sharing in the same pool of collateral. Each note class has a specific advance rate and rating. We may pursue similar investments as opportunities arise.

Residential Securities and Loans

RMBS

Residential mortgage loans are often packaged into pools held in securitization entities which issue securities (RMBS) collateralized by such loans. Agency RMBS are RMBS issued or guaranteed by an Agency. Non-Agency RMBS are issued by either public trusts or private label securitization (“PLS”) entities. We invest in both Agency RMBS and Non-Agency RMBS.

Agency RMBS generally offer more stable cash flows and historically have been subject to lower credit risk and greater price stability than the other types of residential mortgage investments we intend to target. The Agency RMBS that we may acquire could be secured by fixed-rate mortgages, adjustable-rate mortgages or hybrid adjustable-rate mortgages. More information about certain types of Agency RMBS in which we have invested or may invest is set forth below.

Mortgage pass-through certificates. Mortgage pass-through certificates are securities representing interests in “pools” of residential mortgage loans secured by residential real property where payments of both interest and principal, plus pre-paid principal, on the securities are made monthly to holders of the securities, in effect “passing through” monthly payments made by the individual borrowers on the residential mortgage loans that underlie the securities, net of fees paid in connection with the issuance of the securities and the servicing of the underlying residential mortgage loans.

Interest Only Agency RMBS. This type of stripped security only entitles the holder to interest payments. The yield to maturity of interest only Agency RMBS is extremely sensitive to the rate of principal payments (particularly

prepayments) on the underlying pool of residential mortgage loans. If we decide to invest in these types of securities, we anticipate doing so primarily to take advantage of particularly attractive prepayment-related or structural opportunities in the Agency RMBS markets.

To-be-announced forward contract positions (“TBAs”). We utilize TBAs in order to invest in Agency RMBS. Pursuant to these TBAs, we agree to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered would not be identified until shortly before the TBA settlement date. Our ability to purchase Agency RMBS through TBAs may be limited by the 75% income and asset tests applicable to REITs.

The Non-Agency RMBS we may acquire could be secured by fixed-rate mortgages, adjustable-rate mortgages or hybrid adjustable-rate mortgages. The residential mortgage loan collateral may be classified as “conforming” or “non-conforming,” depending on a variety of factors.

Table of Contents

RMBS, and in particular Non-Agency RMBS, may be subject to call rights, commonly referred to as “cleanup call rights.” Call rights permit the holder of the rights to purchase all of the residential mortgage loans which are collateralizing the related securitization for a price generally equal to the outstanding balance of such loans plus interest and certain other amounts (such as outstanding Servicer Advances and unpaid servicing fees). Call rights may be subject to limitations with respect to when they may be exercised (such as specific dates or upon the reduction of the outstanding balances of the remaining residential mortgage loans to a specified level). Call rights generally become exercisable when the current principal balance of the underlying residential mortgage loans is equal to or lower than 10% of their original balance.

We believe that in many Non-Agency RMBS vehicles there is a meaningful discrepancy between the value of the Non-Agency RMBS and the recovery value of the underlying collateral. We pursue opportunities in structured transactions that enable us to realize identified excesses of collateral value over related RMBS value, particularly through the acquisition and execution of call rights. We control the call rights on Non-Agency deals with a total UPB of approximately \$160.0 billion.

We believe a call right is profitable when the aggregate underlying loan value is greater than the sum of par on the loans minus any discount from acquired bonds plus expenses, including outstanding advances, related to such exercise. Generally, profit with respect to our call rights is generated by:

- acquiring bonds issued by the securitization at a discount, prior to initiating the call, such that the portion of the payment we make to the trust, which is returned to us as bondholders when the call is exercised, exceeds our purchase price for the bonds;
- re-securitizing or selling performing loans for a gain; and
- retaining distressed loans to modify or liquidate over time at a premium to our basis (which results in increases in our portfolio of residential mortgage loans and REO).

We continue to evaluate the call rights we acquired, and our ability to exercise such rights and realize the benefits therefrom are subject to a number of risks. The timing, size and potential returns of future call transactions may be less attractive than our prior activity in this sector due to a number of factors, most of which are beyond our control. 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.”

Residential Mortgage Loans and Real Estate Owned

We believe there may be attractive opportunities to invest in portfolios of non-performing and other residential mortgage loans, along with foreclosed properties. In certain of these investments, we would expect to acquire the loans at a deep discount to their face amount, and we (either independently or with a servicing co-investor) would seek to resolve the loans at a substantially higher valuation. In other investments, we would expect to acquire the foreclosed property at a deep discount to its value, and we would seek to monetize the discount through property improvements and sales. In addition, we may seek to employ leverage to increase returns, either through traditional financing lines or, if available, securitization options.

Other Investments

We may pursue other types of investments as the market evolves, such as our opportunistic investment in consumer loans. Our Manager makes decisions about our investments in accordance with broad investment guidelines adopted by our board of directors. Accordingly, we may, without a stockholder vote, change our target asset classes and acquire a variety of assets that may differ from, and are possibly riskier than, our current portfolio. For more

information about our investment guidelines, see “—Investment Guidelines.”

Table of Contents

Our Portfolio

Our portfolio is currently composed of servicing related assets, residential securities and loans and other investments, as described in more detail in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Our Portfolio.” The following table summarizes our consolidated investment portfolio as of December 31, 2016 (dollars in thousands):

	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)	\$338,653,297	\$1,397,128	9.1	%	\$1,594,243	6.4
MSR ^s ^{(B) (C)}	79,935,302	555,804	3.6	%	659,483	7.0
Servicer Advances ^{(B) (D)}	5,617,759	5,687,635	37.0	%	5,706,593	4.6
Agency RMBS ^(E)	1,486,739	1,532,421	10.0	%	1,530,298	9.1
Non-Agency RMBS ^(E)	7,302,218	3,415,906	22.2	%	3,543,560	7.9
Residential Mortgage Loans	1,112,603	903,933	5.9	%	887,426	3.4
Real Estate Owned	N/A	70,983	0.5	%	59,591	N/A
Consumer Loans	1,809,952	1,802,924	11.7	%	1,799,486	3.8
Total / Weighted Average	\$435,917,870	\$15,366,734	100.0	%	\$15,780,680	5.8
Reconciliation to GAAP total assets:						
Cash and restricted cash					453,697	
Trades receivable					1,687,788	
Deferred tax asset					151,284	
Other assets					291,586	
GAAP total assets					\$18,365,035	

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

(B) The outstanding face amount of Excess MSR^s, MSR^s, and 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 include the rights to a portion of the related MSR.

(E) Amortized cost basis is net of impairment.

Over time, we expect to opportunistically adjust our portfolio composition in response to market conditions.

Our Segments

As of December 31, 2016, New Residential conducted its business through the following segments: (i) investments in Excess MSR^s, (ii) investments in 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.

Table of Contents

The following table summarizes financial information about our segments as of December 31, 2016 (in thousands):

	Servicing Related Assets			Residential Securities and Loans				Total
	Excess MSR	MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	
Investments	\$1,594,243	\$659,483	\$5,806,740	\$4,973,711	\$947,017	\$1,799,486	\$—	\$15,780,680
Cash and cash equivalents	2,225	95,840	94,368	8,405	5,366	27,962	56,436	290,602
Restricted cash	24,538	—	82,122	—	—	56,435	—	163,095
Other assets	2,404	40,608	180,705	1,753,076	100,951	35,921	16,993	2,130,658
Total assets	\$1,623,410	\$795,931	\$6,163,935	\$6,735,192	\$1,053,334	\$1,919,804	\$73,429	\$18,365,035
Debt	\$729,145	\$—	\$5,698,160	\$4,203,249	\$783,006	\$1,767,676	\$—	\$13,181,236
Other liabilities	2,189	97,923	24,123	1,394,682	22,689	6,382	167,634	1,715,622
Total liabilities	731,334	97,923	5,722,283	5,597,931	805,695	1,774,058	167,634	14,896,858
Total Equity	892,076	698,008	441,652	1,137,261	247,639	145,746	(94,205)	3,468,177
Noncontrolling interests in equity of consolidated subsidiaries	—	—	173,057	—	—	35,020	—	208,077
Total New Residential stockholders' equity	\$892,076	\$698,008	\$268,595	\$1,137,261	\$247,639	\$110,726	\$(94,205)	\$3,260,100

For additional information, see Note 3 to our Consolidated Financial Statements.

Investment Guidelines

Our board of directors has adopted a broad set of investment guidelines to be used by our Manager to evaluate specific investments. Our general investment guidelines prohibit any investment that would cause us to fail to qualify as a REIT, and any investment that would cause us to be regulated as an investment company. These investment guidelines may be changed by our board of directors without the approval of our stockholders. If our Board changes any of our investment guidelines, we will disclose such changes in our next required periodic report.

Financing Strategy

Our objective is to generate attractive risk-adjusted returns for our stockholders, which at times incorporates the use of leverage. The amount of leverage we deploy for a particular investment depends upon an assessment of a variety of factors, which may include the anticipated liquidity and price volatility of our assets; the gap between the duration of assets and liabilities, including hedges; the availability and cost of financing the assets; our opinion of the creditworthiness of financing counterparties; the health of the U.S. economy and the residential mortgage and housing markets; our outlook on interest rates; the credit quality of the loans underlying our investments; and our outlook for asset spreads relative to financing costs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Debt Obligations" for further details about our debt obligations.

Hedging Strategy

Subject to maintaining our qualification as a REIT and exclusion from registration under the 1940 Act, we may, from time to time, utilize derivative financial instruments to hedge the interest rate risk associated with our borrowings. Under the U.S. federal income tax laws applicable to REITs, we generally will be able to enter into certain transactions to hedge indebtedness that we may incur, or plan to incur, to acquire or carry real estate assets, although our total gross income from interest rate hedges that do not meet this requirement and other non-qualifying sources generally must not exceed 5% of our gross income.

Subject to maintaining our qualification as a REIT and exclusion from registration under the 1940 Act, we may also engage in a variety of interest rate management techniques that seek on the one hand to mitigate the influence of interest rate changes on the values of some of our assets and on the other hand help us achieve our risk management objectives. The U.S. federal income tax rules applicable to REITs may require us to implement certain of these techniques through a domestic taxable REIT subsidiary (“TRS”) that is fully subject to U.S. federal corporate income taxation. Our interest rate management techniques may include:

- interest rate swap agreements, interest rate cap agreements, exchange-traded derivatives and swaptions;
- puts and calls on securities or indices of securities;
- U.S. Treasury securities and options on U.S. Treasury securities;
- TBAs; and

Table of Contents

• other similar transactions.

Subject to maintaining our REIT qualification, we may utilize hedging instruments and techniques that we deem appropriate. We expect these instruments and techniques may allow us to reduce, but not eliminate, the impact of changing interest rates on our earnings and liquidity.

The Management Agreement

We entered into a Management Agreement with our Manager, an affiliate of Fortress, which was subsequently amended and restated on August 1, 2013, on August 5, 2014 and on May 7, 2015, pursuant to which our Manager provides for a management team and other professionals who are responsible for implementing our business strategy, subject to the supervision of our board of directors. Our Manager is responsible for, among other things, (i) setting investment criteria in accordance with broad investment guidelines adopted by our board of directors, (ii) sourcing, analyzing and executing acquisitions, (iii) providing financial and accounting management services and (iv) performing other duties as specified in the Management Agreement.

We pay our Manager an annual management fee equal to 1.5% of our gross equity. Gross equity is generally the equity that was transferred to us by Drive Shack on the distribution date, plus total net proceeds from stock offerings, plus certain capital contributions to subsidiaries, less capital distributions and repurchases of common stock.

Our 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) the 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 the distribution date, 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 that was transferred to us by Drive Shack on the distribution date and the prices per share of our common stock in any offerings by us (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 U.S. Generally Accepted Accounting Principles (“GAAP”)), excluding gains (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 is computed on an unconsolidated basis. The computation of funds from operations may be adjusted at the direction of our independent directors based on changes in, or certain applications of, GAAP. Funds from operations is determined from the date of our separation from Drive Shack and without regard to Drive Shack’s prior performance. Funds from operations 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.

The initial term of our Management Agreement expired on May 15, 2014, and the Management Agreement was and will be renewed automatically each year for an additional one-year period unless (i) a majority consisting of at least

two-thirds of our independent directors or a simple majority of the holders of outstanding shares of our common stock, agree that there has been unsatisfactory performance that is materially detrimental to us or (ii) a simple majority of our independent directors agree that the management fee payable to our Manager is unfair; provided, that we shall not have the right to terminate our Management Agreement under clause (ii) foregoing if the Manager agrees to continue to provide the services under the Management Agreement at a fee that our independent directors have determined to be fair.

If we elect not to renew our Management Agreement at the expiration of any such one-year extension term as set forth above, our Manager will be provided with 60 days' prior notice of any such termination. In the event of such termination, we would be required to pay the termination fee. The termination fee is a fee equal to the sum of (1) the amount of the management fee during the 12 months immediately preceding the date of termination, and (2) the "Incentive Compensation Fair Value Amount." The Incentive Compensation Fair Value Amount is an amount equal to the incentive compensation that would be paid to the Manager if our assets were sold for cash at their then current fair market value (taking into account, among other things, the expected future performance of the underlying investments).

Table of Contents

Fortress, through its affiliates, and principals of Fortress held 2.4 million shares of our common stock, and Fortress, through its affiliates, held options relating to an additional 11.2 million shares of our common stock, representing approximately 5.1% of our common stock on a fully diluted basis, as of December 31, 2016.

Policies with Respect to Certain Other Activities

Subject to the approval of our board of directors, we have the authority to offer our common stock or other equity or debt securities in exchange for property and to repurchase or otherwise reacquire our shares or any other securities and may engage in such activities in the future.

We also may make loans to, or provide guarantees of certain obligations of, our subsidiaries.

Subject to the percentage ownership and gross income and asset tests necessary for REIT qualification, we may invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities.

We may engage in the purchase and sale of investments.

Our officers and directors may change any of these policies and our investment guidelines without a vote of our stockholders. In the event that we determine to raise additional equity capital, our board of directors has the authority, without stockholder approval (subject to certain New York Stock Exchange (“NYSE”) requirements), to issue additional common stock or preferred stock in any manner and on such terms and for such consideration it deems appropriate, including in exchange for property.

Decisions regarding the form and other characteristics of the financing for our investments are made by our Manager subject to the general investment guidelines adopted by our board of directors.

Conflicts of Interest

Although we have established certain policies and procedures designed to mitigate conflicts of interest, there can be no assurance that these policies and procedures will be effective in doing so. It is possible that actual, potential or perceived conflicts of interest could give rise to investor dissatisfaction, litigation or regulatory enforcement actions.

One or more of our officers and directors have responsibilities and commitments to entities other than us, including, at times, but not limited to, Drive Shack, Nationstar Mortgage LLC (“Nationstar”) (the servicer for a significant portion of our loans, and the loans underlying our Excess MSRs, Servicer Advances, and Non-Agency RMBS), and OneMain Holdings, Inc. (formerly Springleaf Holdings, Inc.) (together with its subsidiaries, “OneMain”) (the servicer for the consumer loans in which we have invested). For example, we have and have had, at times, some of the same directors and officers as Drive Shack, Nationstar and OneMain. In addition, we do not have a policy that expressly prohibits our directors, officers, securityholders or affiliates from engaging for their own account in business activities of the types conducted by us. Moreover, our certificate of incorporation provides that if Drive Shack or Fortress 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 Drive Shack or Fortress 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 Drive Shack or Fortress, or their affiliates, pursues or acquires the corporate opportunity or if such person did not present the corporate opportunity to us. However, subject

to the terms of our certificate of incorporation, our code of business conduct and ethics prohibits the directors, officers and employees of our Manager from engaging in any transaction that involves an actual conflict of interest with us. See “Risk Factors—Risks Related to Our Manager—There are conflicts of interest in our relationship with our Manager.”

Our key agreements, including our Management Agreement, were negotiated among related parties, and their respective terms, including fees and other amounts payable, may not be as favorable to us as terms negotiated with unaffiliated parties. Our independent directors may not vigorously enforce the provisions of our Management Agreement against our Manager. For example, our independent directors may refrain from terminating our Manager because doing so could result in the loss of key personnel. The structure of the Manager’s compensation arrangement may have unintended consequences for us. We have agreed to pay our Manager a management fee that is not tied to our performance and incentive compensation that is based entirely on our performance. The management fee may not sufficiently incentivize our Manager to generate attractive risk-adjusted returns for us, while the performance-based incentive compensation component may cause our Manager to place undue emphasis on the maximization of

Table of Contents

earnings, including through the use of leverage, at the expense of other objectives, such as preservation of capital, to achieve higher incentive distributions. Investments with higher yield potential are generally riskier or more speculative than investments with lower yield potential. This could result in increased risk to the value of our portfolio of assets and a stockholder's investment in us.

We may compete with entities affiliated with our Manager or Fortress, including Drive Shack and Nationstar, for certain target assets. From time to time, affiliates of Fortress may 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 MSRs with approximately \$0.7 billion in capital commitments in aggregate. We have co-invested with these funds in Excess MSRs and may do so with similar Fortress funds in the future. 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.

Our Manager may determine, in its discretion, to make a particular investment through an investment vehicle other than us. Investment allocation decisions will reflect a variety of factors, such as a particular vehicle's availability of capital (including financing), investment objectives and concentration limits, legal, regulatory, tax and other similar considerations, the source of the investment opportunity and other factors that the Manager, in its discretion, deems appropriate. Our Manager does not have an obligation to offer us the opportunity to participate in any particular investment, even if it meets our investment objectives.

Operational and Regulatory Structure

REIT Qualification

We have elected and intend to qualify to be taxed as a REIT for U.S. federal income tax purposes. Our qualification as a REIT will depend upon our ability to meet, on a continuing basis, various complex requirements under the Internal Revenue Code of 1986, as amended, (the "Internal Revenue Code"), relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels to our stockholders and the concentration of ownership of our capital stock. We believe that, commencing with our initial taxable year ended December 31, 2013, we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code, and that our manner of operation will enable us to meet the requirements for qualification and taxation as a REIT.

1940 Act Exclusion

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. Section 3(a)(1)(A) of the 1940 Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the 1940 Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis (the "40% test"). Excluded from the term "investment securities," among other things, are U.S. Government securities and securities issued by majority owned subsidiaries that are not themselves investment companies and are not relying on the exclusion from the definition of investment company for private funds set forth in Section 3(c)(1) or Section 3(c)(7) of the 1940 Act.

We are organized as a holding company that conducts its businesses primarily through wholly owned and majority owned subsidiaries. We intend to continue to conduct our operations so that we do not come within the definition of

an investment company because less than 40% of the value of our adjusted total assets on an unconsolidated basis will consist of “investment securities” in compliance with the 40% test under Section 3(a)(1)(C) of the 1940 Act. The value of securities issued by any wholly owned or majority owned subsidiaries that we may form in the future that are excluded from the definition of “investment company” based on Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities we may own, may not exceed the 40% test under Section 3(a)(1)(C) of the 1940 Act. For purposes of the foregoing, we currently treat our interests in Specialized Loan Servicing LLC (“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. We will monitor our holdings to ensure continuing and ongoing compliance with the 40% test under Section 3(a)(1)(C) of the 1940 Act. In addition, 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. Rather, through our wholly owned subsidiaries, we will be primarily engaged in the non-investment company businesses of these subsidiaries.

Table of Contents

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 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 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. If we were required to register as an investment company under 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.

For purposes of the foregoing, we treat our interests in certain of our wholly owned and majority owned subsidiaries, which constitutes 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”). 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 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. Maintenance of our exclusion under the 1940 Act generally limits the amount of our Section 3(c)(5)(C) subsidiaries’ investments in non-real estate assets to no more than 20% of our total assets.

In satisfying the 55% requirement under the Section 3(c)(5)(C) exclusion, based on guidance from the Securities and Exchange Commission (“SEC”) and its staff, we treat Agency RMBS issued with respect to an underlying pool of mortgage loans in which we hold all of the certificates issued by the pool as qualifying real estate assets. 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. We also treat whole mortgage loans that each of our subsidiaries relying on Section 3(c)(5)(C) may acquire directly as qualifying real estate assets provided that 100% of the loan is secured by real estate when such subsidiary acquires the loan and the subsidiary has the unilateral right to foreclose on the mortgage.

Based on our own judgment and analysis of the guidance from the SEC and its staff with respect to analogous assets, we treat Excess MSRs as real estate-related assets for purposes of satisfying the 80% test under the Section 3(c)(5)(C) exclusion. We treat investments in Agency partial pool RMBS and Non-Agency partial pool RMBS as real estate-related assets for purposes of satisfying the 80% test under the Section 3(c)(5)(C) exclusion.

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 guidance published with respect to other types of assets to determine which assets are qualifying real estate assets and real estate-related assets. The SEC may in the future take a view different than or contrary to our analysis with respect to the types of assets we have determined to be qualifying real estate assets or real estate-related assets. To the extent that the SEC staff publishes new or different guidance with respect to these matters, or disagrees

with our analysis, 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 the 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, which are typically REITs, engaged in the business of acquiring mortgages and mortgage-related instruments and that rely on Section 3(c)(5)(C) of the 1940 Act, including the nature of the assets that qualify for purposes of the Section 3(c)(5)(C) exclusion and whether such REITs should be regulated in a manner similar to investment companies. 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.

Table of Contents

Although we monitor our portfolio periodically and prior to each investment origination or acquisition, there can be no assurance that we will be able to maintain the Section 3(c)(5)(C) exclusion from the definition of an investment company under the 1940 Act for these subsidiaries.

To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon the exclusions or exceptions we and our subsidiaries rely on from the 1940 Act, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies we have chosen.

Qualification for an exclusion from registration under the 1940 Act will limit our ability to make certain investments. See “Risk Factors—Risks Related to Our Business—Maintenance of our 1940 Act exclusion imposes limits on our operations.”

Competition

Our success depends, in large part, on our ability to acquire target assets on terms consistent with our business and economic model. In acquiring these assets, we expect to compete with banks, REITs, independent mortgage loan servicers, private equity firms, hedge funds and other large financial services companies. Many of our anticipated competitors are significantly larger than we are, have access to greater capital and other resources and may have other advantages over us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could lead them to offer higher prices for assets that we might be interested in acquiring and cause us to lose bids for those assets. In addition, other potential purchasers of our target assets may be more attractive to sellers of such assets if the sellers believe that these potential purchasers could obtain any necessary third party approvals and consents more easily than us.

In the face of this competition, we expect to take advantage of the experience of members of our management team and their industry expertise which may provide us with a competitive advantage and help us assess potential risks and determine appropriate pricing for certain potential acquisitions of our target assets. In addition, we expect that these relationships will enable us to compete more effectively for attractive acquisition opportunities. However, we may not be able to achieve our business goals or expectations due to the competitive risks that we face.

Employees

We are managed by our Manager pursuant to the Management Agreement between our Manager and us. All of our officers are employees of our Manager or an affiliate of our Manager. We do not have any employees, other than three part-time employees of NRM.

Legal Proceedings

For a discussion of our legal proceedings, see Part I, Item 3, “Legal Proceedings” in this report.

Corporate Governance and Internet Address; Where Readers Can Find Additional Information

We emphasize the importance of professional business conduct and ethics through our corporate governance initiatives. Our board of directors consists of a majority of independent directors, and the Audit, Nominating and Corporate Governance, and Compensation committees of our board of directors are composed exclusively of independent directors. We have adopted corporate governance guidelines, and codes of business conduct and ethics, which delineate our standards for our officers and directors, and employees of our Manager.

New Residential files annual, quarterly and current reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the “Exchange Act”), with the SEC. Readers may read and copy any document that New Residential files at the SEC’s Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our SEC filings are also available to the public from the SEC’s internet site at <http://www.sec.gov>.

Our internet site is <http://www.newresi.com>. We make available free of charge through our internet site our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also posted on our website in the “Investor Relations—Corporate Governance” section are charters for the Company’s Audit Committee, Compensation Committee

Table of Contents

and Nominating and Corporate Governance Committee as well as our Corporate Governance Guidelines and our Code of Business Conduct and Ethics governing our directors, officers and employees. Information on, or accessible through, our website is not a part of, and is not incorporated into, this report.

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, 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 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;
- 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 Consolidated Financial Statements as of any particular date.

With respect to our investments in 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 and/or MSR's cease (unless, in the case of MSR's and Excess MSR's, 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's 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.

Table of Contents

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 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 MSR. 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 MSR or Excess MSR 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 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 provided 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;

Table of Contents

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 Financial Corporation (together with its subsidiaries, “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 to achieve our investment objective and have no direct ability to influence their performance.

The value of our investments in MSR, Excess MSR, Servicer Advances, Non-Agency RMBS and residential mortgage loans is dependent on the satisfactory performance of servicing obligations by the related mortgage servicer. 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 or Pooling and Servicing Agreements in the case of Non-Agency securities (collectively, the “Servicing Guidelines”). Our investment in MSR or Excess MSR 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 a majority of the 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 MSR, Excess MSR and basic fees would, under most circumstances, lose all value on a going forward basis. If the servicer is terminated as servicer for any Agency pools, the related MSR will be extinguished and our investment in such MSR will likely lose all of its value. Any recovery in such circumstances will be highly conditioned and will 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, 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 MSR. 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 and Ditech Financial LLC (“Ditech”) are the servicers of most of the loans underlying our investments in MSRs 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

Table of Contents

counterparty concentration and default risks.” As a result, we could be materially and adversely affected if Nationstar, Ocwen, Ditech 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 its servicer rating;
- 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 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, on March 5, 2014, Nationstar received a letter from Benjamin Lawsky, Superintendent of the New York Department of Financial Services (“NY DFS”), in connection with Nationstar’s growth, certain operational issues alleged in complaints from certain New York consumers. Other servicers, including Ocwen and Ditech, have experienced heightened regulatory scrutiny, 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.

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 ratings from third-party rating agencies, such as Standard & Poor's Ratings Services ("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 ratings could have an adverse effect on the value of our MSRs and Servicer Advances, and result in an event of default under our financing for advances. Downgrades in a mortgage servicer's servicer ratings could adversely affect their and our ability to finance Servicer Advances 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 match funded advance facilities 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.

Table of Contents

In addition, a bankruptcy by any mortgage servicer that services the residential mortgage loans underlying our MSR's and Servicer Advances could materially and adversely affect 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's, Excess MSR's, 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, which may adversely impact us.

Ocwen, a public company, has announced that, on December 19, 2013, Ocwen 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 Consumer Financial Protection Bureau (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 December 22, 2014, Ocwen announced that it had reached a settlement agreement with the NY DFS related to investigations into Ocwen’s mortgage servicing practices in New York. According to Ocwen’s disclosure, the key elements of the settlement are as follows:

- Payment of \$100 million to the NY DFS to be used by the State of New York for housing, foreclosure relief and community redevelopment programs;
- Payment of \$50 million as restitution to certain New York borrowers;
- Installation of a NY DFS Operations Monitor to monitor and assess the adequacy and effectiveness of Ocwen’s operations for a period of two years, which may be extended another 12 months at the option of the NY DFS;
- Requirements that Ocwen will not share any common officers or employees with any related party and will not share risk, internal audit or vendor oversight functions with any related party;
- Requirements that certain Ocwen employees, officers and directors be recused from negotiating or voting to approve certain transactions with a related party;
- Resignation of Ocwen’s Chairman of the Board from the board of directors of Ocwen and at related companies, including HLSS; and
- Restrictions on Ocwen’s ability to acquire new MSR's.

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:

Table of Contents

• 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 (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.

Regulatory action against Ocwen 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.

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 Investment Management Corp. (together with its applicable subsidiaries, including Ditech, “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.

Table of Contents

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. According to Walter's public filings, RMS has been cooperating with the CFPB by responding to the CID, and the CFPB investigation staff have received authorization from the Director of the CFPB to institute an administrative proceeding against RMS in relation to potential violations by RMS of consumer financial protection laws and regulations. Walter has reported that RMS has provided a response to the CFPB denying these allegations and that discussions with the CFPB are ongoing to resolve the matter.

Walter has also disclosed that RMS has received (i) a subpoena 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.

On June 17, 2016, the 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. According to Walter's public filings, Walter's board of directors has appointed an evaluation committee to consider the demand letter and the matters raised therein.

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 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 some or all of the pending MSR Transactions could adversely affect our future business and results of operations.

We and CitiMortgage, Inc. (“Citi”) have announced an agreement for the purchase and sale of approximately \$97.0 billion UPB of MSRs and related Servicer Advances (including certain other agreements, the “Citi Transaction”). We have also engaged in additional similar transactions, including an agreement for the purchase and sale of approximately \$72.0 billion UPB of MSRs and related Servicer Advances from PHH Mortgage Corporation and its subsidiaries (“PHH”) (the “PHH Transaction” and, together with the Citi Transaction and certain other transactions related to MSRs, the “MSR Transactions”). The PHH Transaction is subject to approval by PHH stockholders. The completion of each of the pending MSR Transactions, as applicable, is subject to the satisfaction of these closing conditions, and we cannot assure you that such conditions will be satisfied and that some or all of the MSR Transactions will be successfully completed on their current terms, if at all. In the event that any of the MSR Transactions are not consummated, we will have spent considerable time and resources, and incurred substantial costs, many of which must be paid even if the MSR Transactions are not completed.

Table of Contents

We have significant counterparty concentration risk in Nationstar, Ocwen, Ditech 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 by Nationstar or Ocwen, or subserviced by Ditech. If Nationstar or Ocwen is terminated as the servicer of some or all of these portfolios, Ditech's 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 and Ditech's mortgage servicing performance and overall operating performance, financial condition and liquidity, as well as its 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 Ditech's 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 its operations, reputation and its liquidity, financial position and results of operations.

None of our servicers 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 related servicing agreements, including, without limitation, any failure of such servicer to perform its servicing and advancing functions in accordance with the terms of such servicing agreements. If any applicable 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 have adversely affect the returns from our investment.

We are subject to substantial other operational risks associated with Nationstar, Ocwen, Ditech 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 servicer advance facilities, see Note 1 to our Consolidated Financial Statements). 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 assets acquired from HLSS 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 of the residential mortgage loans with respect to which we are entitled to the basic fee component, 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;

Table of Contents

• 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.

If the pending MSR Transactions are consummated, a material portion of our MSR portfolio will be subserviced by each of Citi, PHH, Ditech or Nationstar. 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 expected to be acquired in 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 the 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. For example, on January 23, 2017, the CFPB announced a consent order against Citi. We do not know what, if any, impact this order may have on Citi or our expected investment returns on the Citi Transaction. 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 its activities, including whether certain of its residential loan servicing and

Table of Contents

originations practices, bankruptcy practices and other aspects of its 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 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 MSR, Excess MSR, Servicer Advances or other asset, 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 MSR, Excess MSR, 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 MSR, Excess MSR, 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 MSR that we acquire, though we do not do so in all instances. If such assertion were successful, all or part of the MSR, Excess MSR, 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 would be those of a secured creditor with a lien on such 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 lien pursuant to the U.S. bankruptcy laws.

If such a recharacterization occurs, the validity or priority of our security interest in the MSR, Excess MSR, 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. 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;

Table of Contents

- 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, 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

Table of Contents

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 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 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 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

Table of Contents

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 lenders and compliance with certain covenants.

We intend to finance some or all of the MSR 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 MSR 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 lenders may require us to include similar provisions in any financing we obtain relating to the MSR 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 lenders may be unwilling to finance any assets acquired in the MSR Transactions.

In addition, any financing for the MSR 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 the selection of Nationstar to be the subservicer of the MSR acquired in the Citi Transaction 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 Citi Transaction, there is no assurance that the selection of Nationstar will be approved by the requisite regulators. If regulatory approval for 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 ownership of the MSR underlying our Excess MSR.

We do not have legal ownership of the MSRs underlying our Excess MSRs certain of the MSRs related to the transactions contemplated by the purchase agreements pursuant to which we acquire 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.

Table of Contents

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 MSRs or Excess MSRs 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 MSRs, Excess MSRs 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 MSRs, Excess MSRs or Servicer Advances. There is some risk that we will be required to dispose of MSRs, Excess MSRs 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 MSRs, Excess MSRs 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 MSRs, Excess MSRs 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 MSR, Excess MSR, Servicer Advances, RMBS, and loans, and the timing and amount of Servicer Advances;
- the actual and perceived state of the real estate 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.

Table of Contents

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 MSRs, Excess MSRs, 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 December 31, 2016, 24.1% and 20.5% of the total UPB of the residential mortgage loans underlying our Excess MSRs and MSRs, respectively, was secured by properties located in California, which are particularly susceptible to natural disasters such as fires, earthquakes and mudslides, and 8.6% and 7.3%, respectively, was secured by properties located in Florida. As of December 31, 2016, 38.3% of the collateral securing our Non-Agency RMBS was located in the Western U.S., 22.7% was located in the Southeastern U.S., 19.8% was located in the Northeastern U.S., 10.8% was located in the Midwestern U.S. and 7.7% was located in the Southwestern U.S. We were unable to obtain geographical information for 0.7% 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.

Table of Contents

Justice Department and the Department of Housing and Urban Development, 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, our 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 MSRs, Excess MSRs, Servicer Advances and RMBS.

While we believe that the sellers and servicers would be in violation of their servicing contracts or 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.

Table of Contents

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 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 December 31, 2016, 87.3% of our Non-Agency RMBS Portfolio consisted of floating rate securities and 12.7% consisted of fixed rate securities, and 10.2% of our Agency RMBS portfolio consisted of floating rate securities and 89.8% 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,

Table of Contents

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.

Table of Contents

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 December 31, 2016, we had outstanding repurchase agreements with an aggregate face amount of approximately \$2.7 billion to finance Non-Agency RMBS and approximately \$1.8 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 purchaser of such Servicer Advances, which is a subsidiary of the Company, transfer our right to repayment for certain Servicer Advances we have acquired from one of our mortgage servicers 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 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 December 31, 2016, 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.

Table of Contents

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 advance financing arrangements in order to realize such benefits, we or our servicers, or our ability to maintain advance financing on favorable terms, could be materially and adversely affected.

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 subservicers in accordance with the applicable agreement, any such servicer could default on its obligation to fund such advances, which could result in its termination as servicer under the applicable pooling and servicing agreements, or our termination as servicer under the related Agency 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 securitization and other non-recourse long-term financing for our investments to the extent available and appropriate. In such structures, our lenders typically would 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

Table of Contents

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,

Table of Contents

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 (as is the case with our investments in Servicer Advances and our Agency and Non-Agency RMBS portfolios). 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

Table of Contents

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 (as is the case with most of our RMBS portfolios), 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 MSRs, Excess MSRs, Servicer Advances, RMBS, consumer 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

Table of Contents

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 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 us 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 constitutes 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

Table of Contents

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 MSRs 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 may lead to the returns available from such investments decreasing, which may further limit our ability to generate our desired returns. We cannot assure you that

Table of Contents

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 MSRMs that prefer to sell MSRMs 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 MSRMs, Excess MSRMs 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, MSRMs 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.

Table of Contents

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.

We have engaged and may in the future engage in a number of acquisitions (including the HLSS Acquisition 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. 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, all of Citi's interim servicing obligations will be subsequently 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:

Table of Contents

- 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 (see Note 1 to our Consolidated Financial Statements), 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 shareholder derivative actions have been filed in the United States District Court for the Southern District of Florida purportedly on behalf of Ocwen: (i) Sokolowski v. Erbey, et al., No. 14-CV-81601 (S.D. Fla.) (the “Sokolowski

Action”); (ii) Hutt v. Erbey, et al., No. 15-CV-81709 (S.D. Fla.) (the “Hutt Action”); and (iii) Lowinger v. Erbey, et al., No. 15-CV-62628 (S.D. Fla.) (the “Lowinger Action”). On November 9, 2015, HLSS filed a motion to dismiss the Sokolowski Action. While that motion was pending, the Hutt Action, which at the time did not name HLSS as a defendant, was transferred from the Northern District of Georgia to the Southern District of Florida and the Lowinger Action, which at the time also did not name HLSS as a defendant, was filed. On January 8, 2016, the court consolidated the three actions (the “Ocwen Derivative Action”) and denied HLSS’s motion to dismiss the Sokolowski complaint as moot and without prejudice to re-file a new motion to dismiss following the filing of a consolidated complaint. On March 8, 2016, plaintiffs filed their consolidated complaint. The consolidated complaint alleges, among other things, that certain directors and officers of Ocwen, including former HLSS Chairman William C. Erbey, breached their fiduciary duties to Ocwen by, among other things, causing Ocwen to enter into transactions that were harmful to Ocwen. The complaint further alleges that HLSS and others aided and abetted the alleged breaches of fiduciary duty by Mr. Erbey and the other directors and officers of Ocwen who have been named as defendants. The consolidated complaint also asserts causes of action against HLSS and others for unjust enrichment and for contribution. The lawsuit seeks money damages from HLSS in an amount to be proven at trial. On May 13, 2016, HLSS filed a motion to dismiss the consolidated complaint. On January 19, 2017,

Table of Contents

the court approved a settlement plaintiffs reached with Ocwen providing for a with prejudice dismissal and releases for all defendants, including HLSS and New Residential. Neither HLSS nor New Residential were required to make any settlement payment.

A shareholder derivative action asserting some of the same claims made in the Ocwen Derivative Action, including that HLSS and others aided and abetted alleged breaches of fiduciary duties by directors and officers of Ocwen, including Mr. Erbey, has been filed in Florida state court in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida purportedly on behalf of Ocwen: *Moncavage v. Faris, et al.*, No. 2015CA003244 (Fla. Palm Beach Cty. Ct.). The lawsuit seeks money damages from HLSS in an amount to be proved at trial. HLSS has not been served. On February 9, 2017, plaintiff filed a notice of voluntary dismissal without prejudice.

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. We intend to vigorously defend the Securities Action.

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 inquires, 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 events, conditions or actions that might occur at 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 and conducts 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” and “—We could be materially and adversely affected by events, conditions or actions that might occur at HLSS or Ocwen” above. Adverse developments at Ocwen, including

Table of Contents

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, 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 and the existing “HSART II facility” or other future advance facilities by the credit agency providing the ratings.

All or substantially all of the notes issued under the NRZ Advance Receivables Trust 2015-ON1 (“NRART”) facility and the HLSS Servicer Advance Receivables Trust II (“HSART II facility”) are rated by one rating agency and we may sponsor advance facilities in the future that are rated by credit agencies. The related agency may suspend rating notes backed by Servicer Advances at any time. Rating agency delays may result in our inability to obtain timely ratings on new notes, 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 and HSART II facility or other future advance facilities would 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, 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 MSRs 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 from the trustee for the securitization trust, 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 a

servicer is terminated as servicer, we may have the right to receive an indemnification payment from such servicer, 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 MSR. If such servicer is terminated as servicer with respect to a PSA and we are unable to enforce our contractual rights against such servicer or if such servicer 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 advance financing facilities, and may make it more difficult for us to acquire additional MSRs 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 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.

Table of Contents

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 MSRMs related to the transactions contemplated by the Ocwen Purchase Agreement. It is possible that Ocwen could be terminated for other servicing agreements related to such MSRMs.

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 Ratings 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." On June 18, 2015, S&P downgraded Ocwen's ratings as a residential mortgage prime, subprime, special, and subordinate-lien servicer from "average" to "below average." On October 1, 2015, S&P downgraded Ocwen's master servicer rating to "below average."

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 will rely on HLSS's servicers (including Ocwen) to service our Ginnie Mae EBO loans 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.

Table of Contents

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 MSR) 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

Table of Contents

Freddie Mac approval, or fail to obtain approval from Ginnie Mae, NRM may be unable to purchase certain types of MSRMs, 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 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 MSRMs, 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 MSRMs 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 MSRMs 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 MSRMs that we have acquired or will acquire in the future.

Investments in MSRMs may expose us to additional risks.

We hold investments in MSR's. Our investments in MSR's may subject us to certain additional risks, including the following:

We have limited experience acquiring MSR's and operating a servicer. Although ownership of MSR's 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.

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's 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's under the regulatory jurisdiction of such state regulatory authority.

Table of Contents

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 MSRs 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 MSRs 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 SB Foundation Holdings LP, a Cayman Islands exempted limited partnership (“Parent”) and an affiliate of SoftBank, and Foundation Acquisition LLC, a Delaware limited liability company and wholly owned subsidiary of Parent (“Merger Sub”), pursuant to which Merger Sub will merge with and into Fortress, with Fortress surviving as a wholly owned subsidiary of 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 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 MSRs 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 and officers 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 MSRs 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 \$70.0 billion of assets under management as of December 31, 2016.

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

Table of Contents

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.

Table of Contents

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

Table of Contents

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.

Table of Contents

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

Table of Contents

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 MSRs. 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.

Table of Contents

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

Table of Contents

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 MSR.

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 losses) 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

Table of Contents

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.”

Table of Contents

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)

Table of Contents

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.

Table of Contents

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

Table of Contents

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 January 26, 2017, our board of directors approved an increase in our quarterly dividend to \$0.48 per share of common stock for the first quarter of 2017, which will result 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

Table of Contents

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 1B. Unresolved Staff Comments

Not Applicable.

Item 2. Properties.

None.

Item 3. Legal Proceedings.

Following the HLSS Acquisition (see Note 1 to our Consolidated Financial Statements), 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.

59

Table of Contents

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. We intend to vigorously defend the Securities Action.

Three shareholder derivative actions have been filed in the United States District Court for the Southern District of Florida purportedly on behalf of Ocwen: (i) *Sokolowski v. Erbey, et al.*, No. 14-CV-81601 (S.D. Fla.) (the “Sokolowski Action”); (ii) *Hutt v. Erbey, et al.*, No. 15-CV-81709 (S.D. Fla.) (the “Hutt Action”); and (iii) *Lowinger v. Erbey, et al.*, No. 15-CV-62628 (S.D. Fla.) (the “Lowinger Action”). On November 9, 2015, HLSS filed a motion to dismiss the Sokolowski Action. While that motion was pending, the Hutt Action, which at the time did not name HLSS as a defendant, was transferred from the Northern District of Georgia to the Southern District of Florida and the Lowinger Action, which at the time also did not name HLSS as a defendant, was filed. On January 8, 2016, the court consolidated the three actions (the “Ocwen Derivative Action”) and denied HLSS’s motion to dismiss the Sokolowski complaint as moot and without prejudice to re-file a new motion to dismiss following the filing of a consolidated complaint. On March 8, 2016, plaintiffs filed their consolidated complaint. The consolidated complaint alleges, among other things, that certain directors and officers of Ocwen, including former HLSS Chairman William C. Erbey, breached their fiduciary duties to Ocwen by, among other things, causing Ocwen to enter into transactions that were harmful to Ocwen. The complaint further alleges that HLSS and others aided and abetted the alleged breaches of fiduciary duty by Mr. Erbey and the other directors and officers of Ocwen who have been named as defendants. The consolidated complaint also asserts causes of action against HLSS and others for unjust enrichment and for contribution. The lawsuit seeks money damages from HLSS in an amount to be proven at trial. On May 13, 2016, HLSS filed a motion to dismiss the consolidated complaint. On January 19, 2017, the court approved a settlement

plaintiffs reached with Ocwen providing for a with prejudice dismissal and releases for all defendants, including HLSS and New Residential. Neither HLSS nor New Residential were required to make any settlement payment.

A shareholder derivative action asserting some of the same claims made in the Ocwen Derivative Action, including that HLSS and others aided and abetted alleged breaches of fiduciary duties by directors and officers of Ocwen, including Mr. Erbey, has been filed in Florida state court in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida purportedly on behalf of Ocwen: *Moncavage v. Faris, et al.*, No. 2015CA003244 (Fla. Palm Beach Cty. Ct.). The lawsuit seeks money damages from HLSS in an amount to be proved at trial. HLSS has not been served. On February 9, 2017, plaintiff filed a notice of voluntary dismissal without prejudice.

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.

Table of Contents

Item 4. Mine Safety Disclosures.

None.

61

Table of Contents

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

The following graph compares the cumulative total return for our common stock (stock price change plus reinvested dividends) with the comparable return of four indices: NAREIT All REIT, Russell 2000, NAREIT Mortgage REIT, and S&P 500. The graph assumes an investment of \$100 in our common stock and in each of the indices on May 16, 2013 and that all dividends were reinvested. The past performance of our common stock is not an indication of future performance.

Index	Period Ended														
	5/16/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016
New Residential Investment Corp.	100.00	97.34	98.17	102.76	102.25	103.53	98.62	111.19	134.18	139.61	120.01	119.90	119.21	141.86	151.00
NAREIT All REIT		97.72	95.39	95.68	103.89	111.12	108.20	121.66	126.59	115.28	116.16	124.44	131.73	141.43	140.00
Russell 2000	100.00	99.41	109.56	119.12	120.45	122.92	113.87	124.95	130.34	130.89	115.29	119.43	117.62	122.08	133.00
NAREIT Mortgage REIT		96.13	94.28	94.42	104.96	111.17	106.40	111.31	113.92	105.64	102.51	101.43	105.75	116.07	121.00
S&P 500	100.00	97.55	102.66	113.45	115.50	121.55	122.92	128.98	130.21	130.57	122.17	130.77	132.53	135.79	141.00

Table of Contents

We have one class of common stock, which is listed on the New York Stock Exchange (NYSE) under the symbol “NRZ.” The following table sets forth, for the periods indicated, the high, low and last sale prices in U.S. dollars on the NYSE for our common stock and the distributions we declared with respect to the periods indicated.

2016	High	Low	Last Sale	Distributions Declared
First Quarter	\$12.50	\$9.07	\$ 11.63	\$ 0.46
Second Quarter	\$13.98	\$11.36	\$ 13.84	\$ 0.46
Third Quarter	\$14.89	\$12.73	\$ 13.81	\$ 0.46
Fourth Quarter	\$16.43	\$13.30	\$ 15.72	\$ 0.46
2015				
First Quarter	\$15.61	\$12.10	\$ 15.03	\$ 0.38
Second Quarter	\$17.91	\$14.98	\$ 15.24	\$ 0.45
Third Quarter	\$15.95	\$12.66	\$ 13.10	\$ 0.46
Fourth Quarter	\$13.34	\$10.35	\$ 12.16	\$ 0.46

New Residential completed a one-for-two reverse stock split in October 2014. The impact of this reverse stock split has been retroactively applied to all periods presented herein.

We may declare quarterly distributions on our common stock. No assurance, however, can be given that any future distributions will be made or, if made, as to the amounts or timing of any future distributions as such distributions are subject to our earnings, financial condition, liquidity, capital requirements, REIT requirements and such other factors as our board of directors deems relevant. In addition, such distributions may be subject to the receipt of sufficient funds from our licensed servicer subsidiary, NRM, which is subject to regulatory restrictions on its ability to pay distributions.

On February 9, 2017, the closing sale price for our common stock, as reported on the NYSE, was \$15.80. As of February 9, 2017, there were approximately 33 record holders of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

Nonqualified Stock Option and Incentive Award Plan

On April 29, 2013, New Residential’s board of directors adopted the Plan, which was amended and restated as of November 4, 2014. The Plan is intended to facilitate the use of long-term equity-based awards and incentives for the benefit of the service providers to New Residential and its Manager. All outstanding options granted under the Plan will be subject to the terms and conditions set forth in the agreements evidencing such options and the terms of the Plan. The maximum number of shares available for issuance in the aggregate over the ten-year term of the Plan is 15,000,000 shares. New Residential’s 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 underlying any options granted to the Manager in connection with capital raising efforts would not exceed 10% of the shares sold in such offering and would be subject to NYSE rules.

In connection with our separation from Drive Shack, each Drive Shack option held by our Manager or by the directors, officers, employees, service providers, consultants and advisors of our Manager at the date of the distribution of our common stock to Drive Shack’s stockholders was converted into an adjusted Drive Shack option as well as a new New Residential option (a “Converted Option”). On May 15, 2013, we issued a total of 10,728,637 Converted Options. The exercise price of each adjusted Drive Shack option and Converted Option was set to collectively maintain the intrinsic value of the Drive Shack option immediately prior to the distribution and to maintain the ratio of the exercise price of the adjusted Drive Shack option and the Converted Option, respectively, to the fair market value of the underlying shares at the time the distribution was made. The terms and conditions

applicable to each such Converted Option were substantially similar to the terms and condition otherwise applicable to the Drive Shack option as of the date of distribution. The grant of such Converted Options did not reduce the number of shares of our common stock otherwise available for issuance under the Plan. These options are contractually required to be settled in an amount of cash equal to the excess of the fair market value of a share on the date of exercise over the exercise price per share, unless a majority of the independent members of the board of directors (or, with respect to a tandem award, one of our authorized officers) determines to settle the option in shares. If the option is settled in shares, the independent members of the board of directors or an authorized officer, as applicable, will determine whether the exercise price will be payable in cash, by withholding from shares of our common stock otherwise issuable upon exercise of such option or through another method permitted under the plan.

Table of Contents

The following table summarizes the total number of outstanding securities in the incentive plan and the number of securities remaining for future issuance, as well as the weighted average exercise price of all outstanding securities as of December 31, 2016.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under the 2013 Equity Compensation Plan
Equity Compensation Plans Approved by Security Holders:			
Nonqualified Stock Option and Incentive Award Plan	11,987,039	\$ 14.86	14,901,609
Total	11,987,039 ^(A)	\$ 14.86	14,901,609 ^(B)
Equity Compensation Plans Not Approved by Security Holders:			
None			

The number of securities to be issued upon exercise of outstanding options does not include 1,209,571 Converted (A) Options (with a weighted average exercise price of \$17.10), of which 1,190,661 are held by an affiliate of our Manager and 18,910 were granted to our Manager and assigned to certain Fortress employees.

No award shall be granted on or after May 15, 2023 (but awards granted may extend beyond this date). The number of securities remaining available for future issuance is net of an aggregate of 92,391 shares of our common stock and 6,000 options awarded to our directors, the shares being awarded in lieu of contractual cash compensation. The number of securities remaining available for future issuance is adjusted on the first day of each (B) fiscal year beginning during the ten-year term of the plan and in and after calendar year 2014, 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 (and, in the case of fiscal year 2013, after the effective date of the Plan). No adjustment was made on January 1, 2014. On January 1, 2017, 2016 and 2015, 2,000,000, 8,543,539 and 1,437,500 shares, respectively, were added to the number of securities remaining available for future issuance; all of these amounts have been included in the table above.

Table of Contents

Item 6. Selected Financial Data.

The selected historical consolidated financial information set forth below as of December 31, 2016, 2015, 2014, 2013 and 2012 and for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 has been derived from our audited historical Consolidated Financial Statements.

The information below should be read in conjunction with Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Consolidated Financial Statements and notes thereto included in Part II, Item 8, “Financial Statements and Supplementary Data.”

Selected Consolidated Financial Information

(in thousands, except share and per share data)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Statement of Income Data					
Interest income	\$ 1,076,735	\$ 645,072	\$ 346,857	\$ 87,567	\$ 33,759
Interest expense	373,424	274,013	140,708	15,024	704
Net Interest Income	703,311	371,059	206,149	72,543	33,055
Impairment	87,980	24,384	11,282	5,454	—
Net interest income after impairment	615,331	346,675	194,867	67,089	33,055
Servicing revenue, net	118,169	—	—	—	—
Other Income	62,337	42,029	375,088	241,008	17,423
Operating Expenses	174,210	117,823	104,899	42,474	9,231
Income (Loss) Before Income Taxes	621,627	270,881	465,056	265,623	41,247
Income tax expense (benefit)	38,911	(11,001)	22,957	—	—
Net Income (Loss)	\$582,716	\$ 281,882	\$ 442,099	\$ 265,623	\$ 41,247
Noncontrolling Interests in Income of Consolidated Subsidiaries	\$78,263	\$ 13,246	\$ 89,222	\$ (326)	\$ —
Net Income (Loss) Attributable to Common Stockholders	\$504,453	\$ 268,636	\$ 352,877	\$ 265,949	\$ 41,247
Net Income per Share of Common Stock, Basic	\$2.12	\$ 1.34	\$ 2.59	\$ 2.10	\$ 0.33
Net Income per Share of Common Stock, Diluted	\$2.12	\$ 1.32	\$ 2.53	\$ 2.07	\$ 0.33
Weighted Average Number of Shares of Common Stock Outstanding, Basic	238,122,665	200,739,809	136,472,865	126,539,024	126,512,823
Weighted Average Number of Shares of Common Stock Outstanding, Diluted	238,486,772	202,907,605	139,565,709	128,684,128	126,512,823
Dividends Declared per Share of Common Stock	\$ 1.84	\$ 1.75	\$ 1.58	\$ 0.99	\$ —

Table of Contents

	December 31,				
	2016	2015	2014	2013	2012
Balance Sheet Data					
Investments in:					
Excess mortgage servicing rights, at fair value	\$1,399,455	\$1,581,517	\$417,733	\$324,151	\$245,036
Excess mortgage servicing rights, equity method investees, at fair value	194,788	217,221	330,876	352,766	—
Mortgage servicing rights, at fair value	659,483	—	—	—	—
Servicer advances, at fair value	5,706,593	7,426,794	3,270,839	2,665,551	—
Real estate securities, available-for-sale	5,073,858	2,501,881	2,463,163	1,973,189	289,756
Residential mortgage loans, held-for-investment	190,761	330,178	47,838	33,539	—
Residential mortgage loans, held-for-sale	696,665	776,681	1,126,439	—	—
Real estate owned	59,591	50,574	61,933	—	—
Consumer loans, equity method investees	—	—	—	215,062	—
Consumer loans, held-for-investment	1,799,486	—	—	—	—
Cash and cash equivalents	290,602	249,936	212,985	271,994	—
Total assets	18,365,035	15,192,722	8,089,244	5,958,658	534,876
Total debt	13,181,236	11,292,622	6,057,853	4,109,329	150,922
Total liabilities	14,896,858	12,206,142	6,239,319	4,445,583	156,520
Total New Residential stockholders' equity	3,260,100	2,795,933	1,596,089	1,265,850	378,356
Noncontrolling interests in equity of consolidated subsidiaries	208,077	190,647	253,836	247,225	—
Total equity	3,468,177	2,986,580	1,849,925	1,513,075	378,356
Supplemental Balance Sheet Data					
Common shares outstanding	250,773,117	230,471,202	141,434,905	126,598,987	
Book value per share of common stock	\$13.00	\$12.13	\$11.28	\$10.00	
Other Data					
Core earnings ^(A)	\$510,821	\$388,756	\$219,261	\$129,997	\$29,054

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.

(A) 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.

Table of Contents

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. Non-capitalized transaction-related expenses for the year ended December 31, 2015 include a \$9.1 million settlement which we agreed to pay in connection with HSART (Note 11 to our Consolidated Financial Statements). These costs are recorded as “General and administrative expenses” in our Consolidated Statements of Income. “Other (income) loss” set forth below excludes \$14.5 million accrued during the year ended December 31, 2015 related to a reimbursement from Ocwen for certain increased costs resulting from further S&P servicer rating downgrades of Ocwen (Note 1 to our Consolidated Financial Statements).

In the fourth quarter of 2014, we modified our definition of core earnings to include 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. This modification had no impact on core earnings in 2014 or any prior period. In the second quarter of 2015, we modified our definition of core earnings to exclude 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. This modification was applied prospectively due to only immaterial impacts in prior periods. In the fourth quarter of 2015, we modified our definition of core earnings to limit 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 made the modification 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. This modification had no impact on core earnings in prior periods.

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 during the year ended December 31, 2016 was treated as an unrealized gain for the purposes of calculating incentive compensation and was therefore excluded from such calculation.

Table of Contents

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 flow 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 “Management’s Discussion and Analysis of Financial Consolidation and Results of Operations—Liquidity and Capital Resources.” Set forth below is a reconciliation of core earnings to the most directly comparable GAAP financial measure (in thousands):

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Net income attributable to common stockholders	\$504,453	\$268,636	\$352,877	265,949	\$41,247
Impairment	87,980	24,384	11,282	5,454	—
Other Income adjustments:					
Other Income					
Change in fair value of investments in excess mortgage servicing rights	7,297	(38,643)	(41,615)	(53,332)	(9,023)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	(16,526)	(31,160)	(57,280)	(50,343)	—
Change in fair value of investments in servicer advances	7,768	57,491	(84,217)	—	—
Earnings from investments in consumer loans, equity method investees	—	—	(53,840)	(82,856)	—
Gain on consumer loans investment	(9,943)	(43,954)	(92,020)	—	—
Gain on remeasurement of consumer loans investment	(71,250)	—	—	—	—
(Gain) loss on settlement of investments, net	48,800	19,626	(31,297)	(52,657)	—
Unrealized (gain) loss on derivative instruments	(5,774)	3,538	8,847	(1,820)	—
Unrealized (gain) loss on other ABS	2,322	(879)	—	—	—
(Gain) loss on transfer of loans to REO	(18,356)	(2,065)	(17,489)	—	—
Gain on Excess MSR recapture agreements	(2,802)	(2,999)	(1,157)	—	—
Fee earned on deal termination	—	—	(5,000)	—	(8,400)
Other (income) loss	6,499	6,219	(20)	—	—
Total Other Income Adjustments	(51,965)	(32,826)	(375,088)	(241,008)	(17,423)
Other Income and Impairment attributable to non-controlling interests	(26,303)	(22,102)	44,961	—	—
Change in fair value of investments in mortgage servicing rights	(103,679)	—	—	—	—
Non-capitalized transaction-related expenses	9,493	31,002	10,281	5,698	5,230
Incentive compensation to affiliate	42,197	16,017	54,334	16,847	—
Deferred taxes	34,846	(6,633)	16,421	—	—
Interest income on residential mortgage loans, held-for sale	18,356	22,484	—	—	—
Limit on RMBS discount accretion related to called deals	(30,233)	(9,129)	—	—	—
Adjust consumer loans to level yield	7,470	71,070	70,394	53,696	—
Core earnings of equity method investees:					
Excess mortgage servicing rights	18,206	25,853	33,799	23,361	—
Core Earnings	\$510,821	\$388,756	\$219,261	\$129,997	\$29,054

Table of Contents

Item 7. 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 Consolidated Financial Statements and notes thereto included herein, and with Part I, 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, discussed in "Business," banks have sold or committed to sell MSR's totaling more than \$3 trillion since 2010. As of the third quarter of 2016, 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 third quarter of 2016, 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 advances.

These factors have resulted in increased opportunities for us to acquire MSR's and to provide capital to non-bank servicers. We estimate that MSR's covering up to \$400 billion of mortgages are currently for sale, which would require a capital investment of approximately \$3 billion based on current pricing dynamics. In addition, approximately \$1.56 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). Given this combined dynamic, we believe approximately \$2 trillion of MSR's could be sold or available over the next few years. While increased competition and market conditions for more recently originated MSR's have driven prices higher recently, 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. The timing, size and potential returns of our future investments in MSR and Excess MSR 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 “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

Table of Contents

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.

Interest rates were volatile over the course of 2016. In the fourth quarter of 2016, both current interest rates and expected future interest rates increased. For instance, the 30-year fixed rate mortgage rate increased from 3.42% to 4.32% during the quarter, according to Bloomberg. The increase in interest rates in the fourth quarter of 2016 resulted in an increase in the value of our interests in MSR for the reasons described above. With respect to our Non-Agency RMBS, which were generally purchased at a significant discount, while market interest rates increased, 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 “Quantitative and Qualitative Disclosures About Market Risk” and in “Risk Factors.” In the fourth quarter of 2016, 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 increased by approximately \$18.5 million in the aggregate, primarily as a result of an increase in market mortgage rates and a decrease in prepayment speeds, while the weighted average discount rate of the portfolio remained unchanged at 9.8%. In addition, the fair value of our full MSR increased by approximately \$88.3 million during the period from acquisition through December 31, 2016, primarily as a result of an increase in market mortgage rates and a decrease in prepayment speeds.

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 December 31, 2016 was 1.94%, compared to 2.15% as of December 31, 2015. The spread changed primarily as a result of increased funding costs offset by higher yields from new securities purchased during 2016. The net interest spread on our Non-Agency RMBS portfolio as of December 31, 2016 was 3.46%, compared to 3.31% as of December 31, 2015. This spread changed primarily as a result of higher yields from new securities purchased during 2016 offset by increased funding costs.

General Economy and Unemployment

Throughout 2016, and particularly in the fourth quarter, 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 in 2016 as the Case Shiller Home Price Index increased from 184 as of the fourth quarter of 2015 to 190 as of the fourth quarter of 2016. In addition, according to CoreLogic, the total number of mortgaged residential properties with negative equity stood at 3.2 million, or 6.3 percent, as of the third quarter of 2016, down from 4.3 million, or 8.5 percent, as of the fourth quarter of 2015. 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 fourth quarter of 2016, 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 fourth quarter of 2016 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 “Quantitative and Qualitative Disclosures About Market Risk.”

Table of Contents

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 December 31, 2016.

	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)	\$338,653,297	\$1,397,128	9.1	%	\$1,594,243	6.4
MSR ^s ^{(B) (C)}	79,935,302	555,804	3.6	%	659,483	7.0
Servicer Advances ^{(B) (D)}	5,617,759	5,687,635	37.0	%	5,706,593	4.6
Agency RMBS ^(E)	1,486,739	1,532,421	10.0	%	1,530,298	9.1
Non-Agency RMBS ^(E)	7,302,218	3,415,906	22.2	%	3,543,560	7.9
Residential Mortgage Loans	1,112,603	903,933	5.9	%	887,426	3.4
Real Estate Owned	N/A	70,983	0.5	%	59,591	N/A
Consumer Loans	1,809,952	1,802,924	11.7	%	1,799,486	3.8
Total/Weighted Average	\$435,917,870	\$15,366,734	100.0	%	\$15,780,680	5.8
Reconciliation to GAAP total assets:						
Cash and restricted cash					453,697	
Trades receivable					1,687,788	
Deferred tax asset, net					151,284	
Other assets					291,586	
GAAP total assets					\$18,365,035	

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

(B) The outstanding face amount of Excess MSR^s, MSR^s, and 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 include the rights to a portion of the related MSR.

(E) Amortized cost basis is net of impairment.

Servicing Related Assets

MSR^s

As of December 31, 2016, we had \$659.5 million carrying value of MSR^s as a result of transactions that closed in the fourth quarter within our licensed servicer subsidiary, NRM. Refer to Note 5 in our Consolidated Financial Statements for further details on these transactions. All of these MSR^s were Agency MSR^s.

NRM has contracted with certain subservicers to perform the related servicing duties on the residential mortgage loans underlying its MSR^s. As of December 31, 2016, these subservicers include Ditech (84.5% of the underlying UPB of the related mortgages) and FirstKey (15.5% of the underlying UPB of the related mortgages). NRM has entered an agreement with Ditech whereby it is entitled to the MSR on any refinancing by Ditech of a loan in the related original portfolio.

NRM is obligated to fund all future Servicer Advances related to the underlying pools of mortgages on its MSR^s. Generally, NRM will advance funds when the borrower fails to meet contractual payments (e.g., principal, interest,

property taxes, insurance). NRM will also advance funds to maintain and report foreclosed real estate properties on behalf of investors. Advances are recovered through claims to the related investor and subservicers. Per the servicing agreements, NRM is obligated to make certain advances on mortgages to be in compliance with applicable requirements. In certain instances, the subservicer is required to reimburse NRM for any advances that were deemed nonrecoverable or advances that were not made in accordance with the related servicing contract.

Table of Contents

The table below summarizes the terms of our investments in full MSR completed as of December 31, 2016.

Agency	Initial UPB (bn)	Current UPB (bn)	Weighted Average MSR (bps)	Purchase Price (mm)	Carrying Value (mm)
Ditech subserviced pools	\$69.6	\$67.5	26	\$482.1	\$546.0
FirstKey subserviced pools	12.5	12.4	26	89.1	113.5
Total	\$82.1	\$79.9	26	\$571.2	\$659.5

The following table summarizes the collateral characteristics of the loans underlying our full MSR investments as of December 31, 2016 (dollars in thousands):

Collateral Characteristics

Agency	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 Rate Mortgage % (B)	Three Month Average CPR (C)	Three Month Average CRR (D)	Three Month Average CDR (E)	Three Month Average Recapture Rate
Ditech subserviced pools	\$546,011	\$69,589,411	\$67,560,362	474,397	723	4.7%	272	82	4.9%	18.1%	17.6%	0.6%	25.3%
FirstKey subserviced pools	113,472	12,538,673	12,374,940	50,853	758	3.9%	292	37	0.2%	14.1%	14.0%	0.1%	—
Total	\$659,483	\$82,128,084	\$79,935,302	525,250	728	4.6%	275	75	4.2%	17.9%	17.4%	0.6%	24.2%

Collateral Characteristics

Agency	Delinquency 30 Days (F)	Delinquency 60 Days (F)	Delinquency 90+ Days (F)	Loans in Foreclosure	Real Estate Owned	Loans in Bankruptcy
Ditech subserviced pools	3.1%	0.9%	1.1%	0.3%	—%	0.1%
FirstKey subserviced pools	0.6%	0.1%	0.1%	0.1%	—%	—%
Total	2.7%	0.7%	1.0%	0.2%	—%	0.1%

- (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.

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 \$72.0 billion in total UPB of seasoned Agency and private-label residential mortgage loans, which is expected to close beginning in the second quarter of 2017, subject to GSE and other regulatory approvals 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, will subservice the residential mortgage loans underlying the MSR’s acquired by NRM.

On January 27, 2017, NRM entered into an agreement to purchase MSR’s and related Servicer Advances with respect to approximately \$97.0 billion UPB of seasoned Fannie Mae and Freddie Mac residential mortgage loans from CitiMortgage, Inc. (“Citi”), subject to change during the period prior to GSE and other regulatory approvals. NRM also entered into an agreement pursuant to which Nationstar will subservice the portfolio on behalf of NRM, subject to GSE and other regulatory approvals. Citi has agreed to continue to subservice the portfolio on an interim basis. NRM will acquire the related Servicer Advances upon the

Table of Contents

transfer of servicing. We expect to complete this acquisition in the first quarter of 2017, subject to GSE and other regulatory approvals and other customary closing conditions.

Excess MSR

As of December 31, 2016, we had approximately \$1,594.2 million estimated carrying value of Excess MSR (held directly and through joint ventures). As of December 31, 2016, 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 \$338.7 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 \$215.3 billion UPB of the loans underlying our investments in Excess MSR through December 31, 2016, 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 (Note 1 to our Consolidated Financial Statements). 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 December 31, 2016 is equal to 5.9 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.

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 December 31, 2016.

Summary of Direct Excess MSR Investments as of December 31, 2016

Initial UPB (bn)	Current UPB (bn)	MSR Component ^(A)		Interest in Excess MSR (%)	Excess MSR	
		Weighted Average MSR	Weighted Average Excess		Purchase Price (mm)	Carrying Value (mm)

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			(bps)	MSR (bps)				
Agency								
Original and Recaptured Pools	\$118.6	\$78.3	28 bps	21	bps	32.5% - 66.7%	\$457.7	\$330.3
Recapture Agreements	—	—	29	22		32.5% - 66.7%	—	51.4
	118.6	78.3	28	21			457.7	381.7
Non-Agency ^(B)								
Nationstar and SLS Serviced:								
Original and Recaptured Pools	\$148.9	\$78.2	35	14		33.3% - 100.0%	\$329.0	\$220.0
Recapture Agreements	—	—	26	20		33.3% - 100.0%	—	13.5
Ocwen Serviced Pools	156.4	121.5	43	14		100.0%	917.1	784.2
	305.3	199.7	41	14			1,246.1	1,017.7
Total/Weighted Average	\$423.9	\$278.0	37 bps	16	bps		\$1,703.8	\$1,399.4

73

Table of Contents

(A) The MSR is a weighted average as of December 31, 2016, 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 Consolidated Financial Statements), on \$186.4 billion UPB underlying these Excess MSRs.

Summary of Excess MSR Investments Through Equity Method Investees as of December 31, 2016
MSR Component^(A)

Agency	Initial UPB (bn)	Current UPB (bn)	Weighted Average MSR (bps)	Weighted Average Excess MSR (bps)	New Residential Interest in Investee (%)	Investee Interest in Excess MSR (%)	New Residential Effective Ownership (%)	Investee Carrying Value (mm)
Original and Recaptured Pools	\$ 125.2	\$ 60.7	32 bps	20	50.0 %	66.7 %	33.3 %	\$ 314.4
Recapture Agreements	—	—	32	23	50.0 %	66.7 %	33.3 %	58.0
Total/Weighted Average	\$ 125.2	\$ 60.7	32 bps	20	bps			\$ 372.4

(A) The MSR is a weighted average as of December 31, 2016, and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant).

The following table summarizes the collateral characteristics of the loans underlying our direct Excess MSR investments as of December 31, 2016 (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)	Average Loan Age (months)	Adjustable Rate Mortgage ^(B)	Three Month Average CPR ^(C)	Three Month Average CRR ^(D)	Three Month Average CDR ^(E)	Three Month Average Recapture Rate
Agency													
Original Pools	\$ 273,703	\$ 118,585,641	\$ 67,140,190	435,832	703	4.4%	286	92	10.4%	19.5%	18.4%	1.3%	26.2%
Recaptured Loans	56,620	—	11,155,264	64,688	720	4.3%	297	23	0.3%	11.6%	11.2%	0.4%	28.5%
Recapture Agreement	51,434	—	—	—	—	—%	—	—	—%	—%	—%	—%	—%
	\$ 381,757	\$ 118,585,641	\$ 78,295,454	500,520	706	4.4%	288	81	9.0%	18.4%	17.4%	1.1%	26.4%
Non-Agency^(F)													
Nationstar and SLS Serviced:													
Original Pools	210,053	148,890,632	75,902,613	406,419	669	4.4%	284	131	42.1%	16.1%	11.8%	4.9%	10.8%
Recaptured Loans	9,927	—	2,306,762	10,354	739	4.1%	291	16	2.6%	18.9%	18.9%	0.1%	42.6%
Recapture Agreement	13,491	—	—	—	—	—%	—	—	—%	—%	—%	—%	—%
Ocwen Serviced Pools^(H)	784,227	156,374,134	121,471,168	832,013	644	4.6%	306	134	18.4%	11.0%	7.4%	3.8%	—%

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	\$1,017,698	\$305,264,766	\$199,680,543	1,248,786	651	4.5%	301	133	27.3%	12.3%	8.5%	4.1%	3.4%
Total/Weighted Average ⁽¹⁾	\$1,399,455	\$423,850,407	\$277,975,997	1,749,306	661	4.5%	298	123	22.1%	13.5%	10.3%	3.5%	10.1%

74

Table of Contents

	Collateral Characteristics														
	Delinquency 30 Days ^(G)			Delinquency 60 Days ^(G)			Delinquency 90+ Days ^(G)			Loans in Foreclosure		Real Estate Owned		Loans in Bankruptcy	
Agency															
Original Pools	4.2%	1.3%		1.2%		1.3%		0.4%	0.3%						
Recaptured Loans	1.7%	0.3%		0.3%		0.3%		0.1%	—						
Recapture Agreement	—	—		—		—		—	—						
	3.8%	1.1%		1.1%		1.2%		0.3%	0.2%						
Non-Agency ^(F)															
Nationstar and SLS Serviced:															
Original Pools	9.2%	2.4%		3.0%		8.4%		1.5%	2.1%						
Recaptured Loans	1.1%	0.2%		—		0.1%		—	—						
Recapture Agreement	—	—		—		—		—	—						
Ocwen Serviced Pools ^(H)	7.7%	4.5%		5.6%		8.0%		2.3%	2.0%						
	8.0%	4.0%		5.0%		8.0%		2.1%	2.0%						
Total/Weighted Average ^(I)	7.2%	3.4%		4.2%		6.7%		1.7%	1.7%						

- (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) We also invested in the related Servicer Advances, including the basic fee component of the related MSR (Note 6 to our Consolidated Financial Statements), on \$186.4 billion UPB underlying these Excess MSRs.
- (G) 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.
- (H) Collateral characteristics related to approximately \$2.8 billion of UPB are as of November 30, 2016.
- (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 December 31, 2016 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 Loans	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 Rec Rate	
Agency															
Original Pools	\$209,765	\$125,191,420	\$46,025,635	33.3%	385,987	686	5.0%	278	105	10.3%	20.5%	18.0%	2.9%	27.1%	
Recaptured Loans	104,636	—	14,651,665	33.3%	98,046	701	4.3%	294	28	0.4%	11.9%	11.7%	0.4%	38.4%	

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Recapture Agreement	57,990	—	—	33.3%	—	—	—	%	—	—	—	%	—	%	—	%	—	%	—
Total/Weighted Average	\$372,391	\$125,191,420	\$60,677,300		484,033	690	4.8%	282	87	7.9	%	18.6%	16.6%	2.3%	28.9				

75

Table of Contents

Agency	Collateral Characteristics						Real Estate Owned	Loans in Bankruptcy
	Delinquency 30 Days ^(F)	Delinquency 60 Days ^(F)	Delinquency 90+ Days ^(F)	Loans in Foreclosure				
Original Pools	5.8%	1.8%	1.2%	2.1%	0.9%	0.4%		
Recaptured Loans	3.1%	0.8%	0.6%	0.4%	—%	0.1%		
Recapture Agreement	—%	—%	—%	—%	—%	—%		
Total/Weighted Average ^(G)	5.2%	1.5%	1.1%	1.7%	0.7%	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. We made the investment 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. The initial purchase price was equal to the value of the discounted cash flows from the outstanding and future advances and from the basic fee. 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” above.

On April 6, 2015, we acquired Servicer Advances in connection with the HLSS Acquisition (Note 1 to our Consolidated Financial Statements).

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

December 31, 2016				Year Ended December 31, 2016	Change in Fair Value Recorded in Other Income
Amortized Cost Basis	Carrying Value ^(A)	Weighted Average Discount Rate	Weighted Average Life (Years) ^(B)		
Servicer Advances ^(C)	\$5,687,635	\$5,706,593	5.6 %	4.6	\$ (7,768)

Table of Contents

- (A) Carrying value represents the fair value of the investment in Servicer Advances, including the basic fee component of the related MSRs.
- (B) Weighted Average Life represents the weighted average expected timing of the receipt of expected net cash flows for this investment.
- (C) Excludes asset-backed securities collateralized by Servicer Advances, which have an aggregate face amount of \$100.0 million and an aggregate carrying value of \$100.1 million as of December 31, 2016.

The following is additional information regarding our Servicer Advances, and related financing, as of December 31, 2016 (dollars in thousands):

					Loan-to-Value ("LTV" ^(A))		Cost of Funds ^(C)	
	UPB of Underlying Residential Mortgage Loans	Outstanding Servicer Advances	Servicer Advances to UPB of Underlying Residential Mortgage Loans	Face Amount of Notes and Bonds Payable	Gross	Net ^(B)	Gross	Net
Servicer Advances ^(D)	\$186,362,657	\$5,617,759	3.0 %	\$5,560,412	94.5 %	93.4 %	3.2 %	2.8 %

(A) 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 December 31, 2016 would be 89.7% and 88.6%, respectively. Also excludes retained Non-Agency bonds with a current face amount of \$94.4 million from the outstanding Servicer Advances debt. If we were to sell these bonds, gross and net LTV as of December 31, 2016 would be 96.1% and 95.0%, respectively.

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

(C) 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.

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

	December 31, 2016
Principal and interest advances	\$ 1,489,929
Escrow advances (taxes and insurance advances)	2,613,050
Foreclosure advances	1,514,780
Total	\$ 5,617,759

The Buyer

We, through a wholly owned subsidiary, are the managing member of the Buyer. As of December 31, 2016, 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 and, with respect to Ocwen, only after April 6, 2017. 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 December 31, 2016. 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 5.9 bps, based on the servicing fee collections of the underlying loans.

Table of Contents

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 (Note 6 to our Consolidated Financial Statements). 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 amounts of \$39.0 million, \$48.4 million and \$25.3 million during the years ended December 31, 2016, 2015 and 2014, respectively.

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.”

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In addition to its direct investments in Servicer Advances, New Residential has also invested in asset-backed securities collateralized by Servicer Advances, which are summarized as of December 31, 2016 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	\$ 99,838	\$ 310	\$	-\$100,148	\$ 90,000

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

Table of Contents

Residential Securities and Loans

Real Estate Securities

Agency RMBS

The following table summarizes our Agency RMBS portfolio as of December 31, 2016 (dollars in thousands):

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value ^(A)	Outstanding Repurchase Agreements
			Gains	Losses		
Agency ARM RMBS	\$ 143,518	\$ 155,596	\$—	\$(3,926)	\$ 151,670	\$ 144,731
Agency Specified Pools	1,343,221	1,376,825	1,803	—	1,378,628	—
Agency RMBS	\$ 1,486,739	\$ 1,532,421	\$ 1,803	\$(3,926)	\$ 1,530,298	\$ 144,731

(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 December 31, 2016 (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	Coupon Margin	Weighted Average Periodic Cap				
							1st Coupon Adjustment ^(B)	Subsequent Coupon Adjustment ^(C)	Lifetime Cap ^(D)	Months to Reset ^(E)	
1 - 12	26	\$ 143,518	\$ 155,596	100.0 %	\$ 151,670	3.0 %	1.7 %	N/A	1.9 %	8.9 %	5

Of these investments, 94.6% reset based on 12-month LIBOR index, 3.2% reset based on one-month LIBOR, and (A) 2.2% reset based on the one-year Treasury Constant Maturity Rate. After the initial fixed period, 96.8% of these securities will reset annually and 3.2% will reset semi-annually.

(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 characteristics of our Agency RMBS portfolio and of the collateral underlying our Agency RMBS as of December 31, 2016 (dollars in thousands):

Vintage ^(A)	Agency RMBS Characteristics					Collateral Characteristics			
	Number of Securities	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Carrying Value	Weighted Average Life (Years)	3-Month CPR ^(B)		
Pre-2006	3	\$ 8,373	\$ 9,019	0.5 %	\$ 8,868	4.3	9.7	%	
2006	1	1,775	1,915	0.1 %	1,891	4.5	0.7	%	
2007	3	4,469	4,750	0.3 %	4,652	4.7	4.0	%	

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2008	3	5,446	5,931	0.4	%	5,778	4.1	17.5	%
2009	3	12,095	13,221	0.9	%	12,756	4.4	14.6	%
2010	10	66,957	72,747	4.7	%	70,993	4.8	19.9	%
2011	1	3,982	3,982	0.3	%	3,929	4.6	3.1	%
2012 and later	33	1,383,642	1,420,856	92.8	%	1,421,431	9.5	0.6	%
Total/Weighted Average	57	\$1,486,739	\$1,532,421	100.0	%	\$1,530,298	9.1	1.7	%

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

79

Table of Contents

(B) Three month average constant prepayment rate.

The following table summarizes the net interest spread of our Agency RMBS portfolio as of December 31, 2016:

Net Interest Spread ^(A)	
Weighted Average Asset Yield	2.94 %
Weighted Average Funding Cost	1.00 %
Net Interest Spread	1.94 %

(A) The Agency RMBS portfolio consists of 10.2% floating rate securities and 89.8% 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 December 31, 2016 (dollars in thousands):

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value ^(A)	Outstanding Repurchase Agreements
			Gains	Losses		
Non-Agency RMBS	\$ 7,302,218	\$ 3,415,906	\$ 147,206	\$ (19,552)	\$ 3,543,560	\$ 2,654,242

(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 December 31, 2016 (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	Average Life (Years)	Weighted Average Coupon ^(F)
Pre 2004	CCC+	143	\$ 284,839	\$ 197,306	5.9 %	\$ 206,785	9.4 %	0.9 %	6.7	3.0 %
2004	CCC-	103	394,609	281,812	8.5 %	293,994	13.2 %	1.5 %	8.4	2.7 %
2005	CC	111	1,157,265	797,150	24.0 %	824,899	11.7 %	2.4 %	9.6	1.5 %
2006 and later	CCC	178	5,365,505	2,039,800	61.6 %	2,117,734	6.9 %	1.3 %	7.6	1.3 %
Total/Weighted Average	CCC-	535	\$ 7,202,218	\$ 3,316,068	100.0 %	\$ 3,443,412	8.8 %	1.6 %	8.1	1.5 %

Collateral Characteristics^{(A) (G)}

Vintage ^(B)	Average Loan Age (years)	Collateral Factor ^(H)	3-Month CPR ^(I)	Delinquency ^(J)	Cumulative Losses to Date
Pre 2004	14.1	0.02	2.4 %	7.3 %	4.2 %
2004	12.6	0.11	10.2 %	12.8 %	6.8 %
2005	11.6	0.10	6.0 %	15.5 %	15.9 %
2006 and later	10.1	0.36	4.9 %	11.9 %	25.7 %
Total/Weighted Average	10.9	0.25	6.3 %	12.6 %	20.5 %

(A) Excludes \$100.0 million face amount of bonds backed by Servicer Advances.

(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 available as of the reporting date and may not be current. This excludes the ratings of the collateral underlying 193

(C) bonds with a carrying value of \$341.9 million which either have never been rated or for which rating information is no longer provided. We had no assets that were on negative watch for possible downgrade by at least one rating agency as of December 31, 2016.

(D) The percentage of amortized cost basis of securities and residual interests that is subordinate to our investments. This excludes interest-only bonds.

Table of Contents

- (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 December 31, 2016.
- (F) Excludes residual bonds, and certain other Non-Agency bonds, with a carrying value of \$246.8 million and \$0.0 million, respectively, for which no coupon payment is expected.
- (G) The weighted average loan size of the underlying collateral is \$215.0 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 December 31, 2016:
Net Interest Spread^(A)

Weighted Average Asset Yield	5.88 %
Weighted Average Funding Cost	2.42 %
Net Interest Spread	3.46 %

- (A) The Non-Agency RMBS portfolio consists of 87.3% floating rate securities and 12.7% 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 Consolidated Financial Statements for further details on these transactions.

Residential Mortgage Loans

As of December 31, 2016, we had approximately \$1.1 billion outstanding face amount of residential mortgage loans. These investments were financed with repurchase agreements with an aggregate face amount of approximately \$689.1 million and notes and bonds payable with an aggregate face amount of approximately \$8.3 million. We acquired these loans through open market purchases, as well as through the exercise of call rights.

Table of Contents

The following table presents the total residential mortgage loans outstanding by loan type at December 31, 2016 (dollars in thousands).

	Outstanding Face Amount	Carrying Value ^(A)	Loan Count	Weighted Average Yield	Weighted Average Life (Years)	Floating Rate Loans as a % of Face Amount	LTV Ratio ^(C)	Weighted Avg. Delinquency	Weighted Average FICO ^(E)
Reverse Mortgage Loans ^{(F)(G)}	\$—	\$—	—	— %	—	— %	— %	— %	N/A
Performing Loans ^(H)	—	—	—	— %	—	— %	— %	— %	—
Purchased Credit Deteriorated Loans ^(I)	203,673	190,761	1,183	5.5 %	2.7	8.7 %	71.5 %	94.9 %	590
Total Residential Mortgage Loans, held-for-investment	\$ 203,673	\$ 190,761	1,183	5.5 %	2.7	8.7 %	71.5 %	94.9 %	590
Reverse Mortgage Loans ^{(F) (G)}	\$ 22,645	\$ 11,468	69	7.2 %	4.5	15.4 %	135.6 %	70.7 %	N/A
Performing Loans ^{(H) (J)}	179,983	175,194	1,957	4.3 %	5.9	22.4 %	102.9 %	6.4 %	625
Non-Performing Loans ^{(I) (J)}	706,302	510,003	3,759	7.1 %	2.9	20.6 %	105.0 %	75.9 %	575
Residential Mortgage Loans, held-for-sale	\$ 908,930	\$ 696,665	5,785	6.5 %	3.5	20.8 %	105.4 %	62.0 %	585

(A) Includes residential mortgage loans with a United States federal income tax basis of \$905.7 million as of December 31, 2016.

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

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

(D) Represents the percentage of the total principal balance that are 60+ days delinquent.

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

(F) 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 at December 31, 2016. Approximately 60.9% 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.

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

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

(I) 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 December 31, 2016, we have placed all Non-Performing Loans, held-for-sale on nonaccrual status, except as described in (J) below.

(J) Includes \$45.2 million and \$87.5 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. The Consumer Loan Companies acquired the portfolio from HSBC Finance Corporation and its affiliates. 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. The Consumer Loan Companies initially financed approximately 73% of the original purchase price with asset-backed notes. In September 2013, the Consumer Loan Companies issued and sold additional asset-backed notes that were subordinate to the debt issued in April 2013. On October 3, 2014, the Consumer Loan Companies refinanced the outstanding asset-backed notes with an asset-backed securitization. The proceeds in excess of the refinanced debt were distributed to the co-investors. We received approximately \$337.8 million which reduced our basis in the consumer loans investment to \$0.0 million and resulted in a gain of approximately \$80.1 million. Subsequent to this refinancing, we discontinued recording our share of the underlying earnings of the Consumer Loan Companies.

Table of Contents

On March 31, 2016, we entered into the SpringCastle Transaction (Note 9 to our Consolidated Financial Statements). As a result, we own 53.5% of, and consolidate, the Consumer Loan Companies.

In August 2016, we agreed to purchase up to \$140.0 million UPB of newly originated consumer loans from a third party prior to September 30, 2016. In October 2016, we extended the terms of the agreement through October 2016. In October 2016, New Residential agreed to purchase up to an additional \$50.0 million UPB of loans. 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 this 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 December 31, 2016 (dollars in thousands):

Collateral Characteristics														
UPB	Personal Unsecured Loans %	Personal Homeowner Loans %	Number of Loans	Average Original FICO Score ^(A)	Weighted Average Coupon %	Adjustable Rate Loan %	Average Loan Age (months)	Average Expected Life (Years)	Delinquency 30 Days ^(B)	Delinquency 60 Days ^(B)	Delinquency 90+ Days ^(B)	12-Month CRR ^(C)	12-Month CDR ^(D)	
Consumer loans, held-for-investment	\$1,809,952	70.4%	29.6%	209,062	654	17.9%	10.2%	128	3.8	3.0%	1.6%	2.7%	15.4%	5.7%

- (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 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.
- (B) 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.
- (C) 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.

Table of Contents

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our 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 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.

Excess MSR

Upon acquisition, we elected to record each investment in Excess MSR at fair value, 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 MSR.

Our Excess MSR are categorized as Level 3 under the GAAP fair value hierarchy, as described in Note 12 to our Consolidated Financial Statements. The inputs used in the valuation of Excess MSR include prepayment rate, delinquency rate, recapture rate, excess mortgage servicing amount and discount rate. The determination of estimated cash flows used in pricing models is inherently subjective and imprecise. The methods used to estimate fair value may not result in an amount that is indicative of net realizable value or reflective of future fair values. Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could result in a significant increase or decrease in fair value. We validate significant inputs and outputs of our models by comparing them to available independent third party market parameters and models for reasonableness. We believe the assumptions we use are within the range that a market participant would use, and factor in the liquidity conditions in the markets. We review any changes to the valuation methodology to ensure the changes are appropriate.

In order to evaluate the reasonableness of its fair value determinations, we engage an independent valuation firm to separately measure the fair value of our Excess MSR pools. The independent valuation firm determines an estimated fair value range based on its own models and issues a "fairness opinion" with this range. We compare the range included in the opinion to the values generated by our internal models. To date, we have not made any significant valuation adjustments as a result of these fairness opinions.

Investments in Excess MSR are aggregated into pools as applicable; each pool of Excess MSR is accounted for in the aggregate. Interest income for Excess MSR is accreted using an effective yield or "interest" method, based upon the expected income from the Excess MSR through the expected life of the underlying mortgages. The inputs used in estimating cash flows are generally the same as those used in estimating fair value, and are subject to the same judgments and uncertainties. Changes to expected cash flows result in a cumulative retrospective adjustment, which will be recorded in the period in which the change in expected cash flows occurs. Under the retrospective method, the interest income recognized for a reporting period would be measured as the difference between the amortized cost basis at the end of the period and the amortized cost basis at the beginning of the period, plus any cash received during the period. The amortized cost basis is calculated as the present value of estimated future cash flows using an effective yield, which is the yield that equates all past actual and current estimated future cash flows to the initial investment. In addition, our policy is to recognize interest income only on Excess MSR in existing eligible underlying mortgages.

Under the fair value election, the difference between the fair value of Excess MSR and their amortized cost basis is recorded as "Change in fair value of investments in excess mortgage servicing rights," as applicable. Fair value is generally determined by discounting the expected future cash flows using discount rates that incorporate the market

risks and liquidity premium specific to the Excess MSRs, and therefore may differ from their effective yields.

Table of Contents

The following table summarizes the estimated change in fair value of our interests in the Excess MSR's owned directly as of December 31, 2016 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at December 31, 2016 \$1,399,455

Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$1,520,081	\$1,457,189	\$1,346,303	\$1,297,236
Change in estimated fair value:				
Amount	\$120,626	\$57,734	\$(53,152)	\$(102,219)
%	8.6	% 4.1	% (3.8)	% (7.3)%
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$1,517,794	\$1,456,729	\$1,345,668	\$1,295,091
Change in estimated fair value:				
Amount	\$118,339	\$57,274	\$(53,787)	\$(104,364)
%	8.5	% 4.1	% (3.8)	% (7.5)%
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$1,403,837	\$1,401,646	\$1,397,264	\$1,395,073
Change in estimated fair value:				
Amount	\$4,382	\$2,191	\$(2,191)	\$(4,382)
%	0.3	% 0.2	% (0.2)	% (0.3)%
Recapture rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$1,385,747	\$1,392,554	\$1,406,452	\$1,413,548
Change in estimated fair value:				
Amount	\$(13,708)	\$(6,901)	\$6,997	\$14,093
%	(1.0)%	(0.5)%	0.5	% 1.0 %

Table of Contents

The following table summarizes the estimated change in fair value of our interests in the Excess MSR's owned through equity method investees as of December 31, 2016 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at December 31, 2016 \$194,788

Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$211,510	\$202,782	\$187,445	\$180,681
Change in estimated fair value:				
Amount	\$16,722	\$7,994	\$(7,343)	\$(14,107)
%	8.6	% 4.1	% (3.8)	% (7.2)
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$207,985	\$201,226	\$188,656	\$182,816
Change in estimated fair value:				
Amount	\$13,196	\$6,438	\$(6,132)	\$(11,973)
%	6.8	% 3.3	% (3.1)	% (6.1)
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$197,901	\$196,345	\$193,232	\$191,676
Change in estimated fair value:				
Amount	\$3,113	\$1,556	\$(1,556)	\$(3,113)
%	1.6	% 0.8	% (0.8)	% (1.6)
Recapture rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$188,694	\$191,722	\$197,895	\$201,041
Change in estimated fair value:				
Amount	\$(6,095)	\$(3,067)	\$3,106	\$6,253
%	(3.1)	% (1.6)	% 1.6	% 3.2

The sensitivity analysis 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.

MSRs

As an approved owner of MSR's, upon acquisition, we account for our MSR's as servicing assets or servicing liabilities as we have undertaken an obligation to service financial assets. We measure our MSR's at fair value at acquisition and elect to subsequently measure at fair value at each reporting date using the fair value measurement method. The variables and methodology involved in valuing MSR's are similar to those involved in valuing Excess MSR's, with the addition of the estimation of a market level of future costs to service a given portfolio of underlying residential mortgage loans. This cost estimate is primarily based on current market data obtained from servicers and other third parties, which may be adjusted based on our expectations for the future, and requires significant judgement with respect to selecting an appropriate level of estimated future cost from within the range of data obtained and with respect to formulating future expectations. We believe the assumptions we use are within the range that a market participant would use.

For these reasons, as well as the reasons described in “Excess MSR” above, the determination of the estimated fair value of MSRs may not result in an amount that is indicative of net realizable value or reflective of future fair values. Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could result in a significant increase or decrease in fair value. In order to evaluate the reasonableness of our fair value determinations, we engage an independent valuation firm to separately measure the fair value of our MSRs, similar to our Excess MSRs.

Table of Contents

Servicing Revenue, Net is comprised of the following components: (i) income from the MSR, less (ii) amortization of the basis of the MSR, plus or minus (iii) the mark-to-market on the MSR. Amortization of the basis of the MSR is based on the remaining UPB of the residential mortgage loans underlying the MSR relative to their UPB at acquisition.

Servicer Advances

We account for investments in Servicer Advances, which include the basic fee component of the related MSR (the “servicer advance investments”), as financial instruments, in instances where our subsidiary, NRM, is not the named servicer.

We have elected to account for the servicer advance investments at fair value. Accordingly, we estimate the fair value of the servicer advance investments at each reporting date and reflect changes in the fair value of the servicer advance investments as gains or losses.

We recognize interest income from our servicer advance investments using the interest method, with adjustments to the yield applied based upon changes in actual or expected cash flows under the retrospective method. The Servicer Advances are not interest-bearing, but we accrete the effective rate of interest applied to the aggregate cash flows from the Servicer Advances and the basic fee component of the related MSR.

We categorize servicer advance investments under Level 3 of the GAAP hierarchy because we use internal pricing models to estimate the future cash flows related to the servicer advance investments that incorporate significant unobservable inputs and include assumptions that are inherently subjective and imprecise. In order to evaluate the reasonableness of our fair value determinations, we engage an independent valuation firm to separately measure the fair value of our Servicer Advances investment. The independent valuation firm determines an estimated fair value range based on its own models and issues a “fairness opinion” with this range.

Our estimations of future cash flows include the combined cash flows of all of the components that comprise the servicer advance investments: existing advances, the requirement to purchase future advances and the right to the basic fee component of the related MSR. The factors that most significantly impact the fair value include (i) the rate at which the servicer advance balance declines, which we estimate is approximately \$0.8 billion per year on average over the weighted average life of the investment held as of December 31, 2016, (ii) the duration of outstanding Servicer Advances, which we estimate is approximately nine months on average for an advance balance at a given point in time (not taking into account new advances made with respect to the pool), and (iii) the UPB of the underlying loans with respect to which we have the obligation to make advances and own the basic fee component.

As described above, we recognize income from servicer advance investments in the form of (i) interest income, which we reflect as a component of net interest income and (ii) changes in the fair value of the Servicer Advances, which we reflect as a component of other income.

We remit to our servicers a portion of the basic fee component of the MSR related to our servicer advance investments as compensation for acting as servicer, as described in more detail under “—Our Portfolio—Servicing Related Assets—Servicer Advances.” Our interest income is recorded net of the servicing fees owed to our servicers.

Real Estate Securities (RMBS)

Our Non-Agency RMBS and Agency RMBS are classified as available-for-sale. As such, they are carried at fair value, with net unrealized gains or losses reported as a component of accumulated other comprehensive income, to the extent impairment losses are considered temporary, as described below.

We expect that any RMBS we acquire will be categorized under Level 2 or Level 3 of the GAAP hierarchy, depending on the observability of the inputs. Fair value may be based upon broker quotations, counterparty quotations, pricing service quotations or internal pricing models. The significant inputs used in the valuation of our securities include the discount rate, prepayment rates, default rates and loss severities, as well as other variables.

The determination of estimated cash flows used in pricing models is inherently subjective and imprecise. The methods used to estimate fair value may not be indicative of net realizable value or reflective of future fair values. Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could result in a significant increase or decrease in fair value. We validate significant inputs and outputs of our models by comparing them to available independent third party market parameters and models for reasonableness. We believe the assumptions we use are within the range that a market participant

Table of Contents

would use, and factor in the liquidity conditions in the markets. We review any changes to the valuation methodology to ensure the changes are appropriate.

We must also assess whether unrealized losses on securities, if any, reflect a decline in value that is other-than-temporary and, if so, record an other-than-temporary impairment through earnings. A decline in value is deemed to be other-than-temporary if (i) it is probable that we will be unable to collect all amounts due according to the contractual terms of a security that was not impaired at acquisition (there is an expected credit loss), or (ii) if we have the intent to sell a security in an unrealized loss position or it is more likely than not that we will be required to sell a security in an unrealized loss position prior to its anticipated recovery (if any). For the purposes of performing this analysis, we will assume the anticipated recovery period is until the expected maturity of the applicable security. Also, for securities that represent beneficial interests in securitized financial assets within the scope of Accounting Standards Codification (“ASC”) No. 325-40, whenever there is a probable adverse change in the timing or amounts of estimated cash flows of a security from the cash flows previously projected, an other-than-temporary impairment will be deemed to have occurred. Our Non-Agency RMBS acquired with evidence of deteriorated credit quality for which it was probable, at acquisition, that we would be unable to collect all contractually required payments receivable, fall within the scope of ASC No. 310-30, as opposed to ASC No. 325-40. All of our other Non-Agency RMBS, those not acquired with evidence of deteriorated credit quality, fall within the scope of ASC No. 325-40.

Income on these securities is recognized using a level yield methodology based upon a number of cash flow assumptions that are subject to uncertainties and contingencies. Such assumptions include the rate and timing of principal and interest receipts (which may be subject to prepayments and defaults). These assumptions are updated on at least a quarterly basis to reflect changes related to a particular security, actual historical data, and market changes. These uncertainties and contingencies are difficult to predict and are subject to future events, and economic and market conditions, which may alter the assumptions. For securities acquired at a discount for credit losses, we recognize the excess of all cash flows expected over our investment in the securities as Interest Income on a “loss adjusted yield” basis. The loss-adjusted yield is determined based on an evaluation of the credit status of securities, as described in connection with the analysis of impairment above.

Impairment of Performing Loans

To the extent that they are classified as held-for-investment, we must periodically evaluate each of these loans or loan pools for possible impairment. Impairment is indicated when it is deemed probable that we will be unable to collect all amounts due according to the contractual terms of the loan, or for loans acquired at a discount for credit losses, when it is deemed probable that we will be unable to collect as anticipated. Upon determination of impairment, we would establish a specific valuation allowance with a corresponding charge to earnings. We continually evaluate our loans receivable for impairment.

Our residential mortgage loans are aggregated into pools for evaluation based on like characteristics, such as loan type and acquisition date. Pools of loans are evaluated based on criteria such as an analysis of borrower performance, credit ratings of borrowers, loan to value ratios, the estimated value of the underlying collateral, the key terms of the loans and historical and anticipated trends in defaults and loss severities for the type and seasoning of loans being evaluated. This information is used to estimate provisions for estimated unidentified incurred losses on pools of loans. Significant judgment is required in determining impairment and in estimating the resulting loss allowance. Furthermore, we must assess our intent and ability to hold our loan investments on a periodic basis. If we do not have the intent to hold a loan for the foreseeable future or until its expected payoff, the loan must be classified as “held-for-sale” and recorded at the lower of cost or estimated value.

A loan is determined to be past due when a monthly payment is due and unpaid for 30 days or more. Loans, other than PCD loans (described below), are placed on nonaccrual status and considered non-performing when full payment of

principal and interest is in doubt, which generally occurs when principal or interest is 120 days or more past due unless the loan is both well secured and in the process of collection. A loan may be returned to accrual status when repayment is reasonably assured and there has been demonstrated performance under the terms of the loan or, if applicable, the terms of the restructured loan.

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

Determinations of whether a loan is collectible are inherently uncertain and subject to significant judgment.

Purchased Credit Deteriorated (“PCD”) Loans

We evaluate the credit quality of our loans, as of the acquisition date, for evidence of credit quality deterioration. Loans with evidence of credit deterioration since their origination and where it is probable that we will not collect all contractually required

Table of Contents

principal and interest payments are PCD loans. Recognition of income and accrual status on PCD loans is dependent on having a reasonable expectation about the timing and amount of cash flows to be collected. At acquisition, we aggregate PCD loans into pools based on common risk characteristics and 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.

The excess of the total cash flows (both principal and interest) expected to be collected over the carrying value of the PCD loans is referred to as the accretable yield. This amount is not reported on our Consolidated Balance Sheets but is accreted into interest income at a level rate of return over the remaining estimated life of the pool of loans.

On a quarterly basis, we estimate the total cash flows expected to be collected over the remaining life of each pool. Probable decreases in expected cash flows trigger the recognition of impairment. Impairments are recognized through the valuation provision for loans and an increase in the allowance for loan losses. Probable and significant increases in expected cash flows would first reverse any previously recorded allowance for loan losses with any remaining increases recognized prospectively as a yield adjustment over the remaining estimated lives of the underlying loans.

The excess of the total contractual cash flows over the cash flows expected to be collected is referred to as the nonaccretable difference. This amount is not reported on our Consolidated Balance Sheets and represents an estimate of the amount of principal and interest that will not be collected.

The estimation of future cash flows for PCD loans is subject to significant judgment and uncertainty. Actual cash flows could be materially different than our estimates.

The liquidation of PCD loans, which may include sales of loans, receipt of payment in full by the borrower, or foreclosure, results in removal of the loans from the underlying PCD pool. When the amount of the liquidation proceeds (e.g., cash, real estate), if any, is less than the unpaid principal balance of the loan, the difference is first applied against the PCD pool's nonaccretable difference. When the nonaccretable difference for a particular loan pool has been fully depleted, any excess of the unpaid principal balance of the loan over the liquidation proceeds is written off against the PCD pool's allowance for loan losses.

Real Estate Owned (REO)

REO assets are those individual properties where the lender receives the property in satisfaction of a debt (e.g., by taking legal title or physical possession). We recognize REO assets at the completion of the foreclosure process or upon execution of a deed in lieu of foreclosure with the borrower. We measure REO assets at the lower of cost or fair value, with valuation changes recorded in other income. REO is illiquid in nature and its valuation is subject to significant uncertainty and judgment and is greatly impacted by local market conditions.

Derivatives

We financed certain investments with the same counterparty from which we purchased those investments, and we previously accounted for the contemporaneous purchase of the investments and the associated financings as linked transactions. Accordingly, we recorded a non-hedge derivative instrument on a net basis. We also enter into various economic hedges, particularly TBAs and interest rate swaps and caps. Changes in market value of non-hedge derivative instruments and economic hedges are recorded as "Other Income (Loss)" in the Consolidated Statements of Income. The assets underlying linked transactions included loans and securities, whose valuation is subject to significant judgment and uncertainty as described above.

Consumer Loans

Prior to the SpringCastle Transaction (Note 9 to our Consolidated Financial Statements), we accounted for our investment in the Consumer Loan Companies pursuant to the equity method of accounting because we could exercise significant influence over the Consumer Loan Companies, but the requirements for consolidation were not met. Our share of earnings and losses in these equity method investees was recorded in “Earnings from investments in consumer loans, equity method investees” on the Consolidated Statements of Income. Equity method investments are included in “Investments in consumer loans, equity method investees” on the Consolidated Balance Sheets.

Subsequent to the SpringCastle Transaction, we consolidate the Consumer Loan Companies. The Consumer Loan Companies classify their investments in consumer loans as held-for-investment, as they have the intent and ability to hold for the foreseeable future, or until maturity or payoff. The Consumer Loan Companies record the consumer loans at cost net of any unamortized discount or loss allowance. The Consumer Loan Companies determined at acquisition that these loans would be aggregated into

Table of Contents

pools based on common risk characteristics (credit quality, loan type, and date of origination or acquisition); the loans aggregated into pools are accounted for as if each pool were a single loan.

Investment Consolidation

The analysis as to whether to consolidate an entity is subject to a significant amount of judgment. Some of the criteria considered are the determination as to the degree of control over an entity by its various equity holders, the design of the entity, how closely related the entity is to each of its equity holders, the relation of the equity holders to each other and a determination of the primary beneficiary in entities in which we have a variable interest. These analyses involve estimates, based on our assumptions, as well as judgments regarding significance and the design of entities.

Variable interest entities (“VIEs”) are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A VIE is required to be consolidated by its primary beneficiary, and only by its primary beneficiary, which is defined as the party who has the power to direct the activities of a VIE that most significantly impact its economic performance and who has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Our investments and certain other interests in Non-Agency RMBS are variable interests. We monitor these investments and analyze the potential need to consolidate the related securitization entities pursuant to the VIE consolidation requirements.

These analyses require considerable judgment in determining whether an entity is a VIE and determining the primary beneficiary of a VIE since they involve subjective determinations of significance, with respect to both power and economics. The result could be the consolidation of an entity that otherwise would not have been consolidated or the de-consolidation of an entity that otherwise would have been consolidated.

We have not consolidated the securitization entities that issued our Non-Agency RMBS. This determination is based, in part, on our assessment that we do not have the power to direct the activities that most significantly impact the economic performance of these entities, such as if we owned a majority of the currently controlling class. In addition, we are not obligated to provide, and have not provided, any financial support to these entities.

We have not consolidated the entities in which we hold a 50% interest that made an investment in Excess MSR. We have determined that the decisions that most significantly impact the economic performance of these entities will be made collectively by us and the other investor in the entities. In addition, these entities have sufficient equity to permit the entities to finance their activities without additional subordinated financial support. Based on our analysis, these entities do not meet any of the VIE criteria.

We have invested in Nationstar serviced Servicer Advances, including the basic fee component of the related MSR, through the Buyer, of which we are the managing member. The Buyer was formed through cash contributions by us and third-parties in exchange for membership interests. As of December 31, 2016, we owned an approximately 45.8% interest in the Buyer, and the third-party investors owned the remaining membership interests. Through our managing member interest, we direct substantially all of the day-to-day activities of the Buyer. The third-party investors do not possess substantive participating rights or the power to direct the day-to-day activities that most directly affect the operations of the Buyer. In addition, no single third-party investor, or group of third-party investors, possesses the substantive ability to remove us as the managing member of the Buyer. We have determined that the Buyer is a voting interest entity. As a result of our managing member interest, which represents a controlling financial interest, we consolidate the Buyer and its wholly owned subsidiaries and reflect membership interests in the Buyer held by third parties as noncontrolling interests.

As a result of the SpringCastle Transaction, we have a 53.5% interest in and are the managing member of the Consumer Loan Companies. The Consumer Loan Companies were formed as joint ventures, designed by the members to share risks and rewards and provide each member with a certain level of participation in the overall management. The Consumer Loan Companies have demonstrated their ability to finance activities without additional subordinated financial support and were organized with substantive voting rights and the holders of the equity investment at risk, as a group, have the characteristics of a controlling financial interest. Therefore, we have determined that the Consumer Loan Companies are voting interest entities. As the holder of 53.5% of the voting equity and managing member, we have determined that we own a controlling financial interest and, as the third party investor does not possess substantive participating rights, we have consolidated the Consumer Loan Companies. We reflect the 46.5% membership interest held by the third party as a noncontrolling interest.

Table of Contents

Income Taxes

We intend to operate in a manner that allows us to qualify for taxation as a REIT. As a result of our expected REIT qualification, we do not generally expect to pay U.S. federal or state and local corporate level taxes. Many of the REIT requirements, however, are highly technical and complex. If we were to fail to meet the REIT requirements, we would be subject to U.S. federal, state and local income and franchise taxes, and we would face a variety of adverse consequences. See “Risk Factors—Risks Related to Our Taxation as a REIT.” We have made certain investments, particularly our investments in MSRs and Servicer Advances, through TRSs and are subject to regular corporate income taxes on these investments.

Recent Accounting Pronouncements

See Note 2 to our Consolidated Financial Statements.

Accounting Impact of Valuation Changes

New Residential’s assets fall into three general categories as disclosed in the table below. These categories are:

- Marked to Market Assets (“MTM Assets”): Assets that are marked to market through the statement of income.
- 1) Changes in the value of these assets (a) are recorded on the statement of income, as unrealized gains or losses that impact net income, and (b) impact our Total New Residential Stockholders’ Equity (net book value).
- Other Comprehensive Income Assets (“OCI Assets”): Assets that are marked to market through the statement of comprehensive income. Changes in the value of these assets (a) are recorded on the statement of comprehensive income, as unrealized gains or losses, and therefore do not impact net income on the statement of income, and (b) impact our Total New Residential Stockholders’ Equity (net book value).
- 2)
- Cost Assets: Assets that are not marked to market. Changes in value of these assets do not impact net income on the statement of income nor do they impact our Total New Residential Stockholders’ Equity (net book value).
- 3)

An exception to these descriptions results from changes in value that represent impairment. Any such change (a) is recorded on the statement of income, as impairment that impacts net income, and (b) impacts our Total New Residential Stockholders’ Equity (net book value). In the case of residential mortgage loans, held-for-sale, any reductions in value are considered impairment. Impairment on loans and REO is subject to reversal if values subsequently increase; impairment on securities is not subject to reversal.

All of New Residential’s liabilities, with the exception of derivatives (which are marked to market through the statement of income), are recorded at their amortized cost basis.

MTM Assets	OCI Assets	Cost Assets
Excess MSRs	Real estate securities, available-for-sale	Residential mortgage loans, held-for-investment
Excess MSRs, equity method investees		Residential mortgage loans, held-for-sale
MSRs		Real estate owned (REO)
Servicer Advances		Consumer loans, held-for-investment
Certain assets within Other Assets, primarily derivatives		Trades receivable
		Deferred tax asset, net
		Other assets, except as described above

Table of Contents

RESULTS OF OPERATIONS

The following tables summarize the changes in our results of operations from year-to-year (dollars in thousands). Our results of operations are not necessarily indicative of our future performance.

Comparison of Results of Operations for the years ended December 31, 2016 and 2015

	Year Ended December 31,		Increase (Decrease)	
	2016	2015	Amount	%
Interest income	\$ 1,076,735	\$ 645,072	\$ 431,663	66.9 %
Interest expense	373,424	274,013	99,411	36.3 %
Net Interest Income	703,311	371,059	332,252	89.5 %
Impairment				
Other-than-temporary impairment (OTTI) on securities	10,264	5,788	4,476	77.3 %
Valuation provision (reversal) on loans and real estate owned	77,716	18,596	59,120	317.9 %
	87,980	24,384	63,596	260.8 %
Net interest income after impairment	615,331	346,675	268,656	77.5 %
Servicing revenue, net	118,169	—	118,169	— %
Other Income				
Change in fair value of investments in excess mortgage servicing rights	(7,297)	38,643	(45,940)	(118.9)%
Change in fair value of investments in excess mortgage servicing rights, equity method investees	16,526	31,160	(14,634)	(47.0)%
Change in fair value of investments in servicer advances	(7,768)	(57,491)	49,723	(86.5)%
Gain on consumer loans investment	9,943	43,954	(34,011)	(77.4)%
Gain on remeasurement of consumer loans investment	71,250	—	71,250	— %
Gain (loss) on settlement of investments, net	(48,800)	(19,626)	(29,174)	148.6 %
Other income (loss), net	28,483	5,389	23,094	428.5 %
	62,337	42,029	20,308	48.3 %
Operating Expenses				
General and administrative expenses	38,570	61,862	(23,292)	(37.7)%
Management fee to affiliate	41,610	33,475	8,135	24.3 %
Incentive compensation to affiliate	42,197	16,017	26,180	163.5 %
Loan servicing expense	44,001	6,469	37,532	580.2 %
Subservicing expense	7,832	—	7,832	— %
	174,210	117,823	56,387	47.9 %
Income (Loss) Before Income Taxes	621,627	270,881	350,746	129.5 %
Income tax expense (benefit)	38,911	(11,001)	49,912	(453.7)%
Net Income (Loss)	\$ 582,716	\$ 281,882	\$ 300,834	106.7 %
Noncontrolling Interests in Income (Loss) of Consolidated Subsidiaries	\$ 78,263	\$ 13,246	\$ 65,017	490.8 %
Net Income (Loss) Attributable to Common Stockholders	\$ 504,453	\$ 268,636	\$ 235,817	87.8 %

Interest Income

Interest income increased by \$431.7 million primarily attributable to incremental interest income of (i) \$232.7 million mainly from Consumer Loans acquired as a result of the SpringCastle Transaction (Note 9 to our Consolidated Financial Statements) on March 31, 2016, (ii) \$15.6 million from Excess MSR investments and \$15.2 million from Servicer Advance investments due to holding Excess MSR and Servicer Advance investments acquired through the HLSS Acquisition on April 6, 2015 for a full year in 2016. Interest income further increased by (iii) \$155.7 million

largely due to 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 exercise of call rights, and (iv) \$13.1 million from Residential Mortgage Loans due to an increase in the underlying principal

Table of Contents

balance of the portfolio during the year ended December 31, 2016, specifically the FNMA loan pool acquired in December 2015. The increase was partially offset by a \$0.7 million decrease in interest income on GNMA EBO servicer advances funded by HLSS and accounted for as a financing transaction due to a decrease in the underlying balance of the portfolio during the year ended December 31, 2016.

Interest Expense

Interest expense increased by \$99.4 million primarily attributable to increases of (i) \$8.0 million of interest on financings related to Servicer Advances primarily acquired through the HLSS Acquisition on April 6, 2015, (ii) \$52.8 million on the Consumer Loan segment including the securitization notes assumed as a result of the SpringCastle Transaction (Note 9 to our Consolidated Financial Statements) on March 31, 2016, (iii) \$31.1 million of interest on repurchase agreements and financings on Real Estate Securities in which we made additional levered investments subsequent to December 31, 2015, (iv) \$4.2 million of interest expense on Residential Mortgage Loans due to an increase in the underlying principal balance of the levered portfolio, and (v) \$7.5 million of interest on corporate loans secured by Excess MSR as a result of a higher average outstanding debt balance during the year ended December 31, 2016. The increase was partially offset by a \$4.2 million decrease in interest on corporate loans assumed as part of HLSS Acquisition and subsequently repaid in full in 2015.

Other than Temporary Impairment (OTTI) on Securities

The other-than-temporary impairment on securities increased by \$4.5 million primarily resulting from a decline in fair values on a greater portion of our Non-Agency RMBS, which we purchased with existing credit impairment, below their amortized cost basis as of December 31, 2016.

Valuation Provision (Reversal) on Loans and Real Estate Owned

The \$59.1 million increase in the valuation provision on residential mortgage loans, held-for-sale and real estate owned resulted from (i) consumer loan provision expense of \$53.8 million on loans acquired as a result of the SpringCastle Transaction (Note 9 to our Consolidated Financial Statements) on March 31, 2016 and certain newly originated consumer loans acquired during the second half of 2016 and (ii) an REO impairment increase of \$10.2 million due primarily to a decline in home prices. This increase was partially offset by (iii) a decrease of \$4.9 million of reserve related to certain GNMO EBO servicer advance receivables during the year ended December 31, 2016.

Servicing Revenue, Net

Servicing revenue, net increased \$118.2 million during the year ended December 31, 2016 compared to the year ended December 31, 2015 as a result of MSR acquisitions by our licensed servicer subsidiary, NRM, which closed in the fourth quarter of 2016 (Note 5 in our Consolidated Financial Statements).

Change in Fair Value of Investments in Excess Mortgage Servicing Rights

The change in fair value of investments in excess mortgage servicing rights decreased by \$45.9 million during the year ended December 31, 2016 compared to the year ended December 31, 2015. This decrease relates to mark-to-market fair value decreases of \$7.3 million during the year ended December 31, 2016, compared to fair value increases of \$38.6 million during the year ended December 31, 2015. The mark-to-market fair value adjustments during the year ended December 31, 2016 consisted primarily of a decrease in value on the legacy Excess MSR pools which is driven by lower future projected recapture rates, amortization of the legacy assets, and faster actual prepayment speeds throughout the year, offset by slower future projected prepayment speeds.

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

The change in fair value of investments in excess mortgage servicing rights, equity method investees decreased by \$14.6 million during the year ended December 31, 2016 compared to the year ended December 31, 2015. This decrease relates to mark-to-market fair value increases of \$16.5 million during the year ended December 31, 2016, compared to fair value increases of \$31.1 million during the year ended December 31, 2015. The mark-to-market fair value adjustments during the year ended December 31, 2016 consist primarily of slower future projected prepayment speeds, offset by faster actual prepayment speeds throughout the year. The mark-to-market adjustments during the year ended December 31, 2015 were driven by increased servicing fees and a cumulative positive adjustment resulting from changes to certain modeling assumptions. Additionally, two Excess MSR joint ventures were restructured into directly owned assets during the first quarter of the year ended December 31, 2015.

Table of Contents

Change in Fair Value of Investments in Servicer Advances

The change in fair value of investments in Servicer Advances decreased \$49.7 million during the year ended December 31, 2016 compared to the year ended December 31, 2015. This decrease relates to asset mark-downs of \$7.8 million during the year ended December 31, 2016 compared to mark-downs of \$57.5 million during the year ended December 31, 2015. The net decrease in fair value of investments in Servicer Advances for the year ended December 31, 2016 was due to the increases in discount rate assumptions partially offset by a higher forward LIBOR curve as compared to prior projections. The net decrease in fair value of investments in Servicer Advances for the year ended December 31, 2015 was primarily due to a lower performance fee adjustment related to HLSS servicing advances resulting from a lower forward LIBOR curve as compared to prior projections and increases in discount rate assumptions.

Gain on Consumer Loans Investment

The gain on consumer loans investment decreased \$34.0 million during the year ended December 31, 2016 compared to the year ended December 31, 2015. This decrease was due to the SpringCastle Transaction (Note 9 to our 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

Gain on remeasurement of consumer loans investment of \$71.3 million 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 Consolidated Financial Statements) on March 31, 2016.

Gain (Loss) on Settlement of Investments, net

Loss on settlement of investments, net increased by \$29.2 million, primarily related to (i) decreased gain on sale of residential mortgage loans of \$23.0 million, as the first two quarters of 2015 included the sale of the majority of the existing portfolio, (ii) loss on sale of real estate securities of \$27.5 million relative to a gain of \$13.1 million in 2015, and (iii) increased other losses of \$0.9 million driven by interest rate cap unwind and increased loss on extinguishment of debt as a result of Servicer Advance term note repayment and facility downsize. These amounts were partially offset by (iv) decreased loss on settlement of derivatives of \$19.5 million, (v) increased gain on sale of REO of \$15.4 million, and (vi) decreased loss on liquidated residential mortgage loans of \$0.4 million, during the year ended December 31, 2016 compared to the year ended December 31, 2015.

Other Income (Loss), net

Other income (loss), net increased by \$23.1 million, primarily attributable to (i) a \$9.3 million net increase in unrealized gains on interest rate swaps and interest rate caps, and a decrease in unrealized losses on TBAs, (ii) an increased gain on transfer of loans to REO of \$16.3 million, and (iii) increased gain on transfer of loans to other assets of \$3.6 million, partially offset by (iv) increased unrealized loss on other ABS of \$3.2 million, (v) decreased gain on Excess MSR recapture agreements of \$0.2 million, and (vi) \$2.7 million decrease in other income during the year ended December 31, 2016 compared to the year ended December 31, 2015.

General and Administrative Expenses

General and administrative expenses decreased by \$23.3 million primarily attributable to (i) \$6.0 million and \$1.4 million in retention bonus and severance, and payroll expenses, respectively, related to HLSS employees associated with our acquisition of HLSS on April 6, 2015, (ii) \$11.0 million of acquisition-related legal deal expenses due to our acquisition of HLSS, and (iii) \$9.1 million related to a settlement agreement with certain HSART Bondholders during the year ended December 31, 2015, partially offset by (iv) \$3.0 million legal deal expenses related to the SpringCastle Transaction and transactions that closed in the fourth quarter within our licensed servicer subsidiary, NRM, and (v) \$1.7 million of expenses related to technology enhancements during the year ended December 31, 2016.

Management Fee to Affiliate

Management fee to affiliate increased by \$8.1 million as a result of increases to our gross equity subsequent to December 31, 2015.

Table of Contents

Incentive Compensation to Affiliate

Incentive compensation to affiliate increased by \$26.2 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 year ended December 31, 2016 compared to the year ended December 31, 2015.

Loan Servicing Expense

Loan servicing expense increased by \$37.5 million primarily attributable to (i) \$34.8 million of loan servicing expense on Consumer Loans, held for investment as a result of the SpringCastle Transaction (Note 9 to our Consolidated Financial Statements) on March 31, 2016, and (ii) a \$2.5 million increase in servicing expense on the Residential Mortgage Loans and Real Estate Securities due to a larger average portfolio during the year ended December 31, 2016 compared to the year ended December 31, 2015.

Subservicing Expense

Subservicing expense increased \$7.8 million during the year ended December 31, 2016 compared to the year ended December 31, 2015 as a result of transactions that closed in the fourth quarter within our licensed servicer subsidiary, NRM (Note 5 in our Consolidated Financial Statements).

Income Tax Expense (Benefit)

Income tax expense (benefit) increased by \$49.9 million, from \$11.0 million of income tax benefit for the year ended December 31, 2015 to \$38.9 million of income tax expense for the year ended December 31, 2016, relating to certain of our taxable subsidiaries. This change is primarily due to the increase in net income attributable to our taxable subsidiaries by \$109.6 million from the year ended December 31, 2015.

Noncontrolling Interests in Income (Loss) of Consolidated Subsidiaries

Noncontrolling interests in income (loss) of consolidated subsidiaries increased by \$65.0 million primarily due to (i) \$38.1 million from the consolidation of the Consumer Loan Companies as part of the SpringCastle Transaction (Note 9 to our Consolidated Financial Statements) during the year ended December 31, 2016, which are 46.5% owned by third parties, (ii) \$21.8 million from a net decrease in the change in fair value of the Buyer's assets and a decrease in interest expense, partially offset by a net decrease in interest income earned on the Buyer's levered assets, and (iii) \$5.1 million from HLSS shareholders' interests in the net loss of HLSS Ltd during the year ended December 31, 2015.

Table of Contents

Comparison of Results of Operations for the years ended December 31, 2015 and 2014

	Year Ended December 31, Increase (Decrease)			
	2015	2014	Amount	%
Interest income	\$ 645,072	\$ 346,857	\$298,215	86.0 %
Interest expense	274,013	140,708	133,305	94.7 %
Net Interest Income	371,059	206,149	164,910	80.0 %
Impairment				
Other-than-temporary impairment (OTTI) on securities	5,788	1,391	4,397	316.1 %
Valuation provision (reversal) on loans and real estate owned	18,596	9,891	8,705	88.0 %
	24,384	11,282	13,102	116.1 %
Net interest income after impairment	346,675	194,867	151,808	77.9 %
Other Income				
Change in fair value of investments in excess mortgage servicing rights	38,643	41,615	(2,972)	(7.1)%
Change in fair value of investments in excess mortgage servicing rights, equity method investees	31,160	57,280	(26,120)	(45.6)%
Change in fair value of investments in servicer advances	(57,491)	84,217	(141,708)	(168.3)%
Earnings from investments in consumer loans, equity method investees	—	53,840	(53,840)	(100.0)%
Gain on consumer loans investment	43,954	92,020	(48,066)	(52.2)%
Gain (loss) on settlement of investments, net	(19,626)	31,297	(50,923)	(162.7)%
Other income (loss), net	5,389	14,819	(9,430)	(63.6)%
	42,029	375,088	(333,059)	(88.8)%
Operating Expenses				
General and administrative expenses	61,862	27,001	34,861	129.1 %
Management fee to affiliate	33,475	19,651	13,824	70.3 %
Incentive compensation to affiliate	16,017	54,334	(38,317)	(70.5)%
Loan servicing expense	6,469	3,913	2,556	65.3 %
	117,823	104,899	12,924	12.3 %
Income (Loss) Before Income Taxes	270,881	465,056	(194,175)	(41.8)%
Income tax expense (benefit)	(11,001)	22,957	(33,958)	(147.9)%
Net Income (Loss)	\$ 281,882	\$ 442,099	\$(160,217)	(36.2)%
Noncontrolling Interests in Income (Loss) of Consolidated Subsidiaries	\$ 13,246	\$ 89,222	\$(75,976)	(85.2)%
Net Income (Loss) Attributable to Common Stockholders	\$ 268,636	\$ 352,877	\$(84,241)	(23.9)%

Interest Income

Interest income increased by \$298.2 million primarily attributable to incremental interest income of (i) \$85.4 million from Excess MSR investments, in which we made additional investments subsequent to December 31, 2014, primarily through the HLSS Acquisition discussed in Note 1 to our Consolidated Financial Statements, as well as through the restructuring of two Excess MSR joint ventures into directly owned assets, and (ii) \$162.2 million from servicer advance investments, in which we made additional investments subsequent to December 31, 2014, also primarily through the HLSS Acquisition. Interest income further increased by (iii) \$52.1 million, largely due to both additional investments and accelerated accretion on real estate securities owned in Non-Agency RMBS trusts that were terminated upon the exercise of call rights, (iv) \$13.8 million related to interest income on EBO loans acquired in the HLSS Acquisition, (v) \$2.6 million related to interest income on Ginnie Mae EBO Servicer Advances funded by HLSS and accounted for as a financing transaction, partially offset by a \$17.3 million decrease from residential mortgage loans as a result of the decrease in size of the portfolio during the first six months of 2015, particularly due

to the sale of several performing loan pools.

Table of Contents

Interest Expense

Interest expense increased by \$133.3 million primarily attributable to increases of (i) \$104.9 million of interest on financings related to Servicer Advances acquired primarily through the HLSS Acquisition, (ii) \$15.3 million of interest on secured corporate loans issued in January and May 2015, (iii) \$10.4 million and (iv) \$6.5 million of interest on repurchase agreements and financings of residential mortgage loans, including EBO loans and real estate securities, respectively, in which we made additional levered investments subsequent to December 31, 2014, partially offset by a \$2.6 million decrease in interest on repurchase agreements on our consumer loans portfolio that we paid off subsequent to December 31, 2014.

Other than Temporary Impairment (OTTI) on Securities

The other-than-temporary impairment on securities increased by \$4.4 million primarily resulting from a decline in fair values on a greater portion of our Non-Agency RMBS, which we purchased with existing credit impairment, below their amortized cost basis as of December 31, 2015.

Valuation Provision (Reversal) on Loans and Real Estate Owned

The \$8.7 million increase in the valuation provision on residential mortgage loans, held-for-sale and real estate owned resulted from a net increase in the average carrying values of assets we owned which were subject to valuation allowances during the year ended December 31, 2015 when compared to the year ended December 31, 2014.

Change in Fair Value of Investments in Excess Mortgage Servicing Rights

The change in fair value of investments in excess mortgage servicing rights decreased by \$3.0 million during the year ended December 31, 2015 compared to the year ended December 31, 2014. This decrease relates to mark-to-market fair value adjustments of \$38.6 million during the year ended December 31, 2015, compared to fair value adjustments of \$41.6 million during the year ended December 31, 2014. The mark-to-market fair value adjustments during the year ended December 31, 2015 consisted primarily of an increase in value on the Excess MSR pools acquired through the HLSS Acquisition. The mark-to-market adjustments during the year ended December 31, 2014 were driven by a decrease in the weighted average discount rate from 12.8% to 10.0% and slower prepayment rates.

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

The change in fair value of investments in excess mortgage servicing rights, equity method investees decreased by \$26.1 million during the year ended December 31, 2015 compared to the year ended December 31, 2014. This decrease relates to mark-to-market fair value adjustments of \$31.2 million during the year ended December 31, 2015, compared to fair value adjustments of \$57.3 million during the year ended December 31, 2014. The mark-to-market fair value adjustments during the year ended December 31, 2015 consist of an increase due to increased servicing fees, and a cumulative positive adjustment resulting from changes to certain modeling assumptions. The mark-to-market adjustments during the year ended December 31, 2014 were driven by a decrease in the weighted average discount rate from 12.8% to 10.0% and slower prepayment rates. Additionally, two Excess MSR joint ventures were restructured into directly owned assets during the first quarter of the year ended December 31, 2015.

Change in Fair Value of Investments in Servicer Advances

The change in fair value of investments in Servicer Advances decreased \$141.7 million during the year ended December 31, 2015 compared to the year ended December 31, 2014. This decrease relates to asset mark-downs of \$57.5 million during the year ended December 31, 2015 compared to mark-ups of \$84.2 million during the year ended

December 31, 2014. The change in fair value of investments in Servicer Advances for the year ended December 31, 2015 was due to the acquisition of Servicer Advances through the HLSS Acquisition and subsequent increases in discount rate assumptions across all Servicer Advances portfolios. The change in fair value of investments in Servicer Advances for the year ended December 31, 2014 was primarily due to a decrease in the servicer advance-to-UPB ratio.

Earnings from Investments in Consumer Loans, Equity Method Investees

Earnings from investments in consumer loans, equity method investees decreased \$53.8 million as we discontinued recording our share of the underlying earnings of the Consumer Loan Companies subsequent to the refinancing of the outstanding debt on October 3, 2014, which resulted in a distribution to us in excess of our investment basis.

Table of Contents

Gain on Consumer Loans Investment

The gain on consumer loans investment decreased \$48.1 million during the year ended December 31, 2015 compared to the year ended December 31, 2014. This decrease is primarily due to a gain recorded in the prior year related to the October 3, 2014 distribution of refinancing proceeds.

Gain (Loss) on Settlement of Investments, net

Gain (loss) on settlement of investments, net decreased by \$50.9 million, primarily related to (i) decreased net gains of \$52.6 million on real estate securities sold, (ii) increased loss of \$6.5 million on settlement of derivatives, (iii) increased loss of \$7.1 million on sale of REO, (iv) \$7.3 million loss on extinguishment of debt, and (v) \$3.1 million write-off of financing fees, partially offset by (vi) increased net gains of \$25.7 million related to residential mortgage loans and real estate owned, including gains on sales, loan liquidations and securitizations.

Other Income (Loss), net

Other income (loss), net decreased by \$9.4 million, primarily attributable to (i) a \$15.5 million decrease in gains on transfer of loans to REO, (ii) a \$7 million increase in servicer advance expenses, (iii) a non-recurring fee earned on deal termination of \$5 million during the year ended December 31, 2014, and (iv) an increase in REO expense of \$3.3 million, partially offset by (v) a \$5.3 million net decrease in unrealized losses on non-hedge derivative instruments, (vi) a \$1.8 million increase in realized gain from MSR investments, and (vii) a \$14.5 million reimbursement from a servicer during 2015.

General and Administrative Expenses

General and administrative expenses increased by \$34.9 million, partially attributable to \$8.2 million in payroll and benefits, retention bonus, and severance related to HLSS employees, triggered by our acquisition of HLSS. Legal deal expenses increased \$14.0 million, primarily as a result of the HLSS Acquisition and the settlement agreement with certain HSART Bondholders as discussed in Note 11 to our Consolidated Financial Statements. Deal expense, legal fees, and D&O insurance expense increased \$5.3 million, \$2.1 million, and \$1.3 million, respectively, primarily as a result of the HLSS Acquisition, and \$4.0 million of increased professional fees and other expenses were incurred to maintain and monitor our increasing asset base.

Management Fee to Affiliate

Management fee to affiliate increased by \$13.8 million as a result of increases to our gross equity subsequent to December 31, 2014, primarily attributable to the equity issuances discussed in Note 13 to our Consolidated Financial Statements.

Incentive Compensation to Affiliate

Incentive compensation to affiliate decreased by \$38.3 million due to a decrease 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.

Loan Servicing Expense

Loan servicing expense increased by \$2.6 million due to the acquisition of additional non-performing residential mortgage loans subsequent to December 31, 2014.

Income Tax Expense (Benefit)

Income tax expense (benefit) increased by \$34.0 million, from \$23.0 million of income tax expense for the year ended December 31, 2014 to \$11.0 million of income tax benefit for the year ended December 31, 2015, relating to certain of our taxable subsidiaries. This change is primarily due to \$5.7 million, \$3.4 million, and \$2.0 million of income tax benefit on Advance Sub LLC, MBN Issuers, and the Buyer, respectively, and approximately \$23.0 million of increase in the net deferred tax benefit due to the impact of changes in mark-to-market fair value adjustments on investments in Servicer Advances from Advance Sub LLC and HLSS.

Noncontrolling Interests in Income (Loss) of Consolidated Subsidiaries

Noncontrolling interests in income (loss) of consolidated subsidiaries decreased by \$76.0 million primarily due to (i) a decrease in net interest income earned on the Buyer's levered assets as they are repaid over time, (ii) a decrease in the change in fair value

Table of Contents

of the Buyer's assets, (iii) a loss on extinguishment of debt at the Buyer, and (iv) HLSS shareholders' interests in the net loss of HLSS Ltd., partially offset by (v) an increase in the income tax benefit due to the reduction in the reserve for unrecognized tax benefits during the year ended December 31, 2015 in the Buyer.

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 December 31, 2016, approximately \$95.8 million of our cash and cash equivalents was held at NRM, of which \$57.3 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 margin) and other operating expenses, and the repayment of borrowings and hedge obligations, as well as dividends. On January 26, 2017, our board of directors approved an increase in our quarterly dividend to \$0.48 per share of common stock for the first quarter of 2017, which will result 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. 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 December 31, 2016, we had outstanding repurchase agreements with an aggregate face amount of approximately \$5.2 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%-4% for Agency RMBS, 10%-60% for Non-Agency RMBS, and 5%-58% 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, \$324.3 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 twelve 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

Table of Contents

beyond the next twelve 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 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):

December 31, 2016

Debt Obligations/Collateral	Month Issued	Outstanding Face Amount	Carrying Value ^(A)	Final Stated Maturity ^(B)	Weighted Average		Collateral		
					Funding Cost	Life (Years)	Outstanding Face	Amortized Cost Basis	Carrying Value
Repurchase Agreements ^(C)									
Agency RMBS ^(D)	Various	\$ 1,764,760	\$ 1,764,760	Jan-17 to Mar-17	1.00%	0.2	\$ 1,786,585	\$ 1,874,554	\$ 1,833,34
Non-Agency RMBS ^(E)	Various	2,654,242	2,654,242	Jan-17 to Mar-17	2.42%	0.1	6,510,127	3,358,438	3,481,478
Residential Mortgage Loans ^(F)	Various	689,132	686,412	Mar-17 to Sep-18	3.31%	0.7	1,061,445	869,297	852,790

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Real Estate Owned ^(G) (H)	Various	85,552	85,217	Mar-17 to Sep-18	3.35%	0.3	N/A	N/A	98,496
Total Repurchase Agreements		5,193,686	5,190,631		2.07%	0.2			
Notes and Bonds Payable									
Secured Corporate Notes ^(I)	Various	734,254	729,145	Apr-18 to Sep-19	5.50%	2.2	310,072,544	1,271,217	1,437,226
Servicer Advances ^(J)	Various	5,560,412	5,549,872	Mar-17 to Dec-21	3.19%	2.7	5,617,759	5,687,635	5,706,593
Residential Mortgage Loans ^(K)	Oct-15	8,271	8,271	Oct-17	3.44%	0.8	13,248	7,514	7,514
Consumer Loans ^(L) ^(M)	Various	1,709,054	1,700,211	Sep-19 to Mar-24	3.48%	3.9	1,809,952	1,802,809	1,799,372
Receivable from government agency ^(K)	Oct-15	3,106	3,106	Oct-17	3.44%	0.8	N/A	N/A	3,378
Total Notes and Bonds Payable		8,015,097	7,990,605		3.46%	2.9			
Total/Weighted Average		\$ 13,208,783	\$ 13,181,236		2.91%	1.8			

Table of Contents

- (A) Net of deferred financing costs.
- (B) All debt obligations with a stated maturity of January or February 2017 were refinanced, extended or repaid.
- (C) These repurchase agreements had approximately \$11.0 million of associated accrued interest payable as of December 31, 2016.
- (D) All of the Agency RMBS repurchase agreements have a fixed rate. Collateral amounts include approximately \$1.7 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 \$125.8 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 \$410.0 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 4.75%, and a \$324.3 million corporate loan which bears interest equal to (I) 5.68%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying Excess MSR that secure these notes, and the \$324.3 million corporate loan is also collateralized by the rights to the related basic fee portion of the MSRs. \$3.5 billion face amount of the notes have a fixed rate while the remaining notes bear interest equal to the sum of (J) (i) a floating rate index rate equal to one-month LIBOR or a cost of funds rate, as applicable, and (ii) a margin ranging from 1.9% to 2.1%.
- (K) The note is payable to Nationstar and bears interest equal to one-month LIBOR plus 2.88%. Includes the SpringCastle debt, which is comprised of the following classes of asset-backed notes held by third parties: \$1.29 billion UPB of Class A notes with a coupon of 3.05% and a stated maturity date in November 2023; \$211.0 million UPB of Class B notes with a coupon of 4.10% and a stated maturity date in March 2024; \$39.0 million UPB of Class C-1 notes with a coupon of 5.63% and a stated maturity date in March 2024; \$39.0 million UPB of Class C-2 notes with a coupon of 5.63% and a stated maturity date in March 2024; \$39.0 million UPB of Class D-1 notes with a coupon of 5.80% and a stated maturity date in March 2024; and \$39.0 million UPB of Class D-2 notes with a coupon of 5.80% and a stated maturity date in March 2024.
- (M) Includes a \$132.2 million face amount note collateralized by newly originated consumer loans which bears interest equal to one-month LIBOR plus 3.25%.

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 \$5.2 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):

	Year Ended December 31, 2016			
	Outstanding Balance at December 31, 2016	Average Daily Amount Outstanding ^(A)	Maximum Amount Outstanding	Weighted Average Daily Interest Rate
Repurchase Agreements				
Agency RMBS	\$ 1,764,760	\$ 1,613,630	\$ 1,779,356	0.70 %

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Non-Agency RMBS	2,654,242	2,059,533	2,806,044	2.14	%
Residential Mortgage Loans	683,048	692,583	974,408	2.95	%
Real Estate Owned	83,118	87,582	123,677	3.02	%
Consumer Loans	—	30,955	53,068	3.72	%
Notes and Bonds Payable					
Servicer Advances	646,067	2,551,309	4,000,289	2.59	%
Residential Mortgage Loans	8,271	11,523	15,652	3.33	%
Real Estate Owned	3,106	3,346	3,877	3.33	%
Total/Weighted Average	\$5,842,612	\$7,050,461		1.86	%

101

Table of Contents

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

	Average Daily Amount Outstanding ^(A)			
	Three Months Ended			
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Repurchase Agreements				
Agency RMBS	\$1,637,506	\$1,650,738	\$1,636,200	\$1,530,739
Non-Agency RMBS	1,369,703	1,959,069	2,259,505	2,653,867
Residential Mortgage Loans	889,834	672,344	692,282	578,532
Real Estate Owned	87,270	99,796	102,896	60,494
Consumer Loans	34,569	35,609	22,153	30,565

	Average Daily Amount Outstanding ^(A)			
	Three Months Ended			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Repurchase Agreements				
Agency RMBS	\$1,262,870	\$1,380,052	\$1,618,026	\$1,760,060
Non-Agency RMBS	521,272	512,100	738,564	1,173,321
Residential Mortgage Loans	359,567	464,283	424,992	597,299
Real Estate Owned	2,935	84,582	72,869	70,900
Consumer Loans	—	42,976	40,472	40,444

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

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

Repurchase Agreements

New Residential has outstanding repurchase agreements with terms that generally conform to the terms of the standard master repurchase agreement published by the Securities Industry and Financial Markets Association as to repayment, margin requirements and segregation of all securities sold under any repurchase transactions. In addition, each counterparty typically requires additional terms and conditions to the standard master repurchase agreement, including changes to the margin maintenance requirements, required haircuts, purchase price maintenance requirements, requirements that all controversies related to the repurchase agreement be litigated in a particular jurisdiction and cross default provisions. These provisions may differ by counterparty and are not determined until New Residential engages in a specific repurchase transaction.

Table of Contents

Servicer Advance Notes Payable (the “Servicer Advance Notes”)

Following their revolving period, principal will be paid on the Servicer Advance Notes to the extent of available funds and in accordance with the priorities of payments set forth in the related transaction documents. The following table sets forth information regarding these revolving periods as of December 31, 2016 (dollars in thousands):

Servicer Advance Note Amount	Revolving Period Ends ^(A)
\$249,335	March 2017
75,325	November 2017
321,407	December 2017
119,907	May 2018
1,040,272	November 2018
379,109	June 2019
2,248,565	October 2019
376,246	December 2020
387,000	October 2021
363,246	December 2021
\$5,560,412	

(A) On the earlier of this date or the occurrence of an early amortization event or a target amortization event.

Upon the occurrence of an early amortization event or a target amortization event, there is either an interest rate increase on the Servicer Advance Notes, a rapid amortization of the Servicer Advance Notes or an acceleration of principal repayment, or all of the foregoing.

The early amortization and target amortization events under the Servicer Advance Notes include: (i) the occurrence of an event of default under the transaction documents, (ii) failure to satisfy an interest coverage test, (iii) the occurrence of any servicer default or termination event for pooling and servicing agreements representing 15% or more (by mortgage loan balance as of the date of termination) of all the pooling and servicing agreements related to the purchased basic fee subject to certain exceptions; (iv) failure to satisfy a collateral performance test measuring the ratio of collected advance reimbursements to the balance of advances; (v) for certain Servicer Advance Notes, failure to satisfy minimum tangible net worth requirements for the applicable servicer, the Buyer or New Residential; (vi) for certain Servicer Advance Notes, failure to satisfy minimum liquidity requirements for the applicable servicer and the Buyer, (vii) for certain Servicer Advance Notes, failure to satisfy leverage tests for the applicable servicer, the Buyer or New Residential; (viii) for certain Servicer Advance Notes, a change of control of the Buyer or New Residential; (ix) for certain Servicer Advance Notes, a change of control of the applicable servicer, (x) for certain Servicer Advance Notes, the failure of the applicable servicer to maintain minimum servicer ratings, (xi) for certain Servicer Advance Notes, certain judgments against the Buyer or certain other subsidiaries of New Residential in excess of certain thresholds; (xii) for certain Servicer Advance Notes, payment default under, or an acceleration of, other debt of the Buyer or certain other subsidiaries of New Residential; (xiii) failure to deliver certain reports; and (xiv) material breaches of any of the transaction documents.

The definitive documents related to the Servicer Advance Notes contain customary representations and warranties, as well as affirmative and negative covenants. Affirmative covenants include, among others, reporting requirements, provision of notices of material events, maintenance of existence, maintenance of books and records, compliance with laws, compliance with covenants under the designated servicing agreements and maintaining certain servicing standards with respect to the advances and the related mortgage loans. Negative covenants include, among others,

limitations on amendments to the designated servicing agreements and limitations on amendments to the procedures and methodology for repaying the advances or determining that advances have become non-recoverable.

The definitive documents related to the Servicer Advance Notes also contain customary events of default, including, among others, (i) non-payment of principal, interest or other amounts when due, (ii) insolvency of the applicable servicer, the Buyer, or certain other related subsidiaries of New Residential; (iii) the applicable issuer becoming subject to registration as an “investment company” within the meaning of the 1940 Act; (iv) the applicable servicer or New Residential subsidiary fails to comply with the deposit and remittance requirements set forth in any pooling and servicing agreement or such definitive documents; and (v) the related servicer’s failure to make an indemnity payment after giving effect to any applicable grace period. Upon the occurrence and during the continuance of an event of default under any facility, the requisite percentage of the related noteholders may declare the Servicer Advance Notes and all other obligations of the applicable issuer immediately due and payable and may terminate the

Table of Contents

commitments. A bankruptcy event of default causes such obligations automatically to become immediately due and payable and the commitments automatically to terminate.

Certain of the Servicer Advance Notes accrue interest based on a floating rate of interest. Servicer Advances and deferred servicing fees are non-interest bearing assets. The interest obligations in respect of certain of the Servicer Advance Notes are not supported by any interest rate hedging instrument or arrangement. If the applicable index rate for purposes of determining the interest rates on the Servicer Advance Notes rises, there may not be sufficient collections on the Servicer Advances and deferred servicing fees and a target amortization event or an event of default could occur in respect of certain Servicer Advance Notes. This could result in a partial or total loss on our investment.

HLSS Servicer Advance Receivables Trust

On October 1, 2015, an event of default (the “Specified Default”) occurred under the indenture related to certain notes issued by HSART, a wholly-owned subsidiary of ours (Note 11 to our Consolidated Financial Statements). The Specified Default occurred as a result of (and solely as a result of) Ocwen’s master servicer rating downgrade to “Below Average”, announced by S&P on September 29, 2015. After giving effect to such downgrade, Ocwen ceased to be an “Eligible Subservicer” under the indenture causing the “Collateral Test” under the indenture to not be satisfied. The continuing failure of the Collateral Test as of close of business on October 1, 2015 resulted in the occurrence of the Specified Default. The Specified Default caused \$2.5 billion of term notes issued by HSART to become immediately due and payable, without premium or penalty, as of the close of business on October 1, 2015, in accordance with the terms of HSART’s indenture.

We had previously secured approximately \$4.0 billion of surplus servicer advance financing commitments from HSART’s lenders. HSART repaid all \$2.5 billion of the term notes on October 2, 2015 in full with the proceeds of draws by HSART on variable funding notes previously issued by HSART. The holders of the variable funding notes issued by HSART previously agreed that the Specified Default would not be deemed an “event of default” under HSART’s indenture for purposes of their variable funding notes. After giving effect to the repayment of the term notes issued by HSART, the only outstanding notes issued by HSART are variable funding notes. No other material obligation of HSART arises, increases or accelerates as a result of the transactions described herein.

During the first three quarters of 2015, through their investment manager, certain bondholders (the “HSART Bondholders”) alleged that events of default had occurred under HSART and that, as a result, the HSART Bondholders were due additional interest under the related agreements. In February 2015, in response to such allegations, instead of releasing such amounts to our subsidiary that sponsors the HSART transaction entitled thereto, the trustee of HSART began to withhold, monthly, such interest (the “Withheld Funds”) so that such amounts were reserved in the event that it was determined that any of the alleged events of default had occurred. On August 28, 2015, the trustee commenced a legal proceeding requesting instruction from the court regarding the alleged defaults and the disposition of the Withheld Funds.

On October 2, 2015, as described above, the notes held by the HSART Bondholders were repaid in full. On October 14, 2015, the court ruled that no event of default had occurred under HSART, authorized the trustee to release the Withheld Funds and dismissed the legal proceeding. As a result of this ruling, \$92.7 million was released from restricted cash accounts related to HSART and became available for unrestricted use by us.

On October 13, 2015, we entered into a settlement agreement in connection with which a subsidiary of ours was liable for a \$9.1 million payment to certain HSART Bondholders, which was recorded within General and Administrative Expenses; this agreement did not impact other former or existing bondholders of HSART.

Consumer Loans

In October 2016, the Consumer Loan Companies (Note 9) refinanced their outstanding asset-backed notes with a new asset-backed securitization. The issuance consisted of \$1.7 billion face amount of asset-backed notes comprised of six classes with maturity dates in November 2023 and March 2024, of which approximately \$157.6 million face amount was retained by the Consumer Loan Companies and subsequently distributed to their members including New Residential. New Residential's \$79.9 million portion of these bonds is not treated as outstanding debt in consolidation. In connection with the refinancing, the Consumer Loan Companies recorded approximately \$4.7 million of loss on extinguishment of debt related to an unamortized discount.

SpringCastle Debt (the "SpringCastle Notes")

Principal will be paid on the SpringCastle Notes to the extent of available funds and in accordance with the priorities of payments set forth in the related securitization transaction documents. Prior to the occurrence of an event of default under such documents,

104

Table of Contents

payments of principal on the SpringCastle Notes are made in amounts necessary to maintain the prescribed relationship among the senior and subordinated notes balances relative to the principal balance of the underlying consumer loans, with any excess available funds flowing back to the co-issuers or as the co-issuers may direct. After the occurrence of an event of default, available funds are applied to pay the SpringCastle Notes sequentially in full before any distribution to the co-issuer or as the co-issuers may direct.

The definitive documents related to the SpringCastle Notes contain customary events of default, including, among others, (i) non-payment of principal, interest or other amounts when due, (ii) insolvency of any co-issuer; (iii) any co-issuer becoming subject to registration as an “investment company” within the meaning of the Investment Company Act of 1940; (iv) any co-issuer shall become taxable as an association, taxable mortgage pool or publicly traded partnership taxable as a corporation under the Internal Revenue Code; and (v) breaches of representations, warranties and covenants, subject to certain cure periods. Upon the occurrence and during the continuance of an event of default under any facility, the requisite percentage of the related noteholders may declare the SpringCastle Notes and all other obligations of the co-issuers immediately due and payable. A bankruptcy event of default causes such obligations automatically to become immediately due and payable and the commitments automatically to terminate.

The definitive documents related to the SpringCastle Notes contain customary representations and warranties, as well as covenants. Covenants include, among others, reporting requirements, provision of notices of material events, maintenance of existence, maintenance of books and records and compliance with laws.

Both the SpringCastle Notes and the underlying consumer loans accrue interest at fixed rates.

NRZ Excess Spread-Collateralized Notes (the “Excess Spread Notes”)

Principal will be paid on the Excess Spread Notes in accordance with the priorities of payments set forth in the related transaction documents. The following table sets forth information regarding the note amounts for the Excess Spread Notes as of December 31, 2016 (in thousands):

Transaction	Outstanding	
	Note Amount	Maturity Date
PLS1	\$ 190,000	June 2019 ^(A)
PLS2	324,254	July 2021 ^(B)
Agency MSR Loan	220,000	April 2018 ^(C)

(A) The PLS1 Excess Spread Notes may be paid off on any payment date occurring on or after December 2017 upon 180 days written notice from the Borrowers or Noteholders.

(B) The PLS2 Excess Spread Notes have an expected repayment date of September 2019.

(C) The Agency MSR Loan has a loan repayment date of April 16, 2018.

At closing, the PLS1 Excess Spread Notes had a note amount of \$126,229,348, but are subject to increase on any funding date upon 1 business days’ notice and if there is sufficient collateral value to support such increase. The related MSR valuation agent may, at its sole discretion, recalculate the market value of the excess servicing fees and generate a market value report. If the collateral value (using the market value from the most recent market value report) multiplied by the advance rate is determined to be less than the note amount, the borrowers will be required to make a principal payment to the extent necessary to cure such imbalance. The borrowers are required to pay the outstanding principal balance of the PLS1 Excess Spread Notes on the maturity date set forth in the table above. Prior to the maturity date, upon the occurrence of an event of default, the PLS1 Excess Spread Notes become immediately due and payable. For the PLS1 Excess Spread Notes, New Residential Investment Corp. guarantees the payment of all amounts payable when due.

At closing, the PLS2 Excess Spread Notes had a note amount of \$345,000,000. The related MSR valuation agent is required to recalculate the market value of the aggregate excess servicing fees on a quarterly basis and generate a market value report. The borrowers are required to make a scheduled principal payment on the PLS2 Excess Spread Notes on each of the 36 payment dates following closing until the PLS2 Excess Spread Notes are paid down to a \$0 note balance. On any payment date, if the note amount divided by the most recently available market value is greater than 90%, a collateral coverage trigger event will occur. If a collateral coverage trigger event occurs, the scheduled principal payment will be the greater of (i) the excess of the note amount over the scheduled amortization balance and (ii) the amount required to cause the collateral coverage percentage to be less than 90%. If available funds are insufficient to pay the PLS2 Excess Spread Notes in full on the expected repayment date in September 2019, the borrowers will be assessed an additional fee amount each month thereafter until paid in full. Prior to the expected repayment date, upon the occurrence of an event of default, the PLS2 Excess Spread Notes become immediately due and payable.

Table of Contents

For the PLS2 Excess Spread Notes, New Residential guarantees the payment of (i) any interest amounts when due on any payment date, and (ii) unpaid principal amounts, plus unpaid interest and additional fee amounts on the stated maturity date.

At closing, the Agency MSR Loan, had a loan amount of \$225,000,000. Beginning on the first monthly payment date (April 25, 2017) following the anniversary of the funding date (April 15, 2016), the borrowers are required to pay any unpaid principal in equal parts on each remaining monthly payment date occurring prior to the loan repayment date (April 16, 2018). The lender shall have the right to determine the collateral value at any time in its sole good faith discretion. If, on any determination date, the outstanding aggregate loan amount exceeds the lesser of (i) the borrowing base and (ii) the facility amount, the borrowers shall, within 1 business days' written notice, repay the loan in an amount equal to the borrowing base deficiency. Prior to the loan repayment date, upon the occurrence of an event of default, the Agency MSR Loan becomes immediately due and payable. New Residential is a co-borrower under the Agency MSR Loan.

The definitive documents related to the Excess Spread Notes contain customary representations and warranties, as well as affirmative and negative covenants. Affirmative covenants include, among others, reporting requirements, provision of notices of material events, maintenance of existence, delivery of financial statements, use of proceeds, maintenance of deposit accounts, maintenance of books and records, compliance with laws, compliance with covenants in the transaction/facility documents, and financial covenants. Negative covenants include, among others, impairment on the value of the collateral, limitations on liens on the collateral, limitations on other indebtedness or business activity, and changes in state of organization without notice.

The definitive documents related to the Excess Spread Notes also contain customary events of default, including, among others, (i) non-payment of principal, interest or other amounts when due, (ii) material misrepresentations in the transaction/facility documents, (iii) failure to maintain a first priority security interest in the collateral, (iv) change of control, (v) insolvency, (vi) judgments, (vii) the failure of New Residential to be listed on the NYSE or have a public debt rating by at least one of S&P, Moody's or Fitch, (viii) the failure of the underlying servicer to be an approved servicer under the guidelines of the applicable agency and (ix) the failure of New Residential to maintain its status as a REIT or failure of certain specified financial tests or a servicer termination event trigger occurs. Upon the occurrence and during the continuance of an event of default under any facility, the noteholders may declare the Excess Spread Notes and all other obligations immediately due and payable and may terminate the commitments.

Maturities

Our debt obligations as of December 31, 2016, as summarized in Note 11 to our Consolidated Financial Statements, had contractual maturities as follows (in thousands):

Year	Nonrecourse ^(A)	Recourse ^(B)	Total
2017	\$ 697,437	\$ 5,145,175	\$ 5,842,612
2018	1,160,179	228,520	1,388,699
2019	2,759,841	514,254	3,274,095
2020	376,246	—	376,246
2021 and thereafter	2,327,131	—	2,327,131
	\$ 7,320,834	\$ 5,887,949	\$ 13,208,783

(A) Includes repurchase agreements and notes and bonds payable of \$51.4 million and \$7,269.5 million, respectively.

(B) Includes repurchase agreements and notes and bonds payable of \$5,142.3 million and \$745.6 million, respectively.

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 3.7% and 23.8%, respectively, and for Residential Mortgage Loans and Real Estate Owned were 19.2% and 13.1%, respectively, during the year ended December 31, 2016.

Table of Contents

Borrowing Capacity

The following table represents our borrowing capacity as of December 31, 2016 (in thousands):

Debt Obligations/ Collateral	Collateral Type	Borrowing Capacity	Balance Outstanding	Available Financing
Repurchase Agreements				
Residential Mortgage Loans	Residential Mortgage Loans and REO	\$2,260,000	\$ 774,684	\$ 1,485,316
Notes and Bonds Payable				
Secured Corporate Loans	Excess MSRs	525,000	410,000	115,000
Servicer Advances ^(A)	Servicer Advances	6,577,393	5,560,412	1,016,981
Consumer Loans	Consumer Loans	150,000	132,168	17,832
		\$9,512,393	\$ 6,877,264	\$ 2,635,129

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 (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 \$94.4 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 December 31, 2016.

Stockholders' Equity

Common Stock

Our certificate of incorporation authorizes 2,000,000,000 shares of common stock, par value \$0.01 per share, and 100,000,000 shares of preferred stock, par value \$0.01 per share. At the time of the completion of the spin-off, there were 126,512,823 outstanding shares of common stock which was based on the number of Drive Shack's shares of common stock outstanding on May 6, 2013 and a distribution ratio of one share of our common stock for each share of Drive Shack common stock (adjusted for the reverse split described below).

Prior to the spin-off, Drive Shack had issued options to the Manager in connection with capital raising activities. In connection with the spin-off, the 10.7 million options that were held by the Manager, or by the directors, officers or employees, of the Manager, were converted into an adjusted Drive Shack option and a new New Residential option. The exercise price of each adjusted Drive Shack option and New Residential option was set to collectively maintain the intrinsic value of the Drive Shack option immediately prior to the spin-off and to maintain the ratio of the exercise price of the adjusted Drive Shack option and the New Residential option, respectively, to the fair market value of the underlying shares as of the spin-off date, in each case based on the five day average closing price subsequent to the spin-off date.

Our board of directors authorized a one-for-two reverse stock split on August 5, 2014, subject to stockholder approval. In a special meeting on October 15, 2014, our stockholders approved the reverse split. On October 17, 2014, we effected the one-for-two reverse stock split of our common stock. As a result of the reverse stock split, every two shares of our common stock were converted into one share of common stock, reducing the number of issued and outstanding shares of our common stock from approximately 282.8 million to approximately 141.4 million. The

impact of this reverse stock split has been retroactively applied to all periods presented.

Approximately 2.4 million shares of our common stock were held by Fortress, through its affiliates, and its principals as of December 31, 2016.

In April 2014, we issued 13,875,000 shares of our common stock in a public offering at a price to the public of \$12.20 per share for net proceeds of approximately \$163.8 million. One of our executive officers participated in this offering and purchased an additional 500,000 shares at the public offering price for net proceeds of approximately \$6.1 million. To compensate the Manager for its successful efforts in raising capital for us, in connection with this offering, we granted options to the Manager relating to

Table of Contents

1,437,500 shares of our common stock at a price of \$12.20, which had a fair value of approximately \$1.4 million as of the grant date. The assumptions used in valuing the options were: a 2.87% risk-free rate, a 12.584% dividend yield, 25.66% volatility and a 10-year term.

In April 2015, we issued the New Residential Acquisition Common Stock in connection with the HLSS Acquisition (Note 1 to our Consolidated Financial Statements).

In addition, in April 2015, we issued 29,213,020 shares of our common stock in a public offering at a price to the public of \$15.25 per share for net proceeds of approximately \$436.1 million. One of our executive officers participated in this offering and purchased 250,000 shares at the public offering price. To compensate the Manager for its successful efforts in raising capital for us, in connection with this offering and the New Residential Acquisition Common Stock issued in the HLSS Acquisition, we granted options to the Manager relating to 5,750,000 shares of our common stock at a price of \$15.25, which had a fair value of approximately \$8.9 million as of the grant date. The assumptions used in valuing the options were: a 2.02% risk-free rate, a 6.71% dividend yield, 24.04% volatility and a 10-year term.

In June 2015, we issued 27.9 million shares of our common stock in a public offering at a price to the public of \$15.88 per share for net proceeds of approximately \$442.6 million. One of our executive officers participated in this offering and purchased 9,100 shares at the public offering price. To compensate the Manager for its successful efforts in raising capital for us, in connection with this offering, we granted options to the Manager relating to 2.8 million shares of our common stock at the public offering price, which had a fair value of approximately \$3.7 million as of the grant date. The assumptions used in valuing the options were: a 2.61% risk-free rate, a 7.81% dividend yield, 23.73% volatility and a 10-year term. In addition, the Manager and its employees exercised an aggregate of 6.7 million options and were issued an aggregate of 3.6 million shares of our common stock in a cashless exercise, which were sold to third parties in a simultaneous secondary offering.

In August 2016, we issued 20.0 million shares of our common stock in a public offering at a price to the public of \$14.20 per share for net proceeds of approximately \$278.8 million. To compensate the Manager for its successful efforts in raising capital for us, in connection with this offering, we granted options to the Manager relating to 2.0 million shares of our common stock at the public offering price, which had a fair value of approximately \$2.3 million as of the grant date. The assumptions used in valuing the options were: a 1.45% risk-free rate, a 11.80% dividend yield, 27.57% volatility and a 10-year term.

In May 2014, an employee of the Manager exercised 107,500 options with a weighted average exercise price of \$5.61 and received 107,500 shares of common stock of New Residential. In August 2014, employees of the Manager and one of New Residential's directors exercised an aggregate of 498,500 options with a weighted average exercise price of \$5.62 and received 276,037 shares of common stock of New Residential. In December 2014, a former employee of the Manager exercised 42,566 options with a weighted average exercise price of \$7.19 and received 42,566 shares of common stock of New Residential. In July 2015, a former employee of the Manager exercised 37,500 options with a weighted average exercise price of \$7.19 and received 20,227 shares of common stock of New Residential. In August 2016, employees of the Manager exercised an aggregate of 1,100,497 options with a weighted average exercise price of \$10.59 per share and received 280,111 shares of common stock of New Residential.

As of December 31, 2016, our outstanding options corresponding to Drive Shack options issued prior to 2011 had a weighted average exercise price of \$31.27 and our outstanding options corresponding to Drive Shack options issued in 2011, 2012 and 2013, as well as options issued by us in 2013 and thereafter, had a weighted average exercise price of \$14.62. Our outstanding options as of December 31, 2016 were summarized as follows:

December 31, 2016

Total

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	Issued Prior to 2011	Issued in 2011 - 2016	
Held by the Manager	330,090	10,874,152	11,204,242
Issued to the Manager and subsequently transferred to certain of the Manager's employees	18,910	1,967,458	1,986,368
Issued to the independent directors	—	6,000	6,000
Total	349,000	12,847,610	13,196,610

Table of Contents

Accumulated Other Comprehensive Income (Loss)

During the year ended December 31, 2016, 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, 2015	\$ 3,936
Net unrealized gain (loss) on securities	84,703
Reclassification of net realized (gain) loss on securities into earnings	37,724
Accumulated other comprehensive income, December 31, 2016	\$ 126,363

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 year ended December 31, 2016, 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 \$10.3 million with respect to real estate securities and realized gains of \$27.5 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
March 31, 2014	April 2014	\$ 0.35
June 30, 2014	July 2014	\$ 0.50 ^(A)

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September 30, 2014	October 2014	\$ 0.35
December 31, 2014	January 2015	\$ 0.38
March 31, 2015	April 2015	\$ 0.38
June 30, 2015	July 2015	\$ 0.45
September 30, 2015	October 2015	\$ 0.46
December 31, 2015	January 2016	\$ 0.46
March 31, 2016	April 2016	\$ 0.46
June 30, 2016	July 2016	\$ 0.46
September 30, 2016	October 2016	\$ 0.46
December 31, 2016	January 2017	\$ 0.46
March 31, 2017	April 2017	\$ 0.48

Table of Contents

(A) Includes a \$0.15 special cash dividend made in connection with REIT distribution requirements.

Cash Flow

Operating Activities

2016 vs. 2015

Net cash flows provided by operating activities increased approximately \$254.3 million for the year ended December 31, 2016 as compared to the year ended December 31, 2015. Operating cash flows for the year ended December 31, 2016 primarily consisted of proceeds from sales and principal repayments of purchased residential mortgage loans, held-for-sale of \$1.2 billion, collections on receivables and other assets of \$218.1 million, net interest income received of \$492.7 million, distributions of earnings from equity method investees of \$22.0 million, and distributions from equity method investees in excess of our basis of \$9.9 million. Operating cash outflows primarily consisted of purchases of residential mortgage loans, held-for-sale of \$1.2 billion, net funding of servicing advance receivables of \$2.5 million, incentive compensation and management fees paid to the Manager of \$60.6 million, income taxes paid of \$1.1 million and other outflows of approximately \$92.9 million that primarily consisted of general and administrative costs.

2015 vs. 2014

Net cash flows provided by operating activities increased approximately \$478.5 million for the year ended December 31, 2015 as compared to the year ended December 31, 2014. Operating cash flows of \$306.5 million for the year ended December 31, 2015 primarily consisted of proceeds from sales and principal repayments of purchased residential mortgage loans, held-for-sale of \$1.3 billion, collections on receivables primarily acquired through the HLSS Acquisition of \$215.2 million, net interest income received of \$190.4 million, distributions of earnings from equity method investees of \$37.9 million, and distributions from equity method investees in excess of our basis of \$44.0 million. Operating cash outflows primarily consisted of purchases of residential mortgage loans, held-for-sale of \$1.3 billion, incentive compensation and management fees paid to the Manager of \$82.8 million, income taxes paid of \$0.5 million and other outflows of approximately \$88.5 million that primarily consisted of general and administrative costs.

Investing Activities

Cash flows provided by (used in) investing activities were (\$182.6 million), (\$233.2 million) and (\$1.7 billion) for the years ended December 31, 2016, 2015 and 2014, respectively. Investing activities consisted primarily of the acquisition of Servicer Advances, MSRs, Excess MSRs, real estate securities, and loans, net of principal repayments from Servicer Advances, MSRs, Excess MSRs, Agency RMBS, Non-Agency RMBS 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 (used in) financing activities were approximately (\$269.2 million), \$28.9 million and \$1.8 billion during the years ended December 31, 2016, 2015 and 2014, respectively. 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

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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 \$162.3 million. As of December 31, 2016, there was \$2,188.8 million in total outstanding unpaid principal balance of residential mortgage loans underlying such securitization trusts that represent off-balance sheet financings.

We did not have any other off-balance sheet arrangements as of December 31, 2016. 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

As of December 31, 2016, we had the following material contractual obligations (payments in thousands):

Contract	Terms
Debt Obligations	
Repurchase Agreements	Described under Note 11 to our Consolidated Financial Statements.
Notes and Bonds Payable	Described under Note 11 to our Consolidated Financial Statements.
Other Contractual Obligations	
Management Agreement	For its services, our Manager is entitled to management fees, incentive fees, and reimbursement for certain expenses, as defined in, and in accordance with the terms of, the Management Agreement. Such terms are described in Note 15 to our Consolidated Financial Statements.
Interest Rate Swaps	Described under Note 10 to our Consolidated Financial Statements.

Contract	Fixed and Determinable Payments Due by Period				Total
	2017	2018 - 2019	2020 - 2021	Thereafter	
Debt Obligations					
Repurchase Agreements ^(A)	\$5,215,301	\$8,771	\$—	\$—	\$5,224,072
Notes and Bonds Payable ^(A)	914,436	5,079,124	1,293,682	1,683,013	8,970,255
Other Contractual Obligations					
Management Agreement ^(B)	86,916	89,439	89,439	1,117,985	1,383,779
Interest rate swaps ^(C)	1,780	(425) (780) 2,446	3,021

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Total \$6,218,433 \$5,176,909 \$1,382,341 \$2,803,444 \$15,581,127

- (A) Interest is included based on the expected LIBOR curve that existed at December 31, 2016 and the scheduled maturities of our debt obligations.
- (B) Amounts reflect management fees and full expense reimbursements for the next 30 years, assuming no change in gross equity. Incentive fee is included for the amount currently outstanding as of December 31, 2016.
- (C) The amounts reflected assume that these agreements are terminated at their December 31, 2016 fair value and paid at the contractual maturity of the related interest rate swap agreements, to the extent that they represent liabilities.

See Notes 14 and 18 to our Consolidated Financial Statements for information regarding commitments and material contracts entered into subsequent to December 31, 2016. 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.”

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.

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. Non-capitalized transaction-related expenses for the year ended December 31, 2015 include a \$9.1 million settlement which we agreed to pay in connection with HSART (Note 11 to our Consolidated Financial Statements). These costs are recorded as “General and administrative expenses” in our Consolidated Statements of Income. “Other (income) loss” set forth below excludes \$14.5 million accrued during the year ended December 31, 2015 related to a reimbursement from Ocwen for certain increased costs resulting from further S&P servicer rating downgrades of Ocwen (Note 1 to our Consolidated Financial Statements).

Table of Contents

In the fourth quarter of 2014, we modified our definition of core earnings to include 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. This modification had no impact on core earnings in 2014 or any prior period. In the second quarter of 2015, we modified our definition of core earnings to exclude 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. This modification was applied prospectively due to only immaterial impacts in prior periods. In the fourth quarter of 2015, we modified our definition of core earnings to limit 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 made the modification 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. This modification had no impact on core earnings in prior periods.

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.

Table of Contents

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):

	Year Ended December 31,		
	2016	2015	2014
Net income attributable to common stockholders	\$504,453	\$268,636	\$352,877
Impairment	87,980	24,384	11,282
Other Income adjustments:			
Other Income			
Change in fair value of investments in excess mortgage servicing rights	7,297	(38,643)	(41,615)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	(16,526)	(31,160)	(57,280)
Change in fair value of investments in servicer advances	7,768	57,491	(84,217)
Earnings from investments in consumer loans, equity method investees	—	—	(53,840)
Gain on consumer loans investment	(9,943)	(43,954)	(92,020)
Gain on remeasurement of consumer loans investment	(71,250)	—	—
(Gain) loss on settlement of investments, net	48,800	19,626	(31,297)
Unrealized (gain) loss on derivative instruments	(5,774)	3,538	8,847
Unrealized (gain) loss on other ABS	2,322	(879)	—
(Gain) loss on transfer of loans to REO	(18,356)	(2,065)	(17,489)
Fee earned on deal termination	—	—	(5,000)
Gain on Excess MSR recapture agreements	(2,802)	(2,999)	(1,157)
Other (income) loss	6,499	6,219	(20)
Total Other Income Adjustments	(51,965)	(32,826)	(375,088)
Other Income and Impairment attributable to non-controlling interests	(26,303)	(22,102)	44,961
Change in fair value of investments in mortgage servicing rights	(103,679)	—	—
Non-capitalized transaction-related expenses	9,493	31,002	10,281
Incentive compensation to affiliate	42,197	16,017	54,334
Deferred taxes	34,846	(6,633)	16,421
Interest income on residential mortgage loans, held-for sale	18,356	22,484	—
Limit on RMBS discount accretion related to called deals	(30,233)	(9,129)	—
Adjust consumer loans to level yield	7,470	71,070	70,394
Core earnings of equity method investees:			
Excess mortgage servicing rights	18,206	25,853	33,799
Core Earnings	\$510,821	\$388,756	\$219,261

Item 7A. 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.”

112

Table of Contents

Interest Rate Risk

Changes in interest rates, including changes in expected interest rates or “yield curves,” affect our investments in several distinct 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, 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 December 31, 2016, 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 \$19.5 million in 2017, whereas a 50 basis point decrease in short term interest rates would increase our cash flows by approximately \$15.2 million in 2017, 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 December 31, 2016). As of December 31, 2015, an immediate 50 basis point increase in interest rates would have increased our cash flows over the next year by approximately \$5.0 million, whereas an immediate 50 basis point decrease in interest rates would have increased our cash flows over the next year by approximately \$1.3 million.

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.

Table of Contents

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, 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 and Excess 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, 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 December 31, 2016, 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 \$135.9 million, whereas a 50 basis point decrease in short term interest rates would decrease our net book value by approximately \$170.4 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. As of December 31, 2015, an immediate 50 basis point increase in interest rates would have increased our net book value by approximately \$135.9 million, whereas an immediate 50 basis point decrease in interest rates would have decreased our net book value by approximately \$144.3 million.

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.

Table of Contents

A further discussion of the sensitivity of our book value to changes in the yields required by the marketplace on interest rate instruments is included below under “—Credit Spread Risk.”

Prepayment Rate Exposure

Prepayment rates significantly affect the value of MSR, 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 or Excess 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, 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 MSR” 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 December 31, 2016, a 25 basis point increase in credit spreads would decrease our net book value by approximately \$114.1 million, and a 25 basis point decrease in credit spreads would increase our net book value by approximately \$110.5 million, based on a static portfolio of investments, but would not directly affect our earnings or cash flow. As of December 31, 2015, a 25 basis point increase in credit spreads would have decreased our net book value by approximately \$81.5 million, and a 25 basis point decrease in credit spreads would have increased our net book value by approximately \$83.3 million.

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 MSRs, Excess MSRs, 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.

Table of Contents

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 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.

Table of Contents

Item 8. Financial Statements and Supplementary Data.

Index to Financial Statements:

Report of Independent Registered Public Accounting Firm

Report on Internal Control Over Financial Reporting of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2016 and 2015

Consolidated Statements of Income for the years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014

Notes to Consolidated Financial Statements

All schedules have been omitted because either the required information is included in our consolidated financial statements and notes thereto or it is not applicable.

117

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of New Residential Investment Corp. and Subsidiaries

We have audited the accompanying consolidated balance sheets of New Residential Investment Corp. and Subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of New Residential Investment Corp. and Subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), New Residential Investment Corp.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 21, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
February 21, 2017

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of New Residential Investment Corp. and Subsidiaries

We have audited New Residential Investment Corp. and Subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). New Residential Investment Corp. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, New Residential Investment Corp. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of New Residential Investment Corp. and Subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2016, of New Residential Investment Corp. and Subsidiaries and our report dated February 21, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
February 21, 2017

Table of Contents

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

	December 31,	
	2016	2015
Assets		
Investments in:		
Excess mortgage servicing rights, at fair value	\$1,399,455	\$1,581,517
Excess mortgage servicing rights, equity method investees, at fair value	194,788	217,221
Mortgage servicing rights, at fair value	659,483	—
Servicer advances, at fair value ^(A)	5,706,593	7,426,794
Real estate securities, available-for-sale	5,073,858	2,501,881
Residential mortgage loans, held-for-investment	190,761	330,178
Residential mortgage loans, held-for-sale	696,665	776,681
Real estate owned	59,591	50,574
Consumer loans, held-for-investment ^(A)	1,799,486	—
Cash and cash equivalents ^(A)	290,602	249,936
Restricted cash	163,095	94,702
Trades receivable	1,687,788	1,538,481
Deferred tax asset, net	151,284	185,311
Other assets	291,586	239,446
	\$18,365,035	\$15,192,722
Liabilities and Equity		
Liabilities		
Repurchase agreements	\$5,190,631	\$4,043,054
Notes and bonds payable ^(A)	7,990,605	7,249,568
Trades payable	1,381,968	725,672
Due to affiliates	47,348	23,785
Dividends payable	115,356	106,017
Accrued expenses and other liabilities	170,950	58,046
	14,896,858	12,206,142
Commitments and Contingencies		
Equity		
Common Stock, \$0.01 par value, 2,000,000,000 shares authorized, 250,773,117 and 230,471,202 issued and outstanding at December 31, 2016 and December 31, 2015, respectively	2,507	2,304
Additional paid-in capital	2,920,730	2,640,893
Retained earnings	210,500	148,800
Accumulated other comprehensive income (loss)	126,363	3,936
Total New Residential stockholders' equity	3,260,100	2,795,933
Noncontrolling interests in equity of consolidated subsidiaries	208,077	190,647
Total Equity	3,468,177	2,986,580
	\$18,365,035	\$15,192,722

(A)

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

See notes to consolidated financial statements.

120

Table of ContentsNEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except share and per share data)

	Year Ended December 31,		
	2016	2015	2014
Interest income	\$ 1,076,735	\$ 645,072	\$ 346,857
Interest expense	373,424	274,013	140,708
Net Interest Income	703,311	371,059	206,149
Impairment			
Other-than-temporary impairment (OTTI) on securities	10,264	5,788	1,391
Valuation provision (reversal) on loans and real estate owned	77,716	18,596	9,891
	87,980	24,384	11,282
Net interest income after impairment	615,331	346,675	194,867
Servicing revenue, net	118,169	—	—
Other Income			
Change in fair value of investments in excess mortgage servicing rights	(7,297) 38,643	41,615
Change in fair value of investments in excess mortgage servicing rights, equity method investees	16,526	31,160	57,280
Change in fair value of investments in servicer advances	(7,768) (57,491) 84,217
Earnings from investments in consumer loans, equity method investees	—	—	53,840
Gain on consumer loans investment	9,943	43,954	92,020
Gain on remeasurement of consumer loan investment	71,250	—	—
Gain (loss) on settlement of investments, net	(48,800) (19,626) 31,297
Other income (loss), net	28,483	5,389	14,819
	62,337	42,029	375,088
Operating Expenses			
General and administrative expenses	38,570	61,862	27,001
Management fee to affiliate	41,610	33,475	19,651
Incentive compensation to affiliate	42,197	16,017	54,334
Loan servicing expense	44,001	6,469	3,913
Subservicing expense	7,832	—	—
	174,210	117,823	104,899
Income Before Income Taxes	621,627	270,881	465,056
Income tax expense (benefit)	38,911	(11,001) 22,957
Net Income	\$ 582,716	\$ 281,882	\$ 442,099
Noncontrolling Interests in Income (Loss) of Consolidated Subsidiaries	\$ 78,263	\$ 13,246	\$ 89,222
Net Income Attributable to Common Stockholders	\$ 504,453	\$ 268,636	\$ 352,877
Net Income Per Share of Common Stock			
Basic	\$ 2.12	\$ 1.34	\$ 2.59
Diluted	\$ 2.12	\$ 1.32	\$ 2.53
Weighted Average Number of Shares of Common Stock Outstanding			
Basic	238,122,665	200,739,809	136,472,865

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Diluted	238,486,772	202,907,605	139,565,709
Dividends Declared per Share of Common Stock	\$1.84	\$1.75	\$1.58

See notes to consolidated financial statements.

121

Table of Contents

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

	December 31,		
	2016	2015	2014
Comprehensive income (loss), net of tax			
Net income	\$582,716	\$281,882	\$442,099
Other comprehensive income (loss)			
Net unrealized gain (loss) on securities	84,703	(17,075)	89,415
Reclassification of net realized (gain) loss on securities into earnings	37,724	(7,308)	(64,310)
	122,427	(24,383)	25,105
Total comprehensive income	\$705,143	\$257,499	\$467,204
Comprehensive income attributable to noncontrolling interests	\$78,263	\$13,246	\$89,222
Comprehensive income attributable to common stockholders	\$626,880	\$244,253	\$377,982

See notes to consolidated financial statements.

Table of Contents

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 and 2014
(dollars in thousands)

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Income	Total New Residential Stockholders' Equity	Noncontrolling Interests	
Shares	Amount	Paid-in Capital	Equity of Consolidated Subsidiaries				Total Equity	
Equity - December 31, 2013	126,598,987	\$1,266	\$1,158,384	\$102,986	\$3,214	\$1,265,850	\$247,225	\$1,513,075
Dividends declared	—	—	—	(218,094)	—	(218,094)	—	(218,094)
Capital contributions	—	—	—	—	—	—	142,082	142,082
Capital distributions	—	—	—	—	—	—	(225,609)	(225,609)
Issuance of common stock	14,375,000	144	169,761	—	—	169,905	—	169,905
Option exercise	426,102	4	905	—	—	909	—	909
Dilution impact of distributions from consolidated subsidiaries	—	—	(916)	—	—	(916)	916	—
Director share grants	34,816	—	453	—	—	453	—	453
Comprehensive income (loss)								
Net income (loss)	—	—	—	352,877	—	352,877	89,222	442,099
Net unrealized gain (loss) on securities	—	—	—	—	89,415	89,415	—	89,415
Reclassification of net realized (gain) loss on securities into earnings	—	—	—	—	(64,310)	(64,310)	—	(64,310)
Total comprehensive income (loss)						377,982	89,222	467,204
Equity - December 31, 2014	141,434,905	\$1,414	\$1,328,587	\$237,769	\$28,319	\$1,596,089	\$253,836	\$1,849,925
Dividends declared	—	—	—	(355,295)	—	(355,295)	—	(355,295)
Capital contributions	—	—	—	—	—	—	5,161	5,161
Capital distributions	—	—	—	—	—	—	(81,596)	(81,596)
Issuance of common stock	85,435,389	854	1,311,892	—	—	1,312,746	—	1,312,746
Option exercise	3,570,984	36	(36)	—	—	—	—	—
Director share grants	29,924	—	450	—	—	450	—	450
Modified retrospective adjustment for the adoption of ASU No. 2014-11	—	—	—	(2,310)	—	(2,310)	—	(2,310)
Comprehensive income (loss)								
Net income (loss)	—	—	—	268,636	—	268,636	13,246	281,882
Net unrealized gain (loss) on securities	—	—	—	—	(17,075)	(17,075)	—	(17,075)
Reclassification of net realized (gain) loss on securities into earnings	—	—	—	—	(7,308)	(7,308)	—	(7,308)
Total comprehensive income (loss)						244,253	13,246	257,499

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Equity - December 31, 2015	230,471,202	\$2,304	\$2,640,893	\$148,800	\$3,936	\$2,795,933	\$190,647	\$2,986,580
Dividends declared	—	—	—	(442,753)	—	(442,753)	—	(442,753)
SpringCastle Transaction (Note 9)	—	—	—	—	—	—	110,438	110,438
Capital contributions	—	—	—	—	—	—	—	—
Capital distributions	—	—	—	—	—	—	(167,026)	(167,026)
Issuance of common stock	20,000,000	200	278,575	—	—	278,775	—	278,775
Option exercise	280,111	3	(3)	—	—	—	—	—
Purchase of Noncontrolling Interest in the Buyer at a Discount	—	—	965	—	—	965	(4,245)	(3,280)
Director share grants	21,804	—	300	—	—	300	—	300
Comprehensive income (loss)								
Net income (loss)	—	—	—	504,453	—	504,453	78,263	582,716
Net unrealized gain (loss) on securities	—	—	—	—	84,703	84,703	—	84,703
Reclassification of net realized (gain) loss on securities into earnings	—	—	—	—	37,724	37,724	—	37,724
Total comprehensive income (loss)						626,880	78,263	705,143
Equity - December 31, 2016	250,773,117	\$2,507	\$2,920,730	\$210,500	\$126,363	\$3,260,100	\$208,077	\$3,468,177

See notes to consolidated financial statements.

Table of Contents

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

	Year Ended December 31,		
	2016	2015	2014
Cash Flows From Operating Activities			
Net income	\$582,716	\$281,882	\$442,099
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	7,297	(38,643)	(41,615)
Change in fair value of investments in excess mortgage servicer rights, equity method investees	(16,526)	(31,160)	(57,280)
Change in fair value of investments in servicer advances	7,768	57,491	(84,217)
Earnings from consumer loan equity method investees	—	—	(53,840)
(Gain) / loss on consumer loans investment	—	—	(92,020)
(Gain) / loss on remeasurement of consumer loan investment	(71,250)	—	—
(Gain) / loss on settlement of investments (net)	48,800	19,626	(31,297)
Unrealized (gain) / loss on derivative instruments	(5,774)	3,538	8,847
Unrealized (gain) / loss on other ABS	2,322	(879)	—
(Gain) / loss on transfer of loans to REO	(18,356)	(2,065)	(17,489)
(Gain) / loss on transfer of loans to other assets	(2,938)	690	—
(Gain) / loss on Excess MSR recapture agreements	(2,802)	(2,999)	(1,157)
Accretion and other amortization	(747,932)	(525,298)	(278,408)
Other-than-temporary impairment	10,264	5,788	1,391
Valuation provision on loans and real estate owned	77,716	18,596	9,891
Non-cash portions of servicing revenue, net	(88,325)	—	—
Non-cash directors' compensation	300	450	453
Deferred tax provision	34,846	(6,633)	15,114
Changes in:			
Other assets	229,916	216,778	(14,582)
Servicing advance receivables	(2,503)	—	—
Due to affiliates	23,563	(33,639)	38,255
Accrued expenses and other liabilities	3,223	(42,494)	31,945
Other operating cash flows:			
Interest received from excess mortgage servicing rights	152,589	127,131	49,880
Interest received from servicer advance investments	185,204	172,711	110,247
Interest received from Non-Agency RMBS	100,883	43,824	6,660
Interest received from residential mortgage loans, held-for-investment	2,815	—	7,969
Interest received from PCD consumer loans, held-for-investment	49,582	—	—
Distributions of earnings from excess mortgage servicing rights, equity method investees	22,046	37,874	53,427
Distributions of earnings from consumer loan equity method investees	—	—	53,840
Purchases of residential mortgage loans, held-for-sale	(1,196,018)	(1,278,322)	(1,577,933)
Proceeds from sales of purchased residential mortgage loans, held-for-sale	1,109,876	1,226,442	1,245,352
Principal repayments from purchased residential mortgage loans, held-for-sale	61,494	55,804	2,413
Net cash provided by (used in) operating activities	560,796	306,493	(172,055)

Table of Contents

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

	Year Ended December 31,	
	2016	2015
Cash Flows From Investing Activities		
Acquisition of investments in excess mortgage servicing rights	Ø2,140	Ø252,127
Acquisition of HLSS (Note 1), net of cash acquired	—	Ø881,165
SpringCastle Transaction (Note 9), net of cash acquired	Ø55,523	—
Restricted cash acquired from SpringCastle transaction	74,604	—
Purchase of servicer advance investments	Ø15,260	Ø1,804,858
Purchase of MSR and Servicer Advances	Ø526,653	—
Purchase of Agency RMBS	Ø6,812	Ø2,580,680
Purchase of Non-Agency RMBS	Ø2,577	Ø252,516
Purchase of residential mortgage loans	Ø191,089	Ø290,652
Purchase of derivatives	Ø8,292	Ø5,830
Purchase of real estate owned and other assets	Ø14,092	Ø26,208
Purchase of consumer loans	Ø176,107	—
Draws on revolving consumer loans	Ø49,289	—
Payments for settlement of derivatives	Ø84,588	Ø85,493
Return of investments in excess mortgage servicing rights	175,243	Ø34,777
Return of investments in excess mortgage servicing rights, equity method investees	16,918	Ø3,683
Principal repayments from servicer advance investments	17,158	Ø1,008,741
Principal repayments from Agency RMBS	95,030	Ø29,112
Principal repayments from Non-Agency RMBS	726,176	Ø5,948
Principal repayments from residential mortgage loans	38,704	Ø46,496
Proceeds from sale of residential mortgage loans	11,176	Ø43,788
Principal repayments from consumer loans	301,876	—
Return of investments in consumer loan equity method investees	—	—
Proceeds from sale of Agency RMBS	6,594	Ø88,398
Proceeds from sale of Non-Agency RMBS	261,482	Ø5,761
Proceeds from settlement of derivatives	55,853	Ø7,938
Proceeds from sale of real estate owned	71,576	Ø7,699
Net cash provided by (used in) investing activities	Ø182,383	Ø33,188
		Ø1,690,111

Table of Contents

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(dollars in thousands)

	Year Ended December 31,		
	2016	2015	2014
Cash Flows From Financing Activities			
Repayments of repurchase agreements	(29,866,052)	(8,798,578)	(4,869,799)
Margin deposits under repurchase agreements and derivatives	(487,072)	(387,143)	(385,814)
Repayments of notes and bonds payable	(10,843,732)	(7,286,860)	(5,416,883)
Payment of deferred financing fees	(37,908)	(45,654)	(8,444)
Common stock dividends paid	(433,414)	(303,023)	(227,646)
Borrowings under repurchase agreements	31,015,797	9,607,475	6,412,137
Return of margin deposits under repurchase agreements and derivatives	486,050	391,705	366,925
Borrowings under notes and bonds payable	9,719,242	6,053,950	5,841,474
Issuance of common stock	279,600	882,166	173,507
Costs related to issuance of common stock	(825)	(3,512)	(2,693)
Noncontrolling interest in equity of consolidated subsidiaries - contributions	—	—	142,082
Noncontrolling interest in equity of consolidated subsidiaries - distributions	(97,560)	(81,596)	(225,609)
Purchase of Noncontrolling Interest in the Buyer	(3,280)	—	—
Net cash provided by (used in) financing activities	(269,154)	28,930	1,799,237
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	109,059	102,235	(62,929)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	344,638	242,403	305,332
Cash, Cash Equivalents, and Restricted Cash, End of Period	\$453,697	\$344,638	\$242,403
Supplemental Disclosure of Cash Flow Information			
Cash paid during the period for interest	\$350,028	\$244,188	\$127,998
Cash paid during the period for income taxes	1,109	535	14,115
Supplemental Schedule of Non-Cash Investing and Financing Activities			
Dividends declared but not paid	115,356	106,017	53,745
Reclassification resulting from the application of ASU No. 2014-11	—	85,955	—
Purchase of Agency and Non-Agency RMBS, settled after year end	1,381,968	725,672	—
Sale of investments, primarily Agency RMBS, settled after year end	1,687,788	1,538,481	—
Transfer from residential mortgage loans to real estate owned and other assets	249,497	90,414	21,842
Transfer from residential mortgage loans, held-for-investment to residential mortgage loans, held-for-sale	316,199	—	846,904
Non-cash distributions from Consumer Loan Companies	25	585	609
Non-cash distributions to noncontrolling interest	69,466	—	—
Portion of HLSS Acquisition (Note 1) paid in common stock	—	434,092	—
Capital contributions by HLSS Ltd.	—	5,161	—
Deferred purchase price of MSRs	90,058	—	—
Real estate securities retained from loan securitizations	165,782	36,967	54,395
Remeasurement of Consumer Loan Companies noncontrolling interest	110,438	—	—
See notes to consolidated financial statements.			

Table of Contents

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

1. ORGANIZATION

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. (formerly Newcastle Investment Corp., “Drive Shack”) was the sole stockholder of New Residential until the spin-off (Note 13), 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 December 31, 2016, 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 December 31, 2016. In addition, Fortress, through its affiliates, held options relating to approximately 11.2 million shares of New Residential’s common stock as of December 31, 2016.

Acquisition of HLSS Assets and Liabilities

On February 22, 2015, New Residential entered into an Agreement and Plan of Merger (the “HLSS Initial Merger Agreement”) with Home Loan Servicing Solutions, Ltd., a Cayman Islands exempted company (“HLSS”) and Hexagon Merger Sub, Ltd., a Cayman Islands exempted company and a wholly owned subsidiary of New Residential (“HLSS Merger Sub”). On April 6, 2015, with the approval of their respective Boards of Directors, New Residential and HLSS, together with certain of their respective subsidiaries, entered into a termination agreement (providing for the

termination of the HLSS Initial Merger Agreement) and simultaneously entered into a Share and Asset Purchase Agreement (the “HLSS Acquisition Agreement”).

The parties to the HLSS Acquisition Agreement included New Residential, HLSS, HLSS Advances Acquisition Corp., a Delaware corporation and wholly owned subsidiary of New Residential (“HLSS Advances Sub”), and HLSS MSR-EBO Acquisition LLC, a Delaware limited liability company and wholly owned subsidiary of New Residential (together with HLSS Advances Sub, the “HLSS Buyers”). Pursuant to the HLSS Acquisition Agreement, the HLSS Buyers acquired from HLSS substantially all of the assets of HLSS (including all of the issued share capital of HLSS’s first-tier subsidiaries) and assumed (and agreed to indemnify HLSS for) the liabilities of HLSS (together, the “HLSS Acquisition”), other than post-closing liabilities in an amount up to the Retained Balance (as defined below), for aggregate consideration (net of certain transaction expenses being reimbursed by HLSS), consisting of approximately \$1.0 billion in cash and 28,286,980 shares of common stock, par value \$0.01 per share (“New Residential Acquisition Common Stock”), of New Residential delivered to HLSS in a private placement. The closing of the HLSS Acquisition (the “HLSS Acquisition Closing”) occurred simultaneously with the execution of the HLSS Acquisition Agreement.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

The HLSS Acquisition Agreement includes certain customary post-closing covenants of New Residential, the HLSS Buyers and HLSS. In addition, the board of directors of HLSS also approved a wind down plan (the “Distribution and Liquidation Plan”), pursuant to which HLSS sold the shares of New Residential Acquisition Common Stock received in the HLSS Acquisition on April 8, 2015 and distributed to HLSS shareholders the cash consideration from the HLSS Acquisition and the cash proceeds from the sale of shares of New Residential Acquisition Common Stock; provided that under the terms of the Distribution and Liquidation Plan, HLSS retained \$50.0 million of cash (the “Retained Balance”) for wind down costs, of which \$45.1 million was received by New Residential at the HLSS New Merger Effective Time (as defined below).

At the HLSS Acquisition Closing, New Residential and HLSS Merger Sub entered into an Agreement and Plan of Merger, dated April 6, 2015, with HLSS (the “HLSS New Merger Agreement”), pursuant to which, upon the terms and subject to the conditions set forth therein (including the approval of HLSS’s shareholders), HLSS (which at the time of the HLSS New Merger (as defined below) had substantially wound-down its operations) merged with and into HLSS Merger Sub, with HLSS Merger Sub continuing as the surviving company and a wholly owned subsidiary of New Residential (the “HLSS New Merger”). Following the HLSS New Merger, references to HLSS refer to HLSS Merger Sub.

Pursuant to the HLSS New Merger Agreement, and upon the terms and conditions set forth therein, at the effective time of the HLSS New Merger (the “HLSS New Merger Effective Time”), each ordinary share of HLSS, par value \$0.01 per share, issued and outstanding immediately prior to the HLSS New Merger Effective Time (other than those shares of HLSS owned by New Residential or any direct or indirect wholly-owned subsidiary of New Residential and shares of HLSS as to which dissenters’ rights have been properly exercised), was automatically converted into the right to receive \$0.704059 per share in cash, without interest. The HLSS New Merger Effective Time occurred on October 23, 2015, at which time New Residential paid \$50.0 million to HLSS shareholders and the HLSS New Merger was completed.

The purchase price for the HLSS Acquisition included the fair value of the common stock issued of \$434.1 million, cash consideration paid of \$622.0 million, HLSS seller financing of \$385.2 million, and contingent cash consideration of \$50.0 million. The total consideration is summarized as follows:

Total Consideration	Amount
Share Issuance Consideration	28,286,980
New Residential's 4/6/2015 share price	\$ 15.3460
Dollar Value of Share Issuance ^(A)	\$434,092
Cash Consideration	621,982
HLSS Seller Financing ^(B)	385,174
HLSS New Merger Payment (71,016,771 @ \$0.704059) ^(C)	50,000
Total Consideration	\$ 1,491,248

(A) Share Issuance Consideration

The share issuance consideration consists of 28.3 million newly issued shares of New Residential common stock with a par value \$0.01 per share. The fair value of the common stock at the date of the acquisition was \$15.3460 per share, which was New Residential’s volume weighted average share price on April 6, 2015.

(B) HLSS Seller Financing

New Residential agreed to deliver \$1.0 billion of cash purchase price, including a promise to pay an amount of \$385.2 million immediately after closing from the proceeds of financing that was committed in anticipation of the HLSS Acquisition and is collateralized by certain of the HLSS assets acquired.

(C)HLSS New Merger Payment

The HLSS New Merger Agreement, and the \$50.0 million consideration related thereto, is included as a part of the business combination in conjunction with the HLSS Acquisition Agreement. The range of outcomes for this contingent consideration was from \$0.0 million to \$50.0 million, dependent on whether the HLSS New Merger was approved by HLSS shareholders and other factors. As of the HLSS New Merger Effective Time, the net contingent consideration paid was fixed at \$5.1 million.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

New Residential has performed an allocation of the purchase price to HLSS's assets and liabilities, as set forth below.

Total Consideration (\$ in millions)	\$ 1,491.2
Assets	
Cash and cash equivalents	\$51.4
Servicer advances, at fair value	5,096.7
Excess mortgage servicing rights, at fair value	917.1
Residential mortgage loans, held-for-sale ^(A)	416.8
Deferred tax asset ^(B)	195.1
Investment in HLSS Ltd.	44.9
Other assets ^(C)	402.4
Total Assets Acquired	\$7,124.4
Liabilities	
Notes and bonds payable	5,580.3
Accrued expenses and other liabilities ^{(D)(E)}	52.9
Total Liabilities Assumed	\$5,633.2
Net Assets	\$ 1,491.2

Represents \$424.3 million unpaid principal balance ("UPB") of Government National Mortgage Association ("Ginnie Mae") early buy-out ("EBO") residential mortgage loans not subject to Accounting Standards Codification ("ASC") No. 310-30 as the contractual cash flows are guaranteed by the Federal Housing Administration ("FHA").

(B) Due primarily to the difference between carryover historical tax basis and acquisition date fair value of one of HLSS's first tier subsidiaries.

(C) Includes restricted cash and receivables not subject to ASC No. 310-30 which New Residential has deemed fully collectible.

(D) Includes liabilities which arose from contingencies regarding HLSS matters.

(E) Contingencies for HLSS class action law suits had not been recognized at the acquisition date as the criteria in ASC No. 450 had not been met (Note 14).

The acquisition of HLSS resulted in no goodwill as the total consideration transferred was equal to the fair value of the net assets acquired.

Separately Recognized Transactions

Certain transactions were recognized separately from New Residential's acquisition of assets and assumption of liabilities in the business combination. These separately recognized transactions include 1) contingent payments to the acquiree's employees and 2) debt issuance costs.

Contingent Payment to the Acquiree's Employees

New Residential identified both retention bonus and severance arrangements for the HLSS employees. Retention bonus payments were triggered by a change in control and continued employment for a specified period post-acquisition. As future service was required, retention bonus payments totaling approximately \$3.2 million have been recognized in General and administrative expenses in New Residential's statement of income for the year ended December 31, 2015.

Severance is triggered by a change in control and termination without cause by New Residential within a specified period post-acquisition. As the second trigger represents an action by New Residential as the acquirer, a total amount of approximately \$2.8 million has been recognized in General and administrative expenses in New Residential's statement of income for the year ended December 31, 2015.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014
 (dollars in tables in thousands, except share data)

Debt Issuance Costs

New Residential entered into new financing arrangements in connection with the HLSS Acquisition. Such arrangements resulted in New Residential incurring various commitment fees. Commitment fees are treated as a cost of financing and accounted for as debt issuance costs that are not considered a direct cost of the acquisition. Therefore, debt issuance costs totaling approximately \$27.0 million have been recorded on the post-acquisition balance sheet of New Residential.

Unaudited Supplemental Pro Forma Financial Information - The following table presents unaudited pro forma combined Interest Income and Income Before Income Taxes for the years ended December 31, 2015 and 2014 prepared as if the HLSS Acquisition had been consummated on January 1, 2014.

	Year Ended December 31,	
	2015	2014
	(unaudited)	(unaudited)
Pro Forma		
Interest Income	\$ 731,660	\$ 744,363
Income Before Income Taxes	322,365	647,058

The 2015 unaudited supplemental pro forma financial information has been adjusted to exclude, and the 2014 unaudited supplemental pro forma financial information has been adjusted to include, approximately \$26.1 million of acquisition-related costs incurred by New Residential and HLSS in 2015. The unaudited supplemental pro forma financial information has not been adjusted for transactions other than the HLSS Acquisition, or for the conforming of accounting policies. The unaudited supplemental pro forma financial information does not include any anticipated synergies or other anticipated benefits of the HLSS Acquisition and, accordingly, the unaudited supplemental pro forma financial information is not necessarily indicative of either future results of operations or results that might have been achieved had the HLSS Acquisition occurred on January 1, 2014.

New Residential's Consolidated Statements of Income include interest income and income before income taxes of HLSS between April 6, 2015 and December 31, 2015 of \$282.3 million and \$131.5 million, respectively.

Relationship with Ocwen

HLSS and HLSS Holdings, LLC (a subsidiary of HLSS acquired by New Residential in the HLSS Acquisition) entered into a mortgage servicing rights purchase agreement (the "Ocwen Purchase Agreement") with Ocwen Loan Servicing LLC, a subsidiary of Ocwen Financial Corporation (together with its subsidiaries, including Ocwen Loan Servicing LLC, "Ocwen"), which remains in effect following the HLSS Acquisition. Pursuant to the Ocwen Purchase Agreement, HLSS and HLSS Holdings, LLC purchased, among other things, the rights to certain servicing fees under MSRs in respect of private label securitization transactions, associated Servicer Advances and other related assets from Ocwen from time to time. The specific terms of any acquisition of such assets are documented pursuant to separate sale supplements to the Ocwen Purchase Agreement executed by the parties from time to time (each an "Ocwen Sale Supplement" and together, the "Ocwen Sale Supplements"). As of March 31, 2015, the UPB of the residential mortgage loans in respect of the related MSRs equaled \$156.4 billion. Ocwen consented to HLSS's assignment of its rights and interests in connection with the HLSS Acquisition.

The Ocwen Sale Supplements have an initial term of up to eight years (commencing on the date of the applicable Ocwen Sale Supplement). If Ocwen and New Residential do not agree to revised fee arrangements at the end of such term, New Residential may direct Ocwen to transfer servicing to a third party, and New Residential may keep any proceeds of such transfer.

The Ocwen Purchase Agreement provides that New Residential will purchase from Ocwen Servicer Advances arising under specified servicing agreements as the Servicer Advances arise. The purchase price payable by New Residential for such Servicer Advances is equal to the outstanding balance thereof. As of April 6, 2015, the outstanding balance of Servicer Advances acquired from Ocwen equaled \$5.6 billion.

In addition, the Ocwen Purchase Agreement contemplates that New Residential may cause Ocwen to use commercially reasonable efforts to transfer servicing of the related residential mortgage loans to a third-party servicer upon the occurrence of various termination events. Certain termination events may have occurred under the Ocwen Purchase Agreement because of downgrades

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

in certain of Ocwen's servicer ratings but New Residential has agreed, subject to certain limitations, not to cause Ocwen to use commercially reasonable efforts to transfer servicing of the related residential mortgage loans to a third-party servicer with respect to such downgrades before April 6, 2017.

The Ocwen Purchase Agreement and Ocwen Sale Supplements include various Ocwen warranties, representations and indemnifications relating to Ocwen's performance of its duties as servicer.

Pursuant to an amendment to the Ocwen Purchase Agreement executed in connection with the consummation of the HLSS Acquisition, such Ocwen Purchase Agreement and the related Ocwen Sale Supplements were amended, among other things, to (i) obtain Ocwen's consent to the assignment by HLSS of its interest under the Ocwen Purchase Agreement and each Ocwen Sale Supplement thereto, (ii) provide that HLSS Holdings, LLC will not direct the replacement of Ocwen as servicer before April 6, 2017 except under the circumstances described in the amendment, (iii) extend the scheduled term of Ocwen's servicing appointment under each Sale Supplement until the earlier of eight years from the date of the related Ocwen Sale Supplement and April 30, 2020 (subject to an agreement to commence negotiating in good faith for an extension of the contract term no later than six months prior to the end of the applicable term) unless certain servicer ratings thresholds are not met on the six year anniversary of the related Ocwen Sale Supplement, in which case the related term would expire on such anniversary, and (iv) provide that Ocwen will reimburse HLSS Holdings, LLC, subject to specified limits, for certain increased costs resulting from further Standard & Poor's Rating Services ("S&P") servicer rating downgrades of Ocwen. Through December 31, 2015, New Residential has accrued \$14.5 million in connection with clause (iv), which is included in Other Income, and which was received in October 2015. In addition, pursuant to such amendment Ocwen agreed to sell to New Residential the economic beneficial rights to any right of optional termination or "clean-up call" of any trust related to any servicing agreement in respect of certain servicing fees New Residential acquired from HLSS and to exercise such rights only at New Residential's direction. New Residential agreed to pay to Ocwen a fee in an amount equal to 0.50% of the outstanding balance of the performing mortgage loans purchased in connection with any such exercise and to pay costs and expenses of Ocwen in connection with any such exercise. Optional termination or clean up call rights generally may not be exercised until the outstanding principal balance of securitized loans is reduced to a specified balance.

HLSS Management, LLC (a subsidiary of HLSS acquired by New Residential in the HLSS Acquisition) has a professional services agreement with Ocwen that enables HLSS to provide certain services to Ocwen and for Ocwen to provide certain services to HLSS Management, LLC which remains in effect following the HLSS Acquisition. Services provided by New Residential under this agreement may include valuation and analysis of MSR, capital markets activities, advance financing management, treasury management, legal services and other similar services. Services provided by Ocwen under this agreement may include business strategy, legal, tax, licensing and regulatory compliance support services, risk management services and other similar services. The services provided by the parties under this agreement are on an as-needed basis, and the fees represent actual costs incurred plus an additional markup of 15%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The consolidated financial statements include the accounts of New Residential and its consolidated subsidiaries. All significant intercompany transactions and balances have been eliminated. New Residential consolidates those entities in which it has control over significant operating, financial and investing decisions of the entity, as well as those entities deemed to be variable interest entities ("VIEs") in which New Residential is determined to be the primary beneficiary. For entities over which New Residential exercises significant

influence, but which do not meet the requirements for consolidation, New Residential uses the equity method of accounting whereby it records its share of the underlying income of such entities. Distributions from equity method investees are classified in the Statements of Cash Flows based on the cumulative earnings approach, where all distributions up to cumulative earnings are classified as distributions of earnings.

VIEs are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A VIE is required to be consolidated only by its primary beneficiary, which is defined as the party who has the power to direct the activities of a VIE that most significantly impact its economic performance and who has the obligation to absorb losses or the right to receive benefits from the VIE that could be potentially significant to the VIE.

To assess whether New Residential has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, New Residential considers all the facts and circumstances, including its role in establishing the VIE and its ongoing

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014
(dollars in tables in thousands, except share data)

rights and responsibilities. This assessment includes, first, identifying the activities that most significantly impact the VIE's economic performance; and second, identifying which party, if any, has power over those activities. To assess whether New Residential has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, New Residential considers all of its economic interests and applies judgment in determining whether these interests, in the aggregate, are considered potentially significant to the VIE.

New Residential has determined that the Buyer (Note 6) should be evaluated for consolidation under the VIE model rather than the voting interest entity model as the equity holders as a group do not have the right to direct activities that most significantly impact the entity's economic performance. Under the VIE model, New Residential's consolidated subsidiary, as the managing member, has both 1) the power to direct the activities of the Buyer and 2) a significant variable interest through its equity investment and, therefore, meets the primary beneficiary criterion and continues to consolidate the Buyer. The Buyer's summary balance sheet is included in Note 6.

New Residential has determined that the Consumer Loan SPVs (Note 9) should be evaluated for consolidation under the VIE model rather than the voting interest entity model as the equity holders, individually and as a group, lack the characteristics of a controlling financial interest. Under the VIE model, New Residential's consolidated subsidiaries, the Consumer Loan Companies (Note 9), have both 1) the power to direct the most significant activities of the Consumer Loan SPVs and 2) significant variable interests in each of the Consumer Loan SPVs, through their control of the related optional redemption feature and their ownership of certain notes issued by the Consumer Loan SPVs and, therefore, meet the primary beneficiary criterion and consolidate the Consumer Loan SPVs. The Consumer Loan SPVs' summary balance sheet is included in Note 9.

New Residential's investments in Non-Agency RMBS (Note 7) are variable interests. New Residential monitors these investments and analyzes the potential need to consolidate the related securitization entities pursuant to the VIE consolidation requirements. New Residential has not consolidated the securitization entities that issued its Non-Agency RMBS. This determination is based, in part, on New Residential's assessment that it does not have the power to direct the activities that most significantly impact the economic performance of these entities, such as through ownership of a majority of the currently controlling class. In addition, New Residential is not obligated to provide, and has not provided, any financial support to these entities.

Noncontrolling interests represent the ownership interests in certain consolidated subsidiaries held by entities or persons other than New Residential. These interests are related to noncontrolling interests in consolidated entities that hold New Residential's investment in Servicer Advances (Note 6) and consumer loans (Note 9), as well as HLSS (Note 1) for the period of April 6, 2015 through October 23, 2015.

Certain prior period amounts have been reclassified to conform to the current period's presentation. In addition, New Residential completed a one-for-two reverse stock split in October 2014 (Note 13). The impact of this reverse stock split has been retroactively applied to all periods presented.

Risks and Uncertainties — In the normal course of business, New Residential encounters primarily two significant types of economic risk: credit and market. Credit risk 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. Market risk reflects changes in the value of investments due to changes in prepayment rates, interest rates, spreads or other market factors, including risks that impact the value of the collateral underlying New Residential's investments. New Residential believes that the carrying values of its investments are reasonable taking into consideration these risks along with estimated prepayments, financings, collateral values, payment histories, and other information.

Furthermore, for each of the periods presented, a significant portion of New Residential's assets are dependent on its servicers' and subservicers' ability to perform their obligations servicing the residential mortgage loans underlying New Residential's investments in Excess MSRs, MSRs, Servicer Advances, Non-Agency RMBS and residential mortgage loans. If a servicer is terminated, New Residential's right to receive its portion of the cash flows related to interests in MSRs may also be terminated.

Additionally, New Residential is subject to significant tax risks. If New Residential were to fail to qualify as a REIT in any taxable year, New Residential would be subject to U.S. federal corporate income tax (including any applicable alternative minimum tax), which could be material. Unless entitled to relief under certain statutory provisions, New Residential would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014
(dollars in tables in thousands, except share data)

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

Comprehensive Income — Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from investments by and distributions to owners. For New Residential’s purposes, comprehensive income represents net income, as presented in the Consolidated Statements of Income, adjusted for unrealized gains or losses on securities available for sale.

INCOME RECOGNITION

Investments in Excess Mortgage Servicing Rights — Excess MSR are aggregated into pools as applicable; each pool of Excess MSR is accounted for in the aggregate. Interest income for Excess MSR is accreted into interest income on an effective yield or “interest” method, based upon the expected excess mortgage servicing amount through the expected life of the underlying mortgages. Changes to expected cash flows result in a cumulative retrospective adjustment, which will be recorded in the period in which the change in expected cash flows occurs. Under the retrospective method, the interest income recognized for a reporting period is measured as the difference between the amortized cost basis at the end of the period and the amortized cost basis at the beginning of the period, plus any cash received during the period. The amortized cost basis is calculated as the present value of estimated future cash flows using an effective yield, which is the yield that equates all past actual and current estimated future cash flows to the initial investment. In addition, New Residential’s policy is to recognize interest income only on its Excess MSR in existing eligible underlying mortgages. The difference between the fair value of Excess MSR and their amortized cost basis is recorded as “Change in fair value of investments in excess mortgage servicing rights.” Fair value is generally determined by discounting the expected future cash flows using discount rates that incorporate the market risks and liquidity premium specific to the Excess MSR, and therefore may differ from their effective yields.

Investments in MSR — MSR are aggregated into pools as applicable; each pool of MSR is accounted for in the aggregate. Income from MSR is recorded in “Servicing revenue, net” and is comprised of three components: (i) income receivable from the MSR, less (ii) amortization of the basis of the MSR, plus or minus (iii) the mark-to-market on the MSR. Amortization of the basis of the MSR is based on the remaining UPB of the residential mortgage loans underlying the MSR relative to their UPB at acquisition. Fair value is generally determined by discounting the expected future cash flows using discount rates that incorporate the market risks and liquidity premium specific to the MSR.

Investments in Servicer Advances (“Servicer Advances”) — New Residential accounts for its investments in Servicer Advances similarly to its investments in Excess MSR. Interest income for Servicer Advances is accreted into interest income on an effective yield or “interest” method, based upon the expected aggregate cash flows of the Servicer Advances, including the basic fee component of the related MSR (but excluding any Excess MSR component) through the expected life of the underlying mortgages, net of a portion of the basic fee component of the MSR that New Residential remits to the servicer as compensation for the servicer’s servicing activities. Changes to expected cash flows result in a cumulative retrospective adjustment, which will be recorded in the period in which the change in expected cash flows occurs. Refer to “—Investments in Excess Mortgage Servicing Rights” for a description of the retrospective method. Fair value is generally determined by discounting the expected future cash flows using discount rates that incorporate the market risks and liquidity premium specific to the Servicer Advances, and therefore may differ from their effective yields.

Investments in Real Estate Securities — Discounts or premiums are accreted into interest income on an effective yield or “interest” method, based upon a comparison of actual and expected cash flows, through the expected maturity date of the security. For securities acquired at a discount for credit quality (i.e. where it is probable at acquisition that New Residential will not collect all contractually required interest and principal repayments), the difference between contractual cash flows and expected cash flows at acquisition is not accreted (non-accretable difference). For these securities, the excess of expected cash flows over the carrying value (accretable yield) is recognized as interest income on an effective yield basis.

Depending on the nature of the investment, changes to expected cash flows may result in a prospective change to yield or a retrospective change which would include a catch up adjustment. Deferred fees and costs, if any, are recognized as a reduction to the interest income over the terms of the securities using the interest method. Upon settlement of securities, the specific identification

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014
(dollars in tables in thousands, except share data)

method is used to determine the excess (or deficiency) of net proceeds over the net carrying value of such security recognized as a realized gain (or loss) in the period of settlement.

Investments in Residential Mortgage Loans, REO and Consumer Loans — New Residential evaluates the credit quality of its loans, as of the acquisition date, for evidence of credit quality deterioration. Loans with evidence of credit deterioration since their origination, and where it is probable that New Residential will not collect all contractually required principal and interest payments, are Purchased Credit Deteriorated (“PCD”) loans. At acquisition, New Residential aggregates PCD loans into pools based on common risk characteristics and the aggregated loans are accounted for as if each pool were a single loan with a single composite interest rate and an aggregate expectation of cash flows. The excess of the total cash flows (both principal and interest) expected to be collected over the carrying value of the PCD loans is referred to as the accretable yield. This amount is not reported on New Residential’s Consolidated Balance Sheets but is accreted into interest income at a level rate of return over the remaining estimated life of the pool of loans.

Loans where New Residential expects to collect all contractually required principal and interest payments are considered performing loans. Interest income on performing loans is accrued and recognized as interest income at their effective yield, which includes contractual interest and the amortization of purchase price discount or premium and deferred fees or expenses.

Loans acquired with the intent to sell and loans not acquired with the intent to sell that New Residential decides to sell are classified as held-for-sale. Loans held-for-sale are measured at the lower of cost or fair value, with valuation changes recorded in impairment. Purchase price discounts or premiums are deferred in a contra loan account until the related loan is sold. The deferred discounts or premiums are an adjustment to the basis of the loan and are included in the quarterly determination of the lower of cost or fair value adjustments and/or the gain or loss recognized at the time of sale.

Real estate owned (“REO”) assets are those individual properties acquired by New Residential or where New Residential receives the property in satisfaction of a debt (e.g., by taking legal title or physical possession). New Residential measures REO assets at the lower of cost or fair value, with valuation changes recorded in other income or impairment, as applicable.

Impairment of Securities — Securities are considered to be impaired when it is probable that New Residential will be unable to collect all principal or interest when due according to the contractual terms of the original agreements, or for securities purchased at a discount for credit quality or that represent retained beneficial interests in securitizations, when New Residential determines that it is probable that it will be unable to collect as anticipated.

The evaluation of a security’s estimated cash flows includes the following, as applicable: (i) review of the credit of the issuer or borrower, (ii) review of the credit rating of the security, (iii) review of the key terms of the security or underlying loans, (iv) review of the performance of the underlying loans, including debt service coverage and loan to value ratios, (v) analysis of the value of the underlying loans, (vi) analysis of the effect of local, industry and broader economic factors, and (vii) analysis of historical and anticipated trends in defaults, loss severities and prepayments for similar securities or underlying loans. New Residential must record a write down if it has the intent to sell a given security in an unrealized loss position, or if it is more likely than not that it will be required to sell such a security. Upon determination of impairment, New Residential records a direct write down for securities based on the estimated fair value of the security or underlying collateral using a discounted cash flow analysis or based on an observable market value. Subsequent to a determination of impairment, and a related write down, income on securities is accrued

on an effective yield method from the new carrying value to the related expected cash flows, with cash received treated as a reduction of basis.

Impairment of Loans — To the extent that they are classified as held-for-investment, New Residential must periodically evaluate each of these loans or loan pools for possible impairment. Impairment is indicated when it is deemed probable that New Residential will be unable to collect all amounts due according to the contractual terms of the loan, or for PCD loans, when it is deemed probable that New Residential will be unable to collect as anticipated. Upon determination of impairment, New Residential establishes an allowance for loan losses with a corresponding charge to earnings.

Performing loans are aggregated into pools for the evaluation of impairment based on like characteristics, such as loan type and acquisition date. Pools of loans are evaluated based on criteria such as an analysis of borrower performance, credit ratings of borrowers, loan to value ratios, the estimated value of the underlying collateral, if any, the key terms of the loans and historical and anticipated trends in defaults and loss severities for the type and seasoning of loans being evaluated. This information is used

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014
 (dollars in tables in thousands, except share data)

to estimate provisions for estimated unidentified incurred losses on pools of loans. Significant judgment is required in determining impairment and in estimating the resulting loss allowance.

For PCD loans, New Residential estimates the total cash flows expected to be collected over the remaining life of each pool. Probable decreases in expected cash flows trigger the recognition of impairment. Impairments are recognized through the provision for loans and an increase in the allowance for loan losses. Probable and significant increases in expected cash flows would first reverse any previously recorded allowance for loan losses with any remaining increases recognized prospectively as a yield adjustment over the remaining estimated lives of the underlying loans.

A loan is determined to be past due when a monthly payment is due and unpaid for 30 days or more. Loans, other than PCD loans, are placed on nonaccrual status and considered non-performing when full payment of principal and interest is in doubt, which generally occurs when principal or interest is 120 days or more past due unless the loan is both well secured and in the process of collection. A loan may be returned to accrual status when repayment is reasonably assured and there has been demonstrated performance under the terms of the loan or, if applicable, the terms of the restructured loan. New Residential's ability to recognize interest income on nonaccrual loans as cash interest payments are received rather than as a reduction of the carrying value of the loans is based on the recorded loan balance being deemed fully collectible.

Loans held-for-sale are subject to the nonaccrual policy described above, however, as loans held-for-sale are recognized at the lower of cost or fair value, New Residential's allowance for loan losses and charge-off policies do not apply to these loans.

Accretion and Other Amortization — As reflected on the consolidated statements of cash flows, this item is comprised of the following:

	Year Ended December 31,		
	2016	2015	2014
Accretion of servicer advance interest income	\$364,350	\$352,316	\$190,206
Accretion of excess mortgage servicing rights income	150,141	134,565	49,180
Accretion of net discount on securities and loans ^(A)	253,243	65,925	47,793
Amortization of deferred financing costs	(18,326)	(26,036)	(8,771)
Amortization of discount on notes and bonds payable	(1,476)	(1,472)	—
	\$747,932	\$525,298	\$278,408

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

Other Income (Loss), Net — This item is comprised of the following:

	Year Ended December 31,		
	2016	2015	2014
Unrealized gain (loss) on derivative instruments	\$5,774	\$(3,538)	\$(8,847)
Unrealized gain (loss) on other ABS	(2,322)	879	—
Gain (loss) on transfer of loans to REO	18,356	2,065	17,489
Gain (loss) on transfer of loans to other assets	2,938	(690)	—
Fee earned on deal termination	—	—	5,000
Gain on Excess MSR recapture agreements	2,802	2,999	1,157
Other income (loss)	935	3,674	20
	\$28,483	\$5,389	\$14,819

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

Gain (Loss) on Settlement of Investments, Net — This item is comprised of the following:

	Year Ended December 31,		
	2016	2015	2014
Gain (loss) on sale of real estate securities, net	\$(27,460)	\$13,096	\$65,701
Gain (loss) on sale of residential mortgage loans, net	12,142	35,175	2,644
Gain (loss) on settlement of derivatives	(27,491)	(46,982)	(40,400)
Gain (loss) on liquidated residential mortgage loans	(1,810)	(2,170)	3,285
Gain (loss) on sale of REO	4,690	(10,742)	(3,686)
Other gains (losses)	(8,871)	(8,003)	3,753
	\$(48,800)	\$(19,626)	\$31,297

EXPENSE RECOGNITION

Interest Expense — New Residential finances certain investments using floating rate repurchase agreements and loans. Interest is expensed as incurred.

General and Administrative Expenses, Loan Servicing Expense and Subservicing Expense — General and administrative expenses, including legal fees, audit fees, insurance premiums, and other costs, as well as loan servicing and subservicing expenses, and are expensed as incurred.

Management Fee and Incentive Compensation to Affiliate — These represent amounts due to the Manager pursuant to the Management Agreement. For further information on the Management Agreement, see Note 15.

BALANCE SHEET MEASUREMENT

Investments in Servicing Related Assets — Servicing related assets consist of New Residential's investments in Excess MSR, MSR and Servicer Advances. Upon acquisition, New Residential has elected to record each of such investments at fair value. New Residential elected to record its investments at fair value in order to provide users of the financial statements with better information regarding the effects of prepayment risk and other market factors on servicing related assets. Under this election, New Residential records a valuation adjustment on its investments in servicing related assets on a quarterly basis to recognize the changes in fair value in net income as described in "Income Recognition — Investments in Excess Mortgage Servicing Rights," "Income Recognition — Investments in MSRs" and "Income Recognition — Investments in Servicer Advances."

Investments in Real Estate Securities — New Residential has classified its investments in real estate securities as available for sale. Securities available for sale are carried at market value with the net unrealized gains or losses reported as a separate component of accumulated other comprehensive income, to the extent impairment losses are considered temporary. At disposition, the net realized gain or loss is determined on the basis of the amortized cost of the specific investments and is included in earnings. Unrealized losses on securities are charged to earnings if they reflect a decline in value that is other-than-temporary.

Investments in Residential Mortgage Loans and Consumer Loans — Loans for which New Residential has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are classified as held-for-investment. Performing loans held-for-investment are presented at the aggregate unpaid principal balance adjusted for any unamortized premium or discount, deferred fees or expenses, an allowance for loan losses, charge-offs and write-down for impaired loans. PCD loans held-for-investment are initially recorded at their purchase price at acquisition and are

subsequently measured net of any allowance for loan losses. To the extent that the loans are classified as held-for-investment, New Residential periodically evaluates such loans for possible impairment as described in “—Impairment of Loans.”

Loans which New Residential does not have the intent or the ability to hold into the foreseeable future are considered held-for-sale and are carried at the lower of their amortized cost basis or fair value. New Residential discontinues the accretion of discounts or amortization of premiums on loans if they are reclassified from held-for-investment to held-for-sale.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

Cash and Cash Equivalents and Restricted Cash — New Residential considers all highly liquid short-term investments with maturities of 90 days or less when purchased to be cash equivalents. Substantially all amounts on deposit with major financial institutions exceed insured limits. As of December 31, 2016 and 2015, New Residential held \$82.1 million and \$93.8 million, respectively, of restricted cash related to the financing of the Servicer Advances (Note 6) that has been pledged to the note holders for interest and fees payable. As of December 31, 2016 and 2015, New Residential also held \$22.3 million and \$0.9 million, respectively, of restricted cash related to financing requirements of the Secured Corporate Notes (Note 11).

Derivatives — New Residential financed certain investments with the same counterparty from which it purchased those investments, and accounted for the contemporaneous purchase of the investments and the associated financings as “linked transactions” prior to January 1, 2015. Accordingly, New Residential recorded a non-hedge derivative instrument on a net basis, with changes in market value recorded as “—Other Income” in the Consolidated Statements of Income. In the Consolidated Statement of Cash Flows, New Residential presented the linked transactions on a gross basis with the related asset purchased reflected as an investment activity and the related financing as a financing activity. New Residential also entered into various economic hedges, as further described in Note 10, that are marked to fair value on a periodic basis through “—Other Income.”

Income Taxes — New Residential operates so as to qualify as a REIT under the requirements of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. Requirements for qualification as a REIT include various restrictions on ownership of New Residential’s stock, requirements concerning distribution of taxable income and certain restrictions on the nature of assets and sources of income. A REIT must distribute at least 90% of its taxable income to its stockholders (subject to certain adjustments). Distributions may extend until timely filing of New Residential’s tax return in the subsequent taxable year. Qualifying distributions of taxable income are deductible by a REIT in computing taxable income.

Certain activities of New Residential are conducted through taxable REIT subsidiaries (“TRSs”) and therefore are subject to federal and state income taxes. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases upon the change in tax status. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

New Residential recognizes tax benefits for uncertain tax positions only if it is more likely than not that the position is sustainable based on its technical merits. Interest and penalties on uncertain tax positions are included as a component of the provision for income taxes on the consolidated statements of operations.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014
 (dollars in tables in thousands, except share data)

Other Assets and Other Liabilities — Other assets and liabilities are comprised of the following:

	Other Assets			Accrued Expenses and Other Liabilities	
	December 31, 2016	2015		December 31, 2016	2015
Margin receivable, net	\$55,481	\$54,459	Interest payable	\$23,108	\$18,268
Other receivables ^(A)	16,350	5,829	Accounts payable	31,299	18,650
Principal paydown receivable	999	795	Derivative liabilities (Note 10)	3,021	13,443
Receivable from government agency ^(B)	54,706	68,833	Current taxes payable	2,314	1,573
Call rights	337	414	Due to servicers	13,032	—
Derivative assets (Note 10)	6,762	2,689	Deferred purchase price of MSR	90,058	—
Interest receivable	51,739	36,963	Other liabilities	8,118	6,112
Ginnie Mae EBO servicer advance receivable, net ^(C)	14,829	49,725		\$170,950	\$58,046
Due from servicers	22,134	5,064			
Servicer advances receivable, net ^(D)	47,088	—			
Other assets	21,161	14,675			
	\$291,586	\$239,446			

(A) Primarily includes a receivable from Ocwen related to their servicer rating downgrade, servicing fee receivables and receivables related to residual securities owned as of December 31, 2016.

(B) Represents claims receivable from the FHA on EBO and reverse mortgage loans for which foreclosure has been completed and for which New Residential has made or intends to make a claim on the FHA guarantee.

(C) Represents an HLSS (Note 1) loan to a counterparty collateralized by Servicer Advances on Ginnie Mae EBO loans.

(D) Represents Servicer Advances due to New Residential's licensed servicer subsidiary, NRM (Note 5). These advances are recorded at cost, subject to impairment. Any related purchase discounts are accreted into interest income on a straight-line basis over the estimated weighted average life of the advances.

Repurchase Agreements and Notes and Bonds Payable — New Residential's repurchase agreements are generally short-term debt that expire within one year. Such agreements and notes and bonds payable are carried at their contractual amounts, as specified by each repurchase or financing agreement, and generally treated as collateralized financing transactions.

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 consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The standard changed the accounting for repurchase-to-maturity transactions and linked

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014
(dollars in tables in thousands, except share data)

repurchase financing transactions to secured borrowing accounting. ASU No. 2014-11 also expanded disclosure requirements related to certain transfers of financial assets that are accounted for as sales and certain transfers accounted for as secured borrowings. ASU No. 2014-11 was effective for New Residential in the first quarter of 2015. Disclosures are not required for comparative periods presented before the effective date. New Residential determined that, as of January 1, 2015, its linked transactions (Note 10) are accounted for as secured borrowings.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The standard provides guidance on management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern by requiring management to assess an entity's ability to continue as a going concern by incorporating and expanding on certain principles that are currently in U.S. auditing standards. ASU No. 2014-15 is effective for New Residential for the annual period ending on December 31, 2016. New Residential has determined that there is not substantial doubt regarding its ability to continue as a going concern as of December 31, 2016.

In August 2014, the FASB issued ASU No. 2014-14, Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force). The standard provided guidance on how to classify and measure certain government-guaranteed mortgage loans upon foreclosure. A mortgage loan is to be derecognized and a separate other receivable is to be recognized upon foreclosure in the amount of the loan balance (principal and interest) expected to be recovered from the guarantor if (1) the loan has a government guarantee that is not separable from the loan before foreclosure, (2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim, and 3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. The ASU was effective in the first quarter of 2015 and early adoption was permitted.

New Residential adopted ASU No. 2014-14 as of September 30, 2014, as it relates to the reverse mortgage portfolio. This portfolio is comprised primarily of U.S. Department of Housing and Urban Development ("HUD")-guaranteed reverse mortgage loans. Upon foreclosure of a reverse mortgage loan, New Residential receives the real estate property in satisfaction of the loan and intends to dispose of the property for the best possible economic value. To the extent the liquidation proceeds are less than the unpaid principal balance (UPB) of the loan, New Residential submits a claim to HUD for the lesser of the remaining UPB or the pre-determined HUD claim amount. New Residential's exposure to market risk while the foreclosed property is in its possession is limited to the extent the HUD claim amount is unlikely to cover any shortfall in property disposal proceeds. After the adoption of ASU No. 2014-14, upon foreclosure of a guaranteed reverse mortgage loan, New Residential records a "receivable from government agency" for the expected liquidation proceeds, comprised of both the property disposal proceeds and the maximum HUD claim amount. New Residential used the modified retrospective transition method of adoption, that resulted in no cumulative-effect adjustment as of the beginning of the current fiscal year.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The standard amends the consolidation considerations when evaluating certain limited partnerships, variable interest entities and investment funds. ASU No. 2015-02 was effective for New Residential in the first quarter of 2016. Early adoption was permitted. New Residential adopted this new guidance in the fourth quarter of 2015 and it did not have an impact on its consolidated financial statements, other than the addition of certain disclosures.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest. The standard amends the balance sheet presentation requirements for debt issuance costs such that they are no longer recognized as deferred charges but

are rather presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. ASU No. 2015-03 is effective for New Residential in the first quarter of 2016. Early adoption is permitted. New Residential adopted ASU No. 2015-03 in June 2015 and has determined that the adoption of ASU No. 2015-03 resulted in an immaterial reclassification of its Deferred Financing Costs, Net to an offset of its Notes and Bonds Payable (Note 11).

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805) - Simplifying the Accounting for Measurement-Period Adjustments. The standard requires that an acquirer in a business combination recognize adjustments to provisional amounts in the purchase price allocation that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU No. 2015-16 was effective for New Residential in the first quarter of 2016. Early adoption was permitted. New Residential adopted this new guidance in the fourth quarter of 2015 and applied it prospectively.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014
(dollars in tables in thousands, except share data)

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 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 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 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 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 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.

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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014
(dollars in tables in thousands, except share data)

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		
Year Ended December 31, 2016								
Interest income	\$ 150,141	\$—	\$ 369,809	\$ 265,862	\$ 56,249	\$ 232,750	\$ 1,924	\$ 1,076,735
Interest expense	19,160	—	224,879	49,283	25,675	54,427	—	373,424
Net interest income (expense)	130,981	—	144,930	216,579	30,574	178,323	1,924	703,311
Impairment	—	—	—	10,264	23,870	53,846	—	87,980
Servicing revenue, net	—	118,169	—	—	—	—	—	118,169
Other income (loss)	11,398	—	(4,624)	(47,747)	26,779	76,518	13	62,337
Operating expenses	1,259	10,693	3,724	1,480	14,961	39,466	102,627	174,210
Income (Loss) Before Income Taxes	141,120	107,476	136,582	157,088	18,522	161,529	(100,690)	621,627
Income tax expense (benefit)	—	15,683	21,036	—	2,117	75	—	38,911
Net Income (Loss)	\$ 141,120	\$ 91,793	\$ 115,546	\$ 157,088	\$ 16,405	\$ 161,454	\$ (100,690)	\$ 582,716
Noncontrolling interests in income (loss) of consolidated subsidiaries	\$—	\$—	\$ 40,136	\$—	\$—	\$ 38,127	\$—	\$ 78,263
Net income (loss) attributable to common stockholders	\$ 141,120	\$ 91,793	\$ 75,410	\$ 157,088	\$ 16,405	\$ 123,327	\$ (100,690)	\$ 504,453

	Servicing Related Assets			Residential Securities and Loans			Corporate	Total
	Excess MSR	MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans		
December 31, 2016								
Investments	\$ 1,594,243	\$ 659,483	\$ 5,806,740	\$ 4,973,711	\$ 947,017	\$ 1,799,486	\$—	\$ 15,780,680
Cash and cash equivalents	2,225	95,840	94,368	8,405	5,366	27,962	56,436	290,602
Restricted cash	24,538	—	82,122	—	—	56,435	—	163,095
Other assets	2,404	40,608	180,705	1,753,076	100,951	35,921	16,993	2,130,658
Total assets	\$ 1,623,410	\$ 795,931	\$ 6,163,935	\$ 6,735,192	\$ 1,053,334	\$ 1,919,804	\$ 73,429	\$ 18,365,035
Debt	\$ 729,145	\$—	\$ 5,698,160	\$ 4,203,249	\$ 783,006	\$ 1,767,676	\$—	\$ 13,181,236
Other liabilities	2,189	97,923	24,123	1,394,682	22,689	6,382	167,634	1,715,622
Total liabilities	731,334	97,923	5,722,283	5,597,931	805,695	1,774,058	167,634	14,896,858
Total equity	892,076	698,008	441,652	1,137,261	247,639	145,746	(94,205)	3,468,177
	—	—	173,057	—	—	35,020	—	208,077

Noncontrolling
interests in equity of
consolidated
subsidiaries

Total New

Residential stockholders' equity	\$892,076	\$698,008	\$268,595	\$1,137,261	\$247,639	\$110,726	\$(94,205)	\$3,260,100
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Investments in

equity method investees	\$194,788	\$—	\$—	\$—	\$—	\$—	\$—	\$194,788
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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

	Servicing Related Assets		Residential Securities and Loans				Total
	Excess MSR _s	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	
Year Ended December 31, 2015							
Interest income	\$ 134,565	\$ 354,616	\$ 110,123	\$ 43,180	\$ 1	\$ 2,587	\$ 645,072
Interest expense	11,625	216,837	18,230	21,510	1,615	4,196	274,013
Net interest income (expense)	122,940	137,779	91,893	21,670	(1,614)	(1,609)	371,059
Impairment	—	—	5,788	18,596	—	—	24,384
Other income (loss)	72,802	(53,426)	(33,604)	15,405	43,954	(3,102)	42,029
Operating expenses	1,101	14,316	1,227	13,415	228	87,536	117,823
Income (Loss) Before Income Taxes	194,641	70,037	51,274	5,064	42,112	(92,247)	270,881
Income tax expense (benefit)	—	(8,127)	—	(3,199)	325	—	(11,001)
Net Income (Loss)	\$ 194,641	\$ 78,164	\$ 51,274	\$ 8,263	\$ 41,787	\$ (92,247)	\$ 281,882
Noncontrolling interests in income (loss) of consolidated subsidiaries	\$ —	\$ 18,407	\$ —	\$ —	\$ —	\$ (5,161)	\$ 13,246
Net income (loss) attributable to common stockholders	\$ 194,641	\$ 59,757	\$ 51,274	\$ 8,263	\$ 41,787	\$ (87,086)	\$ 268,636

	Servicing Related Assets		Residential Securities and Loans				Total
	Excess MSR _s	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	
December 31, 2015							
Investments	\$ 1,798,738	\$ 7,857,841	\$ 2,070,834	\$ 1,157,433	\$ —	\$ —	\$ 12,884,846
Cash and cash equivalents	18,507	95,686	42,984	13,262	6,359	73,138	249,936
Restricted cash	878	93,824	—	—	—	—	94,702
Derivative assets	—	2,689	—	—	—	—	2,689
Other assets	34	198,962	1,600,091	106,330	1,767	53,365	1,960,549
Total assets	\$ 1,818,157	\$ 8,249,002	\$ 3,713,909	\$ 1,277,025	\$ 8,126	\$ 126,503	\$ 15,192,722
Debt	\$ 182,978	\$ 7,550,680	\$ 2,513,538	\$ 1,004,980	\$ 40,446	\$ —	\$ 11,292,622
Other liabilities	2,277	18,153	740,392	14,382	459	137,857	913,520
Total liabilities	185,255	7,568,833	3,253,930	1,019,362	40,905	137,857	12,206,142
Total equity	1,632,902	680,169	459,979	257,663	(32,779)	(11,354)	2,986,580
Noncontrolling interests in equity of consolidated subsidiaries	—	190,647	—	—	—	—	190,647
Total New Residential stockholders' equity	\$ 1,632,902	\$ 489,522	\$ 459,979	\$ 257,663	\$ (32,779)	\$ (11,354)	\$ 2,795,933
Investments in equity method investees	\$ 217,221	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 217,221

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

	Servicing Related Assets		Residential Securities and Loans				Total
	Excess MSR	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	
Year Ended December 31, 2014							
Interest income	\$ 49,180	\$ 190,206	\$ 60,208	\$ 47,262	\$—	\$1	\$346,857
Interest expense	1,294	110,968	12,689	11,073	4,184	500	140,708
Net interest income (expense)	47,886	79,238	47,519	36,189	(4,184)	(499)	206,149
Impairment	—	—	1,391	9,891	—	—	11,282
Other income	100,052	83,828	14,589	30,759	145,860	—	375,088
Operating expenses	713	2,183	10,012	12,688	917	78,386	104,899
Income (Loss) Before Income Taxes	147,225	160,883	50,705	44,369	140,759	(78,885)	465,056
Income tax expenses	—	20,806	—	2,059	92	—	22,957
Net Income (Loss)	\$ 147,225	\$ 140,077	\$ 50,705	\$ 42,310	\$ 140,667	\$(78,885)	\$442,099
Noncontrolling interests in income of consolidated subsidiaries	\$—	\$ 89,222	\$—	\$—	\$—	\$—	\$89,222
Net income (loss) attributable to common stockholders	\$ 147,225	\$ 50,855	\$ 50,705	\$ 42,310	\$ 140,667	\$(78,885)	\$352,877

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 MSRs:

	Servicer			Total
	Nationstar	SLS ^(A)	Ocwen ^(B)	
Balance as of December 31, 2014	\$409,076	\$8,657	\$—	\$417,733
Transfers from indirect ownership	98,258	—	—	98,258
Purchases	254,149	—	917,078	1,171,227
Interest income	66,039	180	68,346	134,565
Other income	2,999	—	—	2,999
Proceeds from repayments	(131,621)	(1,291)	(148,996)	(281,908)
Change in fair value	(596)	(2,239)	41,478	38,643
Balance as of December 31, 2015	698,304	5,307	877,906	1,581,517
Purchases	—	124	—	124
Interest income	63,772	(244)	86,613	150,141
Other income	2,802	—	—	2,802
Proceeds from repayments	(145,186)	(1,015)	(181,631)	(327,832)
Change in fair value	(8,399)	(237)	1,339	(7,297)
Balance as of December 31, 2016	\$611,293	\$3,935	\$784,227	\$1,399,455

(A) Specialized Loan Servicing LLC ("SLS"). See Note 6 for a description of the SLS Transaction.

(B) Ocwen services the loans underlying the Excess MSRs and Servicer Advances acquired from HLSS (Note 1).

Nationstar, SLS, or Ocwen, as applicable, as servicer, performs all 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

143

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

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.

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

		December 31, 2016			Weighted Average Life Years ^(A)	Amortized Cost Basis ^(B)	Carrying Value ^(C)
Agency	UPB of Underlying Mortgages	Interest in Excess MSR		Nationstar			
		New Residential ^(D)	Fortress-managed funds				
Original and Recaptured Pools	\$78,295,454	32.5% - 66.7% (53.3%)	0.0% - 40.0%	20.0% - 35.0%	5.9	\$296,508	\$330,323
Recapture Agreements	—	32.5% - 66.7% (53.3%)	0.0% - 40.0%	20.0% - 35.0%	12.3	25,524	51,434
	78,295,454				6.4	322,032	381,757
Non-Agency ^(E)							
Nationstar and SLS Serviced: Original and Recaptured Pools	\$78,209,375	33.3% - 100.0% (59.4%)	0.0% - 50.0%	0.0% - 33.3%	5.2	\$183,775	\$219,980
Recapture Agreements	—	33.3% - 100.0% (59.4%)	0.0% - 50.0%	0.0% - 33.3%	12.2	11,370	13,491
Ocwen Serviced Pools	121,471,168	100.0%	—%	—%	6.6	741,411	784,227
	199,680,543				6.4	936,556	1,017,698
Total	\$277,975,997				6.4	\$1,258,588	\$1,399,455

		December 31, 2015			Weighted Average Life Years ^(A)	Amortized Cost Basis ^(B)	Carrying Value ^(C)
Agency	UPB of Underlying Mortgages	Interest in Excess MSR		Nationstar			
		New Residential ^(D)	Fortress-managed funds				

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Original and Recaptured Pools	\$93,441,696	32.5% - 66.7% (53.2%)	0.0% - 40.0%	20.0% - 35.0%	5.8	\$335,478	\$378,083
Recapture Agreements	—	32.5% - 66.7% (53.2%)	0.0% - 40.0%	20.0% - 35.0%	12.0	36,627	59,118
	93,441,696				6.4	372,105	437,201
Non-Agency ^(E)							
Nationstar and SLS Serviced:							
Original and Recaptured Pools	\$94,923,975	33.3% - 80.0% (58.9%)	0.0% - 50.0%	0.0% - 33.3%	5.2	\$210,691	\$250,662
Recapture Agreements	—	33.3% - 80.0% (58.9%)	0.0% - 50.0%	0.0% - 33.3%	12.3	14,130	15,748
Ocwen Serviced Pools	141,002,300	100.0%	—%	—%	6.2	836,428	877,906
	235,926,275				6.1	1,061,249	1,144,316
Total	\$329,367,971				6.2	\$1,433,354	\$1,581,517

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

(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.

New Residential also invested in related Servicer Advances, including the basic fee component of the related MSR (E) as of December 31, 2016 and 2015 (Note 6) on \$186.4 billion and \$220.3 billion UPB, respectively, underlying these Excess MSRs.

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

	Year Ended December 31,		
	2016	2015	2014
Original and Recaptured Pools	\$(11,221)	\$34,936	\$35,000
Recapture Agreements	3,924	3,707	6,615
	\$(7,297)	\$38,643	\$41,615

As of December 31, 2016 and 2015, weighted average discount rates of 9.8% and 9.8%, respectively, were used to value New Residential's investments in Excess MSRs (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 MSRs. 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.

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

	December 31,	
	2016	2015
Excess MSR assets	\$372,391	\$421,999
Other assets	17,184	12,442
Other liabilities	—	—
Equity	\$389,575	\$434,441
New Residential's investment	\$194,788	\$217,221

New Residential's ownership 50.0 % 50.0 %

	Year Ended December 31,		
	2016	2015	2014
Interest income	\$36,502	\$51,811	\$67,698
Other income (loss)	(3,359)	10,615	46,961
Expenses	(91)	(107)	(99)
Net income	\$33,052	\$62,319	\$114,560

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014
 (dollars in tables in thousands, except share data)

New Residential's investments in equity method investees changed during the years ended December 31, 2016 and 2015 as follows:

	2016	2015
Balance at beginning of period	\$217,221	\$330,876
Contributions to equity method investees	—	—
Transfers to direct ownership	—	(98,258)
Distributions of earnings from equity method investees	(22,046)	(37,874)
Distributions of capital from equity method investees	(16,913)	(8,683)
Change in fair value of investments in equity method investees	16,526	31,160
Balance at end of period	\$194,788	\$217,221

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

	December 31, 2016					
	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)
Agency Original and Recaptured Pools	\$60,677,300	66.7%	50.0%	\$247,105	\$314,401	5.8
Recapture Agreements	—	66.7%	50.0%	29,974	57,990	12.2
Total	\$60,677,300			\$277,079	\$372,391	6.5
	December 31, 2015					
	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)
Agency Original and Recaptured Pools	\$73,058,050	66.7%	50.0%	\$275,338	\$351,275	5.7
Recapture Agreements	—	66.7%	50.0%	45,421	70,724	11.9
Total	\$73,058,050			\$320,759	\$421,999	6.6

(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 MSRs at the time they were acquired.

(C) Represents the carrying value of the Excess MSRs 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.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014
 (dollars in tables in thousands, except share data)

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 December 31,			
	2016	2015		
California	24.1	24.2	%	%
Florida	8.6	8.6	%	%
New York	7.9	7.4	%	%
Texas	4.6	4.6	%	%
New Jersey	4.2	4.1	%	%
Maryland	3.7	3.7	%	%
Illinois	3.5	3.5	%	%
Virginia	3.1	3.1	%	%
Georgia	3.1	3.1	%	%
Massachusetts	2.7	2.7	%	%
Washington	2.6	2.7	%	%
Arizona	2.5	2.5	%	%
Other U.S.	29.4	29.8	%	%
	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

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 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 MSRs associated with loans owned by Freddie Mac. 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 December 31, 2016, 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 MSRs it acquires, in exchange for a subservicing fee which is recorded as “Subservicing expense” on New Residential’s Consolidated Statements of Income.

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

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

Walter Transaction

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. Pursuant to the Walter Purchase Agreement, NRM agreed to (i) purchase the MSR and related Servicer Advances with respect to a pool of existing Fannie Mae residential mortgage loans with a total UPB of approximately \$32.3 billion (the “Walter Existing MSR”) for a purchase price of approximately \$211.4 million and \$27.4 million, respectively, subject to certain adjustments set forth in the Walter Purchase Agreement, and (ii) provide ongoing daily pricing to Ditech for the purchase of MSR from Ditech relating to new residential mortgage loans originated or purchased by Ditech on a flow basis and pooled into Fannie Mae, Freddie Mac or, if applicable, Ginnie Mae securities (the “Walter Flow MSR”). The purchase of the Walter Existing MSR closed on October 3, 2016. The initial term of the Walter Purchase Agreement is three years, with annual, one-year renewals thereafter, subject to certain termination rights; provided, that, NRM may decline to provide pricing for Walter Flow MSR on any day and may terminate the Walter Purchase Agreement with respect to Walter Flow MSR on 30 days’ notice. The purchase of the Walter Existing MSR and any Walter Flow MSR is subject to, among other customary conditions, the approval of the applicable Agencies, all of which were obtained for the Walter Existing MSR purchased. Ditech will initially service the residential mortgage loans related to the Walter Existing MSR and the Walter Flow MSR pursuant to the Walter Subservicing Agreement referred to below.

On August 8, 2016, in connection with the Walter Purchase Agreement, Walter Investment Management Corp. (together with its applicable subsidiaries, including Ditech, “Walter”), a Maryland corporation and the parent of Ditech, provided NRM with a payment and performance guaranty of Ditech’s obligations, including repurchase and indemnification obligations, under the Walter Purchase Agreement.

On August 8, 2016, in connection with the Walter Purchase Agreement, NRM and Ditech entered into a subservicing agreement (the “Walter Subservicing Agreement”), pursuant to which Ditech agreed to act as servicer for NRM and perform all of the actual servicing activities (“servicing”) required under the servicing agreements relating to the Walter Existing MSR, any Walter Flow MSR purchased by NRM under the Walter Purchase Agreement and certain other MSR that may be acquired in the future by NRM. Under the Walter Subservicing Agreement and related documents, Ditech will perform all daily servicing obligations on behalf of NRM, including collecting payments from borrowers and offering refinancing options to borrowers for purposes of minimizing portfolio runoff. Ditech agreed to perform subservicing on behalf of NRM at fixed prices set forth in the Walter Subservicing Agreement for an initial term of one year, with annual, one-year renewals thereafter, subject to certain termination rights set forth in the Walter Subservicing Agreement. With respect to NRM, the initial term of the Walter Subservicing Agreement will expire on the first anniversary of the effective date and shall automatically terminate unless renewed on a month-by-month basis, subject to certain termination rights set forth in the Walter Subservicing Agreement. NRM is responsible for all advance obligations related to the Walter Existing MSR and Walter Flow MSR. Based on the terms of the Walter Subservicing Agreement, the estimated weighted average subservicing rate for the life of the Walter Existing MSR is 7.7 basis points (bps).

In addition, on August 8, 2016, New Residential entered into a “recapture agreement” with respect to the MSR subserviced by Ditech. Under the recapture agreement, New Residential is entitled to the MSR on any initial or subsequent refinancing by Ditech of a loan underlying the Walter Existing MSR or Walter Flow MSR.

On December 1, 2016, pursuant to the Walter Purchase Agreement, NRM purchased Walter Flow MSR and Servicer Advances with respect to a pool of Fannie Mae and Freddie Mac residential mortgage loans with a total UPB of

approximately \$4.8 billion for a purchase price of approximately \$26.4 million and \$3.9 million, respectively. Ditech will subservice the related residential mortgage loans under the Walter Subservicing Agreement described above.

WCO Transaction

On November 10, 2016, NRM and Walter Capital Opportunity, LP and its subsidiaries (“WCO”) entered into an agreement to purchase the MSR’s and related Servicer Advances with respect to a pool of existing Fannie Mae and Freddie Mac residential mortgage loans with a total UPB of approximately \$32.5 billion for a purchase price of approximately \$244.3 million and \$34.8 million, respectively. The purchase included multiple settlement dates in December 2016. Ditech will subservice the related residential mortgage loans under the Walter Subservicing Agreement described above.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014
 (dollars in tables in thousands, except share data)

FirstKey Transaction

On December 1, 2016, NRM and FirstKey Mortgage, LLC (“FirstKey”) entered into an agreement to purchase the MSR’s and related Servicer Advances (the “FirstKey Purchase Agreement”) with respect to a pool of existing Fannie Mae and Freddie Mac residential mortgage loans with an aggregate total UPB of approximately \$12.5 billion for a purchase price of approximately \$89.1 million and \$2.1 million, respectively. The purchase settled in December 2016. Pursuant to the FirstKey Purchase Agreement, FirstKey will continue to perform the servicing duties for the related residential mortgage loans until those duties are transferred to a subservicer appointed by NRM.

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 \$72.0 billion in total UPB of seasoned Agency and private-label residential mortgage loans, which is expected to close beginning in the second quarter of 2017, subject to GSE and other regulatory approvals 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, will subservice the residential mortgage loans underlying the MSR’s acquired by NRM.

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

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

	Year Ended December 31, 2016
Servicing fee revenue	\$ 29,168
Ancillary and other fees	676
Servicing fee revenue and fees	29,844
Amortization of servicing rights	(15,354)
Change in valuation inputs and assumptions	103,679
Servicing revenue, net	\$ 118,169

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

	Subservicer		
	Ditech	FirstKey	Total
Balance as of December 31, 2015	\$—	\$—	\$—
Purchases	482,102	89,056	571,158
Amortization of servicing rights ^(A)	(13,895)	(1,459)	(15,354)
Change in valuation inputs and assumptions	77,804	25,875	103,679

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Balance as of December 31, 2016 \$546,011 \$113,472 \$659,483

(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.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

The following is a summary of New Residential's investments in MSR's as of December 31, 2016:

Agency	UPB of Underlying Mortgages	Weighted Average Life (Years) ^(A)	Amortized Cost Basis	Carrying Value ^(B)
Ditech subserviced pools	\$67,560,362	7.1	\$468,207	\$546,011
FirstKey subserviced pools	12,374,940	6.8	87,597	113,472
Total	\$79,935,302	7.0	\$555,804	\$659,483

(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 December 31, 2016, a weighted average discount rate of 12.0% was used to value New Residential's investments in MSR's.

The table below summarizes the geographic distribution of the underlying residential mortgage loans of the investments in MSR's:

State Concentration	Percentage of Total Outstanding Unpaid Principal Amount December 31, 2016	
California	20.5	%
Florida	7.3	%
Texas	6.3	%
New Jersey	4.5	%
Illinois	4.1	%
Massachusetts	4.1	%
Arizona	3.3	%
Washington	3.2	%
Michigan	3.1	%
Maryland	3.0	%
Other U.S.	40.6	%
	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 MSR's.

In addition to receiving cash flows from the MSR's, 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.

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 MSR (Note 4), including the basic fee component of the related MSR. In November 2016, New Residential purchased an additional 1.27% interest in the Buyer from a third-party co-investor at a purchase price of \$3.3 million. 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 December 31, 2016. As of December 31, 2016, noncontrolling 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

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

commitments and recall capital to the extent the Buyer makes a distribution to the co-investors, including New Residential. As of December 31, 2016, the third-party co-investors and New Residential had previously funded their commitments, however the Buyer may recall \$286.0 million and \$229.6 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 MSR, net of compensation paid back to Nationstar in consideration of Nationstar's servicing activities. The compensation paid to Nationstar as of December 31, 2016 was approximately 9.3% of the basic fee component of the related MSR 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.

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 and Excess MSR in connection with the HLSS Acquisition (Note 1). 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 December 31, 2016 is equal to 5.9 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 in Servicer Advances, including the right to the basic fee component of the related MSR, made by New Residential:

Amortized Cost Basis	Carrying Value ^(A)	Weighted Average Discount Rate	Weighted Average Yield	Weighted Average Life (Years) ^(B)	Change in Fair Value Recorded in Other Income
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								for Year then Ended
December 31, 2016								
Servicer Advances ^(C)	\$5,687,635	\$5,706,593	5.6	%	5.5	%	4.6	\$(7,768)
December 31, 2015								
Servicer Advances ^(C)	\$7,400,068	\$7,426,794	5.6	%	5.5	%	4.4	\$(57,491)

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

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

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

Excludes asset-backed securities collateralized by Servicer Advances, which have aggregate face amounts of (C) \$100.0 million and \$431.0 million and aggregate carrying values of \$100.1 million and \$430.3 million as of December 31, 2016 and 2015, respectively. See Note 7 for details related to these securities.

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

	UPB of Underlying Residential Mortgage Loans	Outstanding Servicer Advances	Servicer Advances to UPB of Underlying Residential Mortgage Loans	Face Amount of Notes and Bonds Payable	Loan-to-Value ("LTV" ^(A))		Cost of Funds ^(C)	
					Gross	Net ^(B)	Gross	Net
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 %
December 31, 2015								
Servicer Advances ^(D)	\$220,256,804	\$7,578,110	3.4 %	\$7,058,094	91.2 %	90.2 %	3.4 %	2.6 %

Based on outstanding Servicer Advances, excluding purchased but unsettled Servicer Advances and certain deferred servicing fees ("DSF") which New Residential receives financing on. If New Residential were to include these DSF in the servicer advance balance, gross and net LTV as of December 31, 2016 would be 89.7% and (A) 88.6%, respectively. Also excludes retained Non-Agency bonds with a current face amount of \$94.4 million from the outstanding Servicer Advances debt. If New Residential were to sell these bonds, gross and net LTV as of December 31, 2016 would be 96.1% and 95.0%, respectively.

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

(C) 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.

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

	December 31,	
	2016	2015
Principal and interest advances	\$1,489,929	\$2,229,468
Escrow advances (taxes and insurance advances)	2,613,050	3,687,559
Foreclosure advances	1,514,780	1,661,083
Total	\$5,617,759	\$7,578,110

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

	Year Ended December 31,		
	2016	2015	2014
Interest income, gross of amounts attributable to servicer compensation	\$723,193	\$754,717	\$290,309
Amounts attributable to base servicer compensation	(79,868)	(97,351)	(26,092)
Amounts attributable to incentive servicer compensation	(278,975)	(305,050)	(74,011)
Interest income from investments in Servicer Advances	\$364,350	\$352,316	\$190,206

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

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 December 31,	
	2016	2015
Assets		
Servicer advance investments, at fair value	\$ 1,731,633	\$ 2,344,245
Cash and cash equivalents	37,854	40,761
All other assets	19,799	25,092
Total assets ^(A)	\$ 1,789,286	\$ 2,410,098
Liabilities		
Notes and bonds payable	\$ 1,464,851	\$ 2,060,347
All other liabilities	5,187	6,111
Total liabilities ^(A)	\$ 1,470,038	\$ 2,066,458

(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:

	December 31,	
	2016	2015
Total Advance Purchaser LLC equity	\$ 319,248	\$ 343,640
Others' ownership interest	54.2 %	55.5 %
Others' interest in equity of consolidated subsidiary	\$ 173,057	\$ 190,647

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

	Year Ended December 31,		
	2016	2015	2014
Net Advance Purchaser LLC income (loss)	\$ 72,159	\$ 33,180	\$ 159,374
Others' ownership interest as a percent of total ^(A)	55.6 %	55.5 %	56.0 %
Others' interest in net income (loss) of consolidated subsidiaries	\$ 40,136	\$ 18,407	\$ 89,222

(A) As a result, New Residential owned 44.4%, 44.5% and 44.0% of the Buyer, on average during the years ended December 31, 2016, 2015 and 2014, respectively.

See Note 11 regarding the financing of Servicer Advances.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

7. INVESTMENTS IN REAL ESTATE SECURITIES

Agency residential mortgage backed securities (“RMBS”) are RMBS issued by a government sponsored enterprise, such as Fannie Mae or 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:

	Year Ended December 31, 2016 (in millions)		Year Ended December 31, 2015 (in millions)	
	Agency	Non-Agency	Agency	Non-Agency
Purchases				
Face	\$7,163.3	\$ 5,431.6	\$5,140.1	\$ 2,397.9
Purchase Price	7,467.6	2,746.3	5,333.7	1,288.9
Sales				
Face	\$6,466.1	\$ 332.5	\$5,772.5	\$ 476.4
Amortized Cost	6,749.4	284.7	5,997.5	422.7
Sale Price	6,740.0	266.6	6,007.6	425.7
Gain (Loss) on Sale	(9.4)	(18.1)	10.1	3.0

On December 31, 2016, New Residential sold and purchased \$1.6 billion and \$1.3 billion face amount of Agency RMBS for \$1.7 billion and \$1.4 billion, respectively, and purchased \$4.3 million face amount of Non-Agency RMBS for \$2.8 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.

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value ^(A)	Weighted Average			Life (Years) ^(D)	Principa Subordi	
			Gains	Losses		Number of Securities	Rating ^(B)	Coupon ^(C) Yield			
December 31, 2016											
Agency RMBS ^{(F)(G)}	\$1,486,739	\$1,532,421	\$1,803	\$(3,926)	\$1,530,298	57	AAA	3.45%	2.94%	9.1	N/A
Non-Agency RMBS ^{(H) (I)}	7,302,218	3,415,906	147,206	(19,552)	3,543,560	536	CCC-	1.59%	5.88%	7.9	8.8 %

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Total/Weighted Average	\$8,788,957	\$4,948,327	\$149,009	\$(23,478)	\$5,073,858	593	BB-	2.16%	4.97%	8.3	
December 31, 2015											
Agency RMBS ^{(F)(G)}	\$884,578	\$918,633	\$183	\$(1,218)	\$917,598	28	AAA	3.28%	2.75%	6.6	N/A
Non-Agency RMBS ^{(H)(I)}	3,533,974	1,579,445	22,964	(18,126)	1,584,283	240	BB+	1.63%	5.03%	6.8	12.1%
Total/Weighted Average	\$4,418,552	\$2,498,078	\$23,147	\$(19,344)	\$2,501,881	268	A-	2.69%	4.19%	6.7	

- (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 193 bonds with a carrying value of \$341.9 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,

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

the lowest rating is used. New Residential used an implied AAA rating for the Agency RMBS. Ratings provided were 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 \$246.8 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 \$1.3 billion and \$0.7 billion for fixed rate securities and \$0.2 billion and \$0.2 billion for floating rate securities as of December 31, 2016 and 2015, respectively.
The total outstanding face amount was \$1.2 billion (including \$0.8 billion of residual and fair value option notional amount) and \$2.3 billion (including \$1.7 billion of residual and fair value option notional amount) for (H) fixed rate securities and \$6.1 billion (including \$2.1 billion of residual and fair value option notional amount) and \$1.3 billion (including \$164.4 million of residual and fair value option notional amount) for floating rate securities as of December 31, 2016 and 2015, respectively.
- Includes other ABS consisting primarily of (i) interest-only securities and servicing strips (fair value option (I) securities) which New Residential elected to carry at fair value and record changes to valuation through the income statement and (ii) bonds backed by Servicer Advances.

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		
December 31, 2016 Servicer Advance Bonds Fair Value Option Securities	\$ 100,000	\$ 99,838	\$ 310	\$ —	\$ 100,148	1	AAA	3.21 %	3.10 %	0.7	N/A
Interest-only Securities	2,062,647	113,342	5,270	(6,555)	112,057	28	AA+	1.85 %	5.30 %	2.9	N/A
Servicing Strips	456,629	5,613	311	(1)	5,923	11	NA	0.27 %	21.74 %	6.2	N/A
December 31, 2015 Servicer Advance Bonds Fair Value Option Securities	\$ 431,000	\$ 430,951	\$ —	\$ (661)	\$ 430,290	5	AA+	2.69 %	2.70 %	1.1	N/A
Interest-only Securities	1,522,256	82,101	5,227	(4,348)	82,980	12	AA+	1.84 %	7.11 %	4.0	N/A

Unrealized losses that are considered other than temporary are recognized currently in earnings. During the year ended December 31, 2016, New Residential recorded OTTI charges of \$10.3 million with respect to real estate securities. During the year ended December 31, 2015, New Residential recorded OTTI of \$5.8 million. During the year ended December 31, 2014, New Residential recorded OTTI of \$1.4 million. 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 December 31, 2016.

Securities in an Unrealized Loss Position	Outstanding Face Amount	Amortized Cost Basis			Gross Unrealized Losses	Carrying Value	Weighted Average				
		Before Impairment	Other-Than-Temporary Impairment ^(A)	After Impairment			Number of Securities	Rating ^(B)	Coupon Yield	Life (Years)	
Less than 12 Months	\$1,300,530	\$620,309	\$(939)	\$619,370	\$(9,896)	\$609,474	195	CCC+	1.44%	5.16%	7.4
12 or More Months	969,356	314,720	(1,487)	313,233	(13,582)	299,651	47	BB+	1.89%	4.51%	6.2
Total/Weighted Average	\$2,269,886	\$935,029	\$(2,426)	\$932,603	\$(23,478)	\$909,125	242	B	1.59%	4.94%	7.0

(A) This amount represents OTTI recorded on securities that are in an unrealized loss position as of December 31, 2016.

The weighted average rating of securities in an unrealized loss position for less than 12 months excludes the rating (B) of 111 bonds which either have never been rated or for which rating information is no longer provided. The weighted average

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

rating of securities in an unrealized loss position for 12 or more months excludes the rating of 10 bonds which either have never been rated or for which rating information is no longer provided.

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:

	December 31, 2016		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	238,660	244,526	(2,426)	(5,866)
Non-credit impaired securities	670,465	688,077	—	(17,612)
Total debt securities in an unrealized loss position	\$909,125	\$ 932,603	\$(2,426)	\$(23,478)

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.

A portion of securities New Residential intends to sell have a fair value equal to their amortized cost basis after (C) impairment, and, therefore do not have unrealized losses reflected in other comprehensive income as of December 31, 2016.

New Residential may, at times, be more likely than not to be required to sell certain securities for liquidity (D) 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:

	Year Ended	
	December 31, 2016	2015
Beginning balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	\$6,239	\$1,127
Increases to credit losses on securities for which an OTTI was previously recognized and a portion of an OTTI was recognized in other comprehensive income	3,008	5

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Additions for credit losses on securities for which an OTTI was not previously recognized	7,256	5,782
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	(1,008)	(675)
Ending balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	\$15,495	\$6,239

156

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

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

Geographic Location ^(A)	December 31, 2016			2015		
	Outstanding	Percentage		Outstanding	Percentage	
	Face	of Total		Face	of Total	
	Amount	Outstanding		Amount	Outstanding	
Western U.S.	\$2,757,424	38.3	%	\$1,097,609	35.3	%
Southeastern U.S.	1,635,596	22.7	%	758,167	24.4	%
Northeastern U.S.	1,426,519	19.8	%	583,366	18.8	%
Midwestern U.S.	778,372	10.8	%	335,406	10.8	%
Southwestern U.S.	557,033	7.7	%	309,236	10.0	%
Other ^(B)	47,274	0.7	%	19,189	0.7	%
	\$7,202,218	100.0	%	\$3,102,973	100.0	%

(A) Excludes \$100.0 million and \$431.0 million face amount of bonds backed by Servicer Advances at December 31, 2016 and 2015, respectively.

(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 year ended December 31, 2016, excluding residual and fair value option securities, the face amount of these real estate securities was \$2,510.3 million, with total expected cash flows of \$2,490.7 million and a fair value of \$1,538.5 million on the dates that New Residential purchased the respective securities. For those securities acquired during the year ended December 31, 2015, the face amount was \$583.6 million, the total expected cash flows were \$502.3 million and the fair value was \$329.5 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
December 31, 2016	\$2,951,498	\$1,871,466
December 31, 2015	873,763	504,659

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

	Year Ended December 31,	
	2016	2015
Beginning Balance	\$316,521	\$181,671
Adoption of ASU No. 2014-11 (Note 2)	—	146,741
Additions	952,271	172,828

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Accretion	(130,745)	(42,800)
Reclassifications from (to) non-accretable difference	63,239	(36,326)
Disposals	(1,161)	(105,593)
Ending Balance	\$1,200,125	\$316,521

See Note 11 regarding the financing of real estate securities.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

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:

December 31, 2016	Outstanding Face Amount	Carrying Value ^(A)	Loan Count	Weighted Average Yield	Weighted Average Life (Years) ^(B)	Floating Rate Loans as a % of Face Amount	LTV Ratio ^(C)	Weighted Avg. Delinquency	Weighted Average PCD ^(E)
Loan Type									
Reverse Mortgage Loans ^{(F)(G)}	\$—	\$—	—	—	% —	—	% —	% —	% N/A
Performing Loans ^(H)	—	—	—	—	% —	—	% —	% —	% —
Purchased Credit Deteriorated Loans ^(I)	203,673	190,761	1,183	5.5	% 2.7	8.7	% 71.5	% 94.9	% 590
Total Residential Mortgage Loans, held-for-investment	\$ 203,673	\$ 190,761	1,183	5.5	% 2.7	8.7	% 71.5	% 94.9	% 590
Reverse Mortgage Loans ^{(F)(G)}	\$ 22,645	\$ 11,468	69	7.2	% 4.5	15.4	% 135.6	% 70.7	% N/A
Performing Loans ^{(H)(J)}	179,983	175,194	1,957	4.3	% 5.9	22.4	% 102.9	% 6.4	% 625
Non-Performing Loans ^{(I)(J)}	706,302	510,003	3,759	7.1	% 2.9	20.6	% 105.0	% 75.9	% 575
Total Residential Mortgage Loans, held-for-sale	\$ 908,930	\$ 696,665	5,785	6.5	% 3.5	20.8	% 105.4	% 62.0	% 585
December 31, 2015									
Loan Type									
Reverse Mortgage Loans ^{(F)(G)}	\$ 34,423	\$ 19,560	136	10.0	% 4.2	21.8	% 112.9	% 71.3	% N/A
Performing Loans ^(H)	21,483	19,964	671	9.1	% 6.7	17.1	% 77.4	% 7.5	% 626
Purchased Credit Deteriorated Loans ^(I)	450,229	290,654	2,118	5.5	% 2.5	18.7	% 115.4	% 97.6	% 578
Total Residential Mortgage Loans, held-for-investment	\$ 506,135	\$ 330,178	2,925	6.0	% 2.8	18.8	% 113.6	% 92.0	% 580

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Performing Loans ^(H)	\$ 270,585	\$ 277,084	1,838	4.6	% 4.9	4.6	% 57.0	% —	% 702
Non-Performing Loans ^(I)	589,129	499,597	3,428	5.9	% 2.9	14.5	% 104.5	% 81.1	% 580
Total Residential									
Mortgage Loans, held-for-sale	\$ 859,714	\$ 776,681	5,266	5.5	% 3.5	11.4	% 89.6	% 55.6	% 619

(A) Includes residential mortgage loans with a United States federal income tax basis of \$905.7 million and \$1,204.2 million as of December 31, 2016 and 2015, respectively.

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

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

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

(E) 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 and \$0.4 million at December 31, 2016 and (F) 2015, respectively. Approximately 60.9% and 71.0% of these loans have reached a termination event at December 31, 2016 and 2015, respectively. As a result of the termination event, each such loan has matured and the borrower can no longer make draws on these loans.

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

(H) 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 will (I) not collect all contractually required principal and interest payments. As of December 31, 2016, New Residential has placed all Non-Performing Loans, held-for-sale on nonaccrual status, except as described in (J) below.

(J) Includes \$45.2 million and \$87.5 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 INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014
 (dollars in tables in thousands, except share data)

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.

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

State Concentration	Percentage of Total Outstanding Unpaid Principal Amount December 31,	
	2016	2015
New York	16.7 %	14.5 %
Florida	11.4 %	10.7 %
California	10.3 %	12.3 %
New Jersey	9.6 %	13.1 %
Maryland	4.7 %	3.5 %
Illinois	4.0 %	4.3 %
Texas	3.9 %	3.3 %
Massachusetts	3.5 %	3.3 %
Pennsylvania	2.9 %	2.8 %
Washington	2.8 %	3.2 %
Other U.S.	30.2 %	29.0 %
	100.0%	100.0%

See Note 11 regarding the financing of residential mortgage loans.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

Call Rights

New Residential has exercised its call rights 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			REO & Other Price (B)	Loans Sold ^(C)		Retained Bonds		Retained Assets ^(C)			
	Number of Trusts Called	Face Amount	Amortized Cost Basis	Loan UPB	Loan Price (B)		UPB	Gain (Loss)	Basis	Type	Loan UPB	Loan Price	& Other Price	
May 2014	16	\$17.4	\$12.0	\$282.2	\$289.4	\$—	May 2014	\$233.8	\$3.5	N/A	N/A	\$48.4	\$40.1	\$1.3
August 2014	19	15.4	13.1	530.1	536.3	3.0	October 2014	463.0	7.0	\$25.8	Interest-Only	66.4	46.3	3.0
December 2014	25	27.9	24.0	597.1	623.7	—	December 2014	516.1	0.7	28.9	Interest-Only	81.0	71.7	4.3
June 2015	18	13.7	9.1	369.0	388.8	—	June 2015	334.5	(2.8)	15.0	Interest-Only	34.5	31.7	1.3
September 2015	7	7.4	4.5	216.3	223.1	1.5	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)	19.4	17.2	1.5
November 2015	14	3.9	3.0	345.4	351.7	1.2	November 2015	511.8	2.4	22.0	Interest-Only	29.8	23.4	1.2
December 2015	14	61.4	48.0	309.1	315.1	3.1	March 2016	261.3	2.1	36.6	Various	35.8	26.6	2.9
March 2016	13	58.0	41.0	167.2	173.3	3.1	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)	65.0	61.8	3.4
May 2016	12	60.0	44.0	290.6	298.7	0.6	May 2016	306.9	(2.2)	40.0	Various	85.9	78.2	1.1
August 2016	11	6.2	1.4	312.3	319.2	1.7	September 2016	308.0	8.1	45.7	Various	45.6	41.1	2.3
November 2016	13	41.7	24.2	289.1	286.8	3.7	December 2016	273.6	(5.2)	43.2	Various	46.2	21.6	4.4
December 2016	1	116.6	102.0	124.4	119.1	0.4	N/A ^(C)	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. Except as otherwise noted in (C) below, there was one securitization associated with each call.

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

(C) 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 November 2015 primarily included loans from the September 2015 and November 2015 calls, but also included previously acquired loans. The securitization that occurred in March 2016 primarily included loans from the December 2015 call, but also

included previously acquired loans. The securitization that occurred in May 2016 primarily included loans from the March 2016 and May 2016 calls. The securitization that occurred in September 2016 primarily included loans from the August 2016 call, but also included \$42.2 million of previously acquired loans. The securitization that occurred in December 2016 primarily included loans from the November 2016 call, but also included \$31.2 million of previously acquired loans. No loans from the December 2016 call had been securitized by December 31, 2016.

Loans Held-for-Investment (Non-PCD)

In February 2013, New Residential, through a subsidiary, entered into an agreement to co-invest in reverse mortgage loans. New Residential acquired a 70% interest in the reverse mortgage loans. Nationstar has co-invested on a pari passu basis with New Residential in 30% of the reverse mortgage loans and is the servicer of the loans performing all servicing and advancing functions and retaining the ancillary income, servicing obligations and liabilities as the servicer.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

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

	Reverse Mortgage Loans	Performing Loans
Balance at December 31, 2014	\$ 24,965	\$ 22,873
Purchases/additional fundings	988	—
Proceeds from repayments	(687)	(2,918)
Accretion of loan discount and other amortization ^(A)	5,904	52
Provision for loan losses	(35)	(43)
Transfer of loans to other assets ^(B)	(11,574)	—
Transfer of loans to real estate owned	(1)	—
Balance at December 31, 2015	\$ 19,560	\$ 19,964
Purchases/additional fundings	319	—
Proceeds from repayments	(1,352)	(811)
Accretion of loan discount (premium) and other amortization ^(A)	2,002	123
Provision for loan losses	(73)	(4)
Transfer of loans to other assets ^(B)	(4,203)	—
Sales	(1,795)	—
Transfer of loans to held-for-sale ^(C)	(14,458)	(19,272)
Balance at December 31, 2016	\$ —	\$ —

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

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

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)

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

	Reverse Mortgage Loans	Performing Loans
Balance at December 31, 2014	\$ 1,518	\$ 1,447
Provision for loan losses ^(A)	35	43
Charge-offs ^(B)	—	(1,371)
Balance at December 31, 2015	\$ 1,553	\$ 119
Provision for loan losses ^(A)	73	4
Charge-offs ^(B)	—	—
Sales	(171)	—
Transfer of loans to held-for-sale ^(C)	(1,455)	(123)
Balance at December 31, 2016	\$ —	\$ —

Based on an analysis of collective borrower performance, credit ratings of borrowers, loan-to-value ratios, (A) 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.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

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.

(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.

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, 2014	\$—
Purchases/additional fundings	289,664
Accretion of loan discount and other amortization	990
Balance at December 31, 2015	\$290,654
Purchases/additional fundings	190,761
Sales	—
Proceeds from repayments	(8,897)
Accretion of loan discount and other amortization	8,295
Transfer of loans to real estate owned	(7,583)
Transfer of loans to held-for-sale	(282,469)
Balance at December 31, 2016	\$190,761

The following is the contractually required payments receivable, cash flows expected to be collected, and fair value at acquisition date for PCD loans acquired during the year ended December 31, 2016:

	Contractually Required Payments Receivable	Cash Flows Expected to be Collected	Fair Value
As of Acquisition Date	337,374	214,449	190,343

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
December 31, 2016	\$203,673	\$190,761
December 31, 2015	450,229	290,654

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

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

Balance at December 31, 2014	\$—
Additions	72,053
Accretion	(990)
Balance at December 31, 2015	\$71,063
Additions	23,688
Accretion	(8,876)
Reclassifications from non-accretable difference ^(A)	29,569
Disposals ^(B)	(2,680)
Transfer of loans to held-for-sale ^(C)	(89,076)
Balance at December 31, 2016	\$23,688

(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.

Loans Held-for-Sale

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

Balance at December 31, 2014	\$1,126,439
Purchases ^(A)	1,695,124
Sales	(1,871,054)
Transfer of loans to other assets ^(B)	(41,752)
Transfer of loans to real estate owned	(34,139)
Adoption of ASU No. 2014-11 ^(C)	1,831
Proceeds from repayments	(85,698)
Valuation (provision) reversal on loans ^(D)	(14,070)
Balance at December 31, 2015	\$776,681
Purchases ^(A)	1,196,018
Transfer of loans from held-for-investment ^(E)	316,199
Sales	(1,274,707)
Transfer of loans to other assets ^(B)	(158,807)
Transfer of loans to real estate owned	(56,001)
Proceeds from repayments	(91,339)
Valuation (provision) reversal on loans ^(D)	(11,379)
Balance at December 31, 2016	\$696,665

(A) Represents loans acquired with the intent to sell, including loans acquired in the HLSS Acquisition (Note 1).

(B) 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).

(C) Represents loans financed with the selling counterparty that were previously accounted for as linked transactions (Note 10).

(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 \$10.5 million, \$2.6 million, \$3.6 million, \$13.8 million and \$10.2 million of provision

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

related to the call transactions executed in December 2015, March 2016, May 2016, November 2016 and December 2016, respectively.

(E) 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.

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, 2014	\$61,933
Purchases	26,208
Transfer of loans to real estate owned	35,322
Sales	(68,441)
Valuation provision on REO	(4,448)
Balance at December 31, 2015	\$50,574
Purchases	11,283
Transfer of loans to real estate owned	81,940
Sales	(66,880)
Valuation provision on REO	(17,326)
Balance at December 31, 2016	\$59,591

As of December 31, 2016, New Residential had non-performing residential mortgage loans that were in the process of foreclosure with an unpaid principal balance of \$447.0 million.

In addition, New Residential has recognized \$55.3 million in unpaid claims receivable from FHA on Ginnie Mae 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.

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. The Consumer Loan Companies acquired the portfolio from HSBC Finance Corporation and its affiliates. 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 acts as the managing member of the Consumer Loan Companies. The Consumer Loan Companies initially financed approximately 73% of the original purchase price with asset-backed notes. In September 2013, the Consumer Loan Companies issued and sold additional asset-backed notes that were subordinate to the debt issued in April 2013. The Consumer Loan Companies were formed on March 19, 2013, for the purpose of making this investment, and commenced operations upon the completion of the investment. After a servicing transition period, OneMain became

the servicer of the loans and provides all servicing and advancing functions for the portfolio.

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 Consolidated Statements of Income. Equity method investments were included in "Investments in consumer loans, equity method investees" on the Consolidated Balance Sheets.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

On October 3, 2014, the Consumer Loan Companies refinanced the outstanding asset-backed notes with an asset-backed securitization for approximately \$2.6 billion. The proceeds in excess of the refinanced debt were distributed to the respective co-investors. New Residential received approximately \$337.8 million which reduced New Residential's basis in the consumer loans investment to \$0.0 million and resulted in a gain of approximately \$80.1 million. Subsequent to this refinancing, New Residential discontinued recording its share of the underlying earnings of the Consumer Loan Companies.

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 (Note 9) to the SpringCastle Buyers for an aggregate purchase price of \$111.6 million (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. The SpringCastle Buyers collectively paid \$100.5 million of the aggregate purchase price to the SpringCastle Sellers on March 31, 2016, with the remaining \$11.2 million paid into an escrow account within 120 days following March 31, 2016. The NRZ SpringCastle Buyers' obligation with respect to purchase price was 50% of the total paid by the SpringCastle Buyers. The escrowed funds are expected to be held in escrow for a period of up to five years following March 31, 2016 and, subject to the terms of the SpringCastle Purchase Agreement and depending on the achievement of certain portfolio performance requirements, paid (in whole or in part) to the SpringCastle Sellers at the end of such five year period. Any portion of the escrowed funds that the SpringCastle Sellers are not entitled to receive at the end of such five year period, based on the failure to achieve certain portfolio performance requirements, will be returned to the SpringCastle Buyers. The SpringCastle Buyers are also entitled (but not required) to use the escrowed funds as a source of recovery for any indemnification payments to which they become entitled pursuant to the SpringCastle Purchase Agreement. The SpringCastle Purchase Agreement includes customary representations, warranties, covenants and indemnities.

The SpringCastle Transaction was unanimously approved by a special committee composed entirely of independent directors to which New Residential's board of directors had delegated full authority to consider, negotiate and determine whether to engage 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. OneMain will remain as servicer of the loans held by the Consumer Loan Companies and their subsidiaries immediately following the SpringCastle Transaction.

In connection with the closing of the SpringCastle Transaction, each NRZ SpringCastle Buyer entered into a Second Amended & Restated Limited Liability Company Agreement (each, a "Second A&R LLC Agreement") for each of the Consumer Loan Companies in which it acquired limited liability company interests. All of the Second A&R LLC

Agreements contain substantially identical terms and conditions and designate the respective NRZ SpringCastle Buyer that is a party thereto as managing member of the applicable Consumer Loan Company. Pursuant to each Second A&R LLC Agreement, the managing member has the exclusive power and authority to manage the business and affairs of the applicable Consumer Loan Company, subject to the rights of the members to approve specified significant actions outside of the ordinary course of business and certain affiliate transactions, and subject to the other terms, conditions and limitations set forth in the Second A&R LLC Agreements. Each Second A&R LLC Agreement contains certain customary restrictions on the members' ability to transfer their interests in the applicable Consumer Loan Companies.

As a result of the SpringCastle Transaction, New Residential obtained a controlling financial interest in the Consumer Loan Companies, which triggered the application of the acquisition model in ASC No. 805, including the fair value recognition of all net assets over which control has been obtained and the remeasurement of any previously held noncontrolling interest. Based on the guidance in ASC No. 805, New Residential has consolidated all of the assets and the related liabilities of the Consumer Loan Companies assuming a gross purchase price of \$237.5 million. This gross purchase price is representative of the fair value, measured

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

in accordance with ASC No. 820, of 100% of the net assets of the Consumer Loan Companies, which was used to derive the \$111.6 million purchase price for an aggregate 47.0% of the equity ownership acquired by the SpringCastle Buyers. New Residential previously held a 30% equity method investment in the Consumer Loan Companies, which had a basis of zero, and a fair value of \$71.3 million based on 30% of the gross purchase price of \$237.5 million, immediately prior to the SpringCastle Transaction. Therefore, the remeasurement of New Residential's previously held equity method investment resulted in a gain of \$71.3 million, which was recorded to Gain on Remeasurement of Consumer Loans Investment.

New Residential has performed an allocation of the purchase price to the Consumer Loan Companies' assets and liabilities, as set forth below.

Total Consideration (\$ in millions)	\$237.5
Assets	
Consumer loans, held-for-investment	\$1,934.7
Cash and cash equivalents	0.3
Restricted cash	74.6
Other assets	35.9
Total Assets Acquired	2,045.5
Liabilities	
Notes and bonds payable	\$1,803.2
Accrued expenses and other liabilities	4.8
Total Liabilities Assumed	1,808.0
Net Assets	\$237.5

The acquisition of the Consumer Loan Companies resulted in no goodwill because the total consideration transferred was equal to the fair value of the net assets acquired.

Unaudited Supplemental Pro Forma Financial Information - The following table presents unaudited pro forma combined Interest Income and Income Before Income Taxes for the years ended December 31, 2016 and 2015 prepared as if the SpringCastle Transaction had been consummated on January 1, 2015.

	Year Ended December	
	31,	2015
	2016	2015
	(unaudited)	(unaudited)
Pro Forma		
Interest Income	\$1,163,648	\$1,030,522
Income Before Income Taxes	581,925	466,915
Noncontrolling Interests in Income of Consolidated Subsidiaries	96,852	92,413

The 2016 unaudited supplemental pro forma financial information has been adjusted to exclude, and the 2015 unaudited supplemental pro forma financial information has been adjusted to include, (i) the gain on remeasurement of New Residential's Consumer Loans investment of \$71.3 million and (ii) approximately \$1.5 million of acquisition related costs incurred by New Residential in 2016. The unaudited supplemental pro forma financial information does not include any other anticipated benefits of the SpringCastle Transaction and, accordingly, the unaudited supplemental pro forma financial information is not necessarily indicative of either future results of operations or

results that might have been achieved had the SpringCastle Transaction occurred on January 1, 2015.

New Residential's Consolidated Statements of Income include Interest Income and Income Before Income Taxes of the Consumer Loan Companies since the March 31, 2016 acquisition of \$226.0 million and \$82.0 million, respectively.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

In August 2016, New Residential agreed to purchase up to \$140.0 million UPB of newly originated consumer loans from a third party prior to September 30, 2016. In October 2016, New Residential extended the terms of the agreement through October 2016. In October 2016, New Residential agreed to purchase up to an additional \$50.0 million UPB of loans. 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 this seller. These loans are not held in the Consumer Loan Companies and have been designated as performing consumer loans, held-for-investment.

Upon acquisition, the 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

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

	Unpaid Principal Balance ^(A)	Interest in Consumer Loans	Carrying Value	Weighted Average Coupon	Weighted Average Expected Life (Years) ^(B)	Weighted Average Delinquency ^(C)
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 ^(D)	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 %
December 31, 2015 ^(E)						
Consumer Loan Companies						
Total Consumer Loans, held-for-investment	\$2,094,904	30.0 %	\$1,698,130	18.2 %	4.4	7.2 %

(A) Represents the balances as of December 31, 2016 and November 30, 2015, respectively.

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

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

(D) 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.

(E) Held through an equity method investee, which had a carrying value of zero, at such time.

See Note 11 regarding the financing of consumer loans.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014
 (dollars in tables in thousands, except share data)

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:

December 31, 2016

Days Past Due	Delinquency Status ^(A)	
Current	94.3	%
30-59	2.3	%
60-89	1.2	%
90-119 ^(B)	0.8	%
120+ ^{(B) (C)}	1.4	%
	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.

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

	Performing Loans
Balance at December 31, 2015	\$—
SpringCastle Transaction	1,539,569
Purchases	176,107
Additional fundings ^(A)	49,289
Proceeds from repayments	(239,236)
Accretion of loan discount and premium amortization, net	7,728
Net charge-offs	(47,065)
Allowance for loan losses	(3,438)
Balance at December 31, 2016	\$1,482,954

(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 March 31, 2016 (date of SpringCastle Transaction)	\$ —	\$ —	\$—
Provision for loan losses	49,506	997	50,503
Net charge-offs ^(C)	(47,065)	—	(47,065)
Balance at December 31, 2016	\$ 2,441	\$ 997	\$3,438

(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. Includes a

provision for loan losses of \$2.0 million for newly originated loans acquired during the year ended December 31, 2016.

Represents consumer loan modifications considered to be troubled debt restructurings (“TDRs”) as they provide (B) concessions to borrowers, primarily in the form of interest rate reductions, who are experiencing financial difficulty. As

168

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

of December 31, 2016, there are \$5.3 million in UPB and \$4.3 million in carrying value of consumer loans classified as TDRs.

Consumer loans, other than PCD loans, are charged off when available information confirms that loans are (C)uncollectible, which is generally when they become 180 days past due. Charge-offs are presented net of \$8.1 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, 2015	\$—
SpringCastle Transaction	395,129
Allowance for Loan Losses ^(A)	(3,013)
Proceeds from repayments	(112,222)
Accretion of loan discount and other amortization	36,638
Balance at December 31, 2016	\$316,532

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

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
December 31, 2016	\$371,261	\$316,532
March 31, 2016 (date of SpringCastle Transaction)	450,611	395,129

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

Balance at December 31, 2015	\$—
SpringCastle Transaction	176,387
Accretion	(36,638)
Reclassifications from non-accretable difference ^(A)	28,179
Balance at December 31, 2016	\$167,928

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

Noncontrolling Interests

Others' interests in the equity of the Consumer Loan Companies is computed as follows at December 31, 2016:

Total Consumer Loan Companies equity	\$75,311
Others' ownership interest	46.5 %
Others' interests in equity of consolidated subsidiary	\$35,020

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

Others' interests in the Consumer Loan Companies' net income (loss) is computed as follows for the year ended December 31, 2016:

Net Consumer Loan Companies income (loss)	\$81,992
Others' ownership interest as a percent of total	46.5 %
Others' interest in net income (loss) of consolidated subsidiaries	\$38,127

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 December 31, 2016
Assets	
Consumer loans, held-for-investment	\$1,638,357
Restricted cash	13,393
Accrued interest receivable	24,528
Total assets ^(A)	\$1,676,278
Liabilities	
Notes and bonds payable	\$1,648,488
Accounts payable and accrued expenses	951
Total liabilities ^(A)	\$1,649,439

^(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.

The following tables summarize the equity method investment in the Consumer Loan Companies held by New Residential prior to their consolidation:

	December 31, 2015
Consumer Loan Assets (amortized cost basis)	\$1,698,130
Other Assets	70,469
Debt	(1,912,267)
Other Liabilities	(5,640)
Equity	\$(149,308)
New Residential's investment	\$—
New Residential's ownership	30.0 %

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014
 (dollars in tables in thousands, except share data)

	First Quarter 2016	Year Ended December 31, 2015		2014	
Interest income	\$100,131	\$455,479		\$534,990	
Interest expense	(19,654)	(87,000)		(81,706)	
Provision for finance receivable losses	(14,043)	(67,935)		(104,921)	
Other expenses, net	(13,239)	(60,263)		(74,781)	
Change in fair value of debt	—	—		(14,810)	
Loss on extinguishment of debt	—	—		(21,151)	
Net income	\$53,195	\$240,281		\$237,621	
New Residential's equity in net income through October 3, 2014	\$—	\$—		\$53,840	
New Residential's ownership	30.0	% 30.0	%	30.0	%
Tax withholding payments on behalf of New Residential, treated as non-cash distributions	\$25	\$585		\$609	
Distributions in excess of basis, treated as gains, excluding tax withholding payments	\$9,918	\$43,369		\$91,411	

10. DERIVATIVES

As of December 31, 2016, 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 December 31, 2016, New Residential held to-be-announced forward contract positions ("TBAs") of \$3.5 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 December 31, 2016, New Residential separately held TBAs of \$2.1 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. \$0.5 billion of the long notional amount of Agency RMBS represented TBAs purchased for which the specific securities were not identified as of December 31, 2016 and, as such, the positions were recorded as derivatives within the Other Assets line on the balance sheet. 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 INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

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

		December 31,	
		2016	2015
	Balance Sheet Location		
Derivative assets			
Interest Rate Caps	Other assets	\$4,251	\$2,689
TBAs	Other assets	2,511	—
		\$6,762	\$2,689
Derivative liabilities			
TBAs	Accrued expenses and other liabilities	\$—	\$2,058
Interest Rate Swaps	Accrued expenses and other liabilities	3,021	11,385
		\$3,021	\$13,443

The following table summarizes notional amounts related to derivatives:

	December 31,	
	2016	2015
TBAs, short position ^(A)	\$3,465,500	\$1,450,000
TBAs, long position ^(A)	2,125,552	750,000
Interest Rate Caps ^(B)	1,185,000	3,400,000
Interest Rate Swaps, short positions ^(C)	3,640,000	2,444,000

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

Caps LIBOR at 0.50% for \$550.0 million of notional, at 0.75% for \$300.0 million of notional, at 2.00% for \$185.0

(B) million of notional, and at 4.00% for \$150.0 million of notional. The weighted average maturity of the interest rate caps as of December 31, 2016 was 18 months.

(C) Receive LIBOR and pay a fixed rate. The weighted average maturity of the interest rate swaps as of December 31, 2016 was 22 months and the weighted average fixed pay rate was 1.35%.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

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

	Year Ended December 31,		
	2016	2015	2014
Other income (loss), net ^(A)			
Non-Performing Loans ^(B)	\$—	\$—	\$(1,149)
Real Estate Securities ^(B)	—	—	2,336
TBAs	(414)	(2,058)	(4,985)
Interest Rate Caps	688	(1,749)	(4)
Interest Rate Swaps	5,500	269	(5,045)
	5,774	(3,538)	(8,847)
Gain (loss) on settlement of investments, net			
Non-Performing Loans ^(B)	—	—	5,609
Real Estate Securities ^(B)	—	—	43
TBAs	(17,927)	(27,142)	(33,638)
Interest Rate Caps	(4,754)	(1,180)	—
Interest Rate Swaps	(4,810)	(18,660)	(12,590)
U.S.T. Short Positions	—	—	176
	(27,491)	(46,982)	(40,400)
Total income (losses)	\$(21,717)	\$(50,520)	\$(49,247)

(A) Represents unrealized gains (losses).

Prior to December 31, 2014, investments purchased from, and financed by, the selling counterparty that New Residential accounted for as linked transactions were reflected as derivatives. Upon the adoption of ASU No. 2014-11 on January 1, 2015, these transactions are accounted for as secured borrowings.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

11. DEBT OBLIGATIONS

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

Debt Obligations/Collateral	Month Issued	Outstanding Face Amount	Carrying Value ^(A)	Final Stated Maturity ^(B)	Weighted		Collateral		Carrying Value
					Average Funding Cost	Average Life (Years)	Outstanding Face	Amortized Cost Basis	
Repurchase Agreements ^(C)									
Agency RMBS ^(D)	Various	\$ 1,764,760	\$ 1,764,760	Jan-17 to Mar-17	1.00%	0.2	\$ 1,786,585	\$ 1,874,554	\$ 1,833,34
Non-Agency RMBS ^(E)	Various	2,654,242	2,654,242	Jan-17 to Mar-17	2.42%	0.1	6,510,127	3,358,438	3,481,478
Residential Mortgage Loans ^(F)	Various	689,132	686,412	Mar-17 to Sep-18	3.31%	0.7	1,061,445	869,297	852,790
Real Estate Owned ^(G) (H)	Various	85,552	85,217	Mar-17 to Sep-18	3.35%	0.3	N/A	N/A	98,496
Consumer Loan Investment	Apr-15	—	—	N/A	— %	—	N/A	N/A	N/A
Total Repurchase Agreements		5,193,686	5,190,631		2.07%	0.2			
Notes and Bonds Payable									
Secured Corporate Notes ^(I)	Various	734,254	729,145	Apr-18 to Sep-19	5.50%	2.2	310,072,544	1,271,217	1,437,226
Servicer Advances ^(J)	Various	5,560,412	5,549,872	Mar-17 to Dec-21	3.19%	2.7	5,617,759	5,687,635	5,706,593
Residential Mortgage Loans ^(K)	Oct-15	8,271	8,271	Oct-17	3.44%	0.8	13,248	7,514	7,514
Consumer Loans ^(L) ^(M)	Various	1,709,054	1,700,211	Sep-19 to Mar-24	3.48%	3.9	1,809,952	1,802,809	1,799,372
Receivable from government agency ^(K)	Oct-15	3,106	3,106	Oct-17	3.44%	0.8	N/A	N/A	3,378
Total Notes and Bonds Payable		8,015,097	7,990,605		3.46%	2.9			
Total/Weighted Average		\$ 13,208,783	\$ 13,181,236		2.91%	1.8			

(A) Net of deferred financing costs.

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

(C) These repurchase agreements had approximately \$11.0 million of associated accrued interest payable as of December 31, 2016.

(D)

All of the Agency RMBS repurchase agreements have a fixed rate. Collateral amounts include approximately \$1.7 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 \$125.8 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

(H) foreclosure has been completed and for which New Residential has made or intends to make a claim on the FHA guarantee.

Includes \$410.0 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 4.75%, and a \$324.3 million corporate loan which bears interest equal to

(I) 5.68%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying Excess MSR that secure these notes, and the \$324.3 million corporate loan is also collateralized by the rights to the related basic fee portion of the MSRs.

\$3.5 billion face amount of the notes have a fixed rate while the remaining notes bear interest equal to the sum of

(J) (i) a floating rate index rate equal to one-month LIBOR or a cost of funds rate, as applicable, and (ii) a margin ranging from 1.9% to 2.1%.

(K) The note is payable to Nationstar and bears interest equal to one-month LIBOR plus 2.88%.

Includes the SpringCastle debt, which is comprised of the following classes of asset-backed notes held by third parties: \$1.29 billion UPB of Class A notes with a coupon of 3.05% and a stated maturity date in November 2023;

(L) \$211.0 million UPB of Class B notes with a coupon of 4.10% and a stated maturity date in March 2024; \$39.0 million UPB of Class C-1 notes with a coupon of 5.63% and a stated maturity date in March 2024; \$39.0 million UPB of Class C-2 notes with a

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

coupon of 5.63% and a stated maturity date in March 2024; \$39.0 million UPB of Class D-1 notes with a coupon of 5.80% and a stated maturity date in March 2024; and \$39.0 million UPB of Class D-2 notes with a coupon of 5.80% and a stated maturity date in March 2024.

(M) Includes a \$132.2 million face amount note collateralized by newly originated consumer loans which bears interest equal to one-month LIBOR plus 3.25%.

As of December 31, 2016, 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 \$5.2 billion of repurchase agreements as of December 31, 2016. 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.

HLSS Servicer Advance Receivables Trust ("HSART")

On October 1, 2015, an event of default (the "Specified Default") occurred under the indenture related to certain notes issued by HSART, a wholly-owned subsidiary of New Residential. The Specified Default occurred as a result of (and solely as a result of) Ocwen's master servicer rating downgrade to "Below Average", announced by S&P on September 29, 2015. After giving effect to such downgrade, Ocwen ceased to be an "Eligible Subservicer" under the indenture causing the "Collateral Test" under the indenture to not be satisfied. The continuing failure of the Collateral Test as of close of business on October 1, 2015 resulted in the occurrence of the Specified Default. The Specified Default caused \$2.5 billion of term notes issued by HSART to become immediately due and payable, without premium or penalty, as of the close of business on October 1, 2015, in accordance with the terms of HSART's indenture.

New Residential had previously secured approximately \$4.0 billion of surplus Servicer Advance financing commitments from HSART's lenders. HSART repaid all \$2.5 billion of the term notes on October 2, 2015 in full with the proceeds of draws by HSART on variable funding notes previously issued by HSART. The holders of the variable funding notes issued by HSART previously agreed that the Specified Default would not be deemed an "event of default" under HSART's indenture for purposes of their variable funding notes. After giving effect to the repayment of the term notes issued by HSART, the only outstanding notes issued by HSART are variable funding notes. No other material obligation of HSART arises, increases or accelerates as a result of the transactions described herein.

During the first three quarters of 2015, through their investment manager, certain bondholders (the "HSART Bondholders") alleged that events of default had occurred under HSART and that, as a result, the HSART Bondholders were due additional interest under the related agreements. In February 2015, in response to such allegations, instead of

releasing such amounts to New Residential's subsidiary that sponsors the HSART transaction entitled thereto, the trustee of HSART began to withhold, monthly, such interest (the "Withheld Funds") so that such amounts were reserved in the event that it was determined that any of the alleged events of default had occurred. On August 28, 2015, the trustee commenced a legal proceeding requesting instruction from the court regarding the alleged defaults and the disposition of the Withheld Funds.

On October 2, 2015, as described above, the notes held by the HSART Bondholders were repaid in full. On October 14, 2015, the court ruled that no event of default had occurred under HSART, authorized the trustee to release the Withheld Funds and dismissed the legal proceeding. As a result of this ruling, \$92.7 million was released from restricted cash accounts related to HSART and became available for unrestricted use by New Residential.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

On October 13, 2015, New Residential entered into a settlement agreement in connection with which a subsidiary of New Residential was liable for a \$9.1 million payment to certain HSART Bondholders, which was recorded within General and Administrative Expenses; this agreement did not impact other former or existing bondholders of HSART.

Consumer Loans

In October 2016, the Consumer Loan Companies (Note 9) refinanced their outstanding asset-backed notes with a new asset-backed securitization. The issuance consisted of \$1.7 billion face amount of asset-backed notes comprised of six classes with maturity dates in November 2023 and March 2024, of which approximately \$157.6 million face amount was retained by the Consumer Loan Companies and subsequently distributed to their members including New Residential. New Residential's \$79.9 million portion of these bonds is not treated as outstanding debt in consolidation. In connection with the refinancing, the Consumer Loan Companies recorded approximately \$4.7 million of loss on extinguishment of debt related to an unamortized discount.

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

	Excess MSRs	Servicer Advances ^(A)	Real Estate Securities	Residential Mortgage Loans and REO	Consumer Loans	Total
Balance at December 31, 2014 ^(B)	\$—	\$2,885,784	\$2,246,651	\$925,418	\$—	\$6,057,853
Repurchase Agreements:						
Borrowings	—	—	7,649,261	1,915,056	43,158	9,607,475
Modified retrospective adjustment for the adoption of ASU No. 2014-11 (Note 2)	—	—	84,649	1,306	—	85,955
Repayments	—	—	(6,963,404)	(1,832,462)	(2,712)	(8,798,578)
Adoption of ASU No. 2015-03 (Note 2)	—	—	—	(888)	—	(888)
Notes and Bonds Payable:						
Borrowings	852,419	10,780,237	—	1,632	—	11,634,288
Repayments	(669,406)	(6,612,372)	—	(5,082)	—	(7,286,860)
Adoption of ASU No. 2015-03 (Note 2)	(35)	(6,588)	—	—	—	(6,623)
Balance at December 31, 2015	\$182,978	\$7,047,061	\$3,017,157	\$1,004,980	\$40,446	\$11,292,622
Repurchase Agreements:						
Borrowings	—	—	30,441,880	552,459	21,458	31,015,797
Repayments	—	—	(29,040,035)	(764,113)	(61,904)	(29,866,052)
Capitalized deferred financing costs, net of amortization	—	—	—	(2,169)	—	(2,169)
Notes and Bonds Payable:						
Acquired borrowings, net of discount	—	—	—	—	1,803,192	1,803,192
Borrowings	1,141,996	6,857,006	—	—	1,789,706	9,788,708
Repayments	(592,175)	(8,354,692)	—	(8,151)	(1,888,714)	(10,843,732)
Discount on borrowings, net of amortization	1,420	—	—	—	(3,374)	(1,954)

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Capitalized deferred financing costs, net of amortization	(5,074)	497	—	—	(599)	(5,176)
Balance at December 31, 2016	\$729,145	\$5,549,872	\$4,419,002	\$783,006	\$1,700,211	\$13,181,236

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

(B) Excludes debt related to linked transactions (Note 10).

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

Maturities

New Residential's debt obligations as of December 31, 2016 had contractual maturities as follows:

Year	Nonrecourse	Recourse	Total
2017	\$ 697,437	\$ 5,145,175	\$ 5,842,612
2018	1,160,179	228,520	1,388,699
2019	2,759,841	514,254	3,274,095
2020	376,246	—	376,246
2021 and thereafter	2,327,131	—	2,327,131
	\$ 7,320,834	\$ 5,887,949	\$ 13,208,783

Borrowing Capacity

The following table represents New Residential's borrowing capacity as of December 31, 2016:

Debt Obligations/ Collateral	Collateral Type	Borrowing Capacity	Balance Outstanding	Available Financing
Repurchase Agreements				
Residential Mortgage Loans	Residential Mortgage Loans and REO	\$ 2,260,000	\$ 774,684	\$ 1,485,316
Notes and Bonds Payable				
Secured Corporate Loan	Excess MSRs	525,000	410,000	115,000
Servicer Advances ^(A)	Servicer Advances	6,577,393	5,560,412	1,016,981
Consumer Loans	Consumer Loans	150,000	132,168	17,832
		\$ 9,512,393	\$ 6,877,264	\$ 2,635,129

New Residential's unused borrowing capacity is available if New Residential has additional eligible collateral to 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 \$94.4 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 our debt covenants as of December 31, 2016.

12. FAIR VALUE MEASUREMENT

U.S. GAAP requires the categorization of fair value measurement into three broad levels which form a hierarchy based on the transparency of inputs to the valuation.

Level 1 - Quoted prices in active markets for identical instruments.

Level 2 - Valuations based principally on other observable market parameters, including:

Quoted prices in active markets for similar instruments,

Quoted prices in less active or inactive markets for identical or similar instruments,

Other observable inputs (such as interest rates, yield curves, volatilities, prepayment rates, loss severities, credit risks and default rates), and

Market corroborated inputs (derived principally from or corroborated by observable market data).

Level 3 - Valuations based significantly on unobservable inputs.

177

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

New Residential follows this hierarchy for its fair value measurements. The classifications are based on the lowest level of input that is significant to the 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 December 31, 2016 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)	\$277,975,997	\$1,399,455	\$—	\$—	\$1,399,455	\$1,399,455
Excess mortgage servicing rights, equity method investees, at fair value ^(A)	60,677,300	194,788	—	—	194,788	194,788
Mortgage servicing rights, at fair value ^(A)	79,935,302	659,483	—	—	659,483	659,483
Servicer advances, at fair value	5,617,759	5,706,593	—	—	5,706,593	5,706,593
Real estate securities, available-for-sale	8,788,957	5,073,858	—	1,530,298	3,543,560	5,073,858
Residential mortgage loans, held-for-investment	203,673	190,761	—	—	190,343	190,343
Residential mortgage loans, held-for-sale	908,930	696,665	—	—	717,985	717,985
Consumer loans, held-for-investment	1,809,952	1,799,486	—	—	1,819,106	1,819,106
Derivative assets	6,776,052	6,762	—	6,762	—	6,762
Cash and cash equivalents	290,602	290,602	290,602	—	—	290,602
Restricted cash	163,095	163,095	163,095	—	—	163,095
Other assets	888,412	4,856	—	—	4,856	4,856
		\$16,186,404	\$453,697	\$1,537,060	\$14,236,169	\$16,226,926
Liabilities:						
Repurchase agreements	\$5,193,686	\$5,190,631	\$—	\$5,193,686	\$—	\$5,193,686
Notes and bonds payable	8,015,097	7,990,605	—	—	7,993,326	7,993,326
Derivative liabilities	3,640,000	3,021	—	3,021	—	3,021
		\$13,184,257	\$—	\$5,196,707	\$7,993,326	\$13,190,033

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.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

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 December 31, 2015 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)	\$329,367,971	\$1,581,517	\$—	\$—	\$1,581,517	\$1,581,517
Excess mortgage servicing rights, equity method investees, at fair value ^(A)	73,058,050	217,221	—	—	217,221	217,221
Servicer advances, at fair value	7,578,110	7,426,794	—	—	7,426,794	7,426,794
Real estate securities, available-for-sale	4,418,552	2,501,881	—	917,598	1,584,283	2,501,881
Residential mortgage loans, held-for-investment	506,135	330,178	—	—	330,433	330,433
Residential mortgage loans, held-for-sale	859,714	776,681	—	—	784,750	784,750
Derivative assets	3,400,000	2,689	—	2,689	—	2,689
Cash and cash equivalents	249,936	249,936	249,936	—	—	249,936
Restricted cash	94,702	94,702	94,702	—	—	94,702
		\$13,181,599	\$344,638	\$920,287	\$11,924,998	\$13,189,923
Liabilities						
Repurchase agreements	\$4,043,942	\$4,043,054	\$—	\$4,043,942	\$—	\$4,043,942
Notes and bonds payable	7,262,056	7,249,568	—	—	7,260,909	7,260,909
Derivative liabilities	4,644,000	13,443	—	13,443	—	13,443
		\$11,306,065	\$—	\$4,057,385	\$7,260,909	\$11,318,294

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

New Residential has various processes and controls in place to ensure that fair value is reasonably estimated. With respect to the broker and pricing service quotations, to ensure these quotes represent a reasonable estimate of fair value, New Residential's quarterly procedures include a comparison to quotations from different sources, outputs generated from its internal pricing models and transactions New Residential has completed with respect to these or similar assets or liabilities, as well as on its knowledge and experience of these markets. With respect to fair value estimates generated based on New Residential's internal pricing models, New Residential corroborates the inputs and outputs of the internal pricing models by comparing them to available independent third party market parameters, where available, and models for reasonableness. New Residential believes its valuation methods and the assumptions used are appropriate and consistent with other market participants.

Fair value measurements categorized within Level 3 are sensitive to changes in the assumptions or methodology used to determine fair value and such changes could result in a significant increase or decrease in the fair value.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

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

	Level 3 Excess MSR ^(A)		Excess MSR ^(A) in Equity Method Investees ^{(A)(B)}	MSR ^(A)	Servicer Advances	Non-Agency RMBS	Total
	Agency	Non-Agency					
Balance at December 31, 2014	\$217,519	\$200,214	\$330,876	\$—	\$3,270,839	\$723,000	\$4,742,448
Transfers ^(C)							
Transfers from Level 3	—	—	—	—	—	—	—
Transfers to Level 3	—	—	—	—	—	—	—
Transfers from investments in excess mortgage servicing rights, equity method investees, to investments in excess mortgage servicing rights	—	98,258	(98,258)	—	—	—	—
Gains (losses) included in net income							
Included in other-than-temporary impairment on securities ^(D)	—	—	—	—	—	(5,788)	(5,788)
Included in change in fair value of investments in excess mortgage servicing rights ^(D)	(3,080)	41,723	—	—	—	—	38,643
Included in change in fair value of investments in excess mortgage servicing rights, equity method investees ^(D)	—	—	31,160	—	—	—	31,160
Included in change in fair value of investments in servicer advances	—	—	—	—	(57,491)	—	(57,491)
Included in gain (loss) on settlement of investments, net	—	—	—	—	—	3,061	3,061
Included in other income (loss), net ^(D)	2,852	147	—	—	—	879	3,878
Gains (losses) included in other comprehensive income ^(E)	—	—	—	—	—	(6,701)	(6,701)
Interest income	30,742	103,823	—	—	352,316	69,632	556,513

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Purchases, sales, repayments and transfers							
Purchases	254,149	917,078	—	—	20,042,582	1,288,901	22,502,710
Proceeds from sales	—	—	—	—	—	(425,761)	(425,761)
Proceeds from repayments	(64,981)	(216,927)	(46,557)	—	(16,181,452)	(179,772)	(16,689,689)
Other transfers	—	—	—	—	—	116,832	116,832
Balance at December 31, 2015	\$437,201	\$1,144,316	\$217,221	\$—	\$7,426,794	\$1,584,283	\$10,809,815
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)	—	—	—	—	—	(10,264)	(10,264)
Included in change in fair value of investments in excess mortgage servicing rights ^(D)	(5,372)	(1,925)	—	—	—	—	(7,297)
Included in change in fair value of investments in excess mortgage servicing rights, equity method investees ^(D)	—	—	16,526	—	—	—	16,526
Included in servicing revenue, net ^(F)	—	—	—	88,325	—	—	88,325
Included in change in fair value of investments in servicer advances	—	—	—	—	(7,768)	—	(7,768)
Included in gain (loss) on settlement of investments, net	—	—	—	—	—	(18,117)	(18,117)
Included in other income (loss), net ^(D)	2,452	350	—	—	—	(4,875)	(2,073)
Gains (losses) included in other comprehensive income ^(E)	—	—	—	—	—	124,669	124,669
Interest income	35,526	114,615	—	—	364,350	209,706	724,197
Purchases, sales and repayments							
Purchases	—	124	—	571,158	15,266,816	2,746,409	18,584,507
Proceeds from sales	—	—	—	—	—	(261,192)	(261,192)
Proceeds from repayments	(88,050)	(239,782)	(38,959)	—	(17,343,599)	(827,059)	(18,537,449)
Balance at December 31, 2016	\$381,757	\$1,017,698	\$194,788	\$659,483	\$5,706,593	\$3,543,560	\$11,503,879

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

(B) Amounts represent New Residential's portion of the Excess MSR's 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) These gains (losses) were included in net unrealized gain (loss) on securities in the Consolidated Statements of Comprehensive Income.
- (F) The components of Servicing revenue, net are disclosed in Note 5.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

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

Fair value estimates of New Residential's MSR and Excess MSR were based on internal pricing models. The valuation technique is based on discounted cash flows. Significant inputs used in the valuations included expectations of prepayment rates, delinquency rates, recapture rates, the mortgage servicing amount or excess mortgage servicing amount of the underlying residential mortgage loans, as applicable, and discount rates that market participants would use in determining the fair values of mortgage servicing rights on similar pools of residential mortgage loans. In addition, for MSR significant inputs included the market-level estimated cost of servicing.

In order to evaluate the reasonableness of its fair value determinations, New Residential engages an independent valuation firm to separately measure the fair value of its MSR and Excess MSR. The independent valuation firm determines an estimated fair value range of each pool based on its own models and issues a "fairness opinion" with this range. New Residential compares the range included in the opinion to the value generated by its internal models. To date, New Residential has not made any significant valuation adjustments as a result of these fairness opinions.

In addition, in valuing the MSR and Excess MSR, New Residential considered the likelihood of one of its servicers being removed as the servicer, which likelihood is considered to be remote.

Significant increases (decreases) in the discount rates, prepayment or delinquency rates, or costs of servicing, in isolation would result in a significantly lower (higher) fair value measurement, whereas significant increases (decreases) in the recapture rates or mortgage servicing amount or excess mortgage servicing amount, as applicable, in isolation would result in a significantly higher (lower) fair value measurement. Generally, a change in the delinquency rate assumption is accompanied by a directionally similar change in the assumption used for the prepayment rate.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

The following tables summarize certain information regarding the weighted average inputs used in valuing the Excess MSR, owned directly and through equity method investees:

	December 31, 2016 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	10.1 %	3.2 %	32.6 %	21	24	
Recaptured Pools	7.4 %	4.3 %	23.0 %	21	25	
Recapture Agreement	7.4 %	5.0 %	20.0 %	22	—	
	9.3 %	3.6 %	29.5 %	21	24	
Non-Agency ^(G)						
Nationstar and SLS Serviced:						
Original Pools	11.8 %	N/A	10.7 %	14	24	
Recaptured Pools	7.9 %	N/A	20.0 %	21	24	
Recapture Agreement	7.5 %	N/A	20.0 %	20	—	
Ocwen Serviced Pools	8.8 %	N/A	— %	14	26	
	9.4 %	N/A	2.7 %	14	26	
Total/Weighted Average--Excess MSR Directly Held	9.4 %	3.6 %	10.0 %	16	26	
Excess MSR Held through Equity Method Investees (Note 4)						
Agency						
Original Pools	11.8 %	5.2 %	35.0 %	19	23	
Recaptured Pools	7.3 %	4.5 %	24.7 %	23	25	
Recapture Agreement	7.3 %	5.0 %	20.0 %	23	—	
Total/Weighted Average--Excess MSR Held through Investees	9.8 %	5.0 %	29.8 %	21	24	
Total/Weighted Average--Excess MSR All Pools	9.5 %	3.9 %	14.2 %	17	26	
MSRs						
Agency						
Ditech subserviced pools	12.7 %	3.2 %	29.1 %	26	23	
FirstKey subserviced pools ^(H)	11.2 %	0.5 %	19.6 %	26	24	
Total/Weighted Average--MSRs	12.4 %	2.8 %	27.5 %	26	23	

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

	December 31, 2015 Significant Inputs ^(A)					
	Prepayment Rate ^(B)	Delinquency ^(C)	Recapture Rate ^(D)	Excess Mortgage Servicing Amount (bps) ^(E)	Collateral Maturity Years ^(F)	Weighted Average Years ^(F)
Excess MSR Directly Held (Note 4)						
Agency						
Original Pools	10.7%	3.5%	29.5%	21	24	
Recaptured Pools	7.5%	4.9%	20.0%	20	25	
Recapture Agreement	7.6%	4.9%	20.0%	22	—	
	10.0%	3.8%	27.4%	21	24	
Non-Agency ^(G)						
Nationstar and SLS Serviced:						
Original Pools	12.5%	N/A	10.2%	14	24	
Recaptured Pools	7.5%	N/A	20.0%	20	25	
Recapture Agreement	7.5%	N/A	20.0%	20	—	
Ocwen Serviced Pools	9.3%	N/A	—	14	26	
	10.0%	N/A	2.6%	14	26	
Total/Weighted Average--Excess MSRs Directly Held	10.0%	3.8%	9.5%	16	25	
Excess MSRs Held through Equity Method Investees (Note 4)						
Agency						
Original Pools	12.6%	5.9%	34.3%	19	24	
Recaptured Pools	7.7%	5.0%	20.0%	23	25	
Recapture Agreement	7.7%	4.9%	20.0%	23	—	
Total/Weighted Average--Excess MSRs Held through Investees	10.8%	5.6%	29.0%	20	24	
Total/Weighted Average--Excess MSRs All Pools	10.2%	4.2%	13.6%	17	25	

(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).

(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) Recapture rate represents the expected recapture rate with the successor servicer appointed by NRM.

As of December 31, 2016 and 2015, weighted average discount rates of 9.8% and 9.8%, respectively, were used to value New Residential's investments in Excess MSRs (directly and through equity method investees). As of December 31, 2016, a weighted average discount rate of 12.0% was used to value New Residential's investments in MSRs.

All of the assumptions listed have some degree of market observability, based on New Residential's knowledge of the market, relationships with market participants, and use of common market data sources. New Residential uses assumptions that generate its best estimate of future cash flows for each investment in MSRs and Excess MSRs.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014
(dollars in tables in thousands, except share data)

When valuing MSR and Excess MSR, New Residential uses the following criteria to determine the significant inputs:

Prepayment Rate: Prepayment rate projections are in the form of a “vector” that varies over the expected life of the pool. The prepayment vector specifies the percentage of the collateral balance that is expected to prepay voluntarily (i.e., pay off) and involuntarily (i.e., default) at each point in the future. The prepayment vector is based on assumptions that reflect macroeconomic conditions and loan level factors such as the borrower’s interest rate, FICO score, loan-to-value ratio, debt-to-income ratio, vintage on a loan level basis, as well as the projected effect on loans eligible for the Home Affordable Refinance Program 2.0 (“HARP 2.0”). New Residential considers historical prepayment experience associated with the collateral when determining this vector and also reviews industry research on the prepayment experience of similar loan pools. This data is obtained from remittance reports, market data services and other market sources.

Delinquency Rates: For existing mortgage pools, delinquency rates are based on the recent pool-specific experience of loans that missed their latest mortgage payments. Delinquency rate projections are in the form of a “vector” that varies over the expected life of the pool. The delinquency vector specifies the percentage of the unpaid principal balance that is expected to be delinquent each month. The delinquency vector is based on assumptions that reflect macroeconomic conditions, the historical delinquency rates for the pools and the underlying borrower characteristics such as the FICO score and loan-to-value ratio. For the recapture agreements and recaptured loans, delinquency rates are based on the experience of similar loan pools originated by New Residential’s servicers and subservicers, and delinquency experience over the past year. New Residential believes this time period provides a reasonable sample for projecting future delinquency rates while taking into account current market conditions. Additional consideration is given to loans that are expected to become 30 or more days delinquent.

Recapture Rates: Recapture rates are based on actual average recapture rates experienced by New Residential’s servicers and subservicers on similar residential mortgage loan pools. Generally, New Residential looks to three to six months’ worth of actual recapture rates, which it believes provides a reasonable sample for projecting future recapture rates while taking into account current market conditions. Recapture rate projections are in the form of a “vector” that varies over the expected life of the pool. The recapture vector specifies the percentage of the refinanced loans that have been recaptured within the pool by the servicer or subservicer. The recapture vector takes into account the nature and timeline of the relationship between the borrowers in the pool and the servicer or subservicer, the customer retention programs offered by the servicer or subservicer and the historical recapture rates.

Mortgage Servicing Amount or Excess Mortgage Servicing Amount: For existing mortgage pools, mortgage servicing amount and excess mortgage servicing amount projections are based on the actual total mortgage servicing amount, in excess of a base fee as applicable. For loans expected to be refinanced by the related servicer or subservicer and subject to a recapture agreement, New Residential considers the mortgage servicing amount or excess mortgage servicing amount on loans recently originated by the related servicer over the past three months and other general market considerations. New Residential believes this time period provides a reasonable sample for projecting future mortgage servicing amounts and excess mortgage servicing amounts while taking into account current market conditions.

Discount Rate: The discount rates used by New Residential are derived from market data on pricing of mortgage servicing rights backed by similar collateral.

New Residential uses different prepayment and delinquency assumptions in valuing the MSR and Excess MSR relating to the original loan pools, the recapture agreements and the MSR and Excess MSR relating to recaptured loans. The prepayment rate and delinquency rate assumptions differ because of differences in the collateral characteristics, eligibility for HARP 2.0 and expected borrower behavior for original loans and loans which have been refinanced. The assumptions for recapture and discount rates when valuing MSR and Excess MSR and recapture

agreements are based on historical recapture experience and market pricing.

Investments in Servicer Advances Valuation

New Residential uses internal pricing models to estimate the future cash flows related to the Servicer Advance investments that incorporate significant unobservable inputs and include assumptions that are inherently subjective and imprecise. New Residential's estimations of future cash flows include the combined cash flows of all of the components that comprise the Servicer Advance investments: existing advances, the requirement to purchase future advances, the recovery of advances and the right to the basic fee component of the related MSR. The factors that most significantly impact the fair value include (i) the rate at which the Servicer Advance balance changes over the term of the investment, (ii) the UPB of the underlying loans with respect to which New Residential has the obligation to make advances and owns the basic fee component of the related MSR which, in turn, is driven by prepayment rates and (iii) the percentage of delinquent loans with respect to which New Residential owns the basic fee component of the

Servicer advance balance: Servicer advance balance projections are in the form of a “vector” that varies over the expected life of the residential mortgage loan pool. The servicer advance balance projection is based on assumptions that reflect factors such as the borrower’s expected delinquency status, the rate at which delinquent borrowers re-perform or become current again, servicer modification offer and acceptance rates, liquidation timelines and the servicers’ stop advance and clawback policies.

Prepayment Rate: Prepayment rate projections are in the form of a “vector” that varies over the expected life of the pool. The prepayment vector specifies the percentage of the collateral balance that is expected to prepay voluntarily (i.e., pay off) and involuntarily (i.e., default) at each point in the future. The prepayment vector is based on assumptions that reflect macroeconomic conditions and factors such as the borrower’s FICO score, loan-to-value ratio, debt-to-income ratio, and vintage on a loan level basis. New Residential considers collateral-specific prepayment experience when determining this vector.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

Delinquency Rates: For existing mortgage pools, delinquency rates are based on the recent pool-specific experience of loans that missed recent mortgage payment(s) as well as loan- and borrower-specific characteristics such as the borrower's FICO score, the loan-to-value ratio, debt-to-income ratio, occupancy status, loan documentation, payment history and previous loan modifications. New Residential believes the time period utilized provides a reasonable sample for projecting future delinquency rates while taking into account current market conditions.

Mortgage Servicing Amount: Mortgage servicing amounts are contractually determined on a pool-by-pool basis. New Residential projects the weighted average mortgage servicing amount based on its projections for prepayment rates.

LIBOR: The performance-based incentive fees on both Ocwen-serviced and Nationstar-serviced servicer advance portfolios are driven by LIBOR-based factors. The LIBOR curves used are widely used by market participants as reference rates for many financial instruments.

Discount Rate: The discount rates used by New Residential are derived from market data on pricing of mortgage servicing rights backed by similar collateral and the advances made thereon.

Real Estate Securities Valuation

New Residential's securities valuation methodology and results are further detailed as follows:

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Fair Value		Total	Level
			Multiple Quotes ^(A)	Single Quote ^(B)		
December 31, 2016						
Agency RMBS	\$1,486,739	\$1,532,421	\$1,530,298	\$—	\$1,530,298	2
Non-Agency RMBS ^(C)	7,302,218	3,415,906	3,028,094	515,466	3,543,560	3
Total	\$8,788,957	\$4,948,327	\$4,558,392	\$515,466	\$5,073,858	
December 31, 2015						
Agency RMBS	\$884,578	\$918,633	\$917,598	\$—	\$917,598	2
Non-Agency RMBS ^(C)	3,533,974	1,579,445	1,029,981	554,302	1,584,283	3
Total	\$4,418,552	\$2,498,078	\$1,947,579	\$554,302	\$2,501,881	

(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 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

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

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 77.1% 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	\$2,731,218	2.06% to 32.75%	0.25% to 20%	0.25% to 10.0%	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.

New Residential was unable to obtain quotations from more than one source on these securities. For approximately (B) \$509.6 million in 2016 and \$228.5 million in 2015, 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.

For New Residential's investments in real estate securities categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs include the discount rates, assumptions related to prepayments, default rates and loss severities. Significant increases (decreases) in any of the discount rates, default rates or loss severities in isolation would result in a significantly lower (higher) fair value measurement. The impact of changes in prepayment rates would have differing impacts on fair value, depending on the seniority of the investment. Generally, a change in the default assumption is accompanied by directionally similar changes in the assumptions used for the loss severity and the prepayment rate.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

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 December 31, 2016 and 2015, assets measured at fair value on a nonrecurring basis were \$449.9 million and \$292.4 million, respectively. The \$449.9 million of assets at December 31, 2016 include approximately \$406.3 million of residential mortgage loans held-for-sale and \$43.6 million of REO. The \$292.4 million of assets at December 31, 2015 include approximately \$253.0 million of residential mortgage loans held-for-sale and \$39.4 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 are categorized within Level 3 of the fair value hierarchy. The following table summarizes the inputs used in valuing these residential mortgage loans:

	Fair Value	Discount Rate	Weighted Average Life (Years) ^(A)	Prepayment Rate	CDR ^(B)	Loss Severity ^(C)
December 31, 2016						
Performing Loans	\$151,436	3.8 %	6.0	11.7 %	1.2 %	24.4 %
Non-Performing Loans	254,848	5.6 %	3.0	2.8 %	N/A	30.0 %
Total/Weighted Average	\$406,284	4.9 %	4.1	6.1 %		27.9 %
December 31, 2015						
Performing Loans	\$50,858	5.0 %	4.2	9.2 %	2.8 %	35.2 %
Non-Performing Loans	202,155	5.7 %	3.4	2.9 %	N/A	19.6 %
Total/Weighted Average	\$253,013	5.6 %	3.6	4.2 %		22.7 %

(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.

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 Consolidated Statements of Income for the year ended December 31, 2016 was an increase in the net valuation allowance of approximately \$28.7 million, consisting of \$11.4 million and \$17.3 million increases for loans held-for-sale and REO, respectively.

The total change in the recorded value of assets for which a fair value adjustment has been included in the Consolidated Statements of Income for the year ended December 31, 2015 was a reduction of approximately \$14.1 million and \$4.5 million for loans held-for-sale and REO, respectively.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

Loans for Which Fair Value is Only Disclosed

The fair value of New Residential's loans 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 certain loans:

	Carrying Value	Fair Value	Valuation and Loss Provision/(Reversal) In Current Year	Discount Rate	Weighted Average Life (Years) ^(A)	Prepayment Rate	CDR ^(B)	Loss Severity ^(C)
December 31, 2016								
Reverse Mortgage Loans ^(D)	\$11,468	\$12,952	\$ 73	7.0 %	4.5	N/A	N/A	9.5 %
Performing Loans	23,758	24,420	4	7.4 %	5.6	6.2 %	2.1 %	50.3 %
Non-Performing Loans	445,916	464,674	N/A	7.6 %	2.7	2.0 %	N/A	30.0 %
Total/Weighted Average	\$481,142	\$502,046	\$ 77	7.6 %	2.9			30.5 %
Consumer Loans	\$1,799,486	\$1,819,106	\$ 6,451	9.3 %	3.8	15.4 %	5.7 %	87.6 %
December 31, 2015								
Reverse Mortgage Loans ^(D)	\$19,560	\$19,560	\$ 35	10.0 %	4.2	N/A	N/A	8.1 %
Performing Loans	246,190	248,858	43	4.8 %	5.2	6.6 %	1.2 %	14.3 %
Non-Performing Loans	588,096	593,754	N/A	5.4 %	2.5	1.4 %	N/A	13.1 %
Total/Weighted Average	\$853,846	\$862,172	\$ 78	5.3 %	3.3			13.3 %

(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.

The debt assumed in the SpringCastle Transaction (Note 9) was recorded at its fair value of \$1.8 billion on March 31, 2016. The fair value was estimated based on a discounted cash flow model using both observable and unobservable inputs to estimate the amount and timing of expected cash flows, interest rates and collateral funding spreads and, therefore, was categorized within Level 3 of the fair value hierarchy.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014
(dollars in tables in thousands, except share data)

13. EQUITY AND EARNINGS PER SHARE

Equity and Dividends

On April 26, 2013, Drive Shack announced that its board of directors had formally declared the distribution of shares of common stock of New Residential, a then wholly owned subsidiary of Drive Shack. Following the spin-off, New Residential is an independent, publicly-traded REIT primarily focused on investing in residential mortgage related assets. The spin-off was completed on May 15, 2013 and New Residential began trading on the New York Stock Exchange under the symbol "NRZ." The spin-off transaction was effected as a taxable pro rata distribution by Drive Shack of all the outstanding shares of common stock of New Residential to the stockholders of record of Drive Shack as of May 6, 2013. The stockholders of Drive Shack as of the record date received one share of New Residential common stock for each share of Drive Shack common stock held.

New Residential's certificate of incorporation authorizes 2,000,000,000 shares of common stock, par value \$0.01 per share, and 100,000,000 shares of preferred stock, par value \$0.01 per share. At the time of the completion of the spin-off, there were 126,512,823 outstanding shares of common stock which was based on the number of Drive Shack's shares of common stock outstanding on May 6, 2013 and a distribution ratio of one share of New Residential common stock for each share of Drive Shack common stock (adjusted for the reverse split described below).

New Residential's board of directors authorized a one-for-two reverse stock split on August 5, 2014, subject to stockholder approval. In a special meeting on October 15, 2014, New Residential's stockholders approved the reverse split. On October 17, 2014, New Residential effected the one-for-two reverse stock split of its common stock. As a result of the reverse stock split, every two shares of New Residential's common stock were converted into one share of common stock, reducing the number of issued and outstanding shares of New Residential's common stock from approximately 282.8 million to approximately 141.4 million. The impact of this reverse stock split has been retroactively applied to all periods presented.

In April 2014, New Residential issued 13,875,000 shares of its common stock in a public offering at a price to the public of \$12.20 per share for net proceeds of approximately \$163.8 million. One of New Residential's executive officers participated in this offering and purchased an additional 500,000 shares at the public offering price for net proceeds of approximately \$6.1 million. 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 1,437,500 shares of New Residential's common stock at a price of \$12.20, which had a fair value of approximately \$1.4 million as of the grant date. The assumptions used in valuing the options were: a 2.87% risk-free rate, a 12.584% dividend yield, 25.66% volatility and a 10-year term.

In April 2015, New Residential issued the New Residential Acquisition Common Stock in connection with the HLSS Acquisition (Note 1).

In addition, in April 2015, New Residential issued 29,213,020 shares of its common stock in a public offering at a price to the public of \$15.25 per share for net proceeds of approximately \$436.1 million. One of New Residential's executive officers participated in this offering and purchased 250,000 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 and the New Residential Acquisition Common Stock issued in the HLSS Acquisition, New Residential granted options to the Manager relating to 5,750,000 shares of New Residential's common stock at a price of \$15.25, which had a fair value of approximately \$8.9 million as of the grant date. The assumptions used in valuing the options

were: a 2.02% risk-free rate, a 6.71% dividend yield, 24.04% volatility and a 10-year term.

In June 2015, New Residential issued 27.9 million shares of its common stock in a public offering at a price to the public of \$15.88 per share for net proceeds of approximately \$442.6 million. One of New Residential's executive officers participated in this offering and purchased 9,100 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 2.8 million shares of New Residential's common stock at the public offering price, which had a fair value of approximately \$3.7 million as of the grant date. The assumptions used in valuing the options were: a 2.61% risk-free rate, a 7.81% dividend yield, 23.73% volatility and a 10-year term. In addition, the Manager and its employees exercised an aggregate of 6.7 million options and were issued an aggregate of 3.6 million shares of New Residential's common stock in a cashless exercise, which were sold to third parties in a simultaneous secondary offering.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

In August 2016, New Residential issued 20.0 million shares of its common stock in a public offering at a price to the public of \$14.20 per share for net proceeds of approximately \$278.8 million. 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 2.0 million shares of New Residential's common stock at the public offering price, which had a fair value of approximately \$2.3 million as of the grant date. The assumptions used in valuing the options were: a 1.45% risk-free rate, a 11.80% dividend yield, 27.57% volatility and a 10-year term.

In May 2014, an employee of the Manager exercised 107,500 options with a weighted average exercise price of \$5.61 and received 107,500 shares of common stock of New Residential. In August 2014, employees of the Manager and one of New Residential's directors exercised an aggregate of 498,500 options with a weighted average exercise price of \$5.62 and received 276,037 shares of common stock of New Residential. In December 2014, a former employee of the Manager exercised 42,566 options with a weighted average exercise price of \$7.19 and received 42,566 shares of common stock of New Residential. In July 2015, a former employee of the Manager exercised 37,500 options with a weighted average exercise price of \$7.19 and received 20,227 shares of common stock of New Residential. In August 2016, employees of the Manager exercised an aggregate of 1,100,497 options with a weighted average exercise price of \$10.59 per share and received 280,111 shares of common stock of New Residential.

Common dividends have been declared as follows:

Declaration Date	Payment Date	Per Share		Total Dividend	Total Amounts Distributed (millions)
		Quarterly Dividend	Special Dividend		
March 19, 2014	April 2014	\$0.35	\$ —	—\$ 0.35	\$ 44.3
June 17, 2014	July 2014	0.35	0.15	0.50	70.6
September 18, 2014	October 2014	0.35	—	0.35	49.5
December 18, 2014	January 2015	0.38	—	0.38	53.7
March 16, 2015	April 2015	0.38	—	0.38	53.7
May 14, 2015	July 2015	0.45	—	0.45	89.5
September 18, 2015	October 2015	0.46	—	0.46	106.0
December 10, 2015	January 2016	0.46	—	0.46	106.0
March 22, 2016	April 2016	0.46	—	0.46	106.0
June 27, 2016	July 2016	0.46	—	0.46	106.0
September 23, 2016	October 2016	0.46	—	0.46	115.4
December 16, 2016	January 2017	0.46	—	0.46	115.4

Approximately 2.4 million shares of New Residential's common stock were held by Fortress, through its affiliates, and its principals at December 31, 2016.

Option Plan

New Residential has 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 the Manager, and to the directors, officers, employees, service providers, consultants and advisor of the Manager who perform services for New Residential, and to New Residential's directors, officers, service providers, consultants and advisors. New

Residential initially reserved 15,000,000 shares of its common stock for issuance under the Plan; on the first day of each fiscal year beginning during the 10-year term of the Plan in and after calendar year 2014, that number will be increased by a number of shares of New Residential's common stock equal to 10% of the number of shares of common stock newly issued by New Residential during the immediately preceding fiscal year (and, in the case of fiscal year 2013, after the effective date of the Plan). No adjustment was made on January 1, 2014. Increases of 2,000,000, 8,543,539 and 1,437,500 were made on January 1, 2017, 2016 and 2015, respectively. New Residential's 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 underlying any options granted to the Manager in connection with capital raising efforts would not exceed 10% of the shares sold in such offering and would be

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

subject to NYSE rules. Upon exercise, all options will be settled in an amount of cash equal to the excess of the fair market value of a share of common stock on the date of exercise over the exercise price per share unless advance approval is made to settle options in shares of common stock.

Prior to the spin-off, Drive Shack had issued options to the Manager in connection with capital raising activities. In connection with the spin-off, the 10.7 million options that were held by the Manager, or by the directors, officers or employees of the Manager, were converted into an adjusted Drive Shack option and a new New Residential option. The exercise price of each adjusted Drive Shack option and New Residential option was set to collectively maintain the intrinsic value of the Drive Shack option immediately prior to the spin-off and to maintain the ratio of the exercise price of the adjusted Drive Shack option and the New Residential option, respectively, to the fair market value of the underlying shares as of the spin-off date, in each case based on the five day average closing price subsequent to the spin-off date.

Upon joining the board, non-employee directors were, in accordance with the Plan, granted options relating to an aggregate of 6,000 shares of common stock. The fair value of such options was not material at the date of grant.

New Residential's outstanding options were summarized as follows:

	December 31, 2016			December 31, 2015		
	Issued Prior to 2011	Issued in 2011 - 2016	Total	Issued Prior to 2011	Issued in 2011 - 2015	Total
Held by the Manager	330,090	10,874,152	11,204,242	345,720	10,582,860	10,928,580
Issued to the Manager and subsequently transferred to certain of the Manager's employees	18,910	1,967,458	1,986,368	88,280	1,359,247	1,447,527
Issued to the independent directors	—	6,000	6,000	—	4,000	4,000
Total	349,000	12,847,610	13,196,610	434,000	11,946,107	12,380,107

The following table summarizes New Residential's outstanding options as of December 31, 2016. The last sales price on the New York Stock Exchange for New Residential's common stock in the year ended December 31, 2016 was \$15.72 per share.

Recipient	Date of Grant/ Exercise ^(A)	Number of Unexercised Options	Options Exercisable as of December 31, 2016	Weighted Average Exercise Price ^(B)	Intrinsic Value of Exercisable Options as of December 31, 2016 (millions)
Directors	Various	6,000	6,000	\$ 13.99	\$ —
Manager ^(C)	2007	349,000	349,000	31.27	—
Manager ^(C)	2012	25,000	25,000	7.19	0.2
Manager ^(C)	2013	835,571	835,571	11.48	3.5
Manager ^(C)	2014	1,437,500	1,437,500	12.20	5.1
Manager ^(C)	2015	8,543,539	5,509,457	15.44	1.5
Manager ^(C)	2016	2,000,000	266,667	14.20	0.4
Outstanding		13,196,610	8,429,195		

(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.

192

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014
 (dollars in tables in thousands, except share data)

(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
2007	\$29.92 to \$33.80	18,910
2014	\$12.20	258,750
2015	\$15.25 to \$15.88	1,708,708
2016	\$14.20	—
Total		1,986,368

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

	Amount	Weighted Average Exercise Price
December 31, 2014 outstanding options	10,737,093	
Options granted	8,543,539	\$ 15.46
Options exercised ^(A)	(6,734,525)	\$ 7.81
Options expired unexercised	(166,000)	
December 31, 2015 outstanding options	12,380,107	
Options granted	2,002,000	\$ 14.20
Options exercised ^(A)	(1,100,497)	\$ 10.59
Options expired unexercised	(85,000)	
December 31, 2016 outstanding options	13,196,610	See table above

(A) The 1.1 million and 6.7 million options that were exercised in 2016 and 2015 had an intrinsic value of approximately \$4.0 million and \$59.4 million, respectively, at the date of exercise.

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 years ended December 31, 2016, 2015 and 2014, based on the treasury stock method, New Residential had 364,107, 2,167,796 and 3,092,844 dilutive common stock equivalents, respectively.

Noncontrolling Interests

Noncontrolling interests is comprised of the interests held by third parties in consolidated entities that hold New Residential's investment in Servicer Advances (Note 6) and Consumer Loans (Note 9), as well as HLSS (Note 1) for the period of April 6, 2015 through October 23, 2015.

14. COMMITMENTS AND CONTINGENCIES

Litigation – Following the HLSS Acquisition (see Note 1 for related defined terms), 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.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014
(dollars in tables in thousands, except share data)

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 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. New Residential intends to vigorously defend the Securities Action.

Three shareholder derivative actions have been filed in the United States District Court for the Southern District of Florida purportedly on behalf of Ocwen: (i) Sokolowski v. Erbey, et al., No. 14-CV-81601 (S.D. Fla.) (the "Sokolowski Action"); (ii) Hutt v. Erbey, et al., No. 15-CV-81709 (S.D. Fla.) (the "Hutt Action"); and (iii) Lowinger v. Erbey, et al., No. 15-CV-62628 (S.D. Fla.) (the "Lowinger Action"). On November 9, 2015, HLSS filed a motion to dismiss the Sokolowski Action. While that motion was pending, the Hutt Action, which at the time did not name HLSS as a defendant, was transferred from the Northern District of Georgia to the Southern District of Florida and the Lowinger Action, which at the time also did not name HLSS as a defendant, was filed. On January 8, 2016, the court consolidated the three actions (the "Ocwen Derivative Action") and denied HLSS's motion to dismiss the Sokolowski complaint as moot and without prejudice to re-file a new motion to dismiss following the filing of a consolidated complaint. On March 8, 2016, plaintiffs filed their consolidated complaint. The consolidated complaint alleges, among other things, that certain directors and officers of Ocwen, including former HLSS Chairman William C. Erbey, breached their fiduciary duties to Ocwen by, among other things, causing Ocwen to enter into transactions that were harmful to Ocwen. The complaint further alleges that HLSS and others aided and abetted the alleged breaches of

fiduciary duty by Mr. Erbey and the other directors and officers of Ocwen who have been named as defendants. The consolidated complaint also asserts causes of action against HLSS and others for unjust enrichment and for contribution. The lawsuit seeks money damages from HLSS in an amount to be proven at trial. On May 13, 2016, HLSS filed a motion to dismiss the consolidated complaint. On January 19, 2017, the court approved a settlement plaintiffs reached with Ocwen providing for a with prejudice dismissal and releases for all defendants, including HLSS and New Residential. Neither HLSS nor New Residential were required to make any settlement payment.

A shareholder derivative action asserting some of the same claims made in the Ocwen Derivative Action, including that HLSS and others aided and abetted alleged breaches of fiduciary duties by directors and officers of Ocwen, including Mr. Erbey, has been filed in Florida state court in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida purportedly on behalf of Ocwen: *Moncavage v. Faris, et al.*, No. 2015CA003244 (Fla. Palm Beach Cty. Ct.). The lawsuit seeks money damages from HLSS in an amount to be proved at trial. HLSS has not been served. On February 9, 2017, plaintiff filed a notice of voluntary dismissal without prejudice.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014
(dollars in tables in thousands, except share data)

During the first three quarters of 2015, through their investment manager, the HSART Bondholders alleged that events of default had occurred under a debt issuance (HSART, see Note 11) secured by a portion of the Servicer Advances acquired from HLSS and that, as a result, the HSART Bondholders were due additional interest under the related agreements. In February 2015, in response to such allegations, instead of releasing such amounts to the New Residential subsidiary that sponsors the HSART transaction entitled thereto, the trustee of HSART began to withhold, monthly, such Withheld Funds so that such amounts were reserved in the event that it was determined that any of the alleged events of default had occurred. On August 28, 2015, the trustee commenced a legal proceeding requesting instruction from the court regarding the alleged defaults and the disposition of the Withheld Funds.

On October 2, 2015, the notes held by the HSART Bondholders were repaid in full. On October 14, 2015, the court ruled that no event of default had occurred under HSART, authorized the trustee to release the Withheld Funds and dismissed the legal proceeding. As a result of this ruling, \$92.7 million was released from restricted cash accounts related to HSART and is now available for unrestricted use by New Residential.

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 December 31, 2016, New Residential had outstanding capital commitments related to investments in the following investment types (also refer to Note 5 for an MSR investment commitment and to Note 18 for additional capital commitments entered into subsequent to December 31, 2016, 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.

Environmental Costs — As a residential real estate owner, through its REO, New Residential is subject to potential environmental costs. At December 31, 2016, 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 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

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014
(dollars in tables in thousands, except share data)

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 twelve 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 will 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.

Effective May 15, 2013, 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 (Note 13), plus total net proceeds from stock offerings, plus certain capital contributions to subsidiaries, less capital distributions and repurchases of common stock.

In addition, effective May 15, 2013, 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.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

Due to affiliates is comprised of the following amounts:

	December 31,	
	2016	2015
Management fees	\$3,689	\$6,671
Incentive compensation	42,197	16,017
Expense reimbursements and other	1,462	1,097
Total	\$47,348	\$23,785

Affiliate expenses and fees were comprised of:

	Year Ended December 31,		
	2016	2015	2014
Management fees	\$41,610	\$33,475	\$19,651
Incentive compensation	42,197	16,017	54,334
Expense reimbursements ^(A)	500	500	500
Total	\$84,307	\$49,992	\$74,485

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

New Residential's board of directors approved a change in the computation of incentive compensation to exclude unrealized gains (or losses) on investments and debt (and any deferred tax impact thereof) as of June 30, 2014. The impact of this change on the six months ended June 30, 2014 was to reduce incentive compensation by \$5.5 million.

On May 7, 2015, New Residential entered into the Third Amended and Restated Management and Advisory Agreement with the Manager, which amends and restates the Second Amended and Restated Management and Advisory Agreement, dated as of August 5, 2014, in order to amortize certain non-capitalized transaction-related expenses over time in the computation of incentive compensation. The impact of this change on the six months ended June 30, 2015 was to increase incentive compensation by \$3.3 million.

See Notes 4, 6, 8, 11 and 14 for a discussion of transactions with Nationstar. As of December 31, 2016, 63.6% and 33.6% of the UPB of the loans underlying New Residential's investments in Excess MSR and Servicer Advances, respectively, was serviced or master serviced by Nationstar. As of December 31, 2016, a total face amount of \$4.3 billion of New Residential's Non-Agency RMBS portfolio and approximately \$32.6 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 \$14.8 billion as of December 31, 2016. 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 2016 and 2015, New Residential accrued for MSR Fund Payments in an aggregate amount of approximately \$0.5 million and \$4.4 million, respectively, and has also caused an aggregate of \$0.1 million of securities to be transferred to such funds in 2016. 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 December 31, 2016, \$591.1 million UPB of New Residential's residential mortgage loans and \$20.8 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.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014
 (dollars in tables in thousands, except share data)

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

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	Year Ended December 31,		
		2016	2015	2014
Reclassification of net realized (gain) loss on securities into earnings	Gain (loss) on settlement of investments, net	\$27,460	\$(13,096)	\$(65,701)
Reclassification of net realized (gain) loss on securities into earnings	Other-than-temporary impairment on securities	10,264	5,788	1,391
Total reclassifications		\$37,724	\$(7,308)	\$(64,310)

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:

	Year Ended December 31,		
	2016	2015	2014
Current:			
Federal	\$3,813	\$(2,737)	\$3,737
State and Local	252	(1,631)	2,799
Total Current Income Tax Expense (Benefit)	4,065	(4,368)	6,536
Deferred:			
Federal	33,999	(2,778)	12,853
State and Local	847	(3,855)	3,568
Total Deferred Income Tax Expense (Benefit)	34,846	(6,633)	16,421
Total Income Tax Expense (Benefit)	\$38,911	\$(11,001)	\$22,957

New Residential intends to qualify as a REIT for each of its tax years through December 31, 2016. 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 distributed 100% of its 2013 through 2015 REIT taxable income by the prescribed dates.

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 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.

As of December 31, 2014, New Residential recorded an increase to the income tax provision of \$2.3 million for unrecognized tax benefits. The reserve for unrecognized tax benefits related to state and local tax positions taken on the income tax returns. As a result of information received from local tax authorities, New Residential determined that the reserve for unrecognized tax benefits was no longer needed and reduced the reserve for unrecognized tax benefits to zero as of March 31, 2015. As a result, New Residential recorded a benefit of \$2.3 million to the income tax provision as of March 31, 2015.

The increase in the provision for income taxes for the year ended December 31, 2016 is primarily due to an increase in net income attributable to New Residential's TRSs.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014
 (dollars in tables in thousands, except share data)

The decrease in the provision for income taxes for the year ended December 31, 2015 is primarily due to the benefit of \$2.3 million from reducing the reserve for unrecognized benefits to zero and a decrease in taxable profits in entities subject to corporate income tax rates.

The difference between New Residential's reported provision for income taxes and the U.S. federal statutory rate of 35% is as follows:

	December 31,					
	2016	%	2015	%	2014	%
Provision at the statutory rate	35.00	%	35.00	%	35.00	%
Non-taxable REIT income	(28.22)	%	(36.51)	%	(31.12)	%
State and local taxes	0.18	%	(1.16)	%	0.69	%
Other	0.19	%	(1.58)	%	0.37	%
Total provision	7.15	%	(4.25)	%	4.94	%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liability are presented below:

	December 31,	
	2016	2015
Deferred tax assets:		
Servicer Advances basis difference ^(A)	\$ 113,354	\$ 144,842
Net operating losses ^(B)	44,289	42,944
Deferred deductibility of interest expense	16,543	—
Other	5,684	6,934
Total deferred tax assets	179,870	194,720
Less valuation allowance	(10,054)	(9,409)
Net deferred tax assets	\$ 169,816	\$ 185,311
Deferred tax liabilities:		
Unrealized mark to market	(18,532)	—
Total deferred tax (liability)	\$(18,532)	\$—
Net deferred tax assets (liability)	\$ 151,284	\$ 185,311

On April 6, 2015, as a part of the purchase price allocation related to the HLSS Acquisition (Note 1), New Residential recorded an increase to its deferred tax asset of \$195.1 million. The deferred tax asset primarily relates (A) to the difference in the book basis and tax basis of New Residential's investment in Servicer Advances. New Residential believes that such deferred tax asset is more likely than not to be realized and, therefore, no valuation allowance has been recorded against such deferred tax asset as of December 31, 2016.

As of December 31, 2016, New Residential's TRSs had approximately \$112.0 million of net operating loss carryforwards for federal and state income tax purposes which may be available to offset future taxable income, if (B) and when it arises. These federal and state net operating loss carryforwards will begin to expire in 2034. The utilization of the net operating loss carryforwards to reduce future income taxes will depend on the TRSs ability to generate sufficient taxable income prior to the expiration of the carryforward period.

In assessing the realizability of deferred tax assets, New Residential 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. As of December 31, 2016, New

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

Residential recorded a partial valuation allowance related to certain net operating losses and loan loss reserves as it does not believe that it is more likely than not that the deferred tax assets will be realized.

The following table summarizes the change in the deferred tax asset valuation allowance:

Valuation allowance at December 31, 2014	\$3,619
Increase related to net operating losses and loan loss reserves	6,680
Other increase (decrease)	(890)
Valuation allowance at December 31, 2015	9,409
Increase related to net operating losses and loan loss reserves	1,303
Other increase (decrease)	(658)
Valuation allowance at December 31, 2016	\$10,054

New Residential records penalties and interest related to uncertain tax positions as a component of income tax expense, where applicable. As of December 31, 2016, New Residential did not accrue interest or penalties related to uncertain tax positions. New Residential does not believe that it is reasonably possible that the total amount of unrecognized tax benefits will significantly change within 12 months of the reporting date. A reconciliation of the unrecognized tax benefits is as follows:

Balance at December 31, 2014	\$2,258
Additions for tax positions of the 2013 tax year	—
Other additions (reductions)	(2,258)
Balance at December 31, 2015	—
Additions for tax positions of current year	—
Other additions (reductions)	—
Balance at December 31, 2016	\$—

Common stock distributions were taxable as follows:

Year	Dividends per Share	Ordinary Income	Long-term Capital Gain	Return of Capital
2016 ^(A)	\$ 1.38	96.13 %	3.87 %	—
2015	1.75	92.92 %	7.08 %	—
2014	1.58	84.78 %	15.22 %	—

(A) The entire \$0.46 per share dividend declared in December 2016 and paid in January 2017 is treated as received by stockholders in 2017.

18. SUBSEQUENT EVENTS

These financial statements include a discussion of material events that have occurred subsequent to December 31, 2016 (referred to as “subsequent events”) through the issuance of these consolidated financial statements. Events subsequent to that date have not been considered in these financial statements.

Corporate Activities

On December 16, 2016, New Residential’s board of directors declared a fourth quarter 2016 dividend of \$0.46 per common share or \$115.4 million, which was paid on January 31, 2017 to stockholders of record as of December 30,

2016.

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

200

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

On January 27, 2017, NRM entered into an agreement to purchase MSRs and related Servicer Advances with respect to approximately \$97.0 billion UPB of seasoned Fannie Mae and Freddie Mac residential mortgage loans from CitiMortgage, Inc. ("Citi"), subject to change during the period prior to GSE and other regulatory approvals. NRM also entered into an agreement pursuant to which Nationstar will subservice the portfolio on behalf of NRM, subject to GSE and other regulatory approvals. Citi has agreed to continue to subservice the portfolio on an interim basis. NRM will acquire the related Servicer Advances upon the transfer of servicing. New Residential expects to complete this acquisition in the first quarter of 2017, subject to GSE and other regulatory approvals and other customary closing conditions.

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 \$834.6 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.

On February 17, 2017, NRM entered into an agreement to obtain up to \$300.0 million in financing secured by Agency MSRs. The financing facility has not been drawn upon and will bear interest equal to one-month LIBOR plus a spread of 4.25%.

Servicer Advances Debt

In February 2017, New Residential, through its wholly owned subsidiary, NRZ Advance Receivables Trust 2015-ON1, issued servicer advance backed notes consisting of \$400.0 million of series 2017-T1 term notes with a maturity date of February 2021, and repaid a portion of the existing VFN facilities with the proceeds.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

19. SUMMARY QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

The following is an unaudited summary information on New Residential's quarterly operations.

2016	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31 ^(B)	December 31
Interest income	\$ 190,036	\$ 277,477	\$ 282,388	\$ 326,834	\$ 1,076,735
Interest expense	81,228	100,685	96,488	95,023	373,424
Net interest income	108,808	176,792	185,900	231,811	703,311
Impairment					
Other-than-temporary impairment (OTTI) on securities	3,254	2,819	1,765	2,426	10,264
Valuation provision (reversal) on loans and real estate owned	6,745	16,825	18,275	35,871	77,716
	9,999	19,644	20,040	38,297	87,980
Net interest income after impairment	98,809	157,148	165,860	193,514	615,331
Servicing revenue, net	—	—	—	118,169	118,169
Other income ^(A)	31,922	(19,723)	26,701	23,437	62,337
Operating Expenses	25,016	36,280	40,575	72,339	174,210
Income Before Income Taxes	105,715	101,145	151,986	262,781	621,627
Income tax expense (benefit)	(10,223)	7,518	20,900	20,716	38,911
Net Income	\$ 115,938	\$ 93,627	\$ 131,086	\$ 242,065	\$ 582,716
Noncontrolling Interests in Income (Loss) of Consolidated Subsidiaries	\$ 4,202	\$ 24,975	\$ 32,178	\$ 16,908	\$ 78,263
Net Income Attributable to Common Stockholders	\$ 111,736	\$ 68,652	\$ 98,908	\$ 225,157	\$ 504,453
Net Income Per Share of Common Stock					
Basic	\$ 0.48	\$ 0.30	\$ 0.41	\$ 0.90	\$ 2.12
Diluted	\$ 0.48	\$ 0.30	\$ 0.41	\$ 0.90	\$ 2.12
Weighted Average Number of Shares of Common Stock Outstanding					
Basic	230,471,202	230,478,390	240,601,691	250,773,117	238,122,665
Diluted	230,538,712	230,839,753	241,099,381	251,299,730	238,486,772
Dividends Declared per Share of Common Stock	\$ 0.46	\$ 0.46	\$ 0.46	\$ 0.46	\$ 1.84

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 and 2014

(dollars in tables in thousands, except share data)

2015	Quarter Ended				Year Ended December 31
	March 31	June 30	September 30	December 31	
Interest income	\$84,373	\$ 178,177	\$ 182,341	\$ 200,181	\$ 645,072
Interest expense	33,979	81,871	77,558	80,605	274,013
Net interest income	50,394	96,306	104,783	119,576	371,059
Impairment					
Other-than-temporary impairment (OTTI) on securities	1,071	649	1,574	2,494	5,788
Valuation provision (reversal) on loans and real estate owned	977	4,772	(3,341)	16,188	18,596
	2,048	5,421	(1,767)	18,682	24,384
Net interest income after impairment	48,346	90,885	106,550	100,894	346,675
Other income ^(A)	12,295	37,650	(17,825)	9,909	42,029
Operating Expenses	22,270	34,952	32,902	27,699	117,823
Income Before Income Taxes	38,371	93,583	55,823	83,104	270,881
Income tax expense (benefit)	(3,427)	14,306	(5,932)	(15,948)	(11,001)
Net Income	\$41,798	\$ 79,277	\$ 61,755	\$ 99,052	\$ 281,882
Noncontrolling Interests in Income (Loss) of Consolidated Subsidiaries	\$5,823	\$ 4,158	\$ 7,193	\$(3,928)	\$ 13,246
Net Income Attributable to Common Stockholders	\$35,975	\$ 75,119	\$ 54,562	\$ 102,980	\$ 268,636
Net Income Per Share of Common Stock					
Basic	\$0.25	\$ 0.37	\$ 0.24	\$ 0.45	\$ 1.34
Diluted	\$0.25	\$ 0.37	\$ 0.24	\$ 0.45	\$ 1.32
Weighted Average Number of Shares of Common Stock Outstanding					
Basic	141,434,900	200,910,040	230,455,568	230,459,000	200,739,809
Diluted	144,911,300	205,169,099	231,215,235	230,698,961	202,907,605
Dividends Declared per Share of Common Stock	\$0.38	\$ 0.45	\$ 0.46	\$ 0.46	\$ 1.75

(A) Earnings from investments in equity method investees is included in other income.

(B) New Residential completed significant transactions in the fourth quarter of 2016, as described in Notes 5, 8 and 9, as well as certain financings included in Note 11.

Table of Contents

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. 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.

Management's Report on Internal Control Over Financing Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company;
- and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the 2013 Internal Control-Integrated Framework.

Based on our assessment, management concluded that, as of December 31, 2016, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears at the beginning of "Financial Statements and Supplementary Data."

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.

Item 9B. Other Information.

None.

204

Table of Contents

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item 10 is incorporated by reference to our definitive proxy statement for the 2017 annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A within 120 days after the fiscal year ended December 31, 2016 (our “Definitive Proxy Statement”) under the headings “Proposal No. 1 Election of Directors,” “Executive Officers” and “Security Ownership of Management and Certain Beneficial Owners-Section 16(a) of Beneficial Ownership Reporting Compliance.”

Item 11. Executive Compensation.

The information required by this Item 11 is incorporated by reference to our Definitive Proxy Statement under the headings “Executive and Manager Compensation” and “Compensation Committee Report.”

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item 12 is incorporated by reference to our Definitive Proxy Statement under the heading “Security Ownership of Management and Certain Beneficial Owners.”

See also “Nonqualified Stock Option and Incentive Award Plan” in Part II, Item 5, “Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.”

Item 13. Certain Relationships and Related Transactions, Director Independence.

The information required by this Item 13 is incorporated by reference to our Definitive Proxy Statement under the headings “Proposal No. 1 Election of Directors” and “Certain Relationships and Related Transactions.”

Item 14. Principal Accounting Fees and Services.

The information required by this Item 14 is incorporated by reference to our Definitive Proxy Statement under the heading “Proposal No. 2 Approval of Appointment of Ernst & Young LLP as Independent Registered Public Accounting Firm.”

Table of Contents

PART IV

Item 15. Exhibits; Financial Statement Schedules.

(a) and (c) Financial statements and schedules:

See “Financial Statements and Supplementary Data.”

(b) Exhibits filed with this Form 10-K:

Exhibit Number	Exhibit Description
2.1	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)
2.2	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)
2.3	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)
2.4	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)
2.5	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)
2.6	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)
2.7	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)
3.1	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)
3.2	

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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)

3.3 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 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)

206

Table of Contents

Exhibit Number	Exhibit Description
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)
4.5	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)
4.6	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)
4.7	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)
4.8	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)
4.9	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)
4.10	

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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)

4.11 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)

Table of Contents

Exhibit Number	Exhibit Description
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)
4.16	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)
4.17	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)
10.1	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)
10.2	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)
10.3	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)
10.4	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)
10.5	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)
10.6	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)

- 10.7 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)
- 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)

Table of Contents

Exhibit Number	Exhibit Description
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)
10.14	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)
10.15	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)
10.16	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)
10.17	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)
10.18	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)
10.19	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)
10.20	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)
10.21	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)
10.22	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)
10.23	

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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)

Table of Contents

Exhibit Number	Exhibit Description
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)
10.31	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)
10.32	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)
10.33	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)
10.34	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)
10.35	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)
10.36	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)
10.37	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)
10.38	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)
10.39	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)
10.40	

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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)

- 12.1 Statement of Computation of Ratio of Earnings to Fixed Charges.
- 21.1 List of Subsidiaries of New Residential Investment Corp.
- 23.1 Consent of Ernst & Young LLP, independent registered public accounting firm.
- 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 *

Table of Contents

Exhibit Number	Exhibit Description
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 Amended and Restated Receivables Sale Agreement and Amended and Restated Receivables Pooling Agreement are substantially identical in all material respects, except as to the parties thereto, to the Amended and Restated Receivables Sale Agreement and Amended and Restated Receivables Pooling Agreement that are filed as Exhibits 10.38 and 10.39, respectively, hereto and are being omitted in reliance on Instruction 2 to Item 601 of Regulation S-K:

Amended and Restated Receivables Sale Agreement among Nationstar Mortgage LLC, as initial receivables seller and as servicer, Advance Purchaser LLC, as receivables seller and as servicer, and NRZ Servicer Advance Facility Transferor CS, LLC (f/k/a Nationstar Servicer Advance Facility Transferor, LLC 2013-CS), as depositor, dated as of December 17, 2013.

Amended and Restated Receivables Pooling Agreement between NRZ Servicer Advance Facility Transferor CS, LLC, as depositor, and NRZ Servicer Advance Receivables Trust CS (f/k/a Nationstar Servicer Advance Receivables Trust 2013-CS), as issuer, dated as of December 17, 2013.

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.

Item 16. Form 10-K Summary.

None.

211

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, as amended, 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
Chairman of the Board

February 21, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following person on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Michael Nierenberg Michael Nierenberg Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer) February 21, 2017	By: /s/ Nicola Santoro, Jr. Nicola Santoro, Jr. Chief Financial Officer and Treasurer (Principal Financial Officer) February 21, 2017
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By: /s/ Kevin J. Finnerty Kevin J. Finnerty Director February 21, 2017	By: /s/ Jonathan R. Brown Jonathan R. Brown Chief Accounting Officer (Principal Accounting Officer) February 21, 2017
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By: /s/ Douglas L. Jacobs
Douglas L. Jacobs
Director
February 21, 2017

By: /s/ Robert J. McGinnis
Robert J. McGinnis
Director
February 21, 2017

By: /s/ David Saltzman
David Saltzman
Director
February 21, 2017

By: /s/ Andrew Sloves
Andrew Sloves
Director

February 21, 2017

By: /s/ Alan L. Tyson
Alan L. Tyson
Director
February 21, 2017

212

Table of Contents

SPECIAL NOTE REGARDING EXHIBITS

In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, 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 the Company or 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 Annual Report on Form 10-K and the Company's other public filings, which are available without charge through the SEC's website at <http://www.sec.gov>. See "Business—Corporate Governance and Internet Address; Where Readers Can Find Additional Information."

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.

Table of Contents

Exhibit Index

Exhibit Number	Exhibit Description
2.1	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)
2.2	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)
2.3	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)
2.4	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)
2.5	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)
2.6	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)
2.7	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)
3.1	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)
3.2	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)
3.3	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 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)

Table of Contents

Exhibit Number	Exhibit Description
4.5	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)
4.6	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)
4.7	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)
4.8	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)
4.9	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)
4.10	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)
4.11	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)

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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)

Table of Contents

Exhibit Number	Exhibit Description
4.16	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)
4.17	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)
10.1	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)
10.2	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)
10.3	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)
10.4	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)
10.5	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)
10.6	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)
10.7	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)
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)
- 10.14 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)
- 10.15 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)

Table of Contents

Exhibit Number	Exhibit Description
10.16	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)
10.17	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)
10.18	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)
10.19	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)
10.20	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)
10.21	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)
10.22	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)
10.23	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)

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- 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)
- 10.31 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)
- 10.32 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)

Table of Contents

Exhibit Number	Exhibit Description
10.33	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)
10.34	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)
10.35	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)
10.36	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)
10.37	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)
10.38	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)
10.39	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)
10.40	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)
12.1	Statement of Computation of Ratio of Earnings to Fixed Charges.
21.1	List of Subsidiaries of New Residential Investment Corp.
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm.
31.1	Certification of Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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- 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 Amended and Restated Receivables Sale Agreement and Amended and Restated Receivables Pooling Agreement are substantially identical in all material respects, except as to the parties thereto, to the Amended and Restated Receivables Sale

Table of Contents

Agreement and Amended and Restated Receivables Pooling Agreement that are filed as Exhibits 10.38 and 10.39, respectively, hereto and are being omitted in reliance on Instruction 2 to Item 601 of Regulation S-K:

Amended and Restated Receivables Sale Agreement among Nationstar Mortgage LLC, as initial receivables seller and as servicer, Advance Purchaser LLC, as receivables seller and as servicer, and NRZ Servicer Advance Facility Transferor CS, LLC (f/k/a Nationstar Servicer Advance Facility Transferor, LLC 2013-CS), as depositor, dated as of December 17, 2013.

Amended and Restated Receivables Pooling Agreement between NRZ Servicer Advance Facility Transferor CS, LLC, as depositor, and NRZ Servicer Advance Receivables Trust CS (f/k/a Nationstar Servicer Advance Receivables Trust 2013-CS), as issuer, dated as of December 17, 2013.

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.